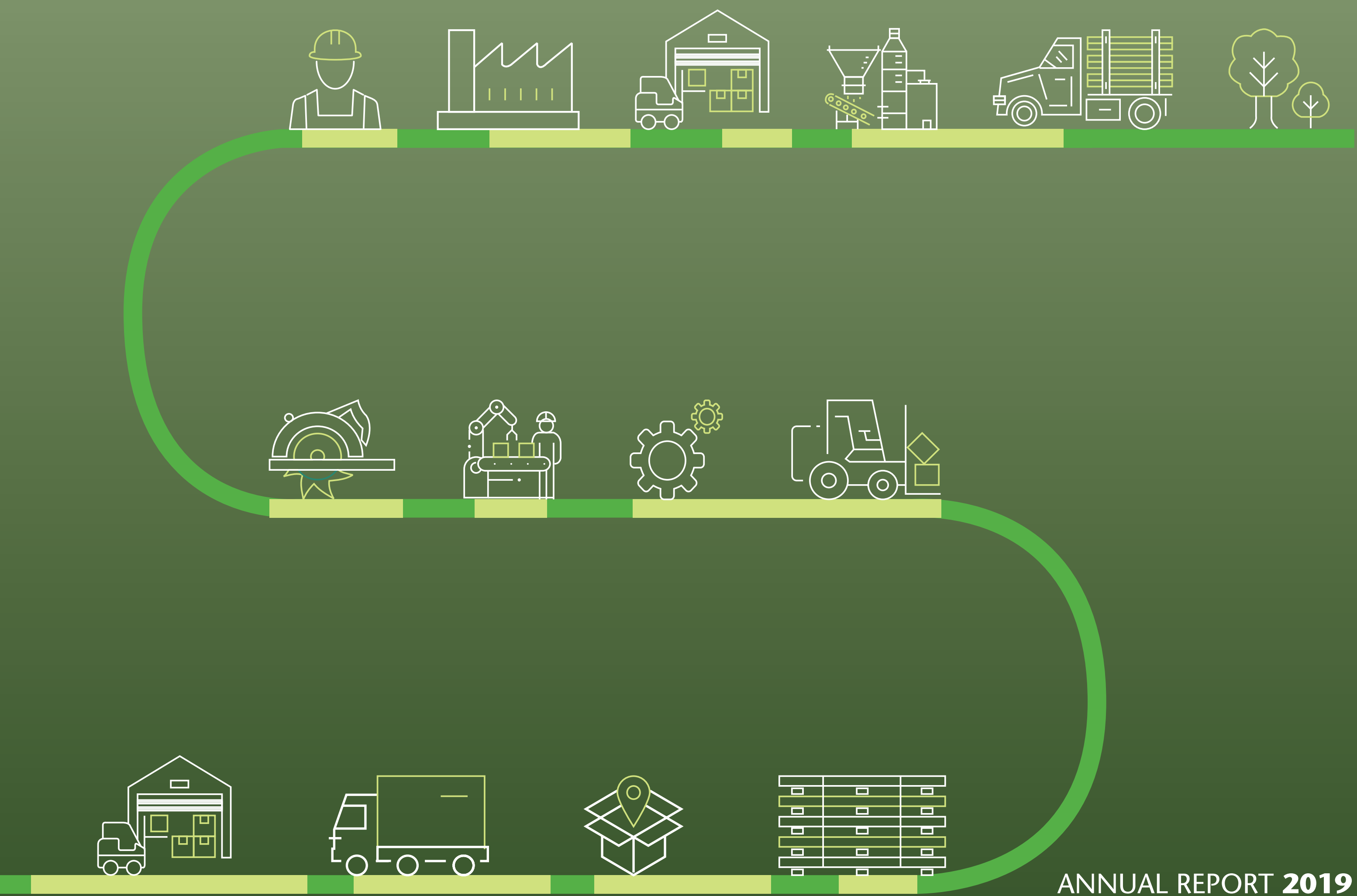
HeveaBoard Berhad

Registration No: 199301020774 (275512-A)

Saving Resources, Sustaining Environment



ANNUAL REPORT **2019**

What's Inside

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

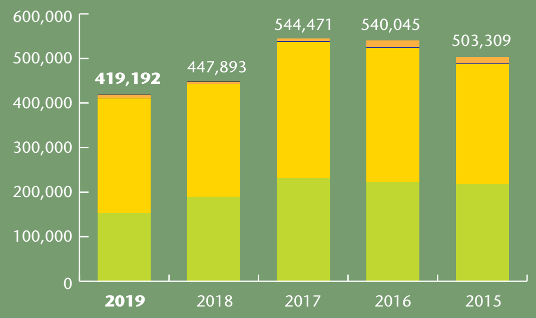
- Optimise returns for shareholders of HeveaBoard through enhanced growth and efficiency

Cover Rationale

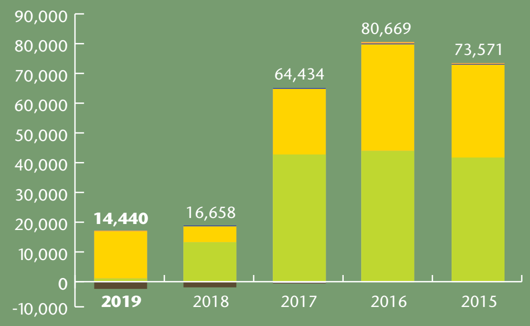
This journey concept represents our determination in moving towards a more sustainable future for our business by enhancing efficiency and reducing wastage. The cover features different icons representing our businesses along the journey line to portray our commitment to sustaining the environment by maximising our resources.

5-Year Financial Highlights

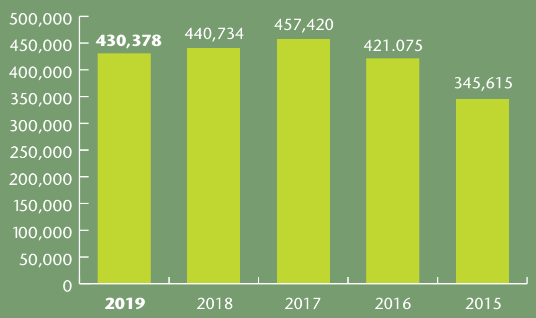
Turnover (RM'000)



Profit After Tax (RM'000)



Net Assets (RM'000)



Net Earnings Per Share (sen)

HeveaBoard HeveaPac HeveaMart BocoWood Hevea OSB HeveaGro

	2019	**2018**	**2017**	**2016**	**2015**
Turnover (RM'000)	**419,192**	447,893	544,471	540,045	503,309
Profit Before Tax (RM'000)	**15,994**	13,578	65,945	90,296	82,834
Tax (RM'000)	**(1,554)**	3,080	(1,511)	(9,627)	(9,263)
Profit After Tax (RM'000)	**14,440**	16,658	64,434	80,669	73,571
Share Capital (RM'000)	**159,429**	158,420	157,900	125,288	109,082
Net Assets (RM'000)	**430,378**	440,734	457,420	421,075	345,615
Net Assets Per Share (RM)*	**0.76**	0.79	0.82	0.84	0.79
				**	**
Interim Dividend **	**3.00**	3.60	4.80	4.60	1.75
				**	**
Proposed Final Dividend **	**1.00**	1.40	2.00	2.50	1.00
Net Earnings Per Share (sen)***	**2.57**	2.98	11.96	17.27	17.94

* 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 comparatives have been restated to account for the subdivision of every one (1) ordinary share of RM1.00 each into four (4) ordinary shares of RM0.25 each (share split) which was completed on 24 July 2015.

*** The net earnings per share is arrived at by dividing the Group's profit attributable to shareholders by the assumed weighted average number of ordinary shares (share split) in issue during the financial year. In accordance to MFRS 133 Earnings Per Share, the comparatives have been restated to account for the subdivision of every one (1) ordinary share of RM1.00 into four (4) ordinary share of RM0.25 each (share split) which was completed on 24 July 2015.

Management Discussion & Analysis

Dear Valued Shareholders,

On behalf of the Board of Directors of **HeveaBoard Berhad** ("**HeveaBoard**" or "the Group"), I have the pleasure in presenting to you our 2019 Annual Report and Audited Financial Statements for the Financial Year Ended 31 December 2019 ("FYE 2019").

Yoong Hau Chun
Group Managing Director

Financial Performance

2019 proved to be a very challenging year for the global economy due to the uncertainty associated with the on-going trade war between China and the United States ("US"). Asia's economic growth which is typically tied to the global industrial cycle, has also been dampened by the US-China trade war. Despite the global headwinds, **HeveaBoard** remained resilient due to our business strategies and efforts made in efficiencies improvement over the years, coupled with our focus on developing higher value products and efficient cost management in all sectors.

With such trials and tribulations in the global environment, **HeveaBoard** recorded a lower total revenue of RM419.2 million in FYE 2019 as compared to the preceding year of RM447.9 million, representing a decrease of 6.41%. Our ready-to-assemble ("RTA") sector emerged the largest contributor to the Group's top line with RM265.9 million or 63.43% of the Group's total revenue. The particleboard and fungi cultivation sectors meanwhile contributed RM152.5 million and RM0.8 million, representing 36.38% and 0.19% respectively, to the Group's total revenue.

The Group reported a higher profit before tax ("PBT") of RM16.0 million, an increase of RM2.4 million or 17.64%, as compared to the preceding year. The particleboard sector contributed RM3.2 million to the Group's PBT, a decrease of RM10.1 million or 75.93% from the preceding year, while the RTA sector contributed RM15.3 million, a substantial increase of RM13.0 million or 565.21% over the preceding year. On the other hand, our fungi cultivation sector reported a loss before tax of RM2.5 million, a further Increase of the loss by RM0.5 million or 25.0% from the preceding year.

The lower revenue and PBT registered for the particleboard sector was mainly attributed to the soft market sentiment caused by the US-China trade war and higher inter-company sales to RTA sector in FYE2019 and lower average selling price caused by the challenging market conditions.

In contrast, our RTA sector's substantial increase in revenue and PBT were due to improved production efficiencies and better cost management which resulted in lower operating costs. On top of that, better US dollar and Malaysian Ringgit exchange had also played a positive role on the profit margin.

Moving on to our fungi cultivation sector, the fairly new business sector recorded a significant increase in revenue of RM0.4 million or 102.64% to RM0.8 million as compared to the preceding year. However, the sector suffered a higher loss before tax due to higher expenses incurred in retrofitting of the production line. In addition to this, we had also embarked on an intensive research & development, marketing and promotional initiatives which had resulted in higher costs incurred during the year, in order to increase awareness of the *Eryngii* mushroom in the local market.

Dividend Policy

The Group has been consistently paying dividend to our shareholders for 21 consecutive quarters since FYE 2014 with dividend payouts far exceeding our dividend policy of no less than 30% of our Profit After Tax ("PAT"). A single-tier first, second and third interim dividends of 1.0 sen per ordinary share each in respect of

"We believe that the Group will remain sustainable as we continue to strengthen our focus in quality and productivity."

RM16.0million
Profit Before Tax

RM419.2million
Revenue

4.0 Sen
Dividend

FYE 2019 were paid on 7 October 2019, 22 January 2020 and 10 April 2020 respectively amounting to a total of about RM16.88 million. The Group also proposed a Final Dividend of 1.0 sen per ordinary share to be approved in the upcoming Annual General Meeting, culminating in a total of 4.0 sen per ordinary share or RM22.56 million for FYE 2019.

Business Operations & Efficiencies

HeveaBoard

HeveaBoard's operational focus of differentiation through the production of high quality and environmental-friendly products continues to be at the forefront of our business strategy. We remain consistent with our vision of producing environmentally friendly products by focusing on the development of our green range, the no-added formaldehyde ("NAF") products while simultaneously reducing our carbon footprint.

Current disturbances in the particleboard market such as shortage of raw materials due to wet weather, lower average selling price due to soft market sentiment, coupled with the trade war between the US and China had impacted the Group's bottom line. However, we believe that the Group will remain sustainable as we continue to strengthen our focus in quality and productivity.

HeveaPac

We are also actively pursuing new product and market developments as well as further automation to improve productivity and optimise efficiencies in the RTA sector. In 2019, we had invested a further RM2 million on automation and upgrading of our existing machines in order to ensure optimised operational efficiency throughout the year. Meanwhile, in 2020, we will allocate a further RM3.2 million for automation and general improvements to the factory.

HeveaGro

2019 marked a year since we began our foray into the fungi cultivation sector. During the past months, in our pursuit to develop the sector, we have applied and have been granted the MyOrganic certification, an endorsement of our organic cultivation method, issued by the Malaysian Department of Agriculture. Under the certification, our products are organically assured, free of any unwanted chemical residue, and in full compliance with the Malaysian Organic Standard. In

Management Discussion & Analysis (Continued)

addition to this, we have also ramped up our marketing efforts and expanded our distribution channels. We have also been focusing on increasing awareness on the benefits of *Eryngii* mushroom for a healthy lifestyle through collaborations with several prominent restaurant chains to incorporate our *Eryngii* mushroom into their menu. Although the start of our *Eryngii* mushroom operation has been challenging, we believe we have made good headway from our learning curve, and we have begun to see the desired results that we have hoped for. We are confident that penetrating into the consumer market with *Eryngii* mushroom will bring about vast potential and the effort that we have expended will bear fruit in the future.

Corporate Development

On 10 May 2019, the Group had announced the deregistration of a subsidiary, **HeveaBoard** Eco Panel (Haimen) Co. Ltd. which was incorporated on 8 June 2018 in the Republic of China. The principal activity of **HeveaBoard** Eco Panel is decorative panel processing and distribution of panel related products. The deregistration was due to the ongoing US-China trade war which has dampened the business sentiments in China, thus rendering the need to review the timing of setting up this subsidiary.

Industry Outlook & Company Prospect

Even with the uncertainties affecting global growth and economic activities, the Group remains resilient with the constant supply and demand within the particleboard and RTA furniture sectors to the international market. With the ongoing US-China trade war, exacerbated by the Covid-19 pandemic, we are anticipating headwinds from our major export markets like China, Japan and Korea. Having said that, we are prepared to face any challenges coming our way through the strategies we will put in place to minimise any adverse impacts.

Meanwhile, within the fungi cultivation sector, the Group has begun to find its footing in the consumer market as seen via the increase in revenue in FYE 2019 as compared to the preceding year. In order to develop the segment further, we are actively conducting marketing exercises to create awareness of the *Eryngii* mushroom in the local market and pursuing new product development and we are optimistic that our hardwork will come to fruition in the near future.

As such, we are confident that barring any further external factors beyond our control, we will continue to perform reasonably well in 2020.

Appreciation

On behalf of the Board and Management, we would like to thank our stakeholders, business associates, customers, regulators and relevant authorities for their steadfast support to the Group. It is our hope that they will continue to work with us especially during this period of uncertainty.

My heartiest thanks to the management and staff of the Group for the loyalty, commitment and dedication to ensure the Group runs smoothly while we work together to grow to greater heights of success.

YOONG HAU CHUN
Group Managing Director

Sustainability Statement

"We aim to continuously improve the way we operate to prevent incidents, identify, mitigate and minimise the adverse environmental and social impacts across our facilities."

Dear valued shareholders,

As social issues like climate change, inequality and lack of diversity amongst others take on greater prominence in today's modern world, the global economy and the society at large, place an increasing emphasis on initiatives toward resolving them. In response to this, individuals as well as corporations are urged to play a role to ensure that this goal is achieved. As a global corporation, **HeveaBoard Berhad** ("**HeveaBoard**" or "the Group") has in place sustainability initiatives and goals encompassing areas of environmental, social and governance designed to meet the expectations of society and stakeholders.

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, identify, mitigate and minimise the adverse environmental and social impacts across our facilities.

Our sustainability initiatives come under the purview of our Sustainability Committee which is led by our Group Managing Director, and comprised of 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.

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 actively conducting weekly walk-in job interviews for local job seekers as part of our effort to drive a shared and sustainable economic growth while simultaneously equipping the local communities with marketable skill-sets.

Sustainability Statement (Continued)

Our passion for empowering the local community also extends beyond this as we welcomed interns under our internship placement programme. The students were from various institutions of higher learning with disciplines in Electrical & Mechanical Engineering, Finance, Human Resources, Applied Chemistry & Science, Information Technology and Wood Industry. Throughout the internship period, the students were assigned according to their chosen fields and encouraged to work with our employees as they apply the acquired knowledge to real work situations. Furthermore, the Group had also participated in several career fairs organised by institutes of higher learning which had allowed us access to a large pool of viable candidates for employment. Continuing this passion for education, we had also hosted academic visits for Universiti Putra Malaysia and Universiti Teknologi Malaysia students at our factory in Gemas, where students were led on a factory tour and educated on the manufacturing processes of particleboards.

The Group had also hosted visits for kids with special needs from Persatuan Suri dan Anggota Wanita Perkhidmatan Awam Malaysia ("PUSPANITA") and Pusat Anak Permata Negara, Gemencheh which saw the children trying their hands out at harvesting the *Eryngii* mushrooms in our HeveaGro plant.

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 organise several charitable initiatives throughout the year. Over the course of the year, we had collected useful items from our employees and the Management which were donated to the orphans and underprivileged of the Kariah Jamek Gemas, donated food including HeveaGro's *Eryngii* mushrooms, and school materials to the underprivileged students of Sekolah Jenis Kebangsaan Tamil Ladang Sungai Kelamah, Gemas, Sekolah Jenis Kebangsaan Cina, Gemas, the Persatuan Ibu Bapa dan Guru ("PIBG") of Sekolah Jenis Kebangsaan

Tamil, Gemas for school functions as well as to the Gemas' Hindu Temple to feed the underprivileged.

Apart from that, we had also sponsored sports jerseys for the Bomba Sports Club as well as sponsorship for the Polis Diraja Malaysia ("PDRM") Kontinjen Negeri Sembilan for their Kejohanan Olahraga dan Tarik Tali Piala Ketua Polis Negara 2019. Continuing along this line, we had also jointly collaborated with several organisations such as Hospital Besar Segamat to organise Blood Donation programme, Klinik Kesihatan Gemas to hold health screening session as well as the Kuala Pilah branch of the Social Security Organisation ("SOCSO") for a talk on the importance of SOCSO.

