HeveaBoard Berhad

(275512-A)

2018 ANNUAL REPORT

INNOVATE THROUGH TECHNOLOGY

How we Innovate through Technology

The gear concept shows how we leverage technology to improve factory operations and efficiently manage cost and resources.

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5-Year Financial Highlights

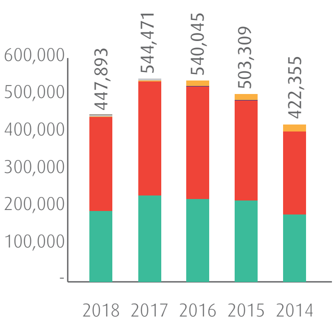
	2018	2017	2016	2015	2014
Turnover (RM'000)	447,893	544,471	540,045	503,309	422,355
Profit Before Tax (RM'000)	13,578	65,945	90,296	82,834	32,081
Tax (RM'000)	3,080	(1,511)	(9,627)	(9,263)	(1,905)
Profit After Tax (RM'000)	16,658	64,434	80,669	73,571	30,176
Share Capital (RM'000)	158,420	157,900	125,288	109,082	99,449
Net Assets (RM'000)	440,734	457,420	421,075	345,615	270,679
Net Assets Per Share (RM)*	0.79	0.82	0.84	0.79	0.68
Interim Dividend (sen per ordinary share)**	3.60	4.80	** 4.60	** 1.75	** 0.38
Proposed Final Dividend (sen per ordinary share)**	1.40	2.00	** 2.50	** 1.00	** 0.63
Net Earnings Per Share (sen)***	2.98	11.96	17.27	17.94	7.93

* 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.

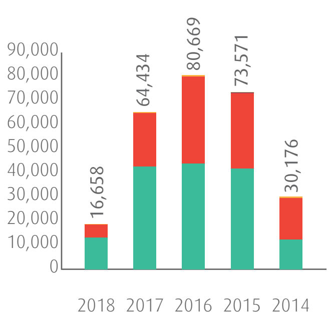
** The comparatives have been restated to account for the subdivision of every one (1) ordinary share of RM1.00 each into four (4) ordinary shares of RM0.25 each (share split) which was completed on 24 July 2015.

*** 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 (sharesplit) 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.

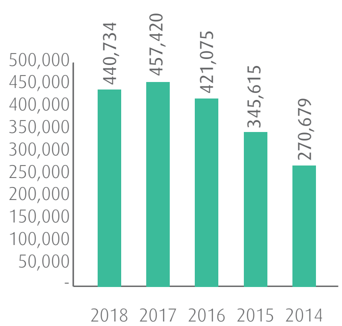
Turnover
(RM'000)



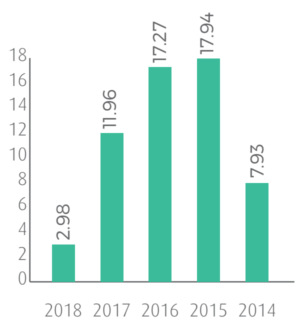
Profit After Tax
(RM'000)



Net Assets
(RM'000)



Earnings Per Share
(Sen)



HeveaBoard HeveaPac HeveaMart BocoWood Hevea OSB HeveaGro

At A Glance

Turnover
RM447.9 million

RM16.7 million
Profit After Tax

NET ASSETS
RM440.7 million

5.0 sen
TOTAL DIVIDENDS PER ORDINARY SHARE

EXPORTS TO
JAPAN, CHINA, SOUTH KOREA, AUSTRALIA, INDIA AND etc

1ST *ERYNGII*/ KING OYSTER MUSHROOM
CULTIVATOR IN MALAYSIA

Management Discussion & Analysis

Dear Valued Shareholders,

On behalf of the Board of Directors of **HeveaBoard Berhad** ("**HeveaBoard**", "the Group" or "the Company"), I have the pleasure in presenting to you our 2018 Annual Report and Audited Financial Statements for the Financial Year Ended 31 December 2018 ("FYE 2018").

Yoong Hau Chun
Group Managing Director

RM13.6 million
Profit Before Tax

RM447.9 million
Revenue

5.0 sen
Dividend

Before that, please allow me to first convey our condolences to the family of our late Chairman Tan Sri Dato' Chan Choong Tak on his demise on 3 September 2018. His unreserved support and dedication given to the Board and the Company over the past years are greatly appreciated and will be fondly remembered. I also wish to congratulate Mr. Sundra Moorthi A/L V.M. Krishnasamy and extend our gratitude for his acceptance of his re-designation in the Company as Chairman of **HeveaBoard** effective 19 November 2018.

Financial Performance

2018 continued to be a challenging year for **HeveaBoard** as we were faced with prolonged challenges such as the shortage of foreign workers at the ready-to-assemble furniture ("RTA") sector, as well as the onslaught of the trade war between China and USA which had impacted the particleboard sector. These had caused an interruption to the Group's continuous growth since 2012.

As a result from weathering the challenges, for the FYE 2018, **HeveaBoard** recorded a lower revenue of RM447.9 million as compared to the preceding year of RM544.5 million, representing a decrease of 17.8%.

The Group reported a profit before tax ("PBT") of RM13.6 million, a decrease of RM52.4 million or 79.4%, as compared to the same reporting period in FYE 2017. Out of RM13.6 million, the particleboard sector recorded a PBT of RM13.3 million, a decrease of 63.9% when compared with the same period in FYE 2017. At the same time, the RTA sector recorded a PBT of RM2.3 million or 92.4% decrease from the same reporting period of FYE 2017. Our fungi cultivation sector has commenced its first phase of production and recorded a revenue of RM0.4 million and loss before tax of RM2.0 million.

The lower revenue and PBT registered were a result of lower contribution recorded from both the particleboard and RTA sectors which were affected by a number of significant external factors. The particleboard sector was affected by the trade war between USA and China, the weakened USD/MYR exchange rate and increase in direct raw material costs during the reporting period whereas the RTA sector was plagued by the critical shortage of foreign workers in the first half of 2018, weakened USD/MYR exchange rate and also the write-down of slow-moving inventory of RM4.6 million. The slow-moving inventory was a result of lower business volume. In addition to the above, in preparation for operation of the new factory, additional materials were purchased but some orders were cancelled subsequently due to non-delivery which was mainly caused by the shortage of workers mentioned earlier.

As for the fungi cultivation, the low revenue was a result of low production volume impacted by the improvements and retrofication which were necessary at the production line. Meanwhile, the loss before tax recorded were mainly due to start-up costs, and high marketing and promotional costs which were necessary to promote the mushrooms in the market.

As we move forward into 2019, we anticipate that the challenging business environment will remain resulting from the additional particleboard capacities coming on stream and the macroeconomic condition is highly uncertain especially on the trade war between USA and China. However, we remain confident that with our focus on developing higher value product and efficient cost management on all sectors, **HeveaBoard** will continue to thrive to a better performance.

Dividend Policy

The Group has been consistently rewarding our shareholders with dividend payouts aligned to our dividend policy of no less than 30% of our PAT. A single-tier first and second interim dividends of 1.2 sen per ordinary share each in respect of FYE 2018 were paid on 1 October 2018 and 7 January 2019 respectively amounting to a total of RM13.4 million. In addition to this, the Group has also declared a single-tier third interim dividend of 1.2 sen per ordinary share in respect of FYE 2018 on 28 February 2019. A final dividend of 1.4 sen per ordinary share has been recommended and put forward for approval in the coming AGM. If approved, the total dividend declared for FYE 2018 would be 5.0 sen per ordinary share.

Business Operations & Efficiencies

Moving into 2019, our operational focus continues to be on the production of high quality and environmentally-friendly wood-based products which are to be distributed locally as well as to countries such as China, Japan, South Korea, India, Australia, Europe and USA amongst others. We will continue to invest in technology and innovate better ways to conduct our operations to stay ahead of our competitors.

In 2018, our RTA sector was affected by the prolonged shortage of foreign workers as a result of the government's tougher stance on the hiring of foreign workers. As such, continuous automation and production efficiency improvements will be carried out to mitigate the issues faced.

Corporate Development

In 2018, we notched another milestone in the Group's corporate history with our foray into the fungi cultivation sector specifically the *Eryngii* mushrooms or king oyster mushrooms. After the establishment of HeveaGro Sdn. Bhd. in 2017, we officially commenced operations at our factory in 2018. Being the first Eryngii mushroom cultivator in Malaysia, and the first in the world to utilise rubber tree bark as raw material, the production output has not been able to meet our planned target as yet, as we need to go through the learning curve in solving some of the startup challenges. Despite this, we are confident that we are gaining traction on our progress. Looking at the fungi cultivation sector and its vast potential both locally and internationally, we are hopeful that with the continuously rising awareness of the benefits of fungi consumption and our on-going marketing and promotional efforts, we will be sharing more good news with our shareholders in the near future.

Industry Outlook & Company Prospects

We are of the view that the Group had performed reasonably well against all the challenges faced last year. However, we believe there is always room for improvement and we will continue to strive and uphold our high-quality standards, and to enhance efficiency by reducing waste and rejection. Our innovative upgrades over the years on equipment have yielded positive results. Not only has our quality been better assured, precious resources such as electricity, water have also been saved in a significant way. As reported last year, we have been able to use the previously "unusable rubber tree stumps" in an even more meaningful way, and through this process, an estimated 40,000 tonnes of CO_2 has been prevented from being emitted into our atmosphere and at the same time, additional raw material has been made available for our value addition.

Further more, we envisage a rise in demand for our products as the global furniture market is projected to grow at the rate of 5.0% during the forecast period of 2019 to 2023. This is in line with the anticipated improvement

in the property market sentiment in 2019, especially the residential property market, on the back of policies announced under Budget 2019. The continued increasing awareness on environmentally safe products should encourage more consumers to purchase eco-friendly furniture.

Meanwhile, we are also optimistic of a growth trend in the fungi cultivation sector as mushrooms are categorised as one of the high-value commodities in Malaysia and is projected to contribute about RM300 million to the Gross National Income in 2020. As highlighted in

our last quarterly announcement, despite continuing challenges in the global business environment with additional particleboard capacities coming on stream and the continuing uncertainties of trade war between USA and China, based on the current industries' prospects and our continued strive for product quality and efficiency, we are confident that barring any further external factors beyond our control such as a global economic slowdown, we will continue to perform reasonably well in 2019.

Appreciation

As we wrap up another year, I would like to extend my sincere gratitude to the management and staff of **HeveaBoard** Group that have worked tirelessly to ensure the Group runs smoothly while we work together to grow.

On a similar note, I would also like to thank the regulators and relevant authorities, business partners, customers and our valued shareholders for their steadfast support to the Group. It is our hope that they will continue to walk with us as we strive to grow together.

YOONG HAU CHUN
Group Managing Director

Sustainability Statement

Dear Shareholders,

Once again it is our utmost pleasure to present to you our 2018 Sustainability Statement. Following our sustainability initiatives in 2017, **HeveaBoard Berhad** ("**HeveaBoard**" or "the Group") continues to be committed to the sustainability journey – as a business partner, an employer, a community member, an environmental steward and a value creator for shareholders.

The success of our Company is dependent on the trust and confidence we earn from our employees, customers, suppliers, local communities and other stakeholders. We gain credibility by honouring our commitments, displaying honesty and integrity, and reaching company goals by protecting and caring for the environment we operate in.

We continue to be guided by our high standards of ethical behaviour and performance. We believe a strong code of conduct creates huge value for the Company. Corporate governance will influence the way we conduct our business in a fair, ethical and legal manner. **HeveaBoard**'s Code of Conduct and Ethics was formulated to enhance the standards of corporate governance and corporate behaviour by providing guidance to our Board of Directors, Management Team and all employees.

Obeying the law is the foundation on which the Company's ethical standards are built. Our long-standing commitment to doing business with integrity includes avoiding corruption in any form and complying with applicable laws and anti-corruption guidelines of every country in which we operate. Consistent with these values, we have strict rules and policies to address any acts of bribery, fraud or corruption in the Company. Any

employee found to be in breach of our Code of Conduct and Ethics or any applicable law and regulations will be subjected to internal investigation and appropriate disciplinary action will be taken, in the event such person is found guilty of the offence.

In addition to this, the Group had embarked on the following initiatives:-

Economic Impact

As a manufacturing Company that specialises in wood base products, **HeveaBoard** today has become the main producer and distributor of a wide range of particleboard-based products. The Group relies heavily on rubberwood and other components which are mainly sourced locally as the main raw material in producing our line of products. The products are then exported to countries such as Japan, China, South Korea, India and others. More than 90% of our products are

being exported, and this has contributed towards the country's economy and foreign exchange earnings.

Our wholly-owned subsidiary HeveaGro Sdn. Bhd., which is primarily involved in the cultivation, packing, distribution and trading of *Eryngii* or king oyster mushrooms, has

contributed to the growth of the agriculture industry. It has also contributed to improving food security as well as the creation of more job opportunities for the local community who are able to use this platform to learn and hone skills as well as to acquire knowledge pertinent to areas of fungi cultivation.

HeveaBoard also actively supports external organisations that are in need of assistance. The supports or contributions given are seen as a form of community investment towards enhancing socio-economic benefits and also to create a positive social impact. These efforts include our contribution of RM200,000 to Tabung Harapan as well as donations in the form of sales proceeds from our mushrooms charity events.

Environmental Impact

As a manufacturer, we recognise the impacts the Group's day-to-day operations have on the environment. We are fully committed to minimising our operational impact on the environment whenever and wherever possible through several measures.

As a first step, **HeveaBoard** is working towards the Carbon Footprint Certification which is targeted by the end of 2019. The certificate issued by SIRIM QAS Malaysia serves to provide an accurate carbon footprint of the Group's Greenhouse Gas Inventory to ensure that it aligns with leading reporting standards.

The Group has also put in place efforts to reduce carbon emissions from our factories through the use of high-technology machineries to clean and recover rubber tree stumps as raw materials for the particleboard sector. The technology has helped to reduce open burning of unusable residue which may lead to high emission of CO_2 into the atmosphere. It has helped to reduce carbon emission by an estimated 40,000 metric tonnes in 2018 alone.

In another similar effort, the Group has also been actively recovering rubber tree barks for use in other sectors such as the fungi cultivation sector. This has reduced the amount of waste from the particleboard sector while simultaneously eliminating the need for the residue from being thrown and burned.

Besides monitoring Greenhouse Gas ("GHG") emissions, **HeveaBoard** also closely monitors the waste generated from our factories. In that regard, the Group has employed a Certified Scheduled Waste Competent Person to manage all wastes generated from our factories while staying compliant with the Department of Environment's regulations.

HeveaBoard has also adopted an efficient water consumption strategy. In the reporting year alone, the Group had registered a total volume of 58.90 million litres of water used in our office, canteen, as well as Plant 1 and Plant 2. In October 2018, the particleboard sector installed an absorption chiller to recover waste heat to generate chilled water for use in production, the absorption chiller can potentially reduce our water usage by 1.20 million litres per year.

Aside from the emissions and waste generated from production, all offices and factories in the particleboard sector are subjected to the energy management and efficiency initiatives which was implemented in 2018. The implementation had seen a reduction in electricity consumption by 1.41 million kWh or 3.27% from the previous year. In addition to this, the Group had also managed to save more by replacing conventional motors with energy efficient ("EE") rated motors. The upgrading of motors from IE1 (Standard Efficiency) to IE2 motors (High Efficiency) has not only resulted in increased efficiency but reduced power consumption by 2.5% as well.

In order to ensure that the Company complies with the standard energy management, the Group's energy management will be overseen by a Registered Certified Energy Manager who is also responsible for submitting an energy management report to the Malaysian Energy Commission (Suruhanjaya Tenaga) at a 6-month interval. On top of that, as a measure to keep track of daily energy usage, an energy consumption report on all 19 sections of the plant will be auto generated from one centralised control room for reviews.

The efficient management and considerable saving of energy is also a result of the installation of earlier mentioned new absorption chiller that is capable of producing chilled water at a lower power usage as compared to normal vapour compression chillers. By using only a total of 30kW of electricity, the absorption chiller managed to produce chilled water at the same capacity as the vapour compression chiller which uses about 145kW of electricity.

Our responsibility for our products covers their entire life cycle – from the raw materials used, product development, and production, to their use and subsequent recycling. For this reason, **HeveaBoard** conducts development and production to the highest possible standards in order to minimise the impact on health and the environment. Hence, the Group has continued our focus on manufacturing premier grade products that are eco-friendly with low formaldehyde emission. This is an effort to reduce indoor air pollution as formaldehyde has been classified as a potentially dangerous carcinogen and an important environmental pollutant by the World Health Organization and the United States Environmental Protection Agency. In addition to that, **HeveaBoard**'s research and development (R&D) department has been actively researching ways to convert waste bark to organic compost that is friendly for the environment.

Social Impact

HeveaBoard believes that creating a healthy work environment will positively influence employees and stakeholders to generate a positive social impact in the business activities such as enhancing productivity and operational efficencies. This is because employees play a significant role in their contributions towards the overall growth of the Company.

As a responsible business entity, we take into consideration our duty of care for the environment and the community around us. Hence we take measures to ensure that public concern issues will not arise in the vicinity of **HeveaBoard**.

HeveaBoard is keen on promoting diversity especially in the workforce, management and Board. By embracing the differences of all gender, ethnic group, age, religion, culture and background, **HeveaBoard** will be able to grow as a whole organisation – united and strong. Currently, the Group has a strong workforce totalling 2,410 employees of which 140 of them are executive employees consisting of different gender, ethnic group, age, religion, culture and background.

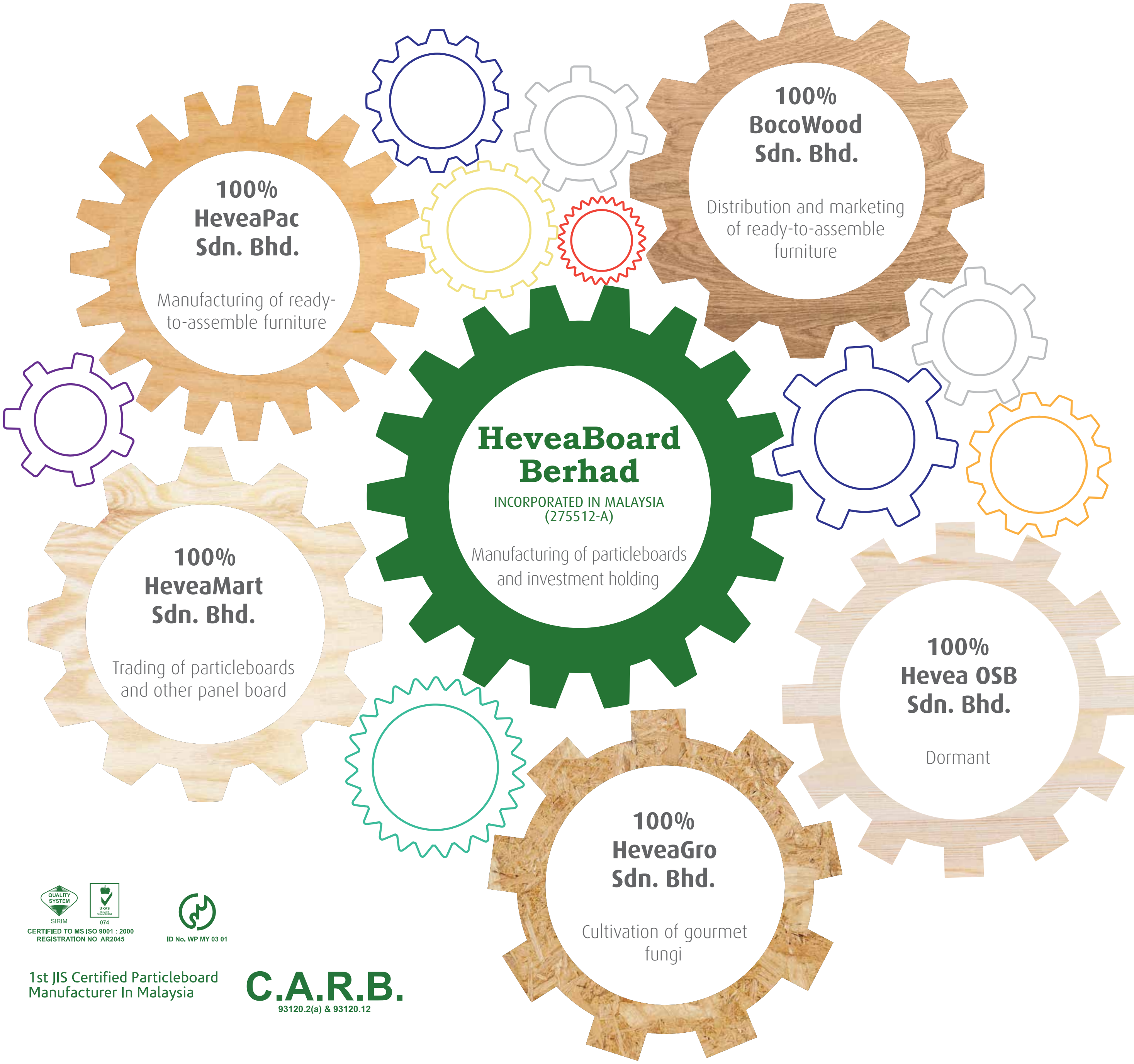
HeveaBoard strives to be fair in the way we treat our employees with regards to terms and conditions of their employment and development of employees' skills and knowledge. We observe and comply with statutory rules and regulations in the operation of our factories. This covers reasonable working hours, overtimes, public holidays, rest days and paid annual leave for employees. The Group ensures that all staff are treated with dignity and without discrimination, regardless of their ethnicity, background or religion. In the year 2018, the number of discrimination incidents reported and recorded within **HeveaBoard** was nil, an indicator that our initiatives and practices undertaken are effective in the working environment. In addition, all employees were allocated time to receive skills training on their specific areas of expertise from both internal and external parties to enhance their skills and knowledge.

Safety is the main priority in **HeveaBoard**. All workplaces are strictly inspected, evaluated and equipped with safety equipment to ensure all employees are working in a safe environment. Over the past year, 22% of our workers have been sent for safety and health training in order to equip them with emergency and accident management knowledge and skills. The Group has also in place an Emergency Response Team, Firefighting Team, First Aiders Team and a Health, Safety & Environment ("HSE") Department and full time officers in charge of health, safety and environment. Additionally, weekly safety audits ''walk through'' are conducted by the Plant Management team where findings and recommendations for improvements in housekeeping, safety and environment are discussed and immediate action taken. On top of this, the Group's Safety Committee convenes four times in a year.

Conclusion

Overall, 2018 has been an eventful year for the Group. Despite all the challenges to our business, the Group will always strive to perform better not only in terms of production but also in terms of our role as a corporate citizen. As the threat of global warming and climate change looms over the global community, we will need to constantly seek long term and sustainable solutions to minimise any negative impacts that could potentially bring harm to our environment. We will also continue developing a better strategy towards an effective and efficient product packaging, perhaps with lesser consumption of plastic and better space allocation for all products in the logistic process. Future plans of expansion will be a catalyst for job opportunities in different sectors that could enhance the knowledge and skills of the society. Last but not least, **HeveaBoard** will keep abreast with the social issues of the society to ensure our workplace will be on par with the norm expected by our society.

Corporate Structure



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
(re-designated on 19 November 2018)

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
(appointed on 19 November 2018)

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)
(appointed on 19 November 2018)
Lim Kah Poon
Bailey Policarpio

REMUNERATION COMMITTEE

Sundra Moorthi A/L V.M. Krishnasamy (Chairman)
(appointed on 19 November 2018)
Lim Kah Poon
Bailey Policarpio

TENDER BOARD COMMITTEE

Thye Heng Ong @ Teh Heng Ong (Chairman)
(appointed on 19 November 2018)
Lim Kah Poon
Loo Chin Meng
(appointed on 19 November 2018)

COMPANY SECRETARY

Wong Youn Kim
(MAICSA 7018778)

REGISTERED OFFICE

Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Wilayah Persekutuan
Tel : 03-2241 5800
Fax : 03-2282 5022

SHARE REGISTRAR

Bina Management (M) Sdn. Bhd.
(Company No. 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
(Company No. 8515-D)
CIMB Bank Berhad
(Company No. 13491-P)
Citibank Berhad
(Company No. 297098-M)
Malayan Banking Berhad
(Company No. 3813-K)
OCBC Bank (Malaysia) Berhad
(Company No. 295400-W)

AUDITORS

Baker Tilly Monteiro Heng PLT
(LLP0019411-LCA & AF 0117)
Chartered Accountants
Baker Tilly Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Wilayah Persekutuan
Tel : 03-2297 1000
Fax : 03-2282 9981

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Short Name : HEVEA
Stock Code : 5095
Warrant Code : 5095WB

Board of Directors

1. Sundra Moorthi A/L V.M. Krishnasamy
2. Yoong Hau Chun

3. Yoong Li Yen
4. Lim Kah Poon
5. Bailey Policarpio

6. Yoong Yan Pin
7. Thye Heng Ong @ Teh Heng Ong
8. Loo Chin Meng

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

Profile of Directors

SUNDRA MOORTHI A/L V.M. KRISHNASAMY

Independent Non-Executive Chairman

A Malaysian aged 75, 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. He was the Partner of Messrs. Ariffin & Ooi from 1972 to 1974. In 1975, he set up his own practice under the name of Messrs. Adnan Sundra & Low and had been a Senior Partner in the said legal firm from then to 2014. As a Founding Partner, he is presently a Consultant of 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

A Malaysian aged 43, 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 42, 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 sister of Mr. Yoong Hau Chun, the Group Managing Director and substantial shareholders of the Company.

LIM KAH POON

Independent Non-Executive Director

A Malaysian aged 70, 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 involved in audit and risk assessment on the control environment within the group companies in the Asia Pacific Region. In 1997, he joined a local company, 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 Director of Pineapple Resources Bhd. and Chuan Huat Resources Bhd.

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**.

BAILEY POLICARPIO
Non-Independent Non-Executive Director

A Filipino aged 48, 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 an 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.

YOONG YAN PIN
Independent Non-Executive Director

A Malaysian aged 83, 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

A Malaysian aged 68, 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 in 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

A Singaporean, aged 41, 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 Arms Forces in 1998 and received training in Officer Cadet School. He was commissioned as 2nd Lieutenant in 1999. He was promoted as Lieutenant in 2000.

Mr. Loo Chin Meng started his career in 2001 in sawmill and timber industry. He has been in sawmill and timber industry throughout the years and is currently Director 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**.

YOONG TEIN SENG @ YONG KIAN SENG (TENSON YOONG) **
Alternate Director to Yoong Hau Chun

A Malaysian aged 72, 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 1 April 2019 as set out on pages 167 to 170 of this Annual Report.

Board Meeting attendance in 2018:
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.

Malaysia | Male | 59 AGE

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.
- 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

Malaysia | Male | 61 AGE

Date of appointment to present position:
1 January 2000

Qualification:
- Higher National Diploma-UK.

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

Malaysia | Female | 60 AGE

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

YOONG LI MIAN

General Manager – Corporate Services

Malaysia | Female | 41 AGE

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, 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.

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.

Malaysia | Male | 43 AGE

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.
- 4 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 recognises the spirit of the new 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.

The Board has conducted a review on its current corporate governance practices against the practices encapsulated in the Principles of the MCCG and the Board is pleased to report that for the financial year under review, the Company has applied most of the practices of the MCCG.

This Corporate Governance Overview Statement outlines how the Company has applied the practices encapsulated in the three (3) Key Principles of the MCCG in relation to the following:-

- **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 2018 ("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.

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 business environment, a constant review is 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 corporate governance culture within the organisation towards the achievement of the strategic goals and objectives.

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.

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. During the financial year, Mr. Sundra Moorthi A/L V.M. Krishnasamy was re-designated as an Independent Non-Executive Chairman and assumes the position of Board Chairman in place of the former Chairman, namely the late Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak who passed away on 3 September 2018. Under the leadership of the new Chairman, the Board continues to function effectively in fulfilling its oversight responsibilities.

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 Articles of Association (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 reviewed and 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 will be further reviewed to be consistent with the Company's new Constitution which is to be proposed to the shareholders for approval at the Company's forthcoming Annual General Meeting ("AGM") to be held 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.

Director	**No. of Meetings Attended/No. of Meetings Held in 2018 (between 1/1/2018 and 31/12/2018)**			
	Board meeting	**AC meeting**	**NC meeting**	**RC meeting**
Mr. Sundra Moorthi A/L V.M. Krishnasamy ★	4/5	4/5	—	1/2
The late Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak ♣	4/5	4/5	1/2	1/2
Mr. Yoong Hau Chun ⅄ (Alternate Director, Mr. Yoong Tein Seng @ Yong Kian Seng)	5/5	—	—	1/2
Ms. Yoong Li Yen	5/5	—	—	—
Dato' Loo Swee Chew ♠ (Alternate Director, Mr. Loo Chin Meng)	4/5	—	—	—
Mr. Lim Kah Poon	5/5	5/5	2/2	2/2
Mr. Bailey Policarpio •	5/5	1/5	2/2	1/2
Mr. Yoong Yan Pin ❖	4/5	4/5	1/2	—
Mr. Thye Heng Ong @ Teh Heng Ong ♥	4/5	—	—	—
Mr. Loo Chin Meng ▪	1/5	—	—	—

Director	No. of Meetings Attended/No. of Meetings Held between 1/1/2019 and 26/3/2019			
	Board meeting	AC meeting	NC meeting	RC meeting
Mr. Sundra Moorthi A/L V.M. Krishnasamy ★	2/2	2/2	—	—
Mr. Yoong Hau Chun ⅄ (Alternate Director, Mr. Yoong Tein Seng @ Yong Kian Seng)	2/2	—	—	—
Ms. Yoong Li Yen	2/2	—	—	—
Mr. Lim Kah Poon	2/2	2/2	—	—
Mr. Bailey Policarpio •	2/2	—	—	—
Mr. Yoong Yan Pin ❖	2/2	2/2	—	—
Mr. Thye Heng Ong @ Teh Heng Ong ♥	2/2	—	—	—
Mr. Loo Chin Meng ▪	2/2	—	—	—

Note:

★ *Appointed as Board and AC member w.e.f. 27 February 2018. There were 4 Board and AC meetings held after the date of the appointment until 31 December 2018. Appointed as RC Chairman w.e.f. 19 November 2018. There was 1 RC meeting held after the date of the appointment until 31 December 2018.*

♣ *Demise on 3 September 2018. There were 4 Board and AC meetings, and 1 NC and RC meeting held during the period from 1 January 2018 before he passed away.*

⅄ *Resigned as RC member w.e.f. 27 February 2018. There was 1 RC meeting held during the period from 1 January 2018 before his resignation.*

♠ *Resigned as Board member w.e.f. 19 November 2018. There were 4 Board meetings held during the period from 1 January 2018 before his resignation.*

• *Resigned as AC member and appointed as RC member w.e.f. 27 February 2018. There was 1 AC and RC meeting held during the period from 1 January 2018 before his resignation as AC member and appointment as RC member.*

❖ *Appointed as Board and AC member w.e.f. 27 February 2018. There were 4 Board and AC meetings after the date of his appointment until 31 December 2018. Appointed as NC Chairman w.e.f. 19 November 2018. There was 1 NC meeting held after the date of his appointment until 31 December 2018.*

♥ *Appointed as Board member w.e.f. 27 February 2018. There were 4 Board meetings held after the date of his appointment until 31 December 2018.*

▪ *Appointed as Board member w.e.f. 19 November 2018. There was 1 Board meeting held after the date of his appointment until 31 December 2018.*

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. With the issuance of the MCCG, based on the Group's activities and business environment, the Board had reviewed the Group and the Company's current corporate governance practices and where applicable, raises the bar of its corporate governance standard. Following a detailed review of the Group and the Company's corporate governance practices conducted in 2017, the Board is pleased to report that for the year 2018 the corporate governance practices of the Group and the Company continue to be in line with most of the practices of the MCCG. While there are a few areas requiring higher corporate governance standard and action plans to be put in place to further improve its corporate governance practices, the Board would like to highlight that during the financial year, the following corporate governance areas have been improved to be in line with the MCCG:-

- The Board and Board Committees' composition have been restructured to further strengthen its independence and accountability with half of the Board members comprises Independent Directors.