Environmental Impact

Our commitment to environmental sustainability is embedded within our corporate culture. It is our pledge to show exemplary environmental responsibilities by conducting our businesses in a manner consistent with sound environmental practices. We take steps to understand, reduce or avoid the environmental impacts occurring along our value chain while creating the best products for our customers. To that end, we have in place several energy management and green initiatives which are practiced across the board.

For a start, the Group had switched from fluorescent lights to Light Emitting Diodes ("LED") in all of its factories, showrooms and the surrounding street lights. LEDs, which are renowned for its energy-efficient feature, will help the Group save on electricity significantly as compared to using of fluorescent lights. Since we began this initiative in 2016, the Group had already installed over 1,500 units of LED light of various types.

Our cost-saving initiatives continues with the use of absorption chillers in the particleboard sector whereby it recovers waste heat to produce chilled water at 6°C to 7°C which is then used in the production process. As a result, we managed to save close to RM200,000 worth in electricity consumption in 2019. On top of this, we have also saved 1,400,000 litres of water that would have evaporated but instead was used to regenerate the absorption fluid in the absorption chiller.

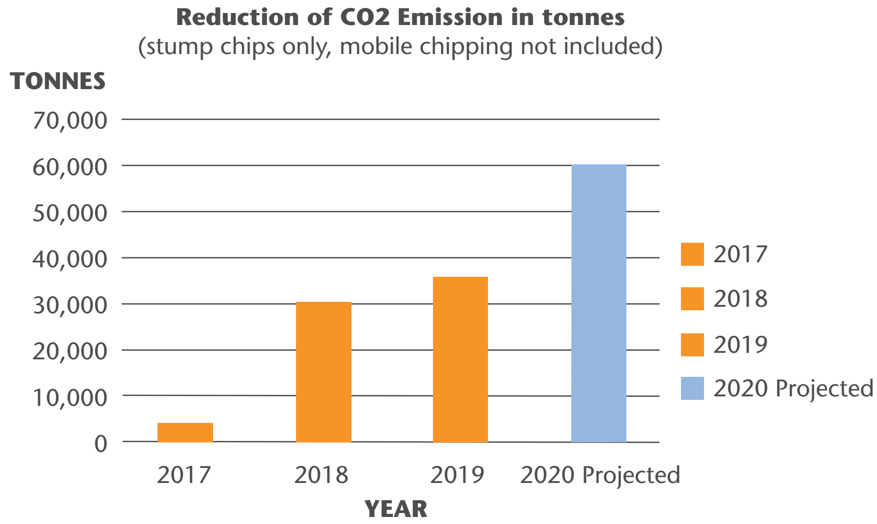
The particleboard sector had also managed to save about RM20,000 of electricity, for the year under review, through the replacement of conventional motors with EE rated motors. The shift of motors from

IE1 (Standard Efficiency) to IE2 motors (High Efficiency) have not only resulted in increased efficiency but also a reduced power consumption by 54,599kWh. The particleboard sector, which has been certified ISO 50001 Energy Management System since 2014, have an established energy policy to save 3% or approximately RM500,000 of energy cost over a three-year period.

Our commitment to reducing our carbon footprint remains an essential element of our business activities. One of our most significant initiatives to conserve the environment continues with our increased use of 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 over the years invested in cutting-edge technology and perfected ways to recover and re-use rubber tree stumps in the production of our particleboard. In FY2019, over 36,258 tonnes of CO2[1] have been prevented from being emitted into the atmosphere. To elucidate the importance of this initiative, an emission of 36,258 tonnes of CO2 would require an estimated 1,648,000 trees[2] to absorb the CO2 emitted from open burning. Continuing on this effort, in 2020, we are estimating another 60,000 tonnes of CO2 will be further prevented from being emitted into the atmosphere as we aim to reuse a higher amount of rubber tree stumps.

Notes

1) *Burning 1 kg of wood will release 1.65 to 1.8 kg of CO2 (source:https://paperonweb.com)*
2) *On average 1 tree will absorb 22kg of CO2 from the atmosphere in one year (source: urbanforestrynetwork.org). Therefore to absorb 36,258 tonnes of CO2, number of trees needed (1000kg/22kg = 1.648 million of trees)*



Source: **HeveaBoard** *Stump chips record*

On a similar note, we have also been actively reducing the amount of greenhouse gases emitted through our ongoing efforts in the logistics area. As an export-oriented company, HeveaBoard hauls more than 1,000 twenty-foot equivalent units ("TEU") of containers every month and through constant improvements by way of maximising our carrying capacity, we have managed to reduce the number of trips needed. The reduction in trips can be translated into more than 200,000 litres of diesel fuel saved each year which is equivalent to fuelling 3,600 average sized family cars.

Yearly, the particleboard sector produces approximately 8,000 square metre (m^2) of non-biodegradable surface finishing consumables waste. Instead of disposing it in a landfill, we have adopted the policy of reduce, reuse and recycle principle in order to salvage these consumables and reusing them as friction material lined inside containers to prevent cargo movement. This initiative has saved approximately 100 kilometres in length of the polyester ("PET") strapping material per annum that would otherwise be needed for securing the cargoes.

Moving forward, one of the most noteworthy green initiatives that we will undertake in future will be our plan to install a total installed capacity of 2,000 kilowatt (peak) Solar Photo Voltaic panels at our RTA factory, if all goes well and application be approved, we foresee it will commence towards early 2021. At the same time, we also look forward to obtaining the Carbon Footprint Certification which was unfortunately deferred to 2020 due to the need for SIRIM to develop the new standards for the wood industry at the end of 2019. The certificate issued by SIRIM QAS Malaysia will provide an accurate carbon footprint of the Group's Greenhouse Gas Inventory which will allow us to monitor our carbon footprint to ensure that it aligns with leading reporting standards.

Social Impact

Employees are the driving force for the sustainable growth of HeveaBoard, and our diverse body of employees is a valuable resource for the company. At HeveaBoard, great importance is placed on the establishment of a workplace where employees can demonstrate their potential to the fullest, and which is truly inclusive. In line with this, the Group has made the promotion of diversity and inclusion as one of its corporate strategies.

Workforce by Gender

Indicator	***FYE 31 December 2019***	
Gender	**Number**	**%**
Male	2,281	89.10
Female	279	10.90
TOTAL	2,560	100.00

Sustainability Statement (Continued)

Workforce by Level and Gender

Indicator	*FYE 31 December 2019*	
Senior Management	**Number**	**%**
Male	16	72.73
Female	6	27.27
TOTAL	22	100.00
Factory Workers	**Number**	**%**
Male	2,265	89.24
Female	273	10.76
TOTAL	2,538	100.00

Workforce by Age Group

Indicator	*FYE 31 December 2019*	
Senior Management	**Number**	**%**
< 40	6	27.27
41 - 50	11	50.00
> 50	5	22.73
TOTAL	22	100.00
Factory Workers	**Number**	**%**
< 20	88	3.47
21 - 30	1,183	46.61
31 - 40	922	36.33
41 - 50	254	10.01
51 - 60	85	3.35
> 60	6	0.23
TOTAL	2,538	100.00

Workforce by Contract Type

Indicator	*FYE 31 December 2019*	
Contract Type	**Number**	**%**
Permanent employees	2,302	89.92
Contract employees	258	10.08
TOTAL	2,560	100.00

Workforce by Nationality

Indicator	*FYE 31 December 2019*	
Nationality	**Number**	**%**
Malaysian	833	32.54
Foreigner	1,727	67.46
TOTAL	2,560	100.00

Workforce by Level of Skill

Indicator	*FYE 31 December 2019*	
Skill Level	**Number**	**%**
High	578	22.58
Low	1,982	77.42
TOTAL	2,560	100.00

The Group takes cognisant of the recommendation to have gender diversity in the boardroom, thereby it takes steps to ensure that women candidates are sought as part of its recruitment exercise. However, as we continue to actively build on diversity with a focus on gender, it is particularly challenging to achieve a satisfactory gender balance in all fields of business activity due to the nature of our industry. Despite this, we continue to support the advancement of women in our industry through initiatives and measures that promote diversity and equal opportunities. Currently, HeveaBoard's Board of Directors comprise nine members made up of eight males and one female.

As the value chains of global corporations expand, the society at large is ever more concerned about respect for human rights and how organisations affect them. We believe that the human rights of all stakeholders must be respected and all employees must uphold the highest ethical standards. In line with this, the Group instils in our management and employees the necessity to conduct ethical, social and environmentally conscious business activities at every level of our supply chain as a sign of respect to every single supplier, contractor and other business partner that we work with. We are proud to acknowledge that in 2019, there were no incidents on discrimination nor complaints about human rights issues lodged within the Group.

We pride ourselves in our on-going efforts to enhance our employees' welfare. Our efforts to protect our employees' welfare and to provide them with excellent work-life benefits were recognised by Employees Provident Fund ("EPF") who awarded the particleboard sector with the Best Employer Award 2019 for exemplary compliance and prompt remittance in contributing to EPF for the year of 2018 to 2019.

Our employee benefits program includes leave entitlement such as annual, medical, maternity and paternity, calamity, compassionate and examination leave. On top of that, we also provide allowances and coverage by SOCSO as well as Personal Accident Insurance, Hospitalisation and Surgical Insurance coverage. Our employee welfare program also includes initiatives that promote convenience within our workforce such as the establishment of an in-house clinic and an automated teller machine ("ATM") within the RTA factory's compound. Currently, the RTA's hostel houses a total of 1,400 employees and is equipped with an in-house grocery store where items sold are subsidised by the Company so that workers can benefit from cheaper goods. The RTA sector had recently invested over RM500,000 in upgrading the facilities of the workers' hostel.

As a Group, we understand the importance of empowering our employees through professional development programmes. To this end, the Group has in place the Education Assistance Programme where the Group subsidises employees pursuing professional development. At the moment, four of our employees are pursuing a Postgraduate Master's Degree in Science & Technology program, a chargeman (BO limited) professional certification program by the Energy Commission, a Professional Diploma in Industrial Operations Management and a certified Energy Manager by Asean Energy Management Scheme ("AEMAS"). Not only that, 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 Authorised Gas Tester and Entry for Supervisors for Confined Space at the National Institute of Occupational Safety and Health, Certified Environmental Professional in Scheduled Waste Management, Radiation Protection Officer, Device Commissioning Flow Metre by Endress+Hauser, Lubricant Training for Production and Engineering Team by MATRIX and Conveyor Maintenance Belt and Joining Training for Production and Engineering Team by UMC Corporation. We have also made available training rooms in the office to conduct namely quality control training, teamwork training and safety training by qualified external trainers.

The safety and health of our employees is core to our relentless pursuit of sustainable value creation. We maintain and continuously develop health and safety welfare at work, by evaluating and analysing the risks that can affect our employees, and managing them responsibly. In keeping with this, 48.8% of our employees had undergone safety and health training in 2019, which represents an increase of 26.8% in attendance, as compared to 2018. We regularly conduct emergency situation drills to familiarised our employees with potential risks and prepare them on the necessary actions to take should they be faced with similar situation. As a result of this, we are able to report that in the year under review, 23 work-related injuries were reported and no fatalities recorded.

We had also established a Firefighting Team whose members are provided monthly emergency response exercise and briefing by the local Fire and Rescue Department of Malaysia ("FRDM"). Our commitment to safety had been acknowledged by the FRDM as they had undertaken training of our Firefighting Team for regional competitions.

In light of the recent global pandemic, COVID-19, that has been sweeping the nation, the Group has been adopting precautionary measures to prevent the spread of infection. For a start, employees and visitors are required to have their temperature taken which are then recorded daily. Employees are discourage to travel during this time and required to practice self-isolation upon return from any travels for 14 days. Other precautionary measures are the use of hand sanitisers and face masks which are provided to all entering our premises. With the recent Movement Control Order effective 18 March, HeveaBoard is in full compliance with the Government Directive.

Conclusion

As a socially responsible organisation, we believe that it is integral to listen to the society's voice and to develop a solid understanding of stakeholders' demands and ensure that both are addressed in a flexible and mutually beneficial manner. Having said that, it is our commitment to advance our sustainability initiatives through the integration of social and environmental practices as well as sustainability principles into our core business strategies as we continue to strive to become a better corporate citizen.

Corporate Structure

HeveaBoard Berhad

INCORPORATED IN MALAYSIA
[REGISTRATION NO. 199301020774 (275512-A)]

Manufacturing of particleboards and investment holding

100%
HeveaGro Sdn. Bhd.

Cultivation of gourmet fungi

100%
HeveaPac Sdn. Bhd.

Manufacturing of ready-to-assemble furniture

100%
Hevea OSB Sdn. Bhd.

Dormant

100%
HeveaMart Sdn. Bhd.

Trading of particleboards and other panel board

100%
BocoWood Sdn. Bhd.

Distribution and marketing of ready-to-assemble furniture

QUALITY SYSTEM
SIRIM
074
CERTIFIED TO MS ISO 9001 : 2000
REGISTRATION NO AR2045

ID No. WP MY 03 01

1st JIS Certified Particleboard Manufacturer In Malaysia

C.A.R.B.
93120.2(a) & 93120.12

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)
Sundra Moorthi A/L V.M. Krishnasamy
Yoong Yan Pin

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

Board of Directors

SUNDRA MOORTHI A/L V.M. KRISHNASAMY

Independent Non-Executive Chairman

Aged 76, Malaysian (Male)

A Malaysian aged 76, male, 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 Remuneration Committee. He is a member of the Audit Committee of the Company.

Mr Sundra Moorthi A/L V.M. Krishnasamy holds 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 44, Malaysian (Male)

A Malaysian aged 44, male, joined **HeveaBoard** in 2000 and was appointed as an Executive Director to **HeveaBoard** on 21 July 2000. Mr Yoong Hau Chun 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, his Alternate Director and a substantial shareholder of the Company, and the brother of Ms Yoong Li Yen, the Executive Director and a substantial shareholder of the Company. Besides, he is the brother-in-law of Mr Bailey Policarpio, a Non-Independent Non-Executive Director of **HeveaBoard**.

YOONG LI YEN

Executive Director

A Malaysian aged 43, female, was appointed as an Executive Director of the Company 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 Commercial of **HeveaBoard**. She is also the Director of HeveaPac Sdn. Bhd., HeveaMart Sdn. Bhd., Hevea OSB Sdn. Bhd. and HeveaGro 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, a Non-Independent Non-Executive Director of **HeveaBoard**. She is the daughter of Mr Tenson Yoong, the Alternate Director to Mr Yoong Hau Chun and a substantial shareholders of the Company, and sister of Mr Yoong Hau Chun, the Group Managing Director and a substantial shareholder of the Company.

LIM KAH POON

Independent Non-Executive Director

A Malaysian aged 71, male, was appointed as an Independent Non-Executive Director of **HeveaBoard** on 1 October 2004. Mr Lim Kah Poon 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 involving 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, also quoted 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 a 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**.

Board of Directors (Continued)

A Filipino aged 49, male, 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, the Executive Director, the brother-in-law of Mr Yoong Hau Chun, the Group Managing Director, and the son-in-law of Mr Tenson Yoong, the Alternate Director to Mr Yoong Hau Chun, the substantial shareholders of the Company.

A Malaysian aged 84, male, 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 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 is a Council Member of the Kuala Lumpur & Selangor Chinese Chamber of Commerce & Industry, Federation of Hakka Associations Malaysia and Wilayah & Selangor Kayin Association.

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**.

THYE HENG ONG @ TEH HENG ONG
Independent Non-Executive Director

Aged 69, Malaysian (Male)

A Malaysian aged 69, male, 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 Tender Board Committee of **HeveaBoard**.

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

Mr Thye Heng Ong @ Teh Heng Ong has more than 26 years of experience in 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/system to 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 42, Singaporean (Male)

A Singaporean, aged 42, male, 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 Armed 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 sawmill and timber industry. He has been in 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**.

Board of Directors (Continued)

YOONG TEIN SENG @ YONG KIAN SENG (TENSON YOONG)

Alternate Director to Yoong Hau Chun

Aged 73, Malaysian (Male)

A Malaysian aged 73, male, was appointed as the Alternate Director to Mr Yoong Hau Chun, 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, the Group Managing Director, and Ms Yoong Li Yen, the Executive Director and substantial shareholders of **HeveaBoard**. Mr Tenson Yoong is also the father-in-law of Mr Bailey Policarpio, 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 30 March 2020 as set out on pages 137 to 140 of this Annual Report.

Board Meeting attendance in 2019:
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.

Age:	Gender:	Nationality:
60	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 Admin 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

S.GANASEN MOORTHI
General Manager-Plant Operations

Age:	Gender:	Nationality:
62	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

ELAINE HEW
Chief Financial Officer

Age:	Gender:	Nationality:
61	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 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
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

Profile of Key Senior Management (Continued)

YOONG LI MIAN
General Manager – Corporate Services

Age:	Gender:	Nationality:
42	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
- 18 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, 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, 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

TEE CHIN LUNG
General Manager, HeveaGro Sdn. Bhd.

Age:	Gender:	Nationality:
44	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.
- 5 years as Engineer with **HeveaBoard**.

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 always ensure continuous application of the practices encapsulated in the Principles of the Malaysian Code on Corporate Governance ("MCCG") released by the Securities Commission Malaysia on 26 April 2017 which takes on a new approach to promote greater internalisation of corporate governance culture within the Company.

The Board is pleased to report that for the financial year under review, the Company has applied most of the practices of the MCCG 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, 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
  - Communication with Stakeholders
  - Conduct of General Meetings

This statement is presented in compliance with paragraph 15.25(1) of Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements and it is to be read together with the Corporate Governance Report 2019 ("CG Report") of the Company which is available on HeveaBoard's website at www.heveaboard.com.my. The CG Report discloses the details of the Company's application of each practice set out in the MCCG.

Corporate Governance Overview Statement (Continued)

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 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 the achievement of 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 in the right path and right direction in achieving the 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, effectiveness of risk management and internal control and ensures good governance culture within the organisation towards the achievement of the strategic goals and objectives.