- The Board Charter, Board Committees' Terms of Reference and Code of Conduct have been revised to be in line with the CG practices. These CG documents will be further reviewed to be consistent with the Company's new Constitution which is to be proposed to the shareholders for approval at the Company's forthcoming AGM to be held on 10 June 2019.

- At the last AGM of the Company held on 30 May 2018, the Company applied Practice 4.2 of the MCCG to seek shareholders' approval on the retention of its Independent Non-Executive Directors who had served the Board for more than twelve (12) years through a Two-Tier Voting Process.

- The Company is working towards enhancing and upgrading the necessary information technology system and application to facilitate the issuance of documents required to be sent to shareholders via electronic means to ensure the effectiveness of information dissemination.

- At the last AGM held on 30 May 2018, the Company conducted a "Live Voting" to ensure smooth meeting flow. Moving forward, an application of voting in absentia and remote shareholders' participation at general meeting will be considered to facilitate greater shareholders' participation at future general meetings and AGMs of the Company.

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 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 assists 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 consists 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 through the Nomination Committee reviewed its Board and Board Committees' composition. The Board accepted the recommendation of the Nomination Committee to apply Practice 4.1 of the MCCG that at least half of the Board should comprise Independent Directors and the Board size should be enlarged by appointing additional Independent Non-Executive Directors based on the justification that an enlarged Board size is required to meet **HeveaBoard**'s strategic goals and objectives for expansion in business operation while continues ensuring good corporate governance.

The key focus of the Nomination Committee's activities during the financial year was conducting Board recruitment process to identify, select and evaluate candidates for recommendation to the Board for appointment as additional Independent Non-Executive Directors. The Nomination Committee also recognised the need to identify woman candidates to enhance gender diversity of the Board.

Evaluation of candidates' suitability was based on pre-set criteria as disclosed in Practice 4.4 of the CG Report. The Nomination Committee had considered the profile of the potential candidates which some of them were identified by the Nomination Committee members and some were recommended by the Board members. Despite the sources of which the potential candidates were identified, the recruitment process of new Board members and evaluation process of Board's effectiveness had been performed objectively by the Nomination Committee. 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.

In February 2018, the Board resolved to appoint three (3) additional Independent Non-Executive Directors namely, Mr. Sundra Moorthi A/L V.M. Krishnasamy, Mr. Yoong Yan Pin and Mr. Thye Heng Ong @ Teh Heng Ong, making the Board size increased to a total of nine (9) members, comprises a majority of Independent Directors. Following the demise of the late Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak on 3 September 2018, the Board remains independent and functioning well with half of them being Independent Directors. 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 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. The Nomination Committee assists the Board to conduct annual assessment of the independence of the long service Independent Directors to determine if they should be retained as Independent Directors. At the last AGM held on 30 May 2018, the Board continued with the good corporate governance practice to seek shareholders' approval for retention of its Independent Non-Executive Directors who had served the Board for a cumulative term of more than nine (9) years since 1 October 2004. Since the Independent Non-Executive Directors 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 to be held on 10 June 2019 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 has 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 restrict the number of female Directors to sit on the Board and to groom up female talents within the Group in its succession planning.

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 Nomination Committee assists the Board to conduct annual assessment. The assessment is internally facilitated. The process of assessment is disclosed in the CG Report under Practice 5.1. Based on the assessment conducted in November 2018, 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 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.

In ensuring Directors' continuous professional development, the Nomination Committee identified the training needs of each Director and recommended training programme based on the results of the annual assessment. The Nomination Committee opines 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.

Director	**Training Attended**
Mr. Sundra Moorthi A/L V.M. Krishnasamy	• Risk Management Workshop
Mr. Yoong Hau Chun	• Risk Management Workshop • Budget 2019 & SST updates
Ms. Yoong Li Yen	• Risk Management Workshop • Budget 2019 & SST updates
Mr. Lim Kah Poon	• Risk Management Workshop
Mr. Bailey Policarpio	• Risk Management Workshop
Mr. Yoong Yan Pin	• Risk Management Workshop • Bursa's Case Study Workshop for Independent Directors entitled: "Rethinking – Independent Directors: Board Best Practices"
Mr. Thye Heng Ong @ Teh Heng Ong	• Risk Management Workshop • Mandatory Accreditation Programme (MAP)
Mr. Loo Chin Meng	• Risk Management Workshop • Budget 2019 & SST updates

3. Remuneration

The Company has put in place Remuneration Policy and Procedures which aim to set remunerations 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.

Remuneration Policy is 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 remuneration policy and decisions should be made through a transparent and independent process, the Board accepted the recommendation of the Nomination Committee that the Remuneration Committee should only consist of Non-Executive Directors and a majority of them must be Independent Directors to align with Guidance 6.2 of the MCCG. In February 2018, the Board resolved to revise the Remuneration Committee composition to consist solely of Non-Executive Directors and a majority of them Independent Directors. The composition of the Remuneration Committee is disclosed in this Annual Report under the section of Corporate Information.

In November 2018, the Remuneration Committee conducted an annual review of the remuneration packages of the Directors and Senior Management and recommended their 2019 remuneration packages to the Board for approval for implementation in 2019. None of the individuals or the Chairman participated in any discussion and decision relating to their own remuneration. The Board approved the 2019 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 applies 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 2018 are disclosed below:-

<u>COMPANY</u>

Non-Executive Directors

No.	Name	Directors' Fees RM'000	Other Emoluments RM'000	Total RM'000
1.	Mr. Sundra Moorthi A/L V.M. Krishnasamy ★ *(Independent Non-Executive Chairman)*	63	nil	63
2.	The late Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak ♣ *(Senior Independent Non-Executive Chairman)*	61	nil	61

No.	Name	Directors' Fees RM'000	Other Emoluments RM'000	Total RM'000
3.	Mr. Lim Kah Poon *(Independent Non-Executive Director)*	75	72	147
4.	Dato' Loo Swee Chew ♠ *(Non-Independent Non-Executive Director)*	56	nil	56
5.	Mr. Bailey Policarpio • *(Non-Independent Non-Executive Director)*	69	nil	69
6.	Mr. Yoong Yan Pin ❖ *(Independent Non-Executive Director)*	58	nil	58
7.	Mr. Thye Heng Ong @ Teh Heng Ong ♥ *(Independent Non-Executive Director)*	58	nil	58
8.	Mr. Loo Chin Meng ▪ *(Non-Independent Non-Executive Director)*	19	87	106

Group Managing Director and Executive Director

No.	Name	Salary RM'000	Bonus RM'000	EPF RM'000	Retirement Benefit RM'000	Benefits in-kind RM'000	Other Allowance RM'000	Total RM'000
1.	Mr. Yoong Hau Chun⅄ *(Group Managing Director)*	1,039	167	181	87	28	nil	1,502
2.	Ms. Yoong Li Yen *(Executive Director)*	784	169	154	65	nil	72	1,244

<u>GROUP</u>

Non-Executive Directors

No.	Name	Directors' Fees RM'000	Other Emoluments RM'000	Total RM'000
1	Mr. Sundra Moorthi A/L V.M. Krishnasamy★ *(Independent Non-Executive Chairman)*	63	nil	63
2.	The late Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak ♣ *(Senior Independent Non-Executive Chairman)*	101	nil	101
3.	Mr. Lim Kah Poon *(Independent Non-Executive Director)*	75	72	147
4.	Dato' Loo Swee Chew♠ *(Non-Independent Non-Executive Director)*	56	nil	56
5.	Mr. Bailey Policarpio·• *(Non-Independent Non-Executive Director)*	69	nil	69

No.	Name	Directors' Fees RM'000	Other Emoluments RM'000	Total RM'000
6.	Mr. Yoong Yan Pin ❖ *(Independent Non-Executive Director)*	58	nil	58
7.	Mr. Thye Heng Ong @ Teh Heng Ong ♥ *(Independent Non-Executive Director)*	58	nil	58
8.	Mr. Loo Chin Meng ▪ *(Non-Independent Non-Executive Director)*	19	87	106

Group Managing Director and Executive Director

No.	Name	Salary RM'000	Bonus RM'000	EPF RM'000	Retirement Benefit RM'000	Benefits in-kind RM'000	Other Allowance RM'000	Total RM'000
1.	Mr. Yoong Hau Chun ⅄ *(Group Managing Director)*	1,039	167	181	87	28	nil	1,502
2.	Ms. Yoong Li Yen *(Executive Director)*	784	169	154	65	nil	72	1,244

Note:-

★ *Appointed as Board and AC member w.e.f. 27 February 2018. Re-designated as Chairman of the Board and appointed as RC Chairman w.e.f 19 November 2018.*

♣ *Demise on 3 September 2018.*

⅄ *Resigned as RC member w.e.f. 27 February 2018.*

♠ *Resigned as Board and Tender Board Committee member w.e.f 19 November 2018.*

• *Resigned as AC member and appointed as RC member w.e.f. 27 February 2018.*

❖ *Appointed as Board and AC member w.e.f. 27 February 2018; and appointed as NC Chairman w.e.f. 19 November 2018.*

♥ *Appointed as Board member w.e.f. 27 February 2018; and appointed as Tender Board Committee Chairman w.e.f. 19 November 2018.*

▪ *Appointed as Board and Tender Board Committee member w.e.f. 19 November 2018.*

However, the Board is of the opinion that the disclosure on a named basis of the top five (5) Senior Management's remuneration component consists of salary, bonus, benefits in-kind and other emoluments in bands of RM50,000 would not be in the best interest of the Group and Company. It would be commercially disadvantageous for the Company to reveal this information in this highly competitive market for talents and the need to retain talents. The Board assures that the remuneration of the Senior Management is commensurate with the function, workload, responsibilities and individual performance, the Company's performance, and at the level which are sufficient to attract, retain and motivate Senior Management to run the Company successfully but without paying more than is necessary. The HR 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 judgment 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 through the Nomination Committee reviewed the composition of the Audit Committee and accepted the recommendation of the Nomination Committee to apply Practice 8.4 – Step Up of the MCCG that Audit Committee should comprise solely of Independent Directors.

In the recruitment process for additional Independent Non-Executive Directors, due care has been taken to select candidates who are financially literate, possess the necessary skills and truly independent as the new Directors will also be considered for appointment as Audit Committee members.

In February 2018, the Board resolved to revise the composition of the Audit Committee to comprise solely of Independent Directors with two (2) additional Independent Non-Executive Directors namely, Mr. Yoong Yan Pin and Mr. Sundra Moorthi A/L V.M. Krishnasamy, as part of the Audit Committee. 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 was re-designated as an Independent Non-Executive Chairman on 19 November 2018 in place of the late Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak.

The Audit Committee is led by Mr. Lim Kah Poon who 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.

To be in line with Practice 8.2 of the MCCG, the Terms of Reference of Audit Committee has 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 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, namely, IA Essential Sdn. Bhd. ("Internal Auditors"). 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 provider, 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.

The details of the Group's Risk Management and Internal Control Framework, and the adequacy and effectiveness of this framework are disclosed in Annual Reports 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 shareholders. 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 shareholders 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.

Moving forward, the Board will focus on further upgrading the Company's information technology and 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. **HeveaBoard** is not regarded as Large Companies as defined in the MCCG, thus the Company has not adopted an integrated reporting based on globally recognised framework in its reporting approach to stakeholders.

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. 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 held on 30 May 2018 was attended by a majority of the Directors. Although not all the Directors were present at the AGM, the following key personnel were present to engage directly with the shareholders:-

1) The late Chairman of the Board, who was also the Chairman of the Nomination Committee and Remuneration Committee
2) The Group Managing Director
3) The Chairman of the Audit Committee
4) The Executive Director
5) The Independent Non-Executive Directors
6) The Executive Director of HeveaPac Sdn. Bhd. (a wholly-owned subsidiary of **HeveaBoard**)
7) The Chief Financial Officer
8) The engagement partner of the External Auditors
9) 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. The Board members, Executive Directors and Chief Financial Officer received an overwhelming response from the shareholders during the Questions and Answers sessions and various questions and suggestions were raised by shareholders in particular the Group's future plans, operations and marketing strategies, financial results, its sustainability and etc. 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.

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'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.

Moving forward, an application of voting in absentia and remote shareholders' participation at general meeting will be considered to facilitate greater shareholders' participation at future general meetings and AGMs.

This CG Overview Statement was approved by the Board on 26 March 2019.

Statement on Risk Management and Internal Control

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 2018. 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.

BOARD'S RESPONSIBILITIES

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.

RISK MANAGEMENT

The risk management processes in identifying, evaluating and managing significant risks facing the organisation are embraced in the operating and business processes. These processes are driven by 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 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 summarised 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; to formulate new risk management mitigation action plan. The application of this risk management processes is based on the general principles of the recognised international risk management frameworks. Based on the key risks identified, measures and actions are identified and executed to minimise the possibility and impact of these risks.

The principal risks and challenges faced by the Group presently are shortage of foreign workers; shortage of raw material resulting in price increases leading to higher cost of production; and fluctuation of USD exchange rate to MYR as more than 90% of the Group sales are transacted in USD currency. Following is the summary of these three (3) key risks and their mitigation plan:-

Key Risk Focus	Key Mitigation Plan
Shortage of foreign workers	• Ongoing automation of production processes to reduce the dependency of workers • Lobbying to the government on the liberalisation of employment of foreign workers policy, recruitment agency and fees • Sub-contracting work to third party

Key Risk Focus	Key Mitigation Plan
Shortage of raw material resulting in price increases leading to higher cost of production	• Utilising alternative methods to harvest and recover raw material • Leveraging on new technology to enhance higher recovery of useable raw material • Applying and adopting measures to mitigate fluctuation in raw material prices
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 favorable • 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. The scope of works of the Internal Audit Function are carried out based on the approved internal audit plan by the Audit Committee.

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;
- Audit findings and reports on the review of systems of internal control provided by the Internal Auditors and status of Management's implementation of the audit recommendations;
- Annual risk assessment exercise to identify and assess risks faced by the Group as well as the action plans needed to manage the identified risks effectively; and
- Management's assurance that the Group's risk management and internal control systems have been operating adequately and effectively, in all material respects.

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

REVIEW OF STATEMENT ON INTERNAL CONTROL BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the External Auditors have reviewed this Statement. As set out in their terms of engagement, the procedures were performed in accordance with the Audit and Assurance Practice Guide 3 ("AAPG3") [Previously known as "RPG5 (Revised) 2015"] issued by the Malaysian Institute of Accountants. The External Auditors' procedures have been conducted to assess whether the Statement on Risk Management and Internal Control is both supported by the documentation prepared by or for the Directors and appropriately reflects the process the Directors have adopted in reviewing the adequacy and integrity of the systems of internal control for the Group. However, AAPG3 does not require the External Auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk and control procedures.

The External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report and have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board and management in reviewing the adequacy and integrity of the risk management and effectiveness of the systems of risk management and internal control of the Group.

This Statement is made in accordance with the approval and resolution of the Board of Directors dated 26 March 2019.

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 2018, the Company has consistently applied appropriate accounting policies, and has made judgments and estimates that are reasonable and prudent. The Directors confirm that all applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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

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

Additional Compliance Information

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

1. ULTILISATION OF PROCEEDS

There were no corporate proposals undertaken by the Company to raise funds during the financial year ended 31 December 2018.

2. LIST OF PROPERTIES

The properties held by the Group and the Company during the financial year ended 31 December 2018 is stated on page 166 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 2018 between **HeveaBoard** and related parties are disclosed in Note 28 to 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 2018.

Audit Committee Report

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2018.

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. 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 had been reviewed and revised on 30 March 2018 to align with the application of practices and guidance of the Malaysian Code on Corporate Governance.

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

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

During the financial year ended 31 December 2018, the Audit Committee held five (5) Audit Committee meetings, and two (2) Audit Committee meetings were held during the period from 1 January 2019 to the date of approving this Report on 26 March 2019.

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 2018	**1/1/2019 – 26/3/2019**
Mr. Lim Kah Poon (Chairman)	5/5	2/2
Mr. Sundra Moorthi A/L V.M. Krishnasamy – Member	4/5**	2/2
Mr. Yoong Yan Pin – Member	4/5**	2/2

** *Appointed as Audit Committee members w.e.f. 27 February 2018. There were four (4) Audit Committee meetings held after the date of appointment until 31 December 2018.*

The Audit Committee may call for a meeting as and when required with reasonable notice as the Audit Committee members deem fit.

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

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 2018 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 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 clarification to the Audit Committee on issues arising from the internal audit to facilitate direct communication and discussion. Apart from that, the Internal Auditors had presented the Internal Audit Plan for 2019 to 2022 of the Group. 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 2018 and during the period from 1 January 2019 to the date of approving this Report on 26 March 2019, the agendas of the Audit Committee meetings included the following:-

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

SUMMARY OF ACTIVITIES

The activities of the Audit Committee during the financial year ended 31 December 2018, and during the period from 1 January 2019 to the date of approving this Report on 26 March 2019 comprised the following:-

1. **Financial Reporting**

   a. **Review of Quarterly Financial Results**

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

   The Audit Committee reviewed the unaudited quarterly financial results for the four (4) quarters of the financial year ended 31 December 2018 at the four (4) Audit Committee quarterly meetings held on 24 May 2018, 24 August 2018, 22 November 2018 and 28 February 2019.

   At the meetings, the Audit Committee reviewed the financial information and reports prepared by the Chief Financial Officer quarterly 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 Management deliberated the integrity of the quarterly financial results as well as the significant issues of concerns focusing on the following aspects 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. **Audited Financial Statements**

   - **Audit Plan 2018**

     The External Auditors presents their Audit Plan to the Audit Committee before they commence audit for each financial year.

     On 22 November 2018, 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 ending 31 December 2018. The Audit Plan outlined, amongst others, 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.

The Audit Committee also reviewed the reasonableness of the proposed audit fees for the statutory audit and assurance-related fees which may include, amongst others, the review of Statement of Risk Management and Internal Control and Annual Report.

- **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 27 February 2018, the Audit Committee reviewed the Audit Review Memorandum in respect of audit for the financial year ended 31 December 2017 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 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. Impairment review of goodwill on consolidation
      iii. Inventory
      iv. Recoverability of long outstanding trade receivables
      v. Impairment review on investment in subsidiaries

    * Potential Key Audit Matter and the justification that this was 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 9 and MFRS 15, their requirements and impact to the Group and the Company's financial statements, and the key changes in the Companies Act, 2016 that may have impact on the financial statements.

  - 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. Inventory
    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.

- **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 Audit Committee also discusses with Management with regards to the audit findings, disclosures and key areas relating to the draft Audited Financial Statements, the representation letters issued by the External Auditors and the implementation of audit recommendations.

  - On 30 March 2018, a specific meeting was held to review the draft Audited Financial Statements for the financial year ended 31 December 2017.

    A Private discussion was also held between the Audit Committee and the External Auditors without the presence of the Group Managing Director, other Directors and Management. There were no areas of concern raised by the External Auditors in terms of Management's cooperation with the External Auditors, adequacy in financial reporting function in particular in relation to compliance of applicable accounting standards that need to be brought to the attention of the Board.

  - 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 Audit External Auditors that need to brought to the attention of the Board.

2. External Auditors

The Audit Committee is 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.

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 2018, the Engagement Partners and its staff engaged in the audit of the Group 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 2018 are set out below:-

	Company RM	**Group RM**
Audit Fees	60,000.00	140,800.00
Non-Audit Fees		
i) Review of Internal Control	5,000.00	5,000.00
ii) Review of Other Information	5,000.00	5,000.00
iii) Taxation Service	14,000.00	41,600.00
Total Non-Audit Fees	24,000.00	51,600.00

At the Audit Committee meeting held on 26 March 2019, the Audit Committee recommended to the Board for approval of the audit fee of RM60,000.00 and total non-audit fee of RM24,000.00 in respect of the financial year ended 31 December 2018.

The Board at its meeting held on 26 March 2019, 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 2018 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 five (5) 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 2020.

At the Audit Committee meeting held on 26 March 2019, 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 2019 at the forthcoming Annual General Meeting based on the following opinion:-

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

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

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

iv. The 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 at its meeting held on 26 March 2019, 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 Internal Audit Function is outsourced to an independent internal audit consulting firm, namely IA Essential Sdn. Bhd. ("Internal Auditors"), who reports 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 Reports reviewed	Objectives of Audit
27 February 2018	Inventory Management in **HeveaBoard**	To evaluate the effectiveness of management controls in Inventory Management (raw material and finished goods).
24 May 2018	Inventory Management in HeveaPac Sdn. Bhd. (the wholly-owned subsidiary of **HeveaBoard**)	To evaluate the effectiveness of management controls in Inventory Management (raw material and finished goods).
24 August 2018	Annual Risk Assessment Workshop conducted on 6 August 2018	To identify, re-assess and rate the existing, new and emerging risks, and to evaluate the adequacy of the existing control and the need for further actions.
22 November 2018	Follow-up Audit in relation to **HeveaBoard** and HeveaPac Sdn. Bhd.	Follow-up audit on the status of implementation of proposed actions and audit recommendations.
28 February 2019	Accounts Receivables and Accounts Payables in **HeveaBoard** and HeveaPac Sdn. Bhd.	To evaluate the adequacy and effectiveness of management controls in managing Accounts Receivables and Accounts Payables.

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 Return.

At the Audit Committee meetings held on 30 March 2018 and 26 March 2019, the Audited Committee reviewed the SORMIC for inclusion in the 2017 and 2018 Annual Reports respectively. 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; and
   ii. identification of the related party transactions and possible conflict of interest situations.

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

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

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

(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.

INTERNAL AUDIT FUNCTION

The Board recognises the importance of the Internal Audit Function and the independent status required for carrying out their functions effectively. Over the years and for the financial year ended 31 December 2018, the Internal Audit Function of the Company has been outsourced to an independent internal audit service provider, IA Essential Sdn. Bhd..

The Internal Audit Function includes providing the Board, through the Audit Committee, reasonable assurance of effectiveness of the Group's internal control, risk management and governance process.

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.

Formally, the Internal Auditors report directly to the Audit Committee, and provide its reports to Management, outlining their audit findings, areas of improvement, areas for improvement, audit recommendations to Management for further action and improvement.

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.

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 requested by the Management shall be approved by the Audit Committee.

During the financial year, the Audit Committee has reviewed the Internal Audit Plan for 2019 to 2022. The audit approach is designed for the benefit of the Board and Audit Committee. In carrying their audit assessments, the Internal Auditors design their work to assess the effectiveness of management systems of internal control. Nonetheless, this internal audit does not constitute an audit in accordance with general acceptable auditing standard for expressing an opinion on financial statements. In determining the Internal Audit Plan, the Internal Auditors take into account the following factors in prioritising its audit focus:-

» Management structure
» Functional activities
» Financial performance of subsidiaries
» Risk management
» Management's areas of concern
» Past audit review

Based on the Internal Audit Plan for 2019 to 2022 approved by the Audit Committee, the Internal Audit Function focusing its audit activities on the adequacy and effectiveness of internal control systems and governance processes implemented on key audit areas comprising IT, finance, quality assurance, production, Environment, Health and Safety (EHS) and engineering which are high risks areas identified at the Annual Risk Assessment Workshop of the Company.

Activities of the Internal Audit Function

The activities of the Internal Audit Function for the financial year ended 31 December 2018 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 Audit Committee had reviewed and observed the performance of the Internal Auditors and reported to the Board on their competency. The Chairman of the Audit Committee also conveyed the request of the Audit Committee members and Board members of their expectation on the Internal Auditors to the lead Internal Auditor for further improvement on certain specific areas identified during the course of the financial year.

The total cost incurred for the Internal Audit Function of the Group in respect of the financial year ended 31 December 2018 was approximately RM63,000.00.

This Report was approved by the Board on 26 March 2019.

Financial Statements

Directors' Report

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 2018.

PRINCIPAL ACTIVITIES

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

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

RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	16,658	20,392
Attributable to:-		
Owners of the Company	16,658	20,392
Non-controlling interests	—	—
	16,658	20,392

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 1.60 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
	33,528

DIVIDENDS (CONTINUED)

Subsequent to the financial year end, the Company declared a single tier third interim dividend of 1.20 sen per ordinary share in respect of the financial year ended 31 December 2018 on 28 February 2019 and payable on 8 April 2019. 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 2019.

At the forthcoming Annual General Meeting, a final (single tier) dividend in respect of the financial year ended 31 December 2018, amounting 1.40 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 the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2019.

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 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.

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.

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 1.1.2018	Exercised	Expired	At 31.12.2018
Warrants	9,848,537	(2,056,600)	—	7,791,937

2010/2020 WARRANTS ("Warrants") (CONTINUED)

The salient terms of the warrants are as follows:-

(a) 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.

(b) 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.

(c) 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.

(d) 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.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and fully paid share capital from 558,578,127 ordinary shares to 560,634,727 ordinary shares through the issuance of 2,056,600 ordinary shares via the exercise of 2,056,600 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 2018, the Company held 1,274,000 treasury shares out of its 560,634,727 issued and paid-up ordinary shares. Such treasury shares are held at a carrying amount of RM1,436,547. Further details are disclosed in Note 16 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:-

Y. Bhg. Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	(Deceased on 3 September 2018)
Y. Bhg. Dato' Loo Swee Chew	(Resigned on 19 November 2018)
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	(Appointed on 27 February 2018)
Sundra Moorthi A/L V.M. Krishnasamy	(Appointed on 27 February 2018)
Thye Heng Ong @ The Heng Ong	(Appointed on 27 February 2018)

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:-

Amir Firdaus Bin Nordin	
Peh Ju Chai	
Yee Kong Yin	(Resigned on 23 February 2019)

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:-

Interest in the Company

		Number of ordinary shares		
		At 1 January 2018	Bought	At 31 December 2018
Direct Interests				
Yoong Hau Chun		600,000	162,800	762,800
Y. Bhg. Dato' Loo Swee Chew		4,292,000	—	4,292,000
Lim Kah Poon		200,000	—	200,000
Bailey Policarpio		100,000	—	100,000
Yoong Li Yen		1,639,200	—	1,639,200
Loo Chin Meng		370,000	—	370,000
Indirect Interests				
Yoong Hau Chun	(1)	183,947,527	680,000	184,627,527
Y. Bhg. Dato' Loo Swee Chew	(2)	120,959,890	—	120,959,890
Y. Bhg.Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	(3)	252,000	—	252,000
Lim Kah Poon	(4)	84,000	—	84,000
Bailey Policarpio	(5)	1,639,200	—	1,639,200
Yoong Li Yen	(6)	181,568,327	842,800	182,411,127
Yoong Tein Seng @ Yong Kian Seng (Alternate Director to Yoong Hau Chun)	(7)	194,013,527	842,800	194,856,327
Loo Chin Meng	(8)	4,292,000	—	4,292,000

DIRECTORS' INTERESTS (CONTINUED)

Interest in the Company (Continued)

		Number of warrants		
		At 1 January 2018	Exercised	At 31 December 2018
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
Y. Bhg. Dato' Loo Swee Chew	(2)	200,000	—	200,000
Bailey Policarpio	(5)	33,332	—	33,332
Yoong Li Yen	(6)	867,714	—	867,714
Yoong Tein Seng @ Yong Kian Seng (Alternate Director to Yoong Hau Chun)	(7)	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 substantial shareholdings in HeveaWood Industries Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 in Malaysia, 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% of the votes attached to the voting shares in Gemas Ria Sdn. Bhd..

(3) Deemed interested by virtue of his relationship with Dato' Philip Chan Hon Keong, his son.

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

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

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

DIRECTORS' INTERESTS (CONTINUED)

(7) 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..

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

By virtue of their shareholdings in the Company, Yoong Tein Seng @ Yong Kian Seng, Y. Bhg. Dato' Loo Swee Chew, Dato' Chan Choong Tack @ Chan Choong Tak, Yoong Hau Chun, Lim Kah Poon, Bailey Policarpio, Yoong Li Yen and Loo Chin Meng are deemed to have interests in shares in the subsidiaries to the extent of the Company's interest, in accordance with Section 8 of the Companies Act 2016 in Malaysia.

DIRECTORS' BENEFITS

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

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, other than those arising from the 2010/2020 Warrant issued.

INDEMNITY TO DIRECTORS AND OFFICERS

There were no indemnity given to or insurance effected for, any director or officer of the Company.

SUBSIDIARIES

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

AUDITORS' REMUNERATION

The details of auditors' remuneration are disclosed in Note 24 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 (converted from a conventional partnership, Baker Tilly Monteiro Heng on 5 March 2019), 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

Kuala Lumpur

Date: 26 March 2019

Statements of Financial Position

As At 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	271,321	264,101	154,676	165,076
Prepaid lease payments	6	18,305	18,859	—	—
Investment in subsidiaries	7	—	—	58,404	41,960
Goodwill on consolidation	8	2,946	2,946	—	—
Deferred tax assets	9	6,500	6,500	6,500	6,500
Total non-current assets		299,072	292,406	219,580	213,536
Current assets					
Inventories	10	81,519	76,808	25,504	21,745
Biological asset	11	449	—	—	—
Trade and other receivables	12	43,664	64,943	21,513	39,973
Prepayments		3,893	4,938	250	293
Tax recoverable		7,940	1,152	2	—
Other investments	13	39,239	46,239	39,239	46,239
Cash and short-term deposits	14	65,165	77,142	30,560	34,005
Total current assets		241,869	271,222	117,068	142,255
TOTAL ASSETS		540,941	563,628	336,648	355,791
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	15	158,420	157,900	158,420	157,900
Treasury shares	16	(1,437)	(1,107)	(1,437)	(1,107)
Other reserves	17	19	25	19	25
Retained profits	18	283,732	300,602	133,694	146,830
Total equity		440,734	457,420	290,696	303,648

Statements of Financial Position As At 31 December 2018 (Continued)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Non-current liabilities					
Provision for retirement benefits	19	835	876	—	71
Loans and borrowings	20	14,680	15,607	663	1,813
Deferred tax liabilities	9	6,059	6,059	—	—
Total non-current liabilities		21,574	22,542	663	1,884
Current liabilities					
Trade and other payables	21	71,131	76,667	44,155	48,253
Tax payable		—	1	—	—
Loans and borrowings	20	7,502	6,998	1,134	2,006
Total current liabilities		78,633	83,666	45,289	50,259
Total liabilities		100,207	106,208	45,952	52,143
TOTAL EQUITY AND LIABILITIES		540,941	563,628	336,648	355,791

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

Statement of Comprehensive Income

For The Financial Year Ended 31 December 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	22	447,893	544,471	209,424	251,663
Cost of sales		(410,492)	(448,979)	(185,554)	(198,701)
Gross profit		37,401	95,492	23,870	52,962
Other income		7,128	6,101	12,571	16,867
Distribution expenses		(3,303)	(4,885)	(1,448)	(3,183)
Administrative expenses		(22,878)	(27,601)	(12,512)	(14,974)
Net impairment losses of financial asset		(954)	—	—	—
Other expenses		(1,755)	(1,619)	(978)	(899)
Operating profit		15,639	67,488	21,503	50,773
Finance costs	23	(2,061)	(1,543)	(1,049)	(1,012)
Profit before tax	24	13,578	65,945	20,454	49,761
Income tax credit/(expense)	25	3,080	(1,511)	(62)	6,426
Profit for the financial year		16,658	64,434	20,392	56,187
Other comprehensive income		—	—	—	—
Total comprehensive income for the financial year		16,658	64,434	20,392	56,187
Profit for the financial year attributable to:-					
Owners of the Company		16,658	64,434	20,392	56,187
Non-controlling interests		—	—	—	—
		16,658	64,434	20,392	56,187
Total comprehensive income attributable to:-					
Owners of the Company		16,658	64,434	20,392	56,187
Non-controlling interests		—	—	—	—
		16,658	64,434	20,392	56,187
Earnings per share attributable to owners of the Company (sen)					
- Basic earnings per share	26(a)	2.98	11.96		
- Diluted earnings per share	26(b)	2.93	11.75		