Given 2019 was a year filled with uncertainty and unpredictability caused by, amongst others, the ongoing economic conflict between the US and China, changing government's policy on foreign workers issues and political changes that had increased risks and operating challenges for many organisation. The Board's key focus areas for the financial year in this respect was to ensure the Group and the Company remained sustainable ahead of its competition during the economic slowdown. The Board had been actively engaged with Management in order to re-visit and discuss the strategic plan, resources allocation and the risk elements, including how to manage the challenges, identify and take advantage of the opportunities that had emerged from the economic slowdown. Moving forward, the Board shall continue with its priority to ensure it discharges its governance responsibilities effectively to ensure the Group's business sustainability and to advance the interests of the shareholders and stakeholders.

While focusing on business prosperity, 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 on 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 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 who 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 enhancement of corporate governance in safeguarding the interest 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 revised the Board Charter and Terms of Reference of each of the Board Committees to align with the MCCG's Practices. These corporate governance documents had been reviewed and found to be consistent with the Company's new Constitution which was adopted on 10 June 2019.

The underlying factors of Directors' commitment to the Company are 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. None of the Directors holds directorships in more than five (5) public or public listed companies and all of them have full attendance to 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 2019 (between 1/1/2019 and 31/12/2019)			
Director	**Board meeting**	**AC meeting**	**NC meeting**	**RC meeting**
Mr Sundra Moorthi A/L V.M. Krishnasamy	5/5	5/5	–	1/1
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	1/1
Mr Bailey Policarpio	5/5	–	1/1	1/1
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 1/1/2020 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	1/1	1/1	–	–
Mr Yoong Hau Chun (Alternate Director, Mr Yoong Tein Seng @ Yong Kian Seng)	1/1	–	–	–
Ms Yoong Li Yen	1/1	–	–	–
Mr Lim Kah Poon	1/1	1/1	–	–
Mr Bailey Policarpio	1/1	–	–	–
Mr Yoong Yan Pin	1/1	1/1	–	–
Mr Thye Heng Ong @ Teh Heng Ong	1/1	–	–	–
Mr Loo Chin Meng	0/1	–	–	–

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 a right tone at the top through the way it conducts itself. The Board encourages reporting from Directors, employees, customers, suppliers, contractors, sub-contractors and other stakeholders who have dealings with the Group about unethical or fraudulent practices within the Group so that damage control or remedial action can be taken promptly. The Whistleblowing Policy has been put in place since August 2015.

The Board always keep 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 2019 corporate governance practices, 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, except Practice 4.5 on policies on gender diversity, its targets and measures to meet those targets; Practice 7.2 on disclose on name basis the top five (5) senior management's remuneration in the band of RM50,000 and the Step Up under Practice 7.3 to fully disclose the remuneration of each member of senior management in name basis, Practice 11.2 on adoption of integrated reporting based on a globally recognised framework and Practice 12.3 on leverage of technology to facilitate voting in absentia and remote shareholders' participation in general meetings.

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

The **key focus areas** of the Board in relation to corporate governance on Board's responsibilities during the financial year was in ensuring Board's effectiveness in governance responsibilities on the Group's performance so that Group remain sustainable in the market and the shareholders' and stakeholders' interests were protected. Besides, the Board continued with its various measures to achieve sufficient gender diversity for Board and Management. Although the gender diversity policy has not been formalised, there is a female Executive Director on the Board, whilst the Senior Management consists of 2 female personnel. There is no gender discrimination on recruitment and promotion.

Moving forward, the **future priorities** of the Board are to ensure Board effectiveness and continues with its effort in enhancing its gender diversity. Besides that, the Board will keep an eye on the market development on corporate governance and enhance 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 Practices to meet the Board's needs and stakeholders' expectations.

In order to ensure effective and efficient discussion and decision-making as well as smooth flow of meeting, 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 finalised 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 prior to the meeting. However, 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 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 right group of people of diverse backgrounds, qualifications, skills, business and industry knowledge, expertise and experience, enables 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 shareholders.

In recognition of the spirit and intention of the MCCG to strengthen board composition, independence, accountability and transparency, the Board has applied Practice 4.1 of the MCCG 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 continues 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.

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 individual Director. In order 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. Therefore, there was no recruitment activity performed by the Nomination Committee.

It is essential to assess the performance of the Board, Board Committees and each individual 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 to conduct the annual assessment. The assessment is internally facilitated. The process and criteria of assessment is disclosed in the CG Report under Practice 5.1. Based on the assessment conducted in November 2019, 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 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 their duties and responsibilities.

The outcomes of the annual assessment were also 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 Independent Director is increasingly recognised as a key element in the review of 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 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 for retention of its Independent Director. 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 10 June 2019, the Board continued with the good corporate governance practice to seek shareholders' approval for retention of its Independent Non-Executive Director who had served the Board for a cumulative term of more than nine (9) years since 1 October 2004. Since the Independent Non-Executive Director of the Company had served the Board for more than twelve (12) years, shareholders' approval was obtained through a Two-Tier Voting Process at the last AGM according to Practice 4.2 of the MCCG. The Board intends to seek shareholders' approval again at the forthcoming AGM of the Company for retention of Mr Lim Kah Poon as an Independent Director.

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 continue to source for female Directors in future recruitment exercise. During the financial year, the Board had not formalised its Board Gender Diversity Policy alongside targets and measures. 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 and has taken various measures to achieve sufficient board 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 Nomination Committee opined that the training programs should be identified based on the changing market trend, direction of business environment and regulatory requirements. Each Director may identify and propose his/her own training needs accordingly. 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 5.1.

Corporate Governance Overview Statement (Continued)

Director	Event/Session/Training Programme Attended
Mr Sundra Moorthi A/L V.M. Krishnasamy	• Risk Management Workshop • Securities Commission Malaysia Case Study Workshop for Independent Directors
Mr Yoong Hau Chun	• Risk Management Workshop
Ms Yoong Li Yen	• Risk Management Workshop
Mr Lim Kah Poon	• Risk Management Workshop • Bursa Securities' programme – Demystifying The Diversity Conundrum: The Road to Business Excellence • Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees
Mr Bailey Policarpio	• Risk Management Workshop
Mr Yoong Yan Pin	• Risk Management Workshop • MIA's Engagement Session with Audit Committee Members on Integrated Reporting • Bursa Securities' programme – Demystifying The Diversity Conundrum: The Road to Business Excellence
Mr Thye Heng Ong @ Teh Heng Ong	• Risk Management Workshop • MIA's "Directors' Dialogue with Jonathan Labrey on Integrated Reporting"
Mr Loo Chin Meng	• Risk Management Workshop

3. Remuneration

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

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 taking into consideration relevant factors including the function, workload and responsibilities involved. It should be aligned with market norms by taking into account the comparable roles among other similar organisation and industry. It has been used as guidance for the Remuneration Committee in its review and recommendation of remuneration packages of Directors and Senior Management.

In recognition that policy on remuneration and decisions should be made through a transparent and independent process, the Board had in 2018 revised the composition of the Remuneration Committee to consist only Non-Executive Directors and a majority of them Independent Directors to align with Guidance 6.2 of the MCCG. 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 conduct of an annual review of the remuneration packages of the Directors and Senior Management before recommending the remuneration packages for 2020 to the Board for its approval for implementation. During the review, the Remuneration Committee received reports from the Managing Director on the performance of the Group and the Company as well as his proposals on remuneration. Based on the reports and proposals, the Remuneration Committee ensured that the remuneration packages to be recommended to the Board were commensurate 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 2020 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 7.1 of the MCCG to disclose Directors' remunerations on named basis for individual Directors with detailed remunerations breakdown. It is also disclosed in the CG Report under Practice 7.1.

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 2019 are disclosed below:-

COMPANY

Non-Executive Directors (RM'000)

No.	Name	Directors' Fees	Other Emoluments	Total
1	Mr Sundra Moorthi A/L V.M. Krishnasamy *(Independent Non-Executive Chairman)*	101	nil	101
2.	Mr Lim Kah Poon *(Independent Non-Executive Director)*	83	72	155
3.	Mr Bailey Policarpio *(Non-Independent Non-Executive Director)*	76	nil	76
4.	Mr Yoong Yan Pin *(Independent Non-Executive Director)*	76	nil	76
5.	Mr Thye Heng Ong @ Teh Heng Ong *(Independent Non-Executive Director)*	76	nil	76
6.	Mr Loo Chin Meng *(Non-Independent Non-Executive Director)*	83	87	170

Group Managing Director and Executive Director (RM'000)

No.	Name	Salary	Bonus	EPF	Retirement Benefit	Benefits in-kind	Other Allowance	Total
1.	Mr Yoong Hau Chun *(Group Managing Director)*	1,091	43	170	91	28	nil	1,423
2.	Ms Yoong Li Yen *(Executive Director)*	823	65	144	69	nil	72	1,173

GROUP

Non-Executive Directors (RM'000)

No.	Name	Directors' Fees	Other Emoluments	Total
1	Mr Sundra Moorthi A/L V.M. Krishnasamy *(Independent Non-Executive Chairman)*	101	nil	101
2.	Mr Lim Kah Poon *(Independent Non-Executive Director)*	83	72	155
3.	Mr Bailey Policarpio *(Non-Independent Non-Executive Director)*	76	nil	76
4.	Mr Yoong Yan Pin *(Independent Non-Executive Director)*	76	nil	76
5.	Mr Thye Heng Ong @ Teh Heng Ong *(Independent Non-Executive Director)*	76	nil	76
6.	Mr Loo Chin Meng *(Non-Independent Non-Executive Director)*	83	87	170

Corporate Governance Overview Statement (Continued)

Group Managing Director and Executive Director (RM'000)

No.	Name	Salary	Bonus	EPF	Retirement Benefit	Benefits in-kind	Other Allowance	Total
1.	Mr Yoong Hau Chun *(Group Managing Director)*	1,091	43	170	91	28	nil	1,423
2.	Ms Yoong Li Yen *(Executive Director)*	823	65	144	69	nil	72	1,173

However, the Board deemed is 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 as a good corporate governance practice, it would be commercially disadvantageous for the Company to reveal these 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 Resources will regularly review and benchmark employees' compensation to ensure that the remuneration packages are competitive and adequate to employees.

PRINCIPLE B
EFFECTIVE AUDIT AND RISK MANAGEMENT

1. Audit Committee

The Board has always been mindful to uphold an independent element in its Audit Committee. An effective Audit Committee can bring transparency and independent judgement that are 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. The Board in its effort to raise the bar of corporate governance standard had applied Practice 8.4 – Step Up of the MCCG 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. 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 practice of the Company 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 who is an Independent Non-Executive Director. The Board is chaired by Mr Sundra Moorthi A/L V.M. Krishnasamy who is 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 rule through various channels so that they are able to assume the responsibility on overseeing the financial report of the Group and the 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 Accounts (MIA) and other training organisers to keep themselves updated with market development.

To be in line with Practice 8.2 of the MCCG, the Terms of Reference of Audit Committee had been revised in March 2018 to include a clause on a minimum cooling-off period of two (2) years before a former key audit partner 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 key audit partner 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 8.3 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 in 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.

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 system of risk management and internal control were effective to enable the Group and the Company to achieve its business objectives and there were no material losses resulted 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. Communication 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 major 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 at 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 11.1.

Corporate Governance Overview Statement (Continued)

Moving forward, the Board will continue with its effort to **focus** on further leverage on technology to enhance the efficiency on dissemination of information to shareholders by ensuring the Company is supported with the necessary information technology system and application to facilitate issuance of documents required to be sent to shareholders pursuant to the Main Market Listing Requirements via electronic means. This effort will be one of the **future priorities** of the Board in strengthening its corporate governance.

However, the Board has not adopted an integrated reporting based on globally recognised framework in its reporting approach to stakeholders as **HeveaBoard** is not regarded as Large Companies as defined in the MCCG.

2. Conduct of General Meeting

The General Meeting and AGM is one of the principal forums for dialogue with shareholders.

The Company has been practicing sending Notice of AGM to shareholders more than 28 days prior to the meeting and the Notice is also advertised in nationally circulated English daily newspaper. The Board recognises that a longer notice allows ample time for shareholders 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 last AGM of the Company held on 10 June 2019 was attended by almost all the Directors, except Directors who were overseas. The following key personnel were present in person to engage directly with the shareholders:

1. The Chairman of the Board, who is also the Chairman of the Remuneration Committee
2. The Group Managing Director
3. The Chairman of the Audit Committee
4. The Chairman of the Nomination Committee
5. The Executive Director
6. The Independent Non-Executive Directors
7. The Executive Director of HeveaPac Sdn. Bhd. (a wholly-owned subsidiary of **HeveaBoard**)
8. The Chief Financial Officer
9. The engagement partner of the External Auditors
10. The Company Secretary

During the AGM, an audio-visual showing the progress and performance of **HeveaBoard** Group was presented to the shareholders. Questions and Answers sessions were opened to shareholders to raise questions before the resolutions were put for voting. All questions were duly answered. The Board and Management acknowledged all concerns and comments raised by the shareholders and accepted all constructive suggestions from the shareholders.

Since a few years ago, the Company has moved towards 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. The application of voting in absentia and remote shareholders' participation at general meeting has been considered by the Board, it will be realised in the forthcoming AGM of the Company.

This CG Overview Statement was approved by the Board on 1 April 2020.

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 2019. 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 recognizes the importance of maintaining a 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 system of risk management and internal controls, and to ensure that 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 recognizes that such a system can only provide reasonable but not absolute assurance because of limitations inherent in any system of internal control 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 systems of risk management and internal control 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 review of the risk management and internal control reports and processes is delegated by the Board to AC to assist the Board in reviewing and overseeing the effectiveness of the risk management of the Group.

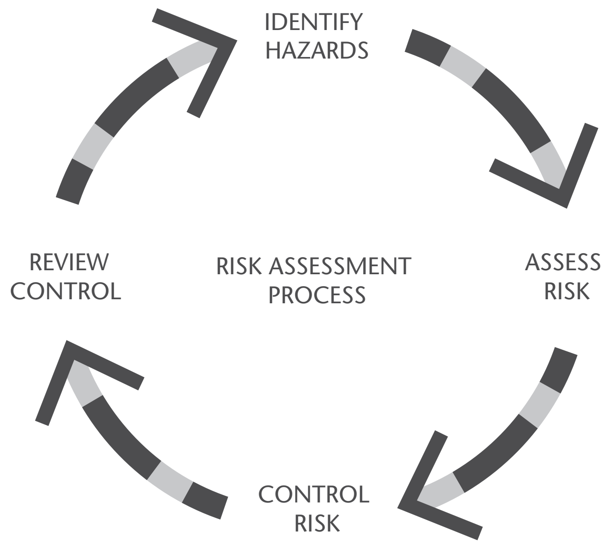
RISK MANAGEMENT

The risk management processes in identifying, evaluating and managing significant risks facing the organization are embraced in the operating and business processes. These processes are driven by the Executive Directors and Senior Management team 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 (Executive Committee) Meetings. During these EXCO Meetings, causes and reasons for performances are discussed in order to identify the appropriate measures to manage risks effectively. Key issues discussed in EXCO Meetings are recorded in minutes and are summarized and presented in the quarterly Board Meetings in order for the Board members to review and understand 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; re-assess the risk appetite of the Board; review the effectiveness of the existing controls; and formulate new risk management mitigation action plan. The application of this risk management processes is based on the general principles of the recognized international risk management frameworks. Based on the key risks identified, measures and actions are identified and executed to minimize the possibility and impact of these risks.

Statement on Risk Management and Internal Control (Continued)

The Risk Management process adopted 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
1. Implementation of minimum wage to employees	– Enhance production efficiencies with further automation; – Better cost management; – Focus on higher value and value-added products.
2. Impact on general Economy, and hence overall Group profitability due to on-going trade war between US and China and the recent Covid-19 Pandemic	– Keeping abreast of market development and continuing formulating strategies to minimise the negative impact to face the challenges ahead.
3. Fluctuation of USD exchange rate to Ringgit	– Adopting a hedging policy to cover the exposure on currency fluctuation for certain amount over a certain period; – Consider including a tolerance limit on currency fluctuation when quoting or pricing to customer; – Enhancing production planning to enable forecast purchases to be made in advance when prices and exchange rates are favourable; – Keeping abreast of world market developments which influence the forex market.

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 9001:2015;
ii. The Environment Management Systems ISO 14001:2015;
iii. Occupational Safety and Health Management System OSHAS 45001:2018 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 environmentally friendly product;
vii. Japanese Industrial Standard (JIS) Mark Certification A5908:2015; and
viii. CARB (California Air Resources Board) Certification on compliance with applicable emission standard.

Similarly, HeveaPac Sdn. Bhd., a fully owned subsidiary was 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 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 systems of risk management and internal control in the Group. The first level of the review is undertaken by the Executive Directors and Senior Management 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 (AC).

The Internal Audit Function reviews the internal controls in the key activities of the Group based on the annual audit plan approved by the AC and 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 having considered the risk profiles of the operations of the Group. The system of internal control 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 is able to achieve this through a combination of preventive, detective and corrective measures.

The Internal Audit Function has organised its work in accordance to the principles of the internal auditing standards covering the conduct of the audit planning, execution, documentations, communication of findings and consultation with senior management and the Board on the audit concerns.

MANAGEMENT RESPONSIBILITIES AND ASSURANCE

In accordance to 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's 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;

Statement on Risk Management and Internal Control (Continued)

- 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 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.

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 dated 1 April 2020.

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 2019, the Company has consistently applied appropriate accounting policies, and has made judgements 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 2019.

2. LIST OF PROPERTIES

The properties held by the Group and the Company during the financial year ended 31 December 2019 are stated on page 136 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 2019 between **HeveaBoard** and related parties are disclosed in Note 29 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 2019.

Audit Committee Report

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2019.

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 to maintain a sound system of risk management and internal control in achieving 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 and all of them 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 Sundra Moorthi a/l V.M. Krishnasamy – Member
   Independent Non-Executive Chairman

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

The composition of members is in line with Practice 8.4 – Step Up of the Malaysian Code on Corporate Governance. 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.