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

Statements of Changes In Equity

For The Financial Year Ended 31 December 2018

		Attributable to owners of the Company					
	Note	**Share Capital RM'000**	**Treasury Shares RM'000**	**Share Premium RM'000**	**Warrant Reserve RM'000**	**Retained Profits RM'000**	**Total Equity RM'000**
Group							
At 1 January 2017		125,288	(666)	18,112	168	278,173	421,075
Total comprehensive income for the financial year		—	—	—	—	64,434	64,434
Transactions with owners:-							
Arising from exercise of warrants	15	14,357	—	143	(143)	—	14,357
Shares repurchased	16	—	(441)	—	—	—	(441)
Dividends	27	—	—	—	—	(42,005)	(42,005)
Total transactions with owners		14,357	(441)	143	(143)	(42,005)	(28,089)
Transition to no-par value regime		18,255	—	(18,255)	—	—	—
At 31 December 2017		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	15	520	—	—	(6)	—	514
Shares repurchased	16	—	(330)	—	—	—	(330)
Dividends	27	—	—	—	—	(33,528)	(33,528)
Total transactions with owners		520	(330)	—	(6)	(33,528)	(33,344)
At 31 December 2018		158,420	(1,437)	—	19	283,732	440,734

	Note	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Warrant Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
		Attributable to owners of the Company					
Company							
At 1 January 2017		125,288	(666)	18,112	168	132,648	275,550
Total comprehensive income for the financial year		—	—	—	—	56,187	56,187
Transactions with owners:-							
Arising from exercise of warrants	15	14,357	—	143	(143)	—	14,357
Shares repurchased	16	—	(441)	—	—	—	(441)
Dividends	27	—	—	—	—	(42,005)	(42,005)
Total transactions with owners		14,357	(441)	143	(143)	(42,005)	(28,089)
Transition to no-par value regime		18,255	—	(18,255)	—	—	—
At 31 December 2017		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	15	520	—	—	(6)	—	514
Shares repurchased	16	—	(330)	—	—	—	(330)
Dividends	27	—	—	—	—	(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

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

Statements of Cash Flows

For The Financial Year Ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash flows from operating activities					
Profit before tax		13,578	65,945	20,454	49,761
Adjustments for:-					
Amortisation for prepaid lease payments		554	307	—	—
Bad debts written off		—*	10	—	—
Depreciation for property, plant and equipment		25,992	22,402	16,071	15,036
Dividend income		—	—	(7,726)	(13,217)
Fair value loss on other investment		54	—	54	—
Finance costs		2,061	1,543	1,049	1,012
Impairment loss on trade receivables		954	—	—	—
Interest income		(2,187)	(3,491)	(1,423)	(1,702)
Gain on disposal of property, plant and equipment		(20)	(5)	—	(3)
Property, plant and equipment written off		9	218	7	—
Provision for retirement benefits		30	8	—	—
Unrealised (gain)/loss on foreign exchange		(900)	3,559	(832)	3,221
Operating profit before changes in working capital		40,125	90,496	27,654	54,108
Changes in working capital:-					
Biological asset		(449)	—	—	—
Inventories		(4,711)	(6,434)	(3,759)	(301)
Trade and other receivables		21,228	3,193	13,763	1,053
Trade and other payables		(3,325)	(923)	(2,322)	(2,686)
Net cash flows generated from operations		52,868	86,332	35,336	52,174
Income tax paid		(3,709)	(9,835)	(64)	(127)
Income tax refunded		—	65	—	—
Retirement benefits paid		(71)	(206)	(71)	(205)
Net cash flows generated from operating activities		49,088	76,356	35,201	51,842

* Represented by amount less than RM1,000

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash flows from investing activities					
Deposits placed with licensed banks held for funded employee benefits		41	198	71	205
Dividend received		—	—	7,726	13,217
Incorporation of a subsidiary		—	—	—	(1,000)
Interest received		2,187	3,491	1,423	1,702
Net change in other investments		6,946	(10,200)	6,946	(10,200)
Prepaid lease payment		—	(13,604)	—	—
Proceeds from disposal of property, plant and equipment		18	5	—	3
Purchase of property, plant and equipment	(a)	(24,854)	(53,029)	(5,678)	(13,512)
Repayment from related companies		142	92	7	227
Advances to subsidiaries		—	—	(11,276)	(6,275)
Net cash flows used in investing activities		(15,520)	(73,047)	(781)	(15,633)
Cash flows from financing activities					
Dividend paid		(35,739)	(33,082)	(35,739)	(33,082)
Drawdown of term loan	(b)	—	13,838	—	—
Interest paid		(2,061)	(1,543)	(1,049)	(1,012)
Proceed from issuance of ordinary shares		514	14,357	514	14,357
Purchase of treasury shares		(330)	(441)	(330)	(441)
Net repayment of finance lease liabilities	(b)	(5,278)	(3,069)	(2,022)	(1,834)
Net repayment of term loan	(b)	(3,510)	(7,718)	—	(4,050)
Net cash flows used in financing activities		(46,404)	(17,658)	(38,626)	(26,062)
Net change in cash and cash equivalents		(12,836)	(14,349)	(4,206)	10,147
Cash and cash equivalents at the beginning of the financial year		76,266	92,403	33,934	24,986
Effects of exchange rate changes on cash and cash equivalents		900	(1,788)	832	(1,199)
Cash and cash equivalents at the end of the financial year		64,330	76,266	30,560	33,934

Statements of Cash Flows
For The Financial Year Ended 31 December 2018 (Continued)

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Analysis of cash and cash equivalents:-					
Deposits placed with licensed banks	14	28,971	30,889	3,156	3,142
Cash and bank balances	14	36,194	46,253	27,404	30,863
		65,165	77,142	30,560	34,005
Less: Deposit placed with licensed banks held for funded employee benefits	14	(835)	(876)	—	(71)
		64,330	76,266	30,560	33,934

(a) Purchase of property, plant and equipment

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Purchase of property, plant and equipment	33,219	57,368	5,678	14,324
Financed by way of finance lease arrangements	(8,365)	(4,339)	—	(812)
Cash payments on purchase of property, plant and equipment	24,854	53,029	5,678	13,512

(b) Reconciliation of liabilities arising from financing activities:-

			Non-cash		
	1 January 2018 RM'000	Cash flows RM'000	Acquisition RM'000	Foreign exchange movement RM'000	31 December 2018 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

(b) Reconciliation of liabilities arising from financing activities:- (Continued)

	1 January 2017 RM'000	Cash flows RM'000	Non-cash: Acquisition RM'000	Non-cash: Foreign exchange movement RM'000	31 December 2017 RM'000
Group					
Finance lease liabilities	6,171	(3,069)	4,339	(160)	7,281
Term loans	9,318	6,120	—	(114)	15,324
	15,489	3,051	4,339	(274)	22,605
Company					
Finance lease liabilities	4,841	(1,834)	812	—	3,819
Term loans	4,050	(4,050)	—	—	—
	8,891	(5,884)	812	—	3,819

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

Notes To The Financial Statements

1. CORPORATE INFORMATION

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 March 2019.

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 MFRSs

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

Amendments/Improvements to MFRSs

MFRS 1	First-time adoption of MFRSs
MFRS 2	Share-based Payment
MFRS 4	Insurance Contracts
MFRS 128	Investments in Associates and Joint Ventures
MFRS 140	Investment Property

New IC Int

IC Int 22	Foreign Currency Transactions and Advance Consideration

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 MFRSs, 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 9 Financial Instruments

MFRS 9 replaced the guidance of MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and liabilities, on impairment of financial assets, and on hedge accounting.

Key requirements of MFRS 9:-

- MFRS 9 introduces an approach for classification and measurement of financial assets which is driven by cash flow characteristics and the business model in which an asset is held.

  In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses which replaced the "incurred loss" model in MFRS 139. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised. Trade receivables and contract assets that do not contain a significant financing component shall always measure the loss allowance at an amount equal lifetime expected credit losses.

- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

2. BASIS OF PREPARATION (CONTINUED)

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

MFRS 9 Financial Instruments (Continued)

The retrospective application of MFRS 9 does not require restatement of 2017 comparative financial statements. As such, the Group and the Company have not restated the comparative information, which continues to be reported under MFRS 139. The Group and the Company recognised any difference between the carrying amount of financial instruments under MFRS 139 and the restated carrying amount under MFRS 9 in the opening balance of retained earnings of the annual reporting period including the date of initial application i.e. 1 January 2018.

Impact of the adoption of MFRS 9

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Other than the enhanced new disclosures relating to financial instruments, which the Group and the Company have complied with in the current financial year, the adoption 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

The following is the changes in the classification of the Group's and the Company's financial assets:-

Trade and other receivables, including refundable deposits previously classified as Loans and Receivables under MFRS 139 as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Accordingly, these financial assets are classified and measured as debt instruments at amortised cost beginning 1 January 2018.

In summary, upon the adoption of MFRS 9, the Group and the Company had the following reclassification as at 1 January 2018:-

		MFRS 9 measurement category
MFRS 139 measurement category	**RM'000**	**Amortised cost RM'000**
Financial assets		
Group		
Loans and receivables		
Trade and other receivables	54,073	54,073
Company		
Loans and receivables		
Trade and other receivables	35,547	35,547

2. BASIS OF PREPARATION (CONTINUED)

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

MFRS 9 Financial Instruments (Continued)

(ii) Impairment

In previous financial years, trade and other receivables are impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the receivables (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the receivables ("incurred loss model"). Upon adoption of MFRS 9, the Group and the Company are recording expected credit losses on all its trade and other receivables, either on a 12-month or lifetime basis. Accordingly, the Group and the Company do not recognise additional impairment losses on its trade and other receivables at the date of initial application arising from application of simplified approach and general approach respectively to reconcile the lifetime expected credit losses.

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:-

(i) identify the contracts with a customer;
(ii) identify the performance obligation in the contract;
(iii) determine the transaction price;
(iv) allocate the transaction price to the performance obligations in the contract; and
(v) recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:-

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services

2. BASIS OF PREPARATION (CONTINUED)

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

MFRS 15 Revenue from Contracts with Customers (Continued)

The Group and the Company have applied MFRS 15 retrospectively with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings (or other components of equity) at the date of initial application of 1 January 2018. As such, the comparative information was not restated and continues to be reported under MFRS 111, MFRS 118 and related Interpretations. The Group and the Company have elected the practical expedient to apply the standard only to contracts that are not completed as at 1 January 2018. The Group and the Company also elected the practical expedient of not to retrospectively restate the contract for those modifications before the date of initial application, but instead, to reflect the aggregate effect of all past contract modifications when identifying the performance obligations, and determining and allocating the transaction price to the satisfied and unsatisfied performance obligations.

Impact of the adoption of MFRS 15

The adoption of MFRS 15 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Other than the enhanced new disclosures relating to contracts with customers, which the Group and the Company have complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Group and the Company.

The adoption of MFRS 9 and MFRS 15 did not have a material impact on the Group's and the Company's statements of financial position, statements of comprehensive income, statements of cash flows or statements of changes in equity.

Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS 128 clarify that an entity, which is a venture capital organisation, or a mutual fund, unit trust or similar entities, has an investment-by-investment choice to measure its investments in associates or joint ventures at fair value through profit or loss.

IC Int 22 Foreign Currency Transactions and Advance Consideration

IC Int 22 clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued, but yet to be effective:-

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2021#
MFRS 2	Share-based Payment	1 January 2020*
MFRS 3	Business Combinations	1 January 2019/1 January 2020*
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021#
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 7	Financial Instruments: Disclosures	1 January 2021#
MFRS 9	Financial Instruments	1 January 2019
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 14	Regulatory Deferral Accounts	1 January 2020*
MFRS 15	Revenue from Contracts with Customers	1 January 2021#
MFRS 101	Presentation of Financial Statements	1 January 2020*
MFRS 107	Statements of Cash Flows	1 January 2021#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020*
MFRS 112	Income Taxes	1 January 2019
MFRS 116	Property, Plant and Equipment	1 January 2021#
MFRS 119	Employee Benefits	1 January 2019
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2019/Deferred
MFRS 132	Financial instruments: Presentation	1 January 2021#
MFRS 134	Interim Financial Reporting	1 January 2020*
MFRS 136	Impairment of Assets	1 January 2021#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020*
MFRS 138	Intangible Assets	1 January 2020*
MFRS 140	Investment Property	1 January 2021#

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (Continued)

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

		Effective for financial periods beginning on or after
New IC Int		
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IC Int		
IC Int 12	Service Concession Arrangements	1 January 2020*
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020*
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020*
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2020*
IC Int 132	Intangible Assets – Web Site Costs	1 January 2020*

* *Amendments to References to the Conceptual Framework in MFRS Standards*

\# *Amendments as to the consequence of effective of MFRS 17 Insurance Contracts*

2.3.1 The Group and the Company plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int are summarised below.

MFRS 16 Leases

Currently under MFRS 117 *Leases*, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

On initial adoption of MFRS 16, there may be impact on the accounting treatment for leases, which the Group as a lessee currently accounts for as operating leases. On adoption of this standard, the Group will be required to capitalise its rented premises on the statements of financial position by recognising them as "rights-of-use" assets and their corresponding lease liabilities for the present value of future lease payments.

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (Continued)

2.3.1 The Group and the Company plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int are summarised below. (Continued)

MFRS 16 Leases (Continued)

The Group and the Company plan to adopt this standard when it becomes effective in the financial year beginning 1 January 2019 by applying the transitional provisions and include the required additional disclosures in their financial statements of that year. The Group is likely electing the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

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 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 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.

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (Continued)

2.3.1 The Group and the Company plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int are summarised below. (Continued)

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.

Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS 128 clarify that companies shall apply MFRS 9, including its impairment requirements, to account for long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint to which the equity method is not applied.

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.

Amendments to References to the Conceptual Framework in MFRS Standards

The Malaysian Accounting Standards Board has issued a *revised Conceptual Framework for Financial Reporting* and amendments to fourteen Standards under the Malaysian Financial Reporting Standards Framework on 30 April 2018.

The revised Conceptual Framework comprises a comprehensive set of concepts of financial reporting. It is built on the previous version of the Conceptual Framework issued in 2011. The changes to the chapters on the objective of financial reporting and qualitative characteristics of useful financial information are limited, but with improved wordings to give more prominence to the importance of providing information need to assess management's stewardship of the entity's economic resources.

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (Continued)

2.3.1 The Group and the Company plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int are summarised below. (Continued)

Amendments to References to the Conceptual Framework in MFRS Standards (Continued)

Other improvements of the revised Conceptual Framework include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance – in particular the definition of a liability – and clarifications in important areas, such as the role of prudence and measurement uncertainty in financial reporting.

The amendments to the fourteen Standards are to update the references and quotations in these Standards which include MFRS 2, MFRS 3, MFRS 6, MFRS 14, MFRS 101, MFRS 108, MFRS 134, MFRS 137, MFRS 138, IC Int 12, IC Int 19, IC Int 20, IC Int 22 and IC Int 132.

2.3.2 The Group and the Company is currently performing a detailed analysis to determine the election of the practical expedients and to quantify the financial effects arising from the adoption of the new MFRSs, amendments/improvements to MFRSs and new IC Int.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(a) Subsidiaries and business combination (Continued)

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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 3.10(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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 instrument.

Accounting policies applied from 1 January 2018

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company has 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

Accounting policies applied from 1 January 2018 (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.

Debt instruments

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 3.10(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 3.10(a) to the financial statements. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

Accounting policies applied from 1 January 2018 (Continued)

(a) Subsequent measurement (Continued)

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

(i) Financial assets (Continued)

Debt instruments (Continued)

- Fair value through profit or loss (FVPL)

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

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

Equity instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

Accounting policies applied from 1 January 2018 (Continued)

(a) Subsequent measurement (Continued)

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

(ii) Financial liabilities (Continued)

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.

(b) Financial guarantee contracts

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

Accounting policies applied from 1 January 2018 (Continued)

(c) Regular way purchase or sale of financial assets

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

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

Trade date accounting refers to:-

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

(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

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

(d) Derecognition

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

(i) the contractual rights to receive the cash flows from the financial asset expire, or

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

Accounting policies applied from 1 January 2018 (Continued)

(d) Derecognition (Continued)

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

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

Accounting policies applied until 31 December 2017

Financial instruments are recognised initially at fair value, except for financial instruments not measured at fair value through profit or loss, they are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

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) Subsequent measurement

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

(i) Financial assets

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss when the financial assets is either held for trading, including derivatives or it is designated into this category upon initial recognition.

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

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(a) to the financial statements. Gains and losses are recognised in profit or loss through the amortisation process.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

Accounting policies applied until 31 December 2017 (Continued)

(a) Subsequent measurement (Continued)

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

(i) Financial assets (Continued)

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(a) to the financial statements. Gains and losses are recognised in profit or loss through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets comprise investment in equity and debt securities that are designated as available for sale or are not classified in any of the three preceding categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair values hedges which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

Accounting policies applied until 31 December 2017 (Continued)

(a) Subsequent measurement (Continued)

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

(ii) Financial liabilities

Same accounting policies applied in 31 December 2018 and 31 December 2017.

(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 best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(c) Regular way purchase or sale of financial assets

Same accounting policies applied in 31 December 2018 and 31 December 2017.

(d) Derecognition

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

Accounting policies applied until 31 December 2017 (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 expires. 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

Same accounting policies applied in 31 December 2018 and 31 December 2017.

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 3.10(b) to the financial statements.

Cost of assets, other than bearer plants, 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 3.15 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 a separate items of property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Property, plant and equipment (Continued)

(b) Subsequent cost

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

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Assets under construction 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)
Leasehold land	99
Buildings	20 - 50
Plant, machineries and equipment	5 - 20
Furniture, fittings and renovation	5 - 10
Motor vehicles	5

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

(d) Derecognition

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases

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.

(a) Lessee Accounting

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 assets.

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 does 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.

Any upfront lease payments are classified as land use rights within intangible assets.

(b) Lessor Accounting

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 operating lease, the underlying asset is not derecognised but is presented in the statement 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Goodwill

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b) to the financial statements.

3.8 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 first-in first-out 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.

3.9 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. Cash and cash equivalents are presented net of bank overdrafts.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets

(a) Impairment of financial assets and contract assets

Accounting policies applied from 1 January 2018

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 loss is 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 loss, except for the following, which are measured as 12-month expected credit loss:-

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (Continued)

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

Accounting policies applied from 1 January 2018 (Continued)

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

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

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

At each reporting date, the Group 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 statement of financial position.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (Continued)

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

Accounting policies applied until 31 December 2017

At each reporting date, all financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables and held-to-maturity investments

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group and the Company include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment was recognised, the previously recognised impairment loss is then reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If a write-off is later recovered, the recovery is credited to the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (Continued)

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

Accounting policies applied until 31 December 2017 (Continued)

Available-for-sale financial assets

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment. The Group and the Company use their judgement to determine what is considered as significant or prolonged decline, evaluating past volatility experiences and current market conditions.

Where there is objective evidence that the asset is impaired, the decline in the fair value of an available-for-sale financial asset together with the cumulative loss recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified from equity to profit or loss shall be the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss.

Impairment losses on available-for-sale equity investments are not reversed through profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income.

For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to loss event occurring after the recognition of the impairment loss in profit or loss.

(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"). 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (Continued)

(b) Impairment of non-financial assets (Continued)

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.

3.11 Share capital

(a) Ordinary shares

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

(b) Treasury shares

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 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.

(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.

3.13 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.

3.14 Revenue and other income

<u>Accounting policies applied from 1 January 2018</u>

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.

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 such as goods and service tax, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue and other income (Continued)

Accounting policies applied from 1 January 2018 (Continued)

(a) Sale of goods - manufacturing

The Group manufactures and sells a range of particleboards and ready to assemble furniture to local and foreign customers. Revenue from sale of manufactured 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, which is consistent with market practice, 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 uses the expected value method because it is the method that the Group expects 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.

Accounting policies applied until 31 December 2017

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, rebates, returns and taxes.

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Interest Income

Interest income is recognised using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue and other income (Continued)

(c) Dividend Income

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

(d) Rental Income

Rental income from properties is recognised on a straight-line basis over the term of the lease.

3.15 Borrowing costs

Borrowing costs are interests and other costs that the Group incurs 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 begins capitalising borrowing costs when the Group has 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.

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

3.16 Taxes

(a) Income tax

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

(i) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Taxes (Continued)

(a) Income tax (Continued)

(ii) Deferred tax

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Taxes (Continued)

(b) 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.

3.17 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group Managing Director 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.

3.18 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 are 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Earnings Per Ordinary 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 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.

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 deductible temporary differences, unused tax losses and unabsorbed capital allowances based on the projected future profits of the subsidiaries to the extent that is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management 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 subsidiaries.

The carrying amount of the Group's and the Company's recognised deferred tax assets are disclosed in Note 9 to the financial statements.

(b) Inventories

The Group and the Company write down their obsolete or slow moving inventories based on the assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amount may not be recoverable. Reviews are made periodically on inventories for standard costs, obsolete and decline in net realisable value below cost. 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 10 to the financial statements.

5. PROPERTY, PLANT AND EQUIPMENT

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)
Transfer	—	—	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

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2017	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 2017	7,462	4,061	70,475	430,424	4,295	7,250	977	524,944
Additions	—	—	21,074	25,821	406	1,019	9,048	57,368
Disposals/write-offs	—	—	—	(499)	(13)	(43)	—	(555)
At 31 December 2017	7,462	4,061	91,549	455,746	4,688	8,226	10,025	581,757
Accumulated depreciation								
At 1 January 2017	—	574	17,724	271,397	2,695	3,201	—	295,591
Depreciation charge for the financial year	—	44	1,770	19,181	273	1,134	—	22,402
Disposals/write-offs	—	—	—	(283)	(11)	(43)	—	(337)
At 31 December 2017	—	618	19,494	290,295	2,957	4,292	—	317,656
Carrying amounts								
At 31 December 2017	7,462	3,443	72,055	165,451	1,731	3,934	10,025	264,101

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)
Transfer	—	—	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

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2017	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 2017	6,034	4,061	33,269	341,588	890	3,942	977	390,761
Additions	—	—	1,035	8,449	31	666	4,143	14,324
Disposals	—	—	—	—	—	(43)	—	(43)
At 31 December 2017	6,034	4,061	34,304	350,037	921	4,565	5,120	405,042
Accumulated depreciation								
At 1 January 2017	—	574	8,380	213,781	659	1,579	—	224,973
Depreciation charge for the financial year	—	44	804	13,483	57	648	—	15,036
Disposals	—	—	—	—	—	(43)	—	(43)
At 31 December 2017	—	618	9,184	227,264	716	2,184	—	239,966
Carrying amounts								
At 31 December 2017	6,034	3,443	25,120	122,773	205	2,381	5,120	165,076

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(i) 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 Note 20 to the financial statements with carrying amounts as follows:-

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Freehold land	6,034	6,034	6,034	6,034
Leasehold land	3,399	3,443	3,399	3,443
Buildings	73,225	72,052	24,576	25,120
	82,658	81,529	34,009	34,597

(ii) Included in property, plant and equipment of the Group and of the Company are assets acquired under finance lease instalment plans with carrying amounts as follows:-

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Plant, machineries and equipments	13,349	7,467	2,992	4,128
Motor vehicles	2,497	3,275	1,557	2,308
	15,846	10,742	4,549	6,436

6. PREPAID LEASE PAYMENTS

	Group	
	2018 RM'000	2017 RM'000
At cost		
At 1 January	21,134	7,530
Additions	—	13,604
At 31 December	21,134	21,134
Accumulated amortisation		
At 1 January	2,275	1,968
Amortisation during the financial year	554	307
At 31 December	2,829	2,275
Carrying amounts		
At 31 December	18,305	18,859

The leasehold land has been pledged as security to licensed financial institutions for bank borrowings granted to the Group, as disclosed in Note 20 to the financial statements.

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2018 RM'000	2017 RM'000
At cost		
Unquoted shares	41,960	41,960
Loans that are part of net investment	16,444	—
	58,404	41,960

Loans that are part of net investments represent amount owing by subsidiary which is 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.

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries which are all incorporated in Malaysia are as follows:-

Name of company	Principal place of business/ country of incorporation	Effective ownership interest/voting rights 2018 %	2017 %	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.

8. GOODWILL ON CONSOLIDATION

	Group 2018 RM'000	Group 2017 RM'000
At 1 January/ 31 December	2,946	2,946

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

	Group 2018 RM'000	Group 2017 RM'000
Ready-to-assemble products segment:-		
Manufacturing segment	2,666	2,666
Trading segment	280	280
	2,946	2,946

8. GOODWILL ON CONSOLIDATION (CONTINUED)

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 17% to 28% was used in determining the value-in-used. The discount rate was estimated based on the Company's weighted average cost of capital.

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

- In the first year of the 5 years business plan, revenue was projected at approximately RM269,008,010 and RM4,795,927 for manufacturing segment and trading segment respectively. The expected revenue growth in the cash flows projection was 5% per annum for year 2019 to 2023.

- 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 6.70% and 33.39% 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.

9. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
At 1 January	441	(3,908)	6,500	—
Transfer to profit or loss (Note 25)	—	4,349	—	6,500
At 31 December	441	441	6,500	6,500

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

Presented after appropriate offsetting as follows:-

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deferred tax assets	6,500	6,500	6,500	6,500
Deferred tax liabilities	(6,059)	(6,059)	—	—
	441	441	6,500	6,500

(i) *Recognised deferred tax liability*

Deferred tax liabilities relate to the following:-

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deferred tax liability				
Accelerated capital allowance	(6,059)	(6,059)	—	—

(ii) *Recognised deferred tax asset*

Deferred tax assets relate to the following:-

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deferred tax assets				
Investment tax allowance	6,500	6,500	6,500	6,500

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

(iii) *Unrecognised deferred tax assets*

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Excess of carrying amount over corresponding tax written down value	(11,162)	(5,644)	(11,786)	(5,641)
Provision for retirement benefit	—	71	—	71
Unabsorbed allowances on:-				
- investment tax allowances	175,444	193,423	175,444	193,423
- reinvestment allowance	2,633	2,633	2,633	2,633
Unutilised tax losses	1,959	1,469	1,327	1,327
	168,874	191,952	167,618	191,813
Potential deferred tax assets not recognised at 24% (2017: 24%)	40,530	46,068	40,228	46,035

10. INVENTORIES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At cost				
Consumables and spare parts	13,052	11,053	13,052	11,053
Raw materials	46,249	48,969	4,938	6,031
Work-in-progress	5,420	5,220	—	—
Finished goods	16,798	11,566	7,514	4,661
	81,519	76,808	25,504	21,745

The cost of inventories of the Group and the Company recognised as an expense in cost of sales during the financial year was RM191,771,243 (2017: RM234,018,041) and RM116,542,882 (2017: RM127,615,470) respectively.

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

11. BIOLOGICAL ASSET

The biological asset of the Group consist of gourmet fungi.

	Group 2018 RM'000	Group 2017 RM'000
Gourmet fungi		
Carrying amount at 1 January	—	—
Fair value changes	449	—
Carrying amount at 31 December	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.

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

	Group 2018	Group 2017
Gourmet fungi		
Selling price per kg (RM/kg)	11 to 14	—
Yield per bag (gram)	250 to 350	—

11. BIOLOGICAL ASSET (CONTINUED)

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

	Group	
	2018 RM'000	2017 RM'000
Sensitivity analysis:-		
Increase by 10%	80	—
Decrease by 10%	(80)	—

12. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current					
Trade					
Trade receivables		36,000	45,321	14,107	23,456
Amount owing by subsidiaries	(ii)	—	—	3,558	920
Less: Impairment for trade receivables		(954)	—	—	—
Trade receivables, net	(i)	35,046	45,321	17,665	24,376
Non-trade					
Other receivables		7,907	15,093	3,838	8,179
Refundable deposits	(iv)	711	4,387	5	35
Amount owing by a related company	(iii)	—	142	—	7
Amount owing by subsidiaries	(ii)	—	—	5	7,376
Other receivables, net		8,618	19,622	3,848	15,597
Total trade and other receivables		43,664	64,943	21,513	39,973

Included in the other receivable of the Group and of the Company is GST refundable amounted to RM5,613,201 and RM3,195,595 respectively (2017: RM10,869,537 and RM4,426,110).

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

The foreign currencies exposure profiles of trade and other receivables are as follows:-

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Chinese Yuan	100	31	—	31
Euro Dollar	241	4,756	241	802
Japanese Yen	34	—	—	—
Ringgit Malaysia	13,140	22,422	7,091	14,975
United States Dollar	30,149	37,734	14,181	24,165
	43,664	64,943	21,513	39,973

(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 (2017: 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	
	2018 RM'000	2017 RM'000
At 1 January	—	—
Charge for the financial year - Individually assessed	954	—
At 31 December	954	—

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

Included in the trade receivables of the Group are amounts totalling RM17,014,110 (2017: RM22,166,924) due from 2 (2017: 2) of its significant receivables.

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

(iii) Amount owing by a related company is non-trade in nature, unsecured, non-interest bearing, repayable on demand and is expected to be settled in cash.

(iv) Included in Group's deposits is an amount of RM440,640 (2017: RM4,243,613) paid for purchase of plant and machineries and motor vehicles, as disclosed in Note 30 to the financial statements.

13. OTHER INVESTMENTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current:-				
Financial assets at fair value through profit or loss ("FVPL")				
- Unquoted money market fund	39,239	46,239	39,239	46,239

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

14. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances	36,194	46,253	27,404	30,863
Short-term deposits placed with licensed banks	28,971	30,889	3,156	3,142
	65,165	77,142	30,560	34,005

The foreign currencies exposure profiles of cash and short-term deposits are as follows:-

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Chinese Yuan	860	1,628	858	1,628
Indian Rupee	1	1	1	1
Japanese Yen	157	584	157	584
Ringgit Malaysia	50,773	56,421	21,405	18,387
United States Dollar	13,374	18,508	8,139	13,405
	65,165	77,142	30,560	34,005

14. 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 2018	2017
Interest Rate (%) (per annum)	2.45 - 4.38	2.45 - 4.10
Average maturities (months)	1 to 12	1 to 12

Included in the deposits placed with licensed banks of the Group and the Company is an amount of RM834,938 (2017: RM875,696) and RM Nil (2017: RM71,428) respectively representing the funded amounts for the repayment of retirement benefits as disclosed in Note 19 to the financial statements.

15. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2018 '000 unit	2017 '000 unit	2018 RM'000	2017 RM'000
Issued and fully paid up:-				
Ordinary shares:-				
At 1 January	558,578	501,152	157,900	125,288
Issued for cash under warrant exercised	2,057	57,426	520	14,357
Transition to no-par value regime:-				
- share premium	—	—	—	18,255
At 31 December	560,635	558,578	158,420	157,900

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account of RM18,255,939 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM18,255,939 for purposes as set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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.