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, and 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 major impact on evaluation of 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 2019, the Audit Committee held five (5) Audit Committee meetings, and one (1) Audit Committee meeting was held during the period from 1 January 2020 up 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 2019	 1/1/2020 – up to the date of approving this report
Mr Lim Kah Poon (Chairman)	5/5	1/1
Mr Sundra Moorthi A/L V.M. Krishnasamy – Member	5/5	1/1
Mr Yoong Yan Pin – Member	5/5	1/1

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 for exchange of free and honest views and opinion without the presence of other Directors and Management, whenever deemed necessary. The Company Secretary will be in attendance at all meetings.

Each Audit Committee meeting is scheduled in advance and has been conducted with proper meeting proceedings. Meeting notice is circulated to Audit Committee members via electronic mail at least seven (7) days prior to the meeting. In order to ensure efficient and effective review and discussion as well as 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. Upon finalisation, the Company Secretary compiles the final meeting materials in "book-format". With a view to encourage paperless environment, meeting materials are circulated to the Audit Committee members via electronic mail at least five (5) days prior to the meeting. However, hard copy of meeting materials will be circulated upon request.

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

During the financial year ended 31 December 2019 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, and the Executive Directors and Management were invited to brief and give further clarifications to the Audit Committee on issues arising from the internal audit to facilitate direct communication and discussion. The External Auditors were invited to present their Audit Plan, Audit Review Memorandum and draft Audited Financial Statements.

With a view to facilitate the efficiency of the Board's subsequent reviewing and deliberating the recommendations of the Audit Committee pertaining to the quarterly financial results and other subject matters, the Audit Committee invited other Board members to be present at the Audit Committee meetings, except the private discussion sessions with the External Auditors.

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 2019 and during the period from 1 January 2020 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 the proposed engagement of new Internal Auditors of the Group in place of the existing Internal Auditors and make recommendation to the Board;
4. To review Audit Plan and Audit Review Memorandum of the External Auditors;
5. To meet up with the External Auditors without the presence of Executive Members;
6. To review and recommend the draft Audited Financial Statements for the Board approval;
7. To review the Audit Committee Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report;
8. To consider the Audit and Non-Audit fees;
9. To consider the re-appointment of External Auditors of the Company;
10. To review any related party transaction and conflict of interest situation;
11. To confirm the Minutes of the last Audit Committee meetings; and
12. To discuss various significant concerns noted within the Group and operating environment.

SUMMARY OF ACTIVITIES

The activities of the Audit Committee during the financial year ended 31 December 2019, and during the period from 1 January 2020 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.

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 2019 were reviewed at the four (4) Audit Committee quarterly meetings held on 24 May 2019, 22 August 2019, 21 November 2019 and 26 February 2020.

Audit Committee Report (Continued)

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 2019

The External Auditors presents their Audit Plan on the preparation for audit of the financial statements of the Company and its subsidiaries to the Audit Committee in August each year before they commence audit for each financial year.

On 22 August 2019, the Audit Committee conducted a preliminary meeting with the External Auditors to review and discuss the overall Audit Strategy and Audit Plan of the External Auditors for the financial year ended 31 December 2019. 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 prevailing 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 major 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
- Accounting developments and regulatory requirements.

+ Audit Review Memorandum

Based on the audit timeline, the External Audit presents their Audit Review Memorandum to the Audit Committee in February each year subsequent to the financial year end.

The Audit Review 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.

The Audit Committee also reviews 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.

- On 28 February 2019, the Audit Committee reviewed the Audit Review Memorandum in respect of audit for the financial year ended 31 December 2018 as presented by the External Auditors.

  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

  * Potential Key Audit Matters and the justification that these were 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 developments in particular the new MFRS 16, its requirements and impact to the Group and the Company's financial statements.

- On 26 February 2020, the Audit Committee reviewed the Audit Review Memorandum in respect of audit for the financial year ended 31 December 2019 as presented by the External Auditors.

  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. Recognition of Right-of Use Assets and Lease Liabilities
    iv. Impairment review of goodwill on consolidation
    v. Impairment review on investment in subsidiaries

  * Potential Key Audit Matters and the justification that these were identified by the External Auditors.

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

+ **Audited Financial Statements**

  The External Auditors presents the draft Audited Financial Statements to the Audit Committee for its review in March 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.

Audit Committee Report (Continued)

- On 26 March 2019, a specific meeting was held to review the draft Audited Financial Statements for the financial year ended 31 December 2018.

  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 Review Memorandum and certain new accounting standards that may impact the Group and the Company's financial statements, there were no other areas of concern raised by the External Auditors that need to be brought to the attention of the Board.

- The Malaysian Government had on 16 March 2020 announced its decision to invoke the Movement Control Order to stem the rising number of coronavirus cases by limiting movement nationwide from 18 March 2020 onwards. Hence, instead of holding a specific meeting, the draft Audited Financial Statements for the financial year ended 31 December 2019 were circulated to the AC members for review and all discussions were communicated via e-mails during the period.

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 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 2019, 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 value 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 2019 are set out below:

	Company RM	Group RM
Audit Fees	60,000	143,800
Non-Audit Fees		
i. Review of Internal Control	5,000	5,000
ii. Review of Other Information	5,000	5,000
Total Non-Audit Fees	10,000	10,000

The Audit Committee recommended to the Board for approval of the audit fee of RM60,000 and total non-audit fee of RM10,000 in respect of the financial year ended 31 December 2019.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.

The Audit Committee performs 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 audit.

Following the completion of the 2019 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 2020 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

Audit Committee Report (Continued)

iv. The type of 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 their primary resources in the oversight of risk management and control process that Management has put into place.

The entire Internal Audit Function of the Group is outsourced to an independent internal audit service provider. During the financial year, PKF Advisory Sdn. Bhd. ("PKF") had been engaged as the new Internal Auditors of the Group in place of IA Essential Sdn. Bhd. ("IA Essential"). The Internal Auditors report directly to the Audit Committee.

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
28 February 2019	Accounts Receivables and Accounts Payables of in **HeveaBoard** and HeveaPac Sdn. Bhd. (the wholly-own subsidiary of **HeveaBoard**) *(IA Report prepared by IA Essential)*	To evaluate the adequacy and effectiveness of management controls in managing Accounts Receivables and Accounts Payables.
24 May 2019	Management Risk Mitigation Plan in **HeveaBoard** and HeveaPac Sdn. Bhd. *(IA Report prepared by IA Essential)*	To ascertain the management risk mitigation plan for those significant and high risks areas identified during the 2018 risk assessment.
22 August 2019	Annual Update of Enterprise Risk Management (ERM) *(IA Report prepared by PKF)*	A report of the Risk Assessment Workshop (with the participation of Management) conducted in early-August 2019 with the objective to re-assess the key risk areas of **HeveaBoard** Group and evaluate the adequacy and effectiveness of the existing controls.
21 November 2019	Inventory Management of HeveaPac Sdn. Bhd. *(IA Report prepared by PKF)*	To evaluate the effectiveness of management controls in Inventory Management.
26 February 2020	Inventory Management of **HeveaBoard** *(IA Report prepared by PKF)*	To evaluate the effectiveness of management controls in Inventory Management.

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 each year subsequent to the financial year end.

The Audited Committee reviewed the SORMIC in respect of the financial year ended 31 December 2018 for inclusion in the 2018 Annual Report on 26 March 2019 whilst the SORMIC in respect of the financial year ended 31 December 2019 for inclusion in the 2019 Annual Report was reviewed in end of March 2020. 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.

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 situation presented by Management prior to the Company or the Group entering into such transaction.

As such, the Audit Committee must ensure that:-

a. Adequate oversight over the controls on the following:

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

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:

a. Whether the transaction price is at arm's length basis or whether the terms are fair to the Group and the Company;
b. Whether there are business reasons for the Company to enter into the transaction with the related party and not a third party;
c. Whether the business reasons are in line with the overall strategy and objectives of the Group and the Company;
d. What benefits the interested party will derive from the transaction;
e. What impact the transaction will have on the financial statements;
f. Whether there is economic substance in entering into the transaction; and
g. 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, and supplies of services, parts and maintenance by related parties. Announcement on the transactions was not required to be made to Bursa Malaysian Securities Berhad as the value of the transactions did not exceed the threshold as stipulated by the Listing Requirements.

Audit Committee Report (Continued)

INTERNAL AUDIT FUNCTION

The Board recognises that the Internal Audit Function can play an important assurance role in the Group's governance process, particularly in the area of 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 2019, 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 is 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 discuss with the Board and Management on the Internal Auditors' competency and performance.

During the financial year, the Audit Committee reviewed the proposal for engagement of PKF Advisory Sdn. Bhd. ("PKF") as the new Internal Auditors of the Group in place of IA Essential Sdn. Bhd. Amongst the key considerations deliberated by the Audit Committee, the following qualities were emphasised and deliberated:

- The internal audit team must be competent and possess the industry knowledge relevant to the Groups' business nature and business environment in order to conduct an audit that meet the Group's needs;
- The internal audit team must be appropriately qualified and experienced to carry out a meaningful internal audit; and
- There is no conflict of interest and the engagement must cover a confidentiality clause for the interest of the Group.

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.

Following the engagement of the new Internal Auditors, the Audit Committee had reviewed the scope of audit works, audit schedule, delivery timeline and fee structure in respect of the Internal Audit service for 2019 and 2020.

Activities of the Internal Audit Function

The activities of the Internal Audit Function for the financial year ended 31 December 2019 included the following:-

a. Conducting internal audit reviews in accordance with 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 on a periodic basis;
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 which are necessary to 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 2019 was approximately RM72,000.

This Report was approved by the Board on 1 April 2020.

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 2019.

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 8 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
Profit for the financial year, net of tax	14,440	6,696
Attributable to: Owners of the Company	14,440	6,696
Non-controlling interests	–	–
	14,440	6,696

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.

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 1.20 sen per ordinary share in respect of the financial year ended 31 December 2018, paid on 8 April 2019	6,712

Directors' Report (Continued)

DIVIDENDS (CONTINUED)

	RM'000
Single-tier final dividend of 1.40 sen per ordinary share in respect of the financial year ended 31 December 2018, paid on 9 July 2019	7,837
Single-tier first interim dividend of 1.00 sen per ordinary share in respect of the financial year ended 31 December 2019, paid on 7 October 2019	5,610
Single-tier second interim dividend of 1.00 sen per ordinary share in respect of the financial year ended 31 December 2019, paid on 22 January 2020	5,635
	25,794

Subsequent to the financial year end, the Company declared a single-tier third interim dividend of 1.00 sen per ordinary share in respect of the financial year ended 31 December 2019 on 26 February 2020 and payable on 10 April 2020. The financial statements for the current financial year do not reflect this declared dividend. Such dividend, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

At the forthcoming Annual General Meeting, a final (single-tier) dividend in respect of the financial year ended 31 December 2019, amounting 1.00 sen per ordinary share will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2020.

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.

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.

Directors' Report (Continued)

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.

2010/2020 WARRANTS ("Warrants")

On 8 March 2010, the Company announced that 42,666,666 units of 2010/2020 Warrants issued pursuant to the corporate exercises were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad. The warrants were issued at an issue price of RM0.01 per warrant. The warrants issued are constituted under a Deed Poll executed and constituted by the Company.

The movement in the warrants during the financial year are as follows:

	Number of Warrants			
	At 01.01.2019	**Exercised**	**Expired**	**At 31.12.2019**
Warrants	7,791,937	(3,995,958)	-	3,795,979

The salient terms of the warrants are as follows:

i. Each warrant entitles the registered holder/(s) at any time during the exercise period to subscribe for one new ordinary share at an exercise price of RM0.25 per ordinary share. The warrants entitlement is subject to adjustments under the terms and conditions set out in the Deed Poll.

ii. The exercise price for the warrants is fixed at RM0.25 per new ordinary share of the Company, subject to adjustments under certain circumstances in accordance with the provision of the Deed Poll.

iii. The exercise period is ten years from the date of issuance until the maturity date, i.e. the date preceding the tenth anniversary of the date of issuance. Upon the expiry of the exercise period, any unexercised rights will lapse and cease to be valid for any purposes.

iv. The new ordinary shares to be issued pursuant to the exercise of the warrants upon allotment and issue, rank pari passu in all respect with the existing ordinary shares of the Company except that the new ordinary shares so allotted shall not be entitled to any dividends, rights, allotment and/or other distributions declared, made or paid to shareholders, the entitlement date for which is before the date of allotment of the said new ordinary shares.

Directors' Report (Continued)

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and fully paid up share capital through the issuance of 3,995,958 ordinary shares via the exercise of 3,995,958 warrants 2010/2020 at the exercise price of RM0.25 each per ordinary share.

The new ordinary shares issued during the financial year rank pari-passu in all respects with the existing ordinary shares of the Company.

During the financial year, no new issue of 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.

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

As at 31 December 2019, the Company held 1,276,000 treasury shares out of its 564,630,685 issued and paid-up ordinary shares. Such treasury shares are held at a carrying amount of RM1,437,790. Further details are disclosed in Note 17 to the financial statements.

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	
Amir Firdaus Bin Nordin	(Resigned on 12 November 2019)
Yee Kong Yin	(Resigned on 23 February 2019)

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 and warrants 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 2019	Bought	Sold	Exercise Warrants	At 31 December 2019
Direct interests						
Yoong Hau Chun		762,800	–	–	641,050	1,403,850
Lim Kah Poon		200,000	–	–	–	200,000
Bailey Policarpio		100,000	–	–	26,664	126,664
Yoong Li Yen		1,639,200	–	–	33,332	1,672,532
Yoong Tein Seng @ Yong Kian Seng (Alternate director to Yoong Hau Chun)		–	303,000	–	–	303,000
Loo Chin Meng		370,000	–	–	–	370,000
Indirect interests						
Yoong Hau Chun	(1)	184,627,527	303,000	–	246,664	185,177,191
Lim Kah Poon	(2)	84,000	–	–	–	84,000
Bailey Policarpio	(3)	1,639,200	–	–	33,332	1,672,532
Yoong Li Yen	(4)	182,411,127	303,000	–	867,714	183,581,841
Yoong Tein Seng @ Yong Kian Seng (Alternate director to Yoong Hau Chun)	(5)	194,856,327	–	–	874,510	195,730,837
Loo Chin Meng	(6)	4,292,000	–	–	–	4,292,000

		Number of warrants				
		At 1 January 2019	Bought	Sold	Exercise	At 31 December 2019
Direct interests						
Yoong Hau Chun		641,050	–	–	(641,050)	–
Bailey Policarpio		26,664	–	–	(26,664)	–
Yoong Li Yen		33,332	–	–	(33,332)	–
Indirect interests						
Yoong Hau Chun	(1)	246,664	–	–	(246,664)	–
Bailey Policarpio	(3)	33,332	–	–	(33,332)	–
Yoong Li Yen	(4)	867,714	–	–	(867,714)	–
Yoong Tein Seng @ Yong Kian Seng (Alternate director to Yoong Hau Chun)	(5)	874,510	–	–	(874,510)	–

(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.

Directors' Report (Continued)

DIRECTORS' INTERESTS (CONTINUED)

Interests in the Company (Continued)

(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.

(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 30 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, other than those arising from the 2010/2020 Warrant issued.

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 RM14,320 respectively.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 8 to the financial statements.

Directors' Report (Continued)

AUDITORS' REMUNERATION

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

INDEMNITY TO AUDITORS

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

AUDITORS

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

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: 17 March 2020

Statements of Financial Position

As At 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	237,323	271,321	137,496	154,676
Prepaid lease payments	6	–	18,305	–	–
Right-of-use assets	7(a)	35,777	–	5,846	–
Investment in subsidiaries	8	–	–	60,805	58,404
Goodwill on consolidation	9	2,946	2,946	–	–
Deferred tax assets	10	4,077	6,500	4,077	6,500
Total non-current assets		280,123	299,072	208,224	219,580
Current assets					
Inventories	11	85,349	81,519	31,178	25,504
Biological asset	12	652	449	–	–
Trade and other receivables	13	35,125	43,664	21,378	21,513
Prepayments		2,169	3,893	130	250
Tax recoverable		4,622	7,940	34	2
Other investments	14	66,500	39,239	44,500	39,239
Cash and short-term deposits	15	62,228	65,165	15,638	30,560
Total current assets		256,645	241,869	112,858	117,068
TOTAL ASSETS		536,768	540,941	321,082	336,648
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company Share capital	16	159,429	158,420	159,429	158,420
Treasury shares	17	(1,438)	(1,437)	(1,438)	(1,437)
Other reserves	18	9	19	9	19
Retained earnings	19	272,378	283,732	114,596	133,694
Total equity		430,378	440,734	272,596	290,696

Statements of Financial Position
As At 31 December 2019 (Continued)

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current liabilities					
Provision for retirement benefits	20	431	835	–	–
Loans and borrowings	21	7,480	9,527	–	–
Lease liabilities	7(b)	5,102	5,153	442	663
Deferred tax liabilities	10	6,064	6,059	–	–
Total non-current liabilities		19,077	21,574	442	663
Current liabilities					
Trade and other payables	22	81,411	71,131	47,557	44,155
Loans and borrowings	21	2,047	2,287	–	–
Lease liabilities	7(b)	3,801	5,215	487	1,134
Tax payable		54	–	–	–
Total current liabilities		87,313	78,633	48,044	45,289
Total liabilities		106,390	100,207	48,486	45,952
TOTAL EQUITY AND LIABILITIES		536,768	540,941	321,082	336,648

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

Statements of Comprehensive Income

For The Financial Year Ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue	23	419,192	447,893	191,234	209,424
Cost of sales		(383,763)	(410,492)	(175,643)	(185,554)
Gross profit		35,429	37,401	15,591	23,870
Other income		6,630	7,128	8,619	12,571
Distribution expenses		(2,037)	(3,303)	(1,402)	(1,448)
Administrative expenses		(21,964)	(22,878)	(12,485)	(12,512)
Net impairment gain/(loss) of financial assets		954	(954)	–	–
Other expenses		(1,670)	(1,755)	(956)	(978)
Operating profit		17,342	15,639	9,367	21,503
Finance costs	24	(1,348)	(2,061)	(256)	(1,049)
Profit before tax	25	15,994	13,578	9,111	20,454
Income tax (expense)/credit	26	(1,554)	3,080	(2,415)	(62)
Profit for the financial year		14,440	16,658	6,696	20,392
Other comprehensive income		–	–	–	–
Total comprehensive income for the financial year		14,440	16,658	6,696	20,392
Profit for the financial year attributable to:					
Owners of the Company		14,440	16,658	6,696	20,392
Non-controlling interests		–	–	–	–
		14,440	16,658	6,696	20,392
Total comprehensive income attributable to:					
Owners of the Company		14,440	16,658	6,696	20,392
Non-controlling interests		–	–	–	–
		14,440	16,658	6,696	20,392
Earnings per share attributable to owners of the Company (sen)					
- Basic earnings per share	27(a)	2.57	2.98		
- Diluted earnings per share	27(b)	2.55	2.93		