15. SHARE CAPITAL (CONTINUED)

During the financial year, the Company increased its issued and fully paid share capital from 558,578,127 ordinary shares to 560,634,727 ordinary shares through the issuance of 2,056,600 ordinary shares via the exercise of 2,056,600 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.

16. TREASURY SHARES

	Group and Company			
	Number of ordinary shares		Amount	
	2018 '000 unit	2017 '000 unit	2018 RM'000	2017 RM'000
At 1 January	922	580	1,107	666
Shares repurchased during the financial year	352	342	330	441
At 31 December	1,274	922	1,437	1,107

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

Shares repurchased	Number of shares repurchased '000 unit	Total Consideration RM'000
January 2018	50	50
February 2018	250	234
March 2018	51	45
August 2018	1	1
	352	330

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

16. TREASURY SHARES (CONTINUED)

At the Annual General Meeting held on 30 May 2018, 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 profits and share premium; 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.

17. OTHER RESERVES

	Group and Company	
	2018	**2017**
	RM'000	**RM'000**
Warrant reserve	19	25

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 1.1.2018	**Exercised**	**Expired**	**At 31.12.2018**
Warrants	9,848,537	(2,056,600)	—	7,791,937

17. OTHER RESERVES (CONTINUED)

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.

18. RETAINED PROFITS

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

19. PROVISION FOR RETIREMENT BENEFITS

The movement in provision for retirement benefits are as follows:-

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	876	1,074	71	276
Addition	30	8	—	—
Benefits paid during the financial year	(71)	(206)	(71)	(205)
At 31 December	835	876	—	71
The retirement benefit obligations are expected to settled as follows:				
Non-current:-				
- later than 5 years	835	876	—	71

19. PROVISION FOR RETIREMENT BENEFITS (CONTINUED)

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.

With effective from 1 April 2014, as a retirement benefit, the Group and the Company shall contribute to the Employees Provident Fund as additional monthly contribution of 8.33% of monthly basic salary only excluding bonus or allowances until the employee attains the age of 60 years. The accumulated retirement benefits up to 31 March 2014 will be paid by the Company into a designated fixed deposit account as disclosed in Note 14 to the financial statements and such amount shall only be paid to the employee upon his/her retirement together with the interest earned.

20. LOANS AND BORROWINGS

		Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current (secured)					
Finance lease liabilities	(a)	5,215	3,496	1,134	2,006
Term loan	(b)	2,287	3,502	—	—
		7,502	6,998	1,134	2,006
Non-current (secured)					
Finance lease liabilities	(a)	5,153	3,785	663	1,813
Term loan	(b)	9,527	11,822	—	—
		14,680	15,607	663	1,813
Total loans and borrowings		22,182	22,605	1,797	3,819

20. LOANS AND BORROWINGS (CONTINUED)

(i) The foreign currencies exposure profiles of loans and borrowings are as follows:-

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
United States Dollar	—	1,395	—	—
Ringgit Malaysia	22,182	21,210	1,797	3,819
	22,182	22,605	1,797	3,819

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

	Group		Company	
	2018 %	2017 %	2018 %	2017 %
Finance lease liabilities	2.23 - 3.50	2.23 - 3.30	2.23 - 3.30	2.23 - 3.30
Term loan	2.24 - 8.09	2.24 - 7.95	N/A	N/A

(iii) The bank overdraft, onshore foreign currency loan, and term loan are secured by:-

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

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

20. LOANS AND BORROWINGS (CONTINUED)

(a) Finance lease liabilities

Future minimum lease payments under finance leases together with the present value of net minimum lease payments are as follows:-

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Minimum finance lease payments				
- not later than one year	5,671	3,917	1,195	2,164
- later than one year and not later than five years	5,389	3,831	691	1,902
	11,060	7,748	1,886	4,066
Less: Future finance charges	(692)	(467)	(89)	(247)
Present value of minimum finance lease payment	10,368	7,281	1,797	3,819
Represented by:-				
Current				
- not later than one year	5,215	3,496	1,134	2,006
Non-current				
- later than one year and not later than five years	5,153	3,785	663	1,813
	10,368	7,281	1,797	3,819

Obligations under finance lease arrangement

(i) Interest rates are fixed at the inception of the finance lease arrangement;

(ii) Certain finance lease arrangements of the Group are secured by joint and several guarantee by the directors of the Company; and

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

20. LOANS AND BORROWINGS (CONTINUED)

(b) Term loan

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Current:-				
- repayable within one year	2,287	3,502	—	—
Non-current:-				
- not later than two years	2,047	2,295	—	—
- later than two years and not later than five years	6,142	6,142	—	—
- later than five years	1,338	3,385	—	—
	9,527	11,822	—	—
	11,814	15,324	—	—

21. TRADE AND OTHER PAYABLES

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Current					
Trade					
Trade payables	(i)	32,418	31,171	19,442	19,387
Non-trade					
Other payables		19,028	26,223	10,110	14,025
Accrued operating expenses		19,685	19,273	8,309	8,982
Amount owing to subsidiaries	(ii)	—	—	6,294	5,859
		38,713	45,496	24,713	28,866
Total trade and other payables	(iii)	71,131	76,667	44,155	48,253

(i) The normal trade credit term granted to the Group and the Company range from 30 to 90 days (2017: 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.

21. TRADE AND OTHER PAYABLES (CONTINUED)

(iii) The foreign currencies exposure profiles of the trade and other payables are as follows:-

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Chinese Yuan	—	386	—	386
Singapore Dollar	23	—	2	—
Euro Dollar	1,031	583	434	248
Japanese Yen	—	64	—	64
Ringgit Malaysia	68,143	74,767	43,652	46,997
United States Dollar	1,934	867	67	558
	71,131	76,667	44,155	48,253

22. REVENUE

Revenue was recognised when the goods were delivered to the customers, which was taken to be the point in time at which the customers accepted the goods and the related risks and rewards of ownership transferred. Revenue was recognised based on the price specified in the contract, net of the estimated discount where applicable.

23. FINANCE COSTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Finance costs:-				
- finance lease	473	477	159	251
- financing without recourse	885	671	885	671
- term loan	698	395	—	90
- other	5	—	5	—
	2,061	1,543	1,049	1,012

24. 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Amortisation of prepaid lease payments	554	307	—	—
Auditors' remuneration:-				
- Statutory:-				
- current year	138	139	60	63
- (over)/under provision in prior year	(2)	26	(4)	16
- Non-statutory	78	70	78	70
Bad debts written off	— *	10	—	—
Depreciation of property, plant and equipment	25,992	22,402	16,071	15,036
Directors' remunerations:-				
- Directors of the Company				
- Directors' allowances	291	235	291	235
- Directors' fees	859	775	819	715
- Directors' emoluments:-				
- salaries and bonus	2,159	2,070	2,159	2,070
- defined contribution plan	335	236	335	236
- Directors of the subsidiaries				
- Directors' fees	24	24	—	—
- Directors' emoluments:-				
- salaries and bonus	1,752	2,360	—	—
- defined contribution plan	319	428	—	—
- other benefits	586	2,654	—	—
Impairment loss on trade receivables	954	—	—	—
Fair value loss on other investment	54	—	54	—
Loss on foreign exchange:-				
- realised	—	1,237	—	1,234
- unrealised	—	3,559	—	3,221
Staff costs:-				
- salaries, wages and bonuses	66,922	65,067	15,441	14,412
- defined contribution plan	3,103	2,979	1,547	1,617
- other staff related expenses	5,628	3,876	1,778	2,374
Retirement benefits:-				
- directors	152	143	152	143
- others	205	207	75	86
Property, plant and equipment written off	9	218	7	—
Rental of equipment	186	215	145	210
Rental of premises	57	79	1	4
Rental of land	330	180	180	180

24. 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Dividend income	—	—	(7,726)	(13,217)
Gain on disposal of property, plant and equipment	(20)	(5)	—	(3)
Gain on foreign exchange:-				
- realised	(1,959)	(438)	(565)	—
- unrealised	(900)	—	(832)	—
Interest income	(2,187)	(3,491)	(1,423)	(1,702)

* Represented by amount less than RM1,000

The estimated monetary value of benefits-in-kind received and receivable by a director other than cash from the Company amounted to RM28,000 (2017: RM13,325).

25. INCOME TAX CREDIT/(EXPENSE)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Income tax				
- current year	(1,559)	(6,669)	(62)	(74)
- over provision in prior year	4,639	809	—	—
	3,080	(5,860)	(62)	(74)
Deferred taxation (Note 9)				
- current year	—	5,312	—	6,500
- under provision in prior year	—	(963)	—	—
	—	4,349	—	6,500
	3,080	(1,511)	(62)	6,426

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2017: 24%) of the estimated assessable profit for the financial year.

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

The reconciliation of income tax credit/(expense) applicable to profit before tax at the statutory tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:-

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before tax	13,578	65,945	20,454	49,761
Tax at Malaysian statutory income tax rate of 24% (2017: 24%)	(3,259)	(15,827)	(4,909)	(11,943)
Tax effects arising from:-				
- non-deductible expenses	(4,371)	(2,401)	(3,319)	(1,595)
- non-taxable income	533	440	2,359	3,507
- reversal of deferred tax assets not recognised in the financial statements	5,538	16,431	5,807	16,457
- over/(under) provision in prior years	4,639	(154)	—	—
Income tax credit/(expense)	3,080	(1,511)	(62)	6,426

26. 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	
	2018	2017
Profit for the financial year attributable to owners of the Company (RM'000)	16,658	64,434
Weighted average number of shares ('000 units)	559,811	538,657
Basic earnings per ordinary share (sen)	2.98	11.96

(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").

26. 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	
	2018 RM'000	**2017 RM'000**
Profit for the financial year attributable to owners of the Company	16,658	64,434

	2018 '000 units	**2017 '000 units**
Weighted average number of ordinary shares in issue	559,811	538,657
Add: Effect of dilution of share warrants	7,792	9,849
Weighted average number of ordinary shares for diluted earnings per share	567,603	548,506
Diluted earning per share (sen)	2.93	11.75

27. DIVIDENDS

	Group and Company	
	2018 RM'000	**2017 RM'000**
Recognised during the financial year:-		
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	—

27. DIVIDENDS (CONTINUED)

	Group and Company	
	2018	2017
	RM'000	RM'000
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	—
Single tier third interim dividend of 2.00 sen per ordinary share of RM0.25 each in respect of the financial year ended 31 December 2016, paid on 31 March 2017.	—	10,700
Single tier final dividend of 2.50 sen per ordinary share of RM0.25 each in respect of the financial year ended 31 December 2016, paid on 29 Jun 2017.	—	13,471
Single tier first interim dividend of 1.60 sen per ordinary share in respect of the financial year ended 31 December 2017, paid on 9 October 2017.	—	8,911
Single tier second interim dividend of 1.60 sen per ordinary share in respect of the financial year ended 31 December 2017, paid on 5 January 2018.	—	8,923
	33,528	42,005

Subsequent to the financial year end, the Company declared a single-tier third interim dividend of 1.20 sen per ordinary share in respect of the financial year ended 31 December 2018 on 28 February 2019 and payable on 8 April 2019. 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 2019.

At the forthcoming Annual General Meeting, a final (single tier) dividend in respect of the financial year ended 31 December 2018, amounting 1.40 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 the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2019.

28. RELATED PARTIES

(a) Identity 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.

28. RELATED PARTIES (CONTINUED)

(a) Identity of related parties (continued)

Related parties of the Group include:-

(i) subsidiaries;

(ii) the directors who are the key management personnel; 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	
	2018	**2017**
	RM'000	**RM'000**
Dividend income from a subsidiary		
- HeveaPac Sdn. Bhd.	7,726	12,617
- BocoWood Sdn. Bhd.	—	600
Sales to subsidiaries		
- HeveaPac Sdn. Bhd.	15,343	10,286
- HeveaMart Sdn. Bhd.	4,616	9,492
Purchase from a subsidiary		
- HeveaPac Sdn. Bhd.	(67)	(118)
Contract manufacturing income		
- HeveaPac Sdn. Bhd.	107	—
Rental expense		
- HeveaWood Industries Sdn. Bhd.	(180)	(180)

28. RELATED PARTIES (CONTINEUD)

(c) Compensation of key management personnel

The remuneration of key management personnel, which includes the directors' remuneration, is disclosed as follows:-

	Group and Company	
	2018 RM'000	2017 RM'000
Short term employees benefits payable to key management personnel:-		
- salaries and bonus	3,337	3,494
- defined contribution plans	497	362
- other benefits	289	354
	4,123	4,210

Key management personnel comprise persons including the directors and members of senior management team of the Company, having the authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly.

29. DIRECTORS' REMUNERATION

The aggregate amount of remuneration received and receivable by the directors of the Company during the financial year are as follows:-

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors of the Company				
Executive Directors:-				
- salaries, bonus anddefined contribution plans	2,746	2,534	2,746	2,534
Non-executive Directors:-				
- fees	859	775	819	715
- other emoluments	219	163	219	163
	1,078	938	1,038	878
Total Directors' remuneration	3,824	3,472	3,784	3,412
Retirement benefits for Executive Directors	152	143	152	143

30. CAPITAL COMMITMENT

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Capital expenditure commitment				
Property, plant and equipment:-				
- Contracted but not provided for	1,449	8,516	966	525

31. OPERATING SEGMENTS

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 liabilities.

<u>Segment profit</u>

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.

<u>Segment assets</u>

The total of segment asset is measured based on all assets (excluding investment in associates and joint ventures) of a segment, as included in the internal reports that are reviewed by the Board of directors/respective Executive Committee.

31. OPERATING SEGMENTS (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 2018	Particle-boards RM'000	Ready-to-assemble products RM'000	Cultivation and trading of 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	(62)	3,142	—	—	—		3,080
Profit after tax	20,392	5,329	(1,947)	(23)	(7,093)		16,658
Non-controlling interest	—	—	—	—	—		—
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
Segment liabilities ^	45,952	57,724	410	22	(9,960)	D	94,148
Unallocated corporate liabilities							6,059
Total liabilities							100,207
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	—	—	—	E	963

31. OPERATING SEGMENTS (CONTINUED)

Group 2017	Particle-boards RM'000	Ready-to-assemble products RM'000	Cultivation and trading of fungi RM'000	Others RM'000	Eliminations RM'000		Total RM'000
REVENUE							
External revenue	231,918	312,553	—	—	—		544,471
Inter-segment revenue	19,745	12,023	—	—	(31,768)	A	—
Total revenue	251,663	324,576	—	—	(31,768)		544,471
RESULTS							
Segment results	50,773	30,594	(492)	(22)	(13,365)	B	67,488
Finance costs	(1,012)	(531)	—	—	—		(1,543)
Segment profit	49,761	30,063	(492)	(22)	(13,365)		65,945
Income tax expense	6,426	(7,937)	—	—	—		(1,511)
Profit after tax	56,187	22,126	(492)	(22)	(13,365)		64,434
Non-controlling interest	—	—	—	—	—		—
Profit attributable to owners of the Company	56,187	22,126	(492)	(22)	(13,365)		64,434
CONSOLIDATED STATEMENT OF FINANCIAL POSITION							
Segment assets #	349,291	246,200	8,205	6,092	(53,812)	C	555,976
Unallocated corporate assets							7,652
Total assets							563,628
Segment liabilities ^	52,143	54,647	7,697	23	(14,362)	D	100,148
Unallocated corporate liabilities							6,060
Total liabilities							106,208
OTHER INFORMATION							
Capital expenditure	14,324	38,092	4,952	—	—		57,368
Depreciation and amortisation	15,036	7,673	—	—	—		22,709
Non-cash items other than depreciation and amortisation	—	228	—	—	—	E	228

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

^ Segment liabilities comprise total current and non-current liabilities, less tax payable and deferred tax liabilities.