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

Statements of Changes In Equity

For The Financial Year Ended 31 December 2019

	Note	Share Capital RM'000	Treasury Shares RM'000	Warrant Reserve RM'000	Retained Earnings RM'000	Total Equity RM'000
		Attributable to owners of the Company				
Group						
At 1 January 2018		157,900	(1,107)	25	300,602	457,420
Total comprehensive income for the financial year		–	–	–	16,658	16,658
Transactions with owners:						
Arising from exercise of warrants	16	520	–	(6)	–	514
Shares repurchased	17	–	(330)	–	–	(330)
Dividends paid on shares	28	–	–	–	(33,528)	(33,528)
Total transaction with owners		520	(330)	(6)	(33,528)	(33,344)
At 31 December 2018		158,420	(1,437)	19	283,732	440,734
Total comprehensive income for the financial year		–	–	–	14,440	14,440
Transactions with owners:						
Arising from exercise of warrants	16	1,009	–	(10)	–	999
Shares repurchased	17	–	(1)	–	–	(1)
Dividends paid on shares	28	–	–	–	(25,794)	(25,794)
Total transactions with owners		1,009	(1)	(10)	(25,794)	(24,796)
At 31 December 2019		159,429	(1,438)	9	272,378	430,378

Statements of Changes In Equity

For The Financial Year Ended 31 December 2019 (Continued)

	Note	Share Capital RM'000	Treasury Shares RM'000	Warrant Reserve RM'000	Retained Earnings RM'000	Total Equity RM'000
		Attributable to owners of the Company				
Company						
At 1 January 2018		157,900	(1,107)	25	146,830	303,648
Total comprehensive income for the financial year		–	–	–	20,392	20,392
Transactions with owners:						
Arising from exercise of warrants	16	520	–	(6)	–	514
Shares repurchased	17	–	(330)	–	–	(330)
Dividends paid on shares	28	–	–	–	(33,528)	(33,528)
Total transactions with owners		520	(330)	(6)	(33,528)	(33,344)
At 31 December 2018		158,420	(1,437)	19	133,694	290,696
Total comprehensive income for the financial year		–	–	–	6,696	6,696
Transactions with owners:						
Arising from exercise of warrants	16	1,009	–	(10)	–	999
Shares repurchased	17	–	(1)	–	–	(1)
Dividends paid on shares	28	–	–	–	(25,794)	(25,794)
Total transactions with owners		1,009	(1)	(10)	(25,794)	(24,796)
At 31 December 2019		159,429	(1,438)	9	114,596	272,596

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

Statements of Cash Flows

For The Financial Year Ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows from operating activities					
Profit before tax		15,994	13,578	9,111	20,454
Adjustments for:					
Amortisation for prepaid lease payments		–	554	–	–
Depreciation for property, plant and equipment		25,308	25,992	15,621	16,071
Depreciation for right-of-use assets		3,418	–	1,348	–
Dividend income		–	–	(5,615)	(7,726)
Gain on disposal of property, plant and equipment		(7)	(20)	–	–
Fair value loss on other investments		–	54	–	54
Finance costs		1,348	2,061	256	1,049
Impairment loss on trade receivables		–	954	–	–
Interest income		(2,881)	(2,187)	(1,444)	(1,423)
Property, plant and equipment written off		21	9	–	7
Provision for retirement benefits		27	30	–	–
Reversal of impairment losses on trade receivables		(954)	–	–	–
Unrealised loss/(gain) on foreign exchange		61	(900)	29	(832)
Operating profit before changes in working capital		42,335	40,125	19,306	27,654
Changes in working capital:					
Biological asset		(203)	(449)	–	–
Inventories		(3,830)	(4,711)	(5,674)	(3,759)
Trade and other receivables		11,452	21,228	1,837	13,763
Trade and other payables		11,357	(3,325)	4,490	(2,322)
Net cash generated from operations		61,111	52,868	19,959	35,336
Income tax paid		(2,499)	(3,709)	(71)	(64)
Income tax refunded		6,745	–	47	–
Retirement benefits paid		(431)	(71)	–	(71)
Net cash from operating activities		64,926	49,088	19,935	35,201

Statements of Cash Flows

For The Financial Year Ended 31 December 2019 (Continued)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows from investing activities					
Deposits placed with licensed banks held for funded employee benefits		404	41	–	71
Dividend received		–	–	4,282	7,726
Interest received		2,646	2,187	1,444	1,423
Net change in other investments		(27,261)	6,946	(5,261)	6,946
Proceeds from disposal of property, plant and equipment		285	18	–	–
Purchase of property, plant and equipment and right-of-use assets	(a)	(8,615)	(24,854)	(5,279)	(5,678)
Repayment from related companies		–	142	–	7
Advances to subsidiaries		–	–	(2,661)	(11,276)
Net cash used in investing activities		(32,541)	(15,520)	(7,475)	(781)
Cash flows from financing activities					
Dividend paid		(26,871)	(35,739)	(26,871)	(35,739)
Interest paid		(1,348)	(2,061)	(256)	(1,049)
Proceed from issuance of ordinary shares		999	514	999	514
Purchase of treasury shares		(1)	(330)	(1)	(330)
Net repayment of lease liabilities/finance lease liabilities	(b)	(5,349)	(5,278)	(1,224)	(2,022)
Net repayment of term loan	(b)	(2,287)	(3,510)	–	–
Net cash used in financing activities		(34,857)	(46,404)	(27,353)	(38,626)
Net change in cash and cash equivalents		(2,472)	(12,836)	(14,893)	(4,206)
Cash and cash equivalents at the beginning of the financial year		64,330	76,266	30,560	33,934
Effects of exchange rate changes on cash and cash equivalents		(61)	900	(29)	832
Cash and cash equivalents at the end of the financial year		61,797	64,330	15,638	30,560
ANALYSIS OF CASH AND CASH EQUIVALENTS:					
Deposits placed with licensed banks	15	44,535	28,971	3,015	3,156
Cash and bank balances	15	17,693	36,194	12,623	27,404
		62,228	65,165	15,638	30,560
Less: Deposit placed with licensed banks held for funded employee benefits		(431)	(835)	–	–
		61,797	64,330	15,638	30,560

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

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Purchase of property, plant and equipment and right-of-use assets	8,971	33,219	5,635	5,678
Financed by way of lease arrangements	(356)	(8,365)	(356)	–
Cash payments on purchase of property, plant and equipment and right-of-use assets	8,615	24,854	5,279	5,678

Statements of Cash Flows

For The Financial Year Ended 31 December 2019 (Continued)

(b) Reconciliation of liabilities arising from financing activities:

	1 January 2019 RM'000	Effect of adoption of MFRS 16 RM'000	1 January 2019 (Adjusted) RM'000	Cash flows RM'000	Additions RM'000	31 December 2019 RM'000
Group						
Lease liabilities	10,368	3,528	13,896	(5,349)	356	8,903
Term loans	11,814	–	11,814	(2,287)	–	9,527
	22,182	3,528	25,710	(7,636)	356	18,430

	1 January 2019 RM'000	Cash flows RM'000	Additions RM'000	31 December 2019 RM'000
Company				
Lease liabilities	1,797	(1,224)	356	929

	1 January 2018 RM'000	Cash flows RM'000	Additions RM'000	31 December 2019 RM'000
Group				
Finance lease liabilities	7,281	(5,278)	8,365	10,368
Term loans	15,324	(3,510)	–	11,814
	22,605	(8,788)	8,365	22,182
Company				
Finance lease liabilities	3,819	(2,022)	–	1,797

(c) Cash outflows for leases as a lessee

As at 31 December 2019	Group RM'000	Company RM'000
Included in net cash from operating activities:		
Payment relating to short-term leases	325	288
Interest paid in relation to lease liabilities	601	72
Included in net cash from financing activities:		
Payment of lease liabilities	5,349	1,224
Total cash outflows for leases	6,275	1,584

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 8 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 17 March 2020.

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 new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

The Group and the Company have adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial year:

New MFRS

MFRS 16	Leases

Amendments/Improvements to MFRSs

MFRS 3	Business Combinations
MFRS 9	Financial Instruments
MFRS 11	Joint Arrangements
MFRS 112	Income Taxes
MFRS 119	Employee Benefits
MFRS 123	Borrowings Costs
MFRS 128	Investments in Associates and Joint Ventures

New IC Int

IC Int 23	Uncertainty over Income Tax Treatments

Notes To The Financial Statements (Continued)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Continued)

The adoption of the above new MFRS, amendments/improvements to MFRSs and new IC Int 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, except for those as discussed below:

MFRS 16 Leases

Effective 1 January 2019, MFRS 16 has replaced MFRS 117 *Leases* and IC Int 4 *Determining whether an Arrangement contains a Lease.*

Under MFRS 117, leases are classified either as finance leases or operating leases. A lessee recognises on its statements of financial position assets and liabilities arising from finance leases. For operating leases, lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. Instead, all leases are brought onto the statements of financial position except for short-term and low value asset leases.

The Group and the Company have applied MFRS 16 using the modified retrospective approach and the adoption of MFRS 16 does not has any impact to the opening balance of retained earnings at the date of initial application (i.e. 1 January 2019). As such, the comparative information was not restated and continues to be reported under MFRS 117 and IC Int 4.

Definition of a lease

MFRS 16 changes the definition of a lease mainly to the concept of control. MFRS 16 defines that 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all the economic benefits from that use.

The Group and the Company have elected the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, the definition of a lease under MFRS 16 was applied only to contracts entered or changed on or after 1 January 2019. Existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

Impact of the adoption of MFRS 16

The application of MFRS 16 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements as at the date of initial application. Other than the enhanced new disclosures relating to leases, which the Group and the Company have complied with in the current financial year, the application of this standard does not have any significant effect on the financial statements of the Group and the Company, except for those as discussed below.

(i) Classification and measurement

As a lessee, the Group and the Company previously classified leases as operating or finance leases based on their assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Group and the Company.

On adoption of MFRS 16, for all their leases other than short-term leases, the Group and the Company:

- recognised the right-of-use assets and lease liabilities in the statements of financial position as at the date of initial application;
- recognised depreciation of right-of-use assets and interest on lease liabilities in profit or loss for the current financial year; and
- separated the total amount of cash paid for leases into principal and interest portions (presented within financing activities) in the statements of cash flows for the current financial year.

Notes To The Financial Statements (Continued)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Continued)

MFRS 16 Leases (Continued)

Impact of the adoption of MFRS 16 (Continued)

(i) Classification and measurement (Continued)

For leases that were classified as operating lease under MFRS 117

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's and the Company's incremental borrowing rate at the date of initial application.

The right-of-use assets were measured at either:

a. their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the Group's and the Company's incremental borrowing rate at the date of initial application. The Group and the Company applied this approach to its property leases; or
b. an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group and the Company applied this approach to all other leases.

The Group and the Company also applied the following practical expedients wherein they:

a. applied a single discount rate to a portfolio of leases with similar characteristics;
b. applied the exemption not to recognise right-to-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application;
c. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
d. used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance lease under MFRS 117

The Group and the Company recognised the carrying amount of the lease assets and finance lease liabilities under MFRS 117 immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application. The measurement requirements of MFRS 16 are applied after that date.

For leasehold land that were classified as property, plant and equipment under MFRS 116

The Group and the Company recognised the carrying amount of the leasehold land under MFRS 116 as the carrying amount of the right-of-use assets at the date of initial application. The measurement requirements of MFRS 16 are applied after that date.

For leases that were classified as prepaid land lease payments under MFRS 117

The Group recognised the carrying amount of the prepaid land lease payments under MFRS 117 as the carrying amount of the right-of-use assets at the date of initial application. The measurement requirements of MFRS 16 are applied after that date.

Notes To The Financial Statements (Continued)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Continued)

MFRS 16 Leases (Continued)

Impact of the adoption of MFRS 16 (Continued)

(ii) Short-term lease

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases of warehouse that have a lease term of 12 months or less. The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Other adjustment

In addition to the adjustments described above, other item such as deferred taxes were adjusted to retained earnings as necessary upon application of MFRS 16 as at 1 January 2019.

The effects of adoption of MFRS 16 as at 1 January 2019 are as follows:

	Group Increase/ (Decrease) RM'000	Company Increase/ (Decrease) RM'000
Assets		
Non-current assets		
Property, plant and equipment	(17,006)	(6,838)
Prepaid lease payments	(18,305)	–
Right-of-use assets	38,839	6,838
Total non-current assets	3,528	–
Liabilities		
Non-current liabilities		
Lease liabilities	8,661	663
Loans and borrowings	(5,153)	(663)
Current liabilities		
Lease liabilities	5,235	1,134
Loans and borrowings	(5,215)	(1,134)
	3,528	–

Other than as disclosed above, the adoption of MFRS 16 did not have a material impact on the Group's and the Company's statements of comprehensive income, statements of changes in equity or the Group's and the Company's operating, investing and financing cash flows.

Notes To The Financial Statements (Continued)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation (“IC Int”) (Continued)

Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements

Amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

Amendments to MFRS 9 Financial Instruments

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 require an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

Amendments to MFRS 123 Borrowing Costs

Amendments to MFRS 123 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

IC Int 23 Uncertainty over Income Tax Treatments

IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall:

i. assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
ii. reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

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 MFRSs 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 2023#
MFRS 3	Business Combinations	1 January 2020/ 1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2020/ 1 January 2023#
MFRS 9	Financial Instruments	1 January 2020/ 1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 101	Presentation of Financial Statements	1 January 2020/ 1 January 2023#/ 1 January 2022
MFRS 107	Statement of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
MFRS 116	Property, Plant and Equipment	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 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2020
MFRS 140	Investment Property	1 January 2023#

 # 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.

Amendments to MFRS 3 Business Combinations

The amendments clarify the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The distinction is important because an acquirer does not recognise goodwill in an asset acquisition.

The amendments, amongst others, clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments also add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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.

Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures

The Malaysian Accounting Standards Board has issued *Interest Rate Benchmark Reform* (Amendments to MFRS 9, MFRS 139 and MFRS 7).

The *Interest Rate Benchmark Reform* amends some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the interbank offered rates reform. In applying the amendments, companies would continue to apply those hedge accounting requirements assuming that the interest rate benchmark associated with the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Applying the amendments, entities are not required to apply the MFRS 139 retrospective assessment but continue to apply hedge accounting to a hedging relationship for which effectiveness is outside of the 80 – 125% range during the period of uncertainty arising from the reform.

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

The amendments refine the definition by including 'obscuring information' in the definition of material to respond to concerns that the effect of including immaterial information should not reduce the understandability of a company's financial statements. The prior definition focuses only on information that cannot be omitted (material information) and does not also consider the effect of including immaterial information.

Other refinements to the definition include incorporating some existing wording in MFRS 101 and the Conceptual Framework for Financial Reporting. Consequently, the amendments align the definition of material across MFRS Standards and other publications.

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.

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.

2.6 Use of estimates and judgement

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 disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported 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 judgements 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, or areas where assumptions and estimates are significant to the Group's and the Company's financial statements are disclosed in Note 4 to the financial statements.

Notes To The Financial Statements (Continued)

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.

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 been 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.

Notes To The Financial Statements (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(a) Subsidiaries and business combination (Continued)

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.

(b) 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.

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.

3.3 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.

Notes To The Financial Statements (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Translation of foreign currency transactions (Continued)

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.

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.

(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.

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)

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.

- 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.

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)

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.

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

Financial liabilities at fair value through profit or loss

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.

Financial liabilities at amortised cost

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.

Notes To The Financial Statements (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(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.

(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.

Notes To The Financial Statements (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(d) Derecognition (Continued)

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.

(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.

Notes To The Financial Statements (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Property, plant and equipment (Continued)

(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.

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.

Accounting policies applied until 31 December 2018

Leasehold land is depreciated on a straight line basis over the lease terms of 99 years.

(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

Accounting policies applied from 1 January 2019

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.

Accounting policies applied until 31 December 2018

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

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.

Notes To The Financial Statements (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases (Continued)

(b) Lessee accounting

Accounting policies applied from 1 January 2019

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.

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.

Notes To The Financial Statements (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases (Continued)

(b) Lessee accounting (Continued)

Accounting policies applied from 1 January 2019 (Continued)

Lease liability (Continued)

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.

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.

Accounting policies applied until 31 December 2018

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment.

For operating leases, the Group and the Company do not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user’s benefit.

Notes To The Financial Statements (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases (Continued)

(c) Lessor accounting

Accounting policies applied from 1 January 2019

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.

Accounting policies applied until 31 December 2018

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.

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.

Notes To The Financial Statements (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Produce stocks

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.

3.11 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.

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 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.

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.

Notes To The Financial Statements (Continued)

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.

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.

Notes To The Financial Statements (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Share capital (Continued)

(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.

3.15 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.

Notes To The Financial Statements (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Revenue and other income (Continued)

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.

Financing components

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.

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.

Notes To The Financial Statements (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Revenue and other income (Continued)

(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 Taxes

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.

(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.

Notes To The Financial Statements (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Taxes (Continued)

(b) Deferred tax (Continued)

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.

(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.

(d) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax ("GST") except:

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

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

The GST in Malaysia was abolished and replaced by the Sales and Service Tax effective from 1 September 2018.

Notes To The Financial Statements (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Notes To The Financial Statements (Continued)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:

(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 amounts 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

Group 2019	Freehold Land RM'000	Leasehold 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
Cost								
At 1 January 2019								
- As previously reported	7,462	4,061	103,081	485,850	5,105	8,479	651	614,689
- Effect of adoption of MFRS 16	–	(4,061)	–	(14,744)	–	(4,400)	–	(23,205)
Adjusted balance at 1 January 2019	7,462	–	103,081	471,106	5,105	4,079	651	591,484
Additions	–	–	789	5,450	135	–	2,241	8,615
Disposals/write-offs	–	–	–	(826)	(81)	(647)	–	(1,554)
Reclassification	–	–	–	1,165	–	–	(1,165)	–
At 31 December 2019	7,462	–	103,870	476,895	5,159	3,432	1,727	598,545
Accumulated depreciation								
At 1 January 2019								
- As previously reported	–	662	22,001	312,113	3,256	5,336	–	343,368
- Effect of adoption of MFRS 16	–	(662)	–	(3,529)	–	(2,008)	–	(6,199)
Adjusted balance at 1 January 2019	–	–	22,001	308,584	3,256	3,328	–	337,169
Depreciation charge for the financial year	–	–	2,930	21,804	340	234	–	25,308
Disposals/write-offs	–	–	–	(786)	(80)	(389)	–	(1,255)
At 31 December 2019	–	–	24,931	329,602	3,516	3,173	–	361,222
Carrying amounts								
At 1 January 2019 (Adjusted)	7,462	–	81,080	162,522	1,849	751	651	254,315
At 31 December 2019	7,462	–	78,939	147,293	1,643	259	1,727	237,323

Notes To The Financial Statements (Continued)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2018	Freehold Land RM'000	Leasehold 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
Cost								
At 1 January 2018	7,462	4,061	91,549	455,746	4,688	8,226	10,025	581,757
Additions	–	–	9,597	20,375	428	491	2,328	33,219
Disposals/write-offs	–	–	–	(38)	(11)	(238)	–	(287)
Reclassification	–	–	1,935	9,767	–	–	(11,702)	–
At 31 December 2018	7,462	4,061	103,081	485,850	5,105	8,479	651	614,689
Accumulated depreciation								
At 1 January 2018	–	618	19,494	290,295	2,957	4,292	–	317,656
Depreciation charge for the financial year	–	44	2,507	21,849	310	1,282	–	25,992
Disposals/write-offs	–	–	–	(31)	(11)	(238)	–	(280)
At 31 December 2018	–	662	22,001	312,113	3,256	5,336	–	343,368
Carrying amounts								
At 31 December 2018	7,462	3,399	81,080	173,737	1,849	3,143	651	271,321
Company 2019								
Cost								
At 1 January 2019								
- As previously reported	6,034	4,061	34,596	359,838	949	4,479	651	410,608
- Effect of adoption of MFRS 16	–	(4,061)	–	(4,005)	–	(2,939)	–	(11,005)
Adjusted balance at 1 January 2019	6,034	–	34,596	355,833	949	1,540	651	399,603
Additions	–	–	106	3,145	29	–	1,999	5,279
Reclassification	–	–	–	1,165	–	–	(1,165)	–
At 31 December 2019	6,034	–	34,702	360,143	978	1,540	1,485	404,882
Accumulated depreciation								
At 1 January 2019								
- As previously reported	–	662	10,020	241,647	774	2,829	–	255,932
- Effect of adoption o f MFRS 16	–	(662)	–	(2,123)	–	(1,382)	–	(4,167)
Adjusted balance at 1 January 2019	–	–	10,020	239,524	774	1,447	–	251,765
Depreciation charge for the financial year	–	–	879	14,624	60	58	–	15,621
At 31 December 2019	–	–	10,899	254,148	834	1,505	–	267,386
Carrying amounts								
At 1 January 2019 (Adjusted)	6,034	–	24,576	116,309	175	93	651	147,838
At 31 December 2019	6,034	–	23,803	105,995	144	35	1,485	137,496

Notes To The Financial Statements (Continued)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2018	Freehold Land RM'000	Leasehold 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
Cost								
At 1 January 2018	6,034	4,061	34,304	350,037	921	4,565	5,120	405,042
Additions	–	–	205	3,117	28	–	2,328	5,678
Write-offs	–	–	–	(26)	–	(86)	–	(112)
Reclassification	–	–	87	6,710	–	–	(6,797)	–
At 31 December 2018	6,034	4,061	34,596	359,838	949	4,479	651	410,608
Accumulated depreciation								
At 1 January 2018	–	618	9,184	227,264	716	2,184	–	239,966
Depreciation charge for the financial year	–	44	836	14,403	58	730	–	16,071
Write-offs	–	–	–	(20)	–	(85)	–	(105)
At 31 December 2018	–	662	10,020	241,647	774	2,829	–	255,932
Carrying amounts								
At 31 December 2018	6,034	3,399	24,576	118,191	175	1,650	651	154,676

(i) Buildings in relation to the leasehold land

The buildings in the Group and the Company with carrying amount of RM70,626,000 and RM15,492,000 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 21 to the financial statements with carrying amounts as follows:

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Freehold land	6,034	6,034	6,034	6,034
Leasehold land	–	3,399	–	3,399
Buildings	70,882	73,225	23,803	24,576
	76,916	82,658	29,837	34,009

Notes To The Financial Statements (Continued)

6. PREPAID LEASE PAYMENTS

	Group 2019 RM'000	Group 2018 RM'000
At cost		
At 1 January		
- As previously reported	21,134	21,134
- Effect of adoption of MFRS 16	(21,134)	–
Adjusted balance at 1 January 2019	–	21,134
Additions	–	–
At 31 December	–	21,134
Accumulated amortisation		
At 1 January		
- As previously reported	2,829	2,275
- Effect of adoption of MFRS 16	(2,829)	–
Adjusted balance at 1 January 2019	–	2,275
Amortisation during the financial year	–	554
At 31 December	–	2,829
Carrying amounts		
At 31 December	–	18,305

In the previous financial year, the leasehold land has been pledged to the licensed financial institutions to secure credit facilities granted to the Group as disclosed in the Note 21 to the financial statements.

7. 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:

Group	Leasehold Land RM'000	Plant, Machineries and Equipment RM'000	Motor Vehicles RM'000	Factory Buildings RM'000	Total RM'000
Carrying amount					
At 1 January 2019					
- As previously reported	–	–	–	–	–
- Effect of adoption of MFRS 16	21,704	11,215	2,392	3,528	38,839
Adjusted balance at 1 January 2019	21,704	11,215	2,392	3,528	38,839
Additions	–	–	356	–	356
Depreciation	(676)	(1,735)	(934)	(73)	(3,418)
At 31 December 2019	21,028	9,480	1,814	3,455	35,777

Notes To The Financial Statements (Continued)

7. 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)

Company	Leasehold Land RM'000	Plant, Machineries and Equipment RM'000	Motor Vehicles RM'000	Total RM'000
Carrying amount				
At 1 January 2019				
- As previously reported	–	–	–	–
- Effect of adoption of MFRS 16	3,399	1,882	1,557	6,838
Adjusted balance at 1 January 2019	3,399	1,882	1,557	6,838
Additions	–	–	356	356
Depreciation	(44)	(661)	(643)	(1,348)
At 31 December 2019	3,355	1,221	1,270	5,846

(i) Lease terms

The leasehold land and buildings generally have lease terms between 87 to 92 years.

Plant, machineries and equipment and motor vehicles have lease terms between 3 to 5 years.

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 21 to the financial statements.

(b) Lease liabilities

	Group		Company	
	2019 RM'000	2018* RM'000	2019 RM'000	2018* RM'000
Current				
Lease liabilities (secured) *	3,779	5,215	487	1,134
Lease liabilities (unsecured)	22	-	-	-
	3,801	5,215	487	1,134
Non-current				
Lease liabilities (secured) *	1,615	5,153	442	663
Lease liabilities (unsecured)	3,487	-	-	-
	5,102	5,153	442	663
	8,903	10,368	929	1,797

Notes To The Financial Statements (Continued)

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

(b) Lease liabilities (Continued)

* Consists of finance lease liabilities in accordance with MFRS 117.

The lease liabilities of the Group and the Company bear interest at rates ranging from 2.23% to 4.55% (2018: 2.23% to 3.50%) 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	
	2019 RM'000	**2018* RM'000**	**2019 RM'000**	**2018* RM'000**
Minimum lease payments				
- not later than one year	4,020	5,671	532	1,195
- later than one year and not later than five years	1,748	5,389	448	691
- later than five years	3,404	–	–	–
	9,172	11,060	980	1,886
Less: Future finance charges	(269)	(692)	(51)	(89)
Present value of minimum lease payment	8,903	10,368	929	1,797
Represented by:				
Current				
- not later than one year	3,801	5,215	487	1,134
Non-current				
- later than one year and not later than five years	5,102	5,153	442	663
	8,903	10,368	929	1,797

Set out below is the movements of lease liabilities during the financial year:

	Group RM'000	**Company RM'000**
At 1 January 2019		
- As previously reported	10,368	1,797
- Effect of adoption of MFRS 16	3,528	–
Adjusted balance at 1 January 2019	13,896	1,797
Additions	356	356
Payments	(5,349)	(1,224)
At 31 December 2019	8,903	929

Obligations under lease liabilities arrangement

i. Interest rates are fixed at the inception of the lease liabilities arrangement;

ii. Certain lease liabilities arrangements of the Group are secured by joint and several guarantee by the directors of the Company; and

iii. The lease liabilities are effectively secured on the rights of the assets under finance lease arrangement.

Notes To The Financial Statements (Continued)

8. INVESTMENT IN SUBSIDIARIES

	Company 2019 RM'000	Company 2018 RM'000
At cost		
Unquoted shares	41,960	41,960
Loans that are part of net investment	18,845	16,444
	60,805	58,404

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 2019 %	Effective ownership interest/voting rights 2018 %	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.
Hevea OSB Sdn. Bhd.	Malaysia	100	100	Dormant.
HeveaGro Sdn. Bhd.	Malaysia	100	100	Cultivation and trading of gourmet fungi.

9. GOODWILL ON CONSOLIDATION

	Group 2019 RM'000	Group 2018 RM'000
At cost		
At 1 January/31 December	2,946	2,946

Notes To The Financial Statements (Continued)

9. GOODWILL ON CONSOLIDATION (CONTINUED)

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

	Group	
	2019 RM'000	2018 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% 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 decrease in 2020 due to the emergence of COVID-19 which has impacted the subsidiaries' operations and their financial position and the expected revenue growth rate of 5% per annum in 2021 to 2024.

- 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 9.71% and 31.00% 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax assets	4,077	6,500	4,077	6,500
Deferred tax liabilities	(6,064)	(6,059)	–	–
	(1,987)	441	4,077	6,500

Notes To The Financial Statements (Continued)

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

Presented after appropriate offsetting as follows: (Continued)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	441	441	6,500	6,500
Recognised in profit or loss (Note 26)	(2,428)	–	(2,423)	–
At 31 December	(1,987)	441	4,077	6,500

(i) *Recognised deferred tax liabilities*

Deferred tax liabilities relate to the following:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax liabilities				
Property, plant and equipment	(6,064)	(6,059)	–	–

(ii) *Recognised deferred tax assets*

Deferred tax assets relate to the following:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax assets				
Investment tax allowance	4,077	6,500	4,077	6,500

(iii) *Unrecognised deferred tax assets*

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Taxable temporary difference				
Excess of carrying amount over corresponding tax written down value	(40,963)	(28,193)	(17,006)	(12,160)
Unabsorbed allowances on:				
- investment tax allowances	192,599	214,259	191,188	203,519
- reinvestment allowance	2,633	2,633	2,633	2,633
Unused tax losses	3,814	1,469	1,327	1,327
	158,083	190,168	178,142	195,319
Potential deferred tax assets not recognised at 24% (2018: 24%)	37,940	45,640	42,754	46,877

Notes To The Financial Statements (Continued)

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

Pursuant to Section 11 of the Finance Act 2018 (Act 812), special provision relating to Section 43 & 44 of Income Tax Act 1967, a time limit has been imposed on the unutilised business losses, to be carried forward for a maximum of 7 consecutive years of assessment, this section has effect from the year of assessment 2019 and subsequent year of assessment.

Any unutilised business losses brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessments 2019 to 2025).

11. INVENTORIES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At cost				
Consumables and spare parts	15,081	13,052	15,081	13,052
Raw materials	44,521	46,249	5,624	4,938
Work-in-progress	6,230	5,420	–	–
Finished goods	19,517	16,798	10,473	7,514
	85,349	81,519	31,178	25,504

The cost of inventories of the Group and the Company recognised as an expense in cost of sales during the financial year was RM164,515,177 (2018: RM191,771,243) and RM106,858,207 (2018: RM116,542,882) respectively.

In previous financial year, the cost of inventories of the Group recognised as expense in cost of sales in respect of write-down of inventories to net realisable value was RM4,573,933.

12. BIOLOGICAL ASSET

The biological asset of the Group consist of gourmet fungi.

	Group	
	2019 RM'000	2018 RM'000
Gourmet fungi		
Carrying amount at 1 January	449	–
Fair value changes	203	449
Carrying amount at 31 December	652	449

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	
	2019	**2018**
Gourmet fungi		
Selling price per kg (RM/kg)	12 to 15	11 to 14
Yield per bag (gram)	320 to 400	250 to 350

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
Sensitivity analysis:		
Increase by 10%	97	80
Decrease by 10%	(97)	(80)

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

		Group		Company	
		2019	**2018**	**2019**	**2018**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Current					
Trade					
Trade receivables	(i)	30,299	36,000	8,737	14,107
Amount owing by subsidiaries	(ii)	–	–	9,722	3,558
Less: Impairment losses for trade receivables		–	(954)	–	–
Trade receivables, net		30,299	35,046	18,459	17,665
Non-trade					
Other receivables	(iii)	4,524	7,907	2,565	3,838
Refundable deposits		302	711	100	5
Amount owing by subsidiaries	(ii)	–	–	254	5
Other receivables, net		4,826	8,618	2,919	3,848
Total trade and other receivables		35,125	43,664	21,378	21,513

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 (2018: 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	
	2019 RM'000	2018 RM'000
At 1 January	954	–
Charge for the financial year		
- Individually assessed	–	954
Reversal of impairment losses	(954)	–
At 31 December	–	954

The information about the credit exposures are disclosed in Note 33(b)(i) to the financial statements.

Included in the trade receivables of the Group are amounts totalling RM15,961,231 (2018: RM17,014,110) due from 2 (2018: 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.

iii. Included in the other receivable of the Group and of the Company is GST refundable amounted to RM1,169,066 and RM400,934 respectively (2018: RM5,613,201 and RM3,195,595).

14. OTHER INVESTMENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current:				
Financial assets at fair value through profit or loss ("FVPL")				
- Unquoted money market fund	66,500	39,239	44,500	39,239

Other investments are funds invested mainly in money market and fixed income instruments and are managed by investment banks.

15. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Short-term deposits placed with licensed banks	44,535	28,971	3,015	3,156
Cash and bank balances	17,693	36,194	12,623	27,404
	62,228	65,165	15,638	30,560

Notes To The Financial Statements (Continued)

15. CASH AND SHORT-TERM DEPOSITS (CONTINUED)

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	
	2019 RM'000	2018 RM'000
Interest rate (%) (per annum)	1.80 - 4.38	2.45 - 4.38
Average maturities (months)	1 to 12	1 to 12

Included in the deposits placed with licensed banks of the Group are an amount of RM431,070 (2018: RM834,938) representing the funded amounts for the repayment of retirement benefits as disclosed in Note 20 to the financial statements.

16. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		⟵ Amount ⟶	
	2019 '000 unit	2018 '000 unit	2019 RM'000	2018 RM'000
Issued and fully paid up:				
Ordinary shares:				
At 1 January	560,635	558,578	158,420	157,900
Issued during the financial year	3,996	2,057	1,009	520
At 31 December	564,631	560,635	159,429	158,420

Effective from 31 January 2017, the Companies Act 2016 abolished the concept of authorised share capital and par value of share capital.

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.

During the financial year, the Company increased its issued and fully paid share capital through the issuance of 3,995,958 ordinary shares via the exercise of 3,995,958 warrants 2010/2020 at the exercise price of RM0.25 each per ordinary share.

The new ordinary shares issued during the financial year rank pari-passu in all respects with the existing ordinary shares of the Company.

Notes To The Financial Statements (Continued)

17. TREASURY SHARES

	Group and Company			
	Number of ordinary shares		← Amount →	
	2019 '000 unit	2018 '000 unit	2019 RM'000	2018 RM'000
At 1 January	1,274	922	1,437	1,107
Shares repurchased during the financial year	2	352	1	330
At 31 December	1,276	1,274	1,438	1,437

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 2019	1	1
August 2019	1	–*
	2	1

* Represented by amount less than RM1,000

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

At the Annual General Meeting held on 10 June 2019, the shareholders approved the Company to repurchase of its issued ordinary shares based on the following terms:

i. The aggregate number of shares purchased does not exceed ten per centum (10%) of the total issued and paid-up share capital 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 earnings; and

iii. The directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends.

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.

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

Notes To The Financial Statements (Continued)

18. OTHER RESERVES

	Group and Company 2019 RM'000	2018 RM'000
Warrant reserve	9	19

2010/2020 Warrants ("Warrants")

The warrants issued on 8 March 2010 are constituted under a Deed Poll executed by the Company. The warrants were issued at an issue price of RM0.01 per warrant. The warrants are listed on the Main Market of Bursa Malaysia Securities Berhad.

The movement in the warrants during the financial year are as follows:

	Number of Warrants			
	At 01.01.2019	Exercised	Expired	At 31.12.2019
Warrants	7,791,937	(3,995,958)	–	3,795,979

The salient terms of the warrants are as follows:

i. Each warrant entitles the registered holder/(s) at any time during the exercise period to subscribe for 1 new ordinary share at an exercise price of RM0.25 per ordinary share. The warrants entitlement is subject to adjustments under the terms and conditions set out in the Deed Poll.

ii. The exercise price for the warrants is fixed at RM0.25 per new ordinary share of the Company, subject to adjustments under certain circumstances in accordance with the provision of the Deed Poll.

iii. The exercise period is 10 years from the date of issuance until the maturity date, i.e. the date preceding the 10 anniversary of the date of issuance. Upon the expiry of the exercise period, any unexercised rights will lapse and cease to be valid for any purposes.

iv. The new ordinary shares to be issued pursuant to the exercise of the warrants will upon allotment and issue rank pari passu in all respects with the existing ordinary shares of the Company except that the new ordinary shares so allotted shall not be entitled to any dividends, rights, allotment and/or other distributions declared, made or paid to shareholders, the entitlement date for which is before the date of allotment of the said new ordinary shares.

19. 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)

20. PROVISION FOR RETIREMENT BENEFITS

The movement in provision for retirement benefits are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	835	876	–	71
Addition	27	30	–	–
Benefits paid during the financial year	(431)	(71)	–	(71)
At 31 December	431	835	–	–

The retirement benefit obligations are expected to settled as follows:

	Group		Company	
Non-current:				
- later than 5 years	431	835	–	–

The Group and the Company 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.

21. LOANS AND BORROWINGS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current (secured)				
Term loan	2,047	2,287	–	–
	2,047	2,287	–	–
Non-current (secured)				
Term loan	7,480	9,527	–	–
	7,480	9,527	–	–
Total loans and borrowings	9,527	11,814	–	–

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

	Group		Company	
	2019 %	2018 %	2019 %	2018 %
Term loan	5.13 - 7.95	2.24 - 8.09	–	–

Notes To The Financial Statements (Continued)

21. LOANS AND BORROWINGS (CONTINUED)

ii. The term loan is secured by:

a. fixed charges over certain property, plant and equipment and right-of-use assets of the Group and of the Company, as disclosed in Note 5 and Note 7(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 and of the Company, as disclosed in Note 6 and 7(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.

iii. Term loan

	Group	
	2019 RM'000	**2018 RM'000**
Current:		
- repayable within one year	2,047	2,287
Non-current:		
- not later than two years	2,047	2,047
- later than two years and not later than five years	5,433	6,142
- later than five years	–	1,338
	7,480	9,527
	9,527	11,814

22. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Current					
Trade					
Trade payables	(i)	42,646	32,418	24,931	19,442
Non-trade					
Other payables		13,458	12,316	3,225	3,398
Dividend payable		5,635	6,712	5,635	6,712
Accrued operating expenses		19,672	19,685	7,483	8,309
Amount owing to subsidiaries	(ii)	–	–	6,283	6,294
		38,765	38,713	22,626	24,713
Total trade and other payables		81,411	71,131	47,557	44,155

(i) The normal trade credit term granted to the Group and the Company range from 30 to 90 days (2018: 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)

23. REVENUE

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Revenue from contract customers:				
Sale of goods	419,192	447,893	191,234	209,424
Timing of revenue recognition				
At a point in time	419,192	447,893	191,234	209,424

(a) Disaggregation of revenue

The Group and the Company report the following major segments: particle boards, 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 32 to the financial statements.

(b) Transaction price allocated to the remaining performance obligations

The Group and the Company apply the practical expedient in paragraph 121(a) of MFRS 15 and do not disclose information about remaining performance obligations that have original expected durations of one year or less.

24. FINANCE COSTS

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interest expenses on:				
- lease liabilities	601	473	72	159
- financing without recourse	179	885	179	885
- term loan	563	698	–	–
- other	5	5	5	5
	1,348	2,061	256	1,049

Notes To The Financial Statements (Continued)

25. PROFIT BEFORE TAX

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
After charging:				
Auditors' remuneration:				
- Statutory audit:				
- current year	144	138	60	60
- under/(over) provision in prior year	3	(2)	–	(4)
- Non-statutory audit	84	78	78	78
Amortisation for prepaid lease payments	–	554	–	–
Depreciation for:				
- Property, plant and equipment	25,308	25,992	15,621	16,071
- Right-of-use assets	3,418	–	1,348	–
Directors' remunerations:				
• Directors of the Company				
- Directors' allowances	246	291	246	291
- Directors' fees	855	859	855	819
- Directors' emoluments:				
- salaries and bonus	2,023	2,159	2,023	2,159
- defined contribution plan	474	487	474	487
• Directors of the subsidiaries				
- Directors' fees	18	24	–	–
- Directors' emoluments:				
- salaries and bonus	1,530	1,752	–	–
- defined contribution plan	439	524	79	75
- other benefits	904	586	–	–
Impairment loss on trade receivables	–	954	–	–
Fair value loss on other investment	–	54	–	54
Loss on foreign exchange:				
- realised	–	–	167	–
- unrealised	61	–	29	–
Staff costs:				
- salaries, wages and bonuses	66,700	66,922	15,782	15,441
- defined contribution plan	2,958	3,103	1,476	1,547
- other staff related expenses	12,269	5,628	2,563	1,778
Property, plant and equipment written off	21	9	–	7
Rental of equipment	–	186	–	145
Rental of premises	–	57	–	1
Rental of land	–	330	–	180
Expenses relating to short-term leases	325	–	288	–

Notes To The Financial Statements (Continued)

25. PROFIT BEFORE TAX (CONTINUED)

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
After crediting:				
Dividend income	–	–	(5,615)	(7,726)
Gain on disposal of property, plant and equipment	(7)	(20)	–	–
Gain on foreign exchange:				
- realised	(526)	(1,959)	–	(565)
- unrealised	–	(900)	–	(832)
Reversal of impairment losses on trade receivables	(954)	–	–	–
Interest income	(2,881)	(2,187)	(1,444)	(1,423)

The estimated monetary value of benefits-in-kind received and receivable by a director other than cash from the Company amounted to RM28,000 (2018: RM28,000).

26. INCOME TAX (EXPENSE)/CREDIT

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income tax				
- current year	(554)	(1,559)	(101)	(62)
- over provision in prior year	1,428	4,639	109	–
	874	3,080	8	(62)
Deferred taxation (Note 10)				
- current year	(2,428)	–	(2,423)	–
- under provision in prior year	–	–	–	–
	(2,428)	–	(2,423)	–
	(1,554)	3,080	(2,415)	(62)

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

Notes To The Financial Statements (Continued)

26. INCOME TAX (EXPENSE)/CREDIT (CONTINUED)

The reconciliation from the tax amount at the statutory income tax rate to the Group and the Company are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before tax	15,994	13,578	9,111	20,454
Tax at Malaysian statutory income tax rate of 24% (2018: 24%)	(3,839)	(3,259)	(2,187)	(4,909)
Tax effects arising from:				
- non-deductible expenses	(4,713)	(4,371)	(3,675)	(3,319)
- non-taxable income	298	533	1,638	2,359
- deferred tax assets not recognised in the financial statements	7,700	5,538	4,123	5,807
- utilisation of previously recognised investment tax allowances	(2,428)	–	(2,423)	–
- overprovision of income tax and deferred tax	1,428	4,639	109	–
Income tax (expense)/credit	(1,554)	3,080	(2,415)	(62)

27. EARNINGS PER SHARE

(a) Basic earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the profits for the financial year attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2019 RM'000	2018 RM'000
Profit for the financial year attributable to owners of the Company (RM'000)	14,440	16,658
Weighted average number of shares ('000 units)	561,598	559,811
Basic earnings per ordinary share (sen)	2.57	2.98

(b) Diluted earnings per ordinary share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group's dilutive potential ordinary shares are 2010/2020 Warrants ("Warrants").

Notes To The Financial Statements (Continued)

27. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per ordinary share (Continued)

For the purpose of calculating diluted earnings per share, the profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, arising from Warrants.

	Group	
	2019 RM'000	**2018 RM'000**
Profit for the financial year attributable to owners of the Company	14,440	16,658

	2019 '000 units	**2018 '000 units**
Weighted average number of ordinary shares in issue	561,598	559,811
Add: Effect of dilution of share warrants	3,796	7,792
Weighted average number of ordinary shares for diluted earnings per share	565,394	567,603
Diluted earnings per share (sen)	2.55	2.93

28. DIVIDENDS

	Company	
	2019 RM'000	**2018 RM'000**
Recognised during the financial year:		
Single-tier third interim dividend of 1.20 sen per ordinary share in respect of the financial year ended 31 December 2018, paid on 8 April 2019	6,712	–
Single-tier final dividend of 1.40 sen per ordinary share in respect of the financial year ended 31 December 2018, paid on 9 July 2019	7,837	–
Single-tier first interim dividend of 1.00 sen per ordinary share in respect of the financial year ended 31 December 2019, paid on 7 October 2019	5,610	–
Single-tier second interim dividend of 1.00 sen per ordinary share in respect of the financial year ended 31 December 2019, paid on 22 January 2020	5,635	–
Single-tier third interim dividend of 1.60 sen per ordinary share in respect of the financial year ended 31 December 2017, paid on 9 April 2018	–	8,923
Single-tier final dividend of 2.00 sen per ordinary share in respect of the financial year ended 31 December 2017, paid on 5 July 2018	–	11,183
Single-tier first interim dividend of 1.20 sen per ordinary share in respect of the financial year ended 31 December 2018, paid on 1 October 2018	–	6,710
Single-tier second interim dividend of 1.20 sen per ordinary share in respect of the financial year ended 31 December 2018, paid on 7 January 2019	–	6,712
	25,794	33,528

Notes To The Financial Statements (Continued)

28. DIVIDENDS (CONTINUED)

Subsequent to the financial year end, the Company declared a single-tier third interim dividend of 1.00 sen per ordinary share in respect of the financial year ended 31 December 2019 on 26 February 2020 and payable on 10 April 2020. The financial statements for the current financial year do not reflect this declared dividend. Such dividend, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

At the forthcoming Annual General Meeting, a final (single-tier) dividend in respect of the financial year ended 31 December 2019, amounting 1.00 sen per ordinary share will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2020.

29. 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) 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

(iii) 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	
	2019 RM'000	**2018 RM'000**
Dividend income from subsidiaries		
- HeveaPac Sdn. Bhd.	4,665	7,726
- HeveaMart Sdn. Bhd.	950	–
Sales to subsidiaries		
- HeveaPac Sdn. Bhd.	38,628	15,343
- HeveaMart Sdn. Bhd.	149	4,616
Purchase from a subsidiary		
- HeveaPac Sdn. Bhd.	(195)	(67)
Contract manufacturing income		
- HeveaPac Sdn. Bhd.	190	107
Rental expense		
- HeveaWood Industries Sdn. Bhd.	(180)	(180)

Notes To The Financial Statements (Continued)

29. 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	
	2019	**2018**
	RM'000	**RM'000**
Short term employees benefits payable to key management personnel:		
- salaries and bonus	3,145	3,337
- defined contribution plans	706	723
- other benefits	63	63
	3,914	4,123

30. 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	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors of the Company				
Executive Directors:				
- salaries, bonus and defined contribution plans	2,597	2,746	2,597	2,746
Non-executive Directors:				
- fees	855	859	855	819
- other emoluments	174	219	174	219
	1,029	1,078	1,029	1,038
Total Directors' remuneration	3,626	3,824	3,626	3,784

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Retirement benefits for Executive Directors	160	152	160	152

Notes To The Financial Statements (Continued)

31. CAPITAL COMMITMENT

The outstanding commitment in respect of capital expenditure incurred on property, plant and equipment is as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Capital expenditure commitment Property, plant and equipment:	3,171	1,449	–	966

32. SEGMENT INFORMATION

The Group prepares 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)

32. 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 2019	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	152,457	265,891	844	–	–		419,192
Inter-segment revenue	38,777	5,087	–	–	(43,864)	A	–
Total revenue	191,234	270,978	844	–	(43,864)		419,192
RESULTS							
Segment results	9,367	15,970	(2,311)	(19)	(5,665)		17,342
Finance costs	(256)	(925)	(167)	–	–		(1,348)
Segment profit	9,111	15,045	(2,478)	(19)	(5,665)		15,994
Income tax (expense)/credit	(2,415)	861	–	–	–		(1,554)
Profit after tax	6,696	15,906	(2,478)	(19)	(5,665)		14,440
Non-controlling interests	–	–	–	–	–		–
Profit attributable to owners of the Company	6,696	15,906	(2,478)	(19)	(5,665)	B	14,440
CONSOLIDATED STATEMENT OF FINANCIAL POSITION							
Segment assets #	316,971	260,495	19,038	6,046	(74,481)	C	528,069
Unallocated corporate assets							8,699
Total assets							536,768
OTHER INFORMATION							
Capital expenditure	5,636	2,405	930	–	–		8,971
Depreciation and amortisation	16,969	10,699	1,058	–	–		28,726
Non-cash items other than depreciation and amortisation	29	(928)	27	–	–	D	(872)

Notes To The Financial Statements (Continued)

32. SEGMENT INFORMATION (CONTINUED)

Group 2018	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	189,465	258,010	418	–	–		447,893
Inter-segment revenue	19,959	7,741	–	–	(27,700)	A	–
Total revenue	209,424	265,751	418	–	(27,700)		447,893
RESULTS							
Segment results	21,503	3,193	(1,941)	(23)	(7,093)	B	15,639
Finance costs	(1,049)	(1,006)	(6)	–	–		(2,061)
Segment profit	20,454	2,187	(1,947)	(23)	(7,093)		13,578
Income tax (expense)/credit	(62)	3,142	–	–	–		3,080
Profit after tax	20,392	5,329	(1,947)	(23)	(7,093)		16,658
Non-controlling interests	–	–	–	–	–		–
Profit attributable to owners of the Company	20,392	5,329	(1,947)	(23)	(7,093)		16,658
CONSOLIDATED STATEMENT OF FINANCIAL POSITION							
Segment assets #	330,146	240,095	15,415	6,065	(65,220)	C	526,501
Unallocated corporate assets							14,440
Total assets							540,941
OTHER INFORMATION							
Capital expenditure	5,678	17,997	9,544	–	–		33,219
Depreciation and amortisation	16,071	9,857	618	–	–		26,546
Non-cash items other than depreciation and amortisation	7	956	–	–	–	D	963

Segment assets comprise total current and non-current assets, less tax recoverable and deferred tax assets.

Notes To The Financial Statements (Continued)

32. 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

	2019 RM'000	2018 RM'000
Dividend income	(5,615)	(7,726)
Unrealised profits on inventories	(50)	633
	(5,665)	(7,093)

C Reconciliation of assets

	2019 RM'000	2018 RM'000
Investment in subsidiaries	(60,805)	(58,404)
Inter-segment assets	(13,676)	(6,816)
	(74,481)	(65,220)

D Non-cash items consist of:

	2019 RM'000	2018 RM'000
Property, plant and equipment written off	21	9
Impairment losses on trade receivables	–	954
Reversal of impairment losses on trade receivables	(954)	–
Unrealised loss of foreign exchange	61	–
	(872)	963

Notes To The Financial Statements (Continued)

32. 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 2019		
Japan	231,398	–
China	57,578	–
Korea	25,705	–
Philippines	23,545	–
India	14,525	–
Malaysia	13,762	276,046
France	7,511	–
United Arab Emirates	7,346	–
Australia	7,098	–
Hong Kong	6,332	–
Others	24,392	–
	419,192	276,046
31 December 2018		
Japan	214,368	–
China	94,765	–
Korea	36,565	–
Philippines	796	–
India	14,482	–
Malaysia	26,156	292,572
France	4,269	–
United Arab Emirates	8,112	–
Australia	15,987	–
Hong Kong	7,475	–
Others	24,918	–
	447,893	292,572

* 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 RM170,996,000 (2018: RM163,513,000) arising from particleboards and ready-to-assemble furniture segments.

Notes To The Financial Statements (Continued)

33. 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	FVTPL RM'000
At 31 December 2019			
Financial assets			
Group			
Trade and other receivables*	33,956	33,956	–
Other investments	66,500	–	66,500
Cash and short-term deposits	62,228	62,228	–
	162,684	96,184	66,500
Company			
Trade and other receivables*	20,977	20,977	–
Other investments	44,500	–	44,500
Cash and short-term deposits	15,638	15,638	–
	81,115	36,615	44,500
Financial liabilities			
Group			
Trade and other payables	(81,411)	(81,411)	–
Loans and borrowings	(9,527)	(9,527)	–
Lease liabilities	(8,903)	(8,903)	–
	(99,841)	(99,841)	–
Company			
Trade and other payables	(47,557)	(47,557)	–
Lease liabilities	(929)	(929)	–
	(48,486)	(48,486)	–

* Exclude GST refundable

Notes To The Financial Statements (Continued)

33. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (Continued)

	Carrying amount RM'000	AC RM'000	FVTPL RM'000
At 31 December 2018			
Financial assets			
Group			
Trade and other receivables*	38,051	38,051	–
Other investments	39,239	–	39,239
Cash and short-term deposits	65,165	65,165	–
	142,455	103,216	39,239
Company			
Trade and other receivables*	18,317	18,317	–
Other investments	39,239	–	39,239
Cash and short-term deposits	30,560	30,560	–
	88,116	48,877	39,239
Financial liabilities			
Group			
Trade and other payables	(71,131)	(71,131)	–
Loans and borrowings	(22,182)	(22,182)	–
	(93,313)	(93,313)	–
Company			
Trade and other payables	(44,155)	(44,155)	–
Loans and borrowings	(1,797)	(1,797)	–
	(45,952)	(45,952)	–

* Exclude GST refundable

Notes To The Financial Statements (Continued)

33. 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.

The information about the credit risk exposure on the Group's and the Company's trade receivables are as follows:

	Current	1-30 days past due	> 30 days past due	Total
Group				
At 31 December 2019				
Gross carrying amount	28,920	212	1,167	30,299
Company				
At 31 December 2019				
Gross carrying amount	8,737	–	–	8,737

Notes To The Financial Statements (Continued)

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit risk (Continued)

Trade receivables (Continued)

	Current	1-30 days past due	> 30 days past due	Total
Group				
At 31 December 2018				
Gross carrying amount	33,782	1,458	760	36,000
Impairment losses	–	(932)	(22)	(954)
	33,782	526	738	35,046
Company				
At 31 December 2018				
Gross carrying amount	17,665	–	–	17,665

The exposure of credit risk for trade receivables by geographical region is as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Australia	500	889	116	58
China	3,769	6,551	3,769	6,551
Hong Kong	–	2,018	–	1,843
India	1,692	2,532	1,455	2,532
Japan	16,714	13,257	1,343	–
Korea	1,343	2,120	–	2,120
Malaysia	3,364	5,807	262	29
United Arab Emirates	1,099	333	1,022	333
Others	1,818	1,539	770	641
	30,299	35,046	8,737	14,107

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.

Notes To The Financial Statements (Continued)

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit risk (Continued)

Other receivables and other financial assets (Continued)

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 recognize 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. The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risks amounts to RM11,101,981 (2018: RM15,818,267) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 33(b)(iii) to the financial statements. As at the reporting date, there was no loss allowance for impairment as determine by the Company for the financial guarantee contract.

The financial guarantees have not been recognised since the fair value on initial recognition was not material as the guarantee is provided as credit enhancement to subsidiaries' secured borrowings.

(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.

Notes To The Financial Statements (Continued)

33. 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:

Group	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	Indonesian Rupiah RM'000
2019							
Trade and other receivables	1,290	–	–	–	–	24,644	8
Cash and short-term deposits	551	1	–	6	–	5,970	–
Trade and other payables	–	–	(753)	–	(24)	(2,925)	–
	1,841	1	(753)	6	(24)	27,689	8
2018							
Trade and other receivables	100	–	241	34	–	30,149	–
Cash and short-term deposits	860	1	–	157	–	13,374	–
Trade and other payables	–	–	(1,031)	–	(23)	(1,934)	–
	960	1	(790)	191	(23)	41,589	–

Company	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	Indonesian Rupiah RM'000
2019							
Trade and other receivables	1,290	–	–	–	–	7,177	8
Cash and short-term deposits	549	1	–	6	–	2,849	–
Trade and other payables	–	–	(63)	–	–	(17)	–
	1,839	1	(63)	6	–	10,009	8
2018							
Trade and other receivables	–	–	241	–	–	14,181	–
Cash and short-term deposits	858	1	–	157	–	8,139	–
Trade and other payables	–	–	(434)	–	(2)	(67)	–
	858	1	(193)	157	(2)	22,253	–

Notes To The Financial Statements (Continued)

33. 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	
	2019 Increase/ (Decrease) RM'000	**2018 Increase/ (Decrease) RM'000**	**2019 Increase/ (Decrease) RM'000**	**2018 Increase/ (Decrease) RM'000**
Effects on profit or loss and equity				
Chinese Yuan:				
- strengthened by 10%	184	96	184	86
- weakened by 10%	(184)	(96)	(184)	(86)
Euro Dollar:				
- strengthened by 10%	(75)	(79)	(6)	(19)
- weakened by 10%	75	79	6	19
Japanese Yen:				
- strengthened by 10%	1	19	1	16
- weakened by 10%	(1)	(19)	(1)	(16)
Singapore Dollar:				
- strengthened by 10%	(2)	(2)	–	–*
- weakened by 10%	2	2	–	–*
United States Dollar:				
- strengthened by 10%	2,769	4,159	1,001	2,225
- weakened by 10%	(2,769)	(4,159)	(1,001)	(2,225)
Indonesian Rupiah:				
- strengthened by 10%	1	–	1	–
- weakened by 10%	(1)	–	(1)	–

* Represented by amount less than RM1,000

Notes To The Financial Statements (Continued)

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(iii) Liquidity risk (Continued)

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 following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

		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					
2019					
Trade and other payables	81,411	81,411	–	–	81,411
Loans and borrowings	9,527	2,499	8,215	–	10,714
Lease liabilities	8,903	4,020	1,748	3,404	9,172
	99,841	87,930	9,963	3,404	101,297

Notes To The Financial Statements (Continued)

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(iii) Liquidity risk (Continued)

	Carrying amount RM'000	Contractual cash flows 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					
2018					
Trade and other payables	71,131	71,131	–	–	71,131
Loans and borrowings	11,814	2,855	9,349	1,364	13,568
Finance lease liabilities	10,368	5,671	5,389	–	11,060
	93,313	79,657	14,738	1,364	95,759
Company					
Financial liabilities					
2019					
Trade and other payables	47,557	47,557	–	–	47,557
Lease liabilities	929	532	448	–	980
Financial guarantee contracts	–	11,102	–	–	11,102
	48,486	59,191	448	–	59,639
2018					
Trade and other payables	44,155	44,155	–	–	44,155
Finance lease liabilities	1,797	1,195	691	–	1,886
Financial guarantee contracts	–	15,818	–	–	15,818
	45,952	61,168	691	–	61,859

33. 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's and the Company's exposure to interest rate risk arises primarily from their deposits placed with licensed banks and loans and borrowings.

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.

Sensitivity analysis for interest rate risk

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.

Cash flow sensitivity analysis for variable rate instruments

A change of 1% in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss and Equity			
	2019		2018	
	Increase 1% RM'000	Decrease 1% RM'000	Increase 1% RM'000	Decrease 1% RM'000
Group				
Variable rate instruments	(95)	95	(118)	118

Notes To The Financial Statements (Continued)

33. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurement

The carrying amounts of cash and cash equivalents, short-term receivables and payables and term loan are reasonable approximation of fair values, either due to their short term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date, therefore the fair value hierarchy is not presented.

As at 31 December 2019, 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.

During the financial year ended 31 December 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

The following table provides the fair value measurement hierarchy of the Group's financial instruments:

	2018	
	Carrying Amount RM'000	**Fair Value RM'000**
Group		
Financial liabilities		
Level 3		
Financial instrument not carried at fair value:		
Finance lease liabilities*	10,368	10,538

	2018	
	Carrying Amount RM'000	**Fair Value RM'000**
Company		
Financial liabilities		
Level 3		
Financial instrument not carried at fair value:		
Finance lease liabilities*	1,797	1,796

* Comparative information under *MFRS 117 Leases.*

Level 3 fair value

Fair value of financial instrument not carried at fair value

The fair value of finance lease liabilities are determined using the discounted cash flows method based on discount rates that reflects the issuer's borrowing rate as at the end of the reporting period.

Notes To The Financial Statements (Continued)

34. 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.

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 net debt divided by total equity. Net debt is calculated as borrowings less cash and cash equivalents.

The debt-to-equity ratio of the Group and the Company as at the end of the reporting period was as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Total loan and borrowings	9,527	11,814	–	–
Equity attributable to owners of the Company	430,378	440,734	272,596	290,696
Debt-to-equity ratio (times)	0.02	0.03	–	–

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

35. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The emergence of COVID-19 since early 2020 has brought about uncertainties to the Group's operating environment and has impacted the Group's operations and its financial position subsequent to the financial year end. The Group is cognisant of the challenges posed by these developing events and the potential impact they have on our business sector. The Group will continuously assess the situation and put in place measures to minimise impact to its business. As the situation is still evolving, the full effect of the outbreak is subject to uncertainty and could not be ascertained yet.

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 54 to 130 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 2019 and of their financial performance and cash flows for the financial year then ended.

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

YOONG HAU CHUN
Director

YOONG LI YEN
Director

Date: 17 March 2020

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 54 to 130 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 17 March 2020.

Before me,

WONG CHOONG KIN @ DONNY
License no.: W613
Commissioner for Oaths

Independent Auditors' Report

To The Members Of Heveaboard Berhad (Incorporated in Malaysia)

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 2019 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 54 to 130.

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 2019, 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 are independent of the Group and of the Company in accordance with the *By-Laws* (*on Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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 2019, 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 RM37,940,000 and RM42,754,000 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 future taxable profits and there are inherent uncertainties involving in projecting the amount.

Our response:

Our audit procedures focus on evaluating the profit projections which included, among others:

- comparing the actual results with previous budget to assess the performance of the business and reliability of forecasting process;
- reviewing the profit projections by comparing the assumptions made as well as our assessments 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 (Incorporated in Malaysia) (Continued)

Inventories (Note 4(b) and 11 to the financial statements)

As at 31 December 2019, the carrying amount of inventories held by the Group and the Company amounting of RM85,349,000 and RM31,178,000 respectively. We focused on this area because the computation and cost allocation process involves multiple inputs and significant judgement is 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 review of 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 management.

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;
- reviewing 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
- reviewing subsequent sales and the Group's and the Company's assessment on estimated 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.

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, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current 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.

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
201906000600 (LLP0019411-LCA)
& AF0117
Chartered Accountants

Ong Teng Yan
No. 03076/07/2021 J
Chartered Accountant

Kuala Lumpur
Date: 17 March 2020

List of Properties

Registered Owner	Location	Description/ existing use	Tenure of Land	Land Area	Net Book Value as at 31 December 2019 (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	7,959
	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	18,847
	19A-10-2, Level 10, UOA Centre, No 19 Jalan Pinang 50450 Kuala Lumpur	Office	Freehold	173 sq. m	1,884
	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	501
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	12,969
	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	13,942
	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	5,185
	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	30,730

Analysis of Shareholdings
As At 30 March 2020

A. SHARE CAPITAL

Total Number of Issued Shares	: 565,968,681 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	: 1,777,000 shares

* *Excluding a total of 1,777,000 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	41	0.454	1,006	*0.000
100 – 1,000	1,210	13.392	763,043	0.135
1,001 – 10,000	4,198	46.464	23,507,850	4.154
10,001 – 100,000	3,079	34.079	102,061,725	18.033
100,001 – 28,298,433 (less than 5% of issued holdings)	505	5.589	294,213,982	51.984
28,298,434 (5% of issued holdings) and above	2	0.022	145,421,075	25.694
Total	9,035	100.000	565,968,681	100.000

*Negligible

C. SUBSTANTIAL SHAREHOLDERS
(as per Register of Substantial Shareholders)

	Name	Direct No. of Shares	%	Indirect No. of Shares	%	
1.	*HeveaWood Industries Sdn. Bhd.*	116,740,290	20.627	4,049,600	0.716	@
2.	*Firama Holdings Sdn. Bhd.*	30,294,785	5.353	135,221,890	23.892	*
3.	*Tenson Holdings Sdn. Bhd.*	16,231,652	2.868	165,516,675	29.245	**
4.	*Mah Fah Victor Group Sdn. Bhd.*	–	–	165,516,675	29.245	**
5.	*Yoong Hau Chun*	1,503,850	0.266	185,177,191	32.719	#
6.	*Yoong Li Yen*	1,672,532	0.296	183,681,841	32.454	****
7.	*Yoong Tein Seng @ Yong Kian Seng*	303,000	0.054	195,830,837	34.601	***
8.	*Dato' Loo Swee Chew*	4,292,000	0.758	121,159,890	21.408	❖
9.	*Liang Chong Wai*	10,400	0.0018	120,789,890	21.342	~

@ *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 30 March 2020 (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	%	Indirect No. of Shares	%
1.	Sundra Moorthi A/L V.M. Krishnasamy	–	–	–	–
2.	Yoong Hau Chun	1,503,850	0.266	185,177,191 (1)	32.719
3.	Yoong Li Yen	1,672,532	0.296	183,681,841 (2)	32.454
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	–	–	–	–
7.	Thye Heng Ong @ Teh Heng Ong	–	–	–	–
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)	303,000	0.054	195,830,837 (6)	34.601

(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 relationship with Chua Sew Yin @ Chuah Chai Ean, his spouse.*

(4) *Deemed interested by virtue of his 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	20.574
2.	Firama Holdings Sdn. Bhd.	28,980,785	5.121
3.	Tenson Holdings Sdn. Bhd.	16,231,652	2.868
4.	Firama Engineering Berhad	14,450,000	2.553
5.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Yap Kiew @ Yap Chin Fook (M07)	10,298,500	1.820
6.	Lee Ka Yong	7,675,000	1.356
7.	Chong Kwee Hiong	7,533,500	1.331
8.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Chua Hock Gee	5,415,500	0.957
9.	Yoong Kee Sin	4,620,000	0.816
10.	Maybank Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Chong Khong Shoong	4,600,000	0.813
11.	Public Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Chong Khong Shoong (E-IMO/JS I)	4,570,100	0.807
12.	Citigroup Nominees (Tempatan) Sdn. Bhd. - Employees Provident Fund Board (AM INV)	4,347,500	0.768
13.	Dato' Loo Swee Chew	4,292,000	0.758
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	0.689
20.	Citigroup Nominees (Asing) Sdn. Bhd. - CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	3,786,700	0.669
21.	Public Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Kejutaan Holdings Sdn. Bhd. (E- IMO)	3,495,000	0.618
22.	Citigroup Nominees (Tempatan) Sdn. Bhd. - Employees Provident Fund Board	3,285,000	0.580
23.	RHB Capital Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Ng Kok Seng (CEB)	3,001,100	0.530
24.	Liau Choon Hwa & Sons Sdn. Bhd.	2,921,332	0.516

Analysis of Shareholdings

As At 30 March 2020 (Continued)

	Name	No. of Shares Held	%
25.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Teh Shiou Cherng (J D B TUNGGAL BR-CL)	2,870,000	0.507
26.	Citigroup Nominees (Asing) Sdn. Bhd. - CBNY for DFA Emerging Markets Small Cap Series	2,734,000	0.483
27.	Maybank Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Wong Lai Moey	2,640,000	0.466
28.	Citigroup Nominees (Tempatan) Sdn. Bhd. - Kumpulan Wang Persaraan (Diperbadankan) (Principal EQITS)	2,596,000	0.459
29.	Citigroup Nominees (Asing) Sdn. Bhd. - CBNY for Dimensional Emerging Markets Value Fund	2,153,300	0.380
30.	Maybank Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Ho Tze Yu @ Ho Chue Yu	2,000,000	0.353
		284,794,787	50.319

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-Sixth (26th) Annual General Meeting ("AGM") of **HeveaBoard Berhad** will be held at Level 10, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur (by virtual meeting via an online platform to be advised) on Wednesday, 10 June 2020 at 10.00 a.m., for the purpose of considering the following businesses:

AGENDA

Ordinary Business

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon.	**[Please refer to Explanatory Note 8(i)]**
2.	To approve a single-tier final dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2019.	**Ordinary Resolution 1**
3.	To approve the payment of Directors' fees amounting to RM879,570 per annum for the financial year ending 31 December 2020.	**Ordinary Resolution 2**
4.	To re-elect the following Directors who retire pursuant to Clause 97 of the Company's Constitution, and being eligible, offered themselves for re-election:	
	i. Mr Lim Kah Poon	**Ordinary Resolution 3**
	ii. Mr Bailey Policarpio	**Ordinary Resolution 4**
	iii. Mr Thye Heng Ong @ Teh Heng Ong	**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 "Act"), 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, authority 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, 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 4.2 of the Malaysian Code on Corporate Governance** **Ordinary Resolution 9**

"THAT subject to the passing of Ordinary Resolution 3 and based on application of Practice 4.2 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 twelve (12) years since 1 October 2004 be and is hereby retained as an Independent Non-Executive Director of the Company."

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-Sixth (26th) AGM, a single-tier final dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2019 will be payable on 9 July 2020 to holders of ordinary shares registered in the Record of Depositors at the close of business on 25 June 2020.

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 25 June 2020 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
30 April 2020

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 not less than twenty-four (24) hours before the time appointed for holding the meeting or any adjournment thereof.

6. 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.

Notice of Annual General Meeting (Continued)

7. **GENERAL MEETING RECORD OF DEPOSITORS**

   For the purposes of determining a member who shall be entitled to attend this Twenty-Sixth (26th) 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 3 June 2020. 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.

8. **EXPLANATORY NOTES ON ORDINARY/SPECIAL BUSINESS**

   i. Item 1 of the Agenda – Audited Financial Statements for the financial year ended 31 December 2019

   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 - 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 on 9 July 2020 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. In this respect, the Board seeks the shareholders' approval at this AGM on the payment of Directors' fees.

   The proposed Ordinary Resolution 2 is to facilitate the payment of Directors' fees on a current financial year basis. 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 2020.

   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 Mr Lim Kah Poon, Mr Bailey Policarpio and Mr Thye Heng Ong @ Teh Heng Ong who stand for re-election and their interest in the securities of the Company are set out on pages 13 to 15 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 the above, the Board recommended the re-election of all of them as Directors.

   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 10 June 2019 ("the previous mandate"). 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 30 April 2020, 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 4.2 of the Malaysian Code on Corporate Governance ("MCCG")

The Board of Directors applied Practice 4.2 of the MCCG 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 twelve (12) 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.

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 services on the Board of more than twelve (12) 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 have 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.

9. 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-Sixth (26th) AGM of the Company.

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Proxy Form

No. of shares held	
CDS Account No.	
Contact No.	
E-mail address	

HeveaBoard Berhad [Registration No. 199301020774 (275512-A)]
(Incorporated in Malaysia)

I/We ____ NRIC No./Passport No./Company No.* ______________________
(full name in block letters)

of *(full address)* ____

____ being a member of **HeveaBoard Berhad**, hereby appoint

(full name) ______________________________________ NRIC No./Passport No.* _________________________________

of *(full address)* ____

and/or failing* him/her, *(full name)* ________________________________ NRIC No./Passport No.* ______________________

of *(full 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-Sixth (26th) Annual General Meeting of the Company to be held at Level 10, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur (by virtual meeting via an online platform to be advised) on Wednesday, 10 June 2020 at 10.00 a.m. or at any adjournment thereof and to vote as indicated below:-

Resolutions		**For**	**Against**
Ordinary Resolutions			
1	Approval of Single –Tier Final Dividend		
2	Approval of the payment of Directors' fees amounting to RM879,570 per annum for the financial year ending 31 December 2020.		
3	Re-election of Mr Lim Kah Poon as Director		
4	Re-election of Mr Bailey Policarpio as Director		
5	Re-election of Mr Thye Heng Ong @ Teh Heng Ong 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 ______________, 2020

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

____
Signature/Common Seal of Shareholder

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 holding the meeting or any adjournment thereof.
6. 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-Sixth (26th) 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 3 June 2020. 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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HeveaBoard Berhad
[Registration No. 199301020774 (275512-A)]
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Wilayah Persekutuan Kuala Lumpur, Malaysia

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HeveaBoard Berhad
Registration No: 199301020774 (275512-A)

Registered Office
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
T : 603-2166 1393 F : 603-2166 3390

Factory
Lot 1942, Batu 3, Jalan Tampin,
73400 Gemas, Negeri Sembilan Darul Khusus, Malaysia
T : 607-948 4745/46 F : 607-948 5192/3390

www.heveaboard.com.my