31. OPERATING SEGMENTS (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 The following items are deducted from segment results to arrive at profit before taxation:-

	2018 RM'000	2017 RM'000
Dividend income	(7,726)	(13,217)
Unrealised profits on inventories	633	(138)
Others	—	(10)
	(7,093)	(13,365)

C The following items are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:-

	2018 RM'000	2017 RM'000
Investment in subsidiaries	(58,404)	(41,960)
Inter-segment assets	(6,816)	(11,852)
	(65,220)	(53,812)

D The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:-

	2018 RM'000	2017 RM'000
Inter-segment liabilities	(9,960)	(14,362)
	(9,960)	(14,362)

31. OPERATING SEGMENTS (CONTINUED)

Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements are as follows:- (continued)

E Non-cash items consist of:-

	2018 RM'000	2017 RM'000
Property, plant and equipment written off	9	218
Impairment loss on trade receivables	954	—
Bad debt written off	—*	10
	963	228

* Represented by amount less than RM1,000

Geographical information

In presenting the information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	Revenue	
	2018 RM'000	2017 RM'000
Australia	15,987	37,403
China	94,765	124,215
France	4,269	8,669
Hong Kong	7,475	7,879
India	14,482	17,575
Japan	214,368	223,790
South Korea	36,565	39,141
Malaysia	26,156	36,313
United Arab Emirates	8,112	8,468
United Kingdom	1,277	12,962
Others	24,437	28,056
	447,893	544,471

Major customers

Two major customers with revenue equal to more than 37% (2017: 37%) of Group revenue, amounted to approximately RM163,513,000 (2017: RM199,790,000) arising from particleboards and ready-to-assemble furniture segments.

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:-

From 1 January 2018:-
(i) Fair value through profit or loss ("FVPL")
(ii) Amortised cost

On or before 31 December 2017:-
(i) Loan and receivables ("L&R")
(ii) Fair value through profit or loss ("FVPL") - Held for trading ("HFT")
(iii) Other financial liabilities ("FL")

	Carrying amount RM'000	Amortised cost 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

32. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (Continued)

	Carrying amount RM'000	Amortised cost RM'000	FVTPL RM'000
At 31 December 2018			
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)	—

* GST excluded

	Carrying amount RM'000	L&R/(FL) RM'000	FVTPL-HFT RM'000
At 31 December 2017			
Financial assets			
Group			
Trade and other receivables*	54,073	54,073	—
Other investments	46,239	—	46,239
Cash and short-term deposits	77,142	77,142	—
	177,454	131,215	46,239

32. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (Continued)

	Carrying amount RM'000	L&R/(FL) RM'000	FVTPL-HFT RM'000
Company			
Trade and other receivables*	35,547	35,547	—
Other investments	46,239	—	46,239
Cash and short-term deposits	34,005	34,005	—
	115,791	69,552	46,239
At 31 December 2017			
Financial liabilities			
Group			
Trade and other payables	(76,667)	(76,667)	—
Loans and borrowings	(22,605)	(22,605)	—
	(99,272)	(99,272)	—
Company			
Trade and other payables	(48,253)	(48,253)	—
Loans and borrowings	(3,819)	(3,819)	—
	(52,072)	(52,072)	—

* GST excluded

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk, interest rate risk and market price 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 use derivative financial instruments, such as, foreign exchange contracts to hedge certain exposures. 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 and other receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from trade and other receivables is represented by their carrying amounts in the statements of financial position.

The carrying amount of trade and other 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 12 to the financial statements.

The Group applies the simplified approach to providing for expected credit losses prescribed by MFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit Risk (Continued)

Trade and other receivables (Continued)

Credit risk concentration profile (Continued)

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

Group	Current	1-30 days past due	> 30 days past due	Total
At 31 December 2018				
Gross carrying amount at default	33,782	1,458	760	36,000
Impaired	—	(932)	(22)	(954)
	33,782	526	738	35,046

Company	Current	1-30 days past due	> 30 days past due	Total
At 31 December 2018				
Gross carrying amount at default	14,107	—	—	14,107
Impaired	—	—	—	—
	14,107	—	—	14,107

Group	Current	1-30 days past due	> 30 days past due	Total
At 31 December 2017				
Gross carrying amount at default	39,710	867	4,744	45,321
Impaired	—	—	—	—
	39,710	867	4,744	45,321

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit Risk (Continued)

Trade and other receivables (Continued)

Credit risk concentration profile (Continued)

The information about the credit risk exposure on the Group's trade receivables are as follows:- (Continued)

Company	Current	1-30 days past due	> 30 days past due	Total
At 31 December 2017				
Gross carrying amount at default	23,456	—	—	23,456
Impaired	—	—	—	—
	23,456	—	—	23,456

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

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Australia	889	1,267	58	116
Brunei	—	187	—	187
China	6,551	17,474	6,551	17,474
Hong Kong	2,018	1,830	1,843	1,830
India	2,532	1,420	2,532	1,323
Japan	13,257	10,857	—	—
South Korea	2,120	1,999	2,120	1,999
Malaysia	5,807	8,136	29	(86)
Morocco	—	306	—	—
Oman	436	252	436	252
Portugal	—	64	—	—
Taiwan	247	—	—	—
United Arab Emirates	333	283	333	283
United States of America	227	383	—	—
Others	629	863	205	78
	35,046	45,321	14,107	23,456

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit Risk (Continued)

Trade and other receivables (Continued)

Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company. A significant portion of these trade receivables are regular customers that have been transacting with the Group and the Company.

Deposits with banks that are neither past due nor impaired are placed with reputable financial institutions with no history of default.

Financial assets that are past due but not impaired

The Group believes that no loss allowance is necessary in respect of these trade receivables other than those individually impaired. They are substantially companies with good collection track record and no recent history of default.

Other receivables and other financial assets

For other receivables and other financial assets (cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

Some intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, expected credit losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

Refer to Note 3.10(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 RM15,818,267 (2017: RM18,516,587) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 32(b)(iii) to the financial statements. As at the reporting date, there was no indication that the subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(ii) Foreign Currency Risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's and the Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's and the Company's operating activities (when sales, purchases and borrowings that are denominated in a foreign currency). The foreign currency in which these transactions are denominated is primarily United States Dollar, Chinese Yuan, Euro Dollar, Japanese Yen, Singapore Dollar and Indian Rupee.

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 takes advantage of any natural effects of its foreign currencies revenues and expenses by maintaining current accounts in foreign currencies. On occasion, the Group enters into forward foreign currency contracts to hedge against its foreign currency risk.

The Group'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
2018						
Trade and other receivables	100	—	241	34	—	30,149
Trade and other payables	—	—	(1,031)	—	(23)	(1,934)
Cash and short term deposits	860	1	—	157	—	13,374
	960	1	(790)	191	(23)	41,589
2017						
Trade and other receivables	31	—	4,756	—	—	37,734
Trade and other payables	(386)	—	(583)	(64)	—	(867)
Cash and short term deposits	1,628	1	—	584	—	18,508
Loans and borrowings	—	—	—	—	—	(1,395)
	1,273	1	4,173	520	—	53,980

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(ii) Foreign Currency Risk (Continued)

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
2018						
Trade and other receivables	—	—	241	—	—	14,181
Trade and other payables	—	—	(434)	—	(2)	(67)
Cash and short term deposits	858	1	—	157	—	8,139
	858	1	(193)	157	(2)	22,253
2017						
Trade and other receivables	31	—	802	—	—	24,165
Trade and other payables	(386)	—	(248)	(64)	—	(558)
Cash and short term deposits	1,628	1	—	584	—	13,405
	1,273	1	554	520	—	37,012

The Group's and the Company's principal foreign currency exposure relates mainly United States Dollar, Chinese Yuan, Euro Dollar, Japanese Yen, Singapore Dollar and Indian Rupee.

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(ii) Foreign Currency Risk (Continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currencies, with all other variables held constant on the Group's and the Company's total equity and profit for the financial year.

	Group		Company	
	2018 Increase/ (Decrease) RM'000	2017 Increase/ (Decrease) RM'000	2018 Increase/ (Decrease) RM'000	2017 Increase/ (Decrease) RM'000
Effects on profit or loss and equity				
Chinese Yuan:-				
- strengthened by 10%	96	127	86	127
- weakened by 10%	(96)	(127)	(86)	(127)
Euro Dollar:-				
- strengthened by 10%	(79)	417	(19)	55
- weakened by 10%	79	(417)	19	(55)
Japanese Yen:-				
- strengthened by 10%	19	52	16	52
- weakened by 10%	(19)	(52)	(16)	(52)
Singapore Dollar:-				
- strengthened by 10%	(2)	—	—*	—
- weakened by 10%	2	—	—*	—
United States Dollar:-				
- strengthened by 10%	4,159	5,398	2,225	3,701
- weakened by 10%	(4,159)	(5,398)	(2,225)	(3,701)

* Represented by amount less than RM1,000

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(iii) Liquidity Risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arise principally from trade and other payables, loans and borrowings.

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group and the Company maintain sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group and the Company use a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds. The Group's and the Company's treasury 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 flow			
	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					
2018					
Trade and other payables	71,131	71,131	—	—	71,131
Loans and borrowings:-					
- Finance lease liabilities	10,368	5,671	5,389	—	11,060
- Term loan	11,814	2,855	9,349	1,364	13,568
	93,313	79,657	14,738	1,364	95,759

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(iii) Liquidity Risk (Continued)

Maturity analysis (Continued)

		Contractual cash flow			
	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					
2017					
Trade and other payables	76,667	76,667	—	—	76,667
Loans and borrowings:-					
- Finance lease liabilities	7,281	3,917	3,831	—	7,748
- Term loan	15,324	4,197	9,998	3,537	17,732
	99,272	84,781	13,829	3,537	102,147
Company					
Financial Liabilities					
2018					
Trade and other payables	44,155	44,155	—	—	44,155
Loans and borrowings:-					
- Finance lease liabilities	1,797	1,195	691	—	1,886
Financial guarantee contracts	—	15,818	—	—	15,818
	45,952	61,168	691	—	61,859
2017					
Trade and other payables	48,253	48,253	—	—	48,253
Loans and borrowings:-					
- Finance lease liabilities	3,819	2,164	1,902	—	4,066
Financial guarantee contracts	—	18,517	—	—	18,517
	52,072	68,934	1,902	—	70,836

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(iv) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group'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.

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as the end of the reporting period was:-

	Group		**Company**	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Fixed rate instruments				
Financial liabilities				
Finance lease liabilities	10,368	7,281	1,797	3,819
Financial asset				
Short-term deposits placed with licensed banks	28,971	30,889	3,156	3,142
Floating rate instruments				
Financial liabilities				
Term loan	11,814	15,324	—	—

The information on maturity dates and interest rate of financial assets and liabilities are disclosed in their respective notes.

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(iv) Interest Rate Risk (Continued)

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			
	2018		2017	
	Increase 1% RM'000	Decrease 1% RM'000	Increase 1% RM'000	Decrease 1% RM'000
Group				
Variable rate instruments	(118)	118	(153)	153

(c) Fair value measurement

The carrying amounts of cash and cash equivalents, short-term receivables and payables, bank overdraft 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 2018, the fair value of other investments as disclosed in Note 13 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 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

32. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurement (Continued)

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

	2018		2017	
	Carrying Amount RM'000	Fair Value RM'000	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	7,281	7,248
Company				
Financial liabilities				
Level 3				
Financial instrument not carried at fair value:-				
Finance lease liabilities	1,797	1,796	3,819	3,790

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.

33. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a strong credit rating and healthy capital ratio in order to support their business and maximise shareholder value. The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To achieve this objective, the Group 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 manages its 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**	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Total borrowings	22,182	22,605	1,797	3,819
Less:-				
Cash and short-term deposits	(65,165)	(77,142)	(30,560)	(34,005)
Add:-				
Deposit placed with licensed banks held for employee benefits	835	876	—	71
Net cash	(42,148)	(53,661)	(28,763)	(30,115)
Equity attributable to owners of the Company	440,734	457,420	290,696	303,648
Debt-to-equity ratio (times)	N/A	N/A	N/A	N/A

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

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 62 to 158 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 2018 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

Kuala Lumpur

Date: 26 March 2019

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 62 to 158 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 26 March 2019.

Before me,

HADINUR MOHD SYARIF
License no.: W761

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 2018 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 62 to 158.

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 2018, 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 9 to the financial statements)

As at 31 December 2018, the Group and the Company have recognised deferred tax asset of RM6,500,000. The unrecognised deferred tax assets of the Group and the Company amounted to RM40,530,000 and RM40,228,000 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 directors made significant judgement on the realisation of these deferred tax assets which is dependent on the future taxable profits to support the recognition of deferred tax assets.

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.

Inventories (Note 10 to the financial statements)

As at 31 December 2018, the carrying amount of inventories held by the Group and the Company amounting of RM81,519,000 and RM25,504,000 respectively.

We focused on this area because the review of saleability and valuation of inventories at the lower of cost and net realisable value are an area of significant judgement and estimate made by the management.

Our response:-

Our audit procedures included, among others:-

- observing year end physical inventory count to examine physical existence and condition of the finished goods;
- reviewing subsequent sales and evaluating the Group's and the Company's assessment on estimated net realisable value on selected inventory items;
- reviewing whether the inventories have been written down to their net realisable value for inventory items with net realisable value lower than their cost; and
- reviewing the Group's and the Company's estimations used in the standard cost calculations.

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.

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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
LLP0019411-LCA & AF 0117
Chartered Accountants

Ong Teng Yan
No. 03076/07/2019 J
Chartered Accountant

Kuala Lumpur

Date: 26 March 2019

List of Properties

Registered Owner	Location	Description/ existing use	Tenure of Land	Land Area	Net Book Value as at 31st December 2018 (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	**8,136**
	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	**19,321**
	19A-10-2, Level 10, UOA Centre, No 19 Jalan Pinang, 50450 Kuala Lumpur	Office	Freehold	173 sq.m	**1,924**
	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	**512**
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	**13,477**
	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	**14,521**
	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	**5,686**
	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	**31,855**

Analysis of Shareholdings

As At 1 April 2019

A. SHARE CAPITAL

Total Number of Issued Shares	: 559,359,727 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	: 1,275,000 shares

**Excluding a total of 1,275,000 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	38	0.43	831	*0.00
100 – 1,000	1,243	14.16	793,718	0.14
1,001 – 10,000	4,401	50.12	23,940,472	4.28
10,001 – 100,000	2,670	30.41	87,238,701	15.60
100,001 – 27,967,985 (less than 5% of issued holdings)	427	4.86	301,964,930	53.98
27,967,986 (5% of issued holdings) and above	2	0.02	145,421,075	26.00
Total	**8,781**	**100.00**	**559,359,727**	**100.00**

**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	20.87	3,849,600	0.69	@
2.	Firama Holdings Sdn. Bhd.	30,294,785	5.42	135,021,890	24.14	*
3.	Tenson Holdings Sdn. Bhd.	16,231,652	2.90	165,316,675	29.55	**
4.	Mah Fah Victor Group Sdn. Bhd.	—	—	165,316,675	29.55	**
5.	Employees Provident Fund Board	28,445,700	5.09	—	—	
6.	Yoong Hau Chun	762,800	0.14	184,877,527	33.05	#
7.	Yoong Li Yen	1,639,200	0.29	182,661,127	32.66	****
8.	Yoong Tein Seng @ Yong Kian Seng	250,000	0.04	194,856,327	34.84	***
9.	Dato' Loo Swee Chew	4,292,000	0.77	120,959,890	21.62	❖
10.	Liang Chong Wai	10,400	0.002	120,589,890	21.56	~

@ *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..*

** *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	762,800	0.14	184,877,527 (1)	33.05
3.	Yoong Li Yen	1,639,200	0.29	182,661,127(2)	32.66
4.	Lim Kah Poon	200,000	0.04	84,000(3)	0.02
5.	Bailey Policarpio	100,000	0.02	1,639,200(4)	0.29
6.	Yoong Yan Pin	—	—	—	—
7.	Thye Heng Ong @ Teh Heng Ong	—	—	—	—
8.	Loo Chin Meng	370,000	0.07	4,292,000(5)	0.77

	Name	Direct No. of Shares	%	Indirect No. of Shares	%
9.	Yoong Tein Seng @ Yong Kian Seng (Alternate Director to Yoong Hau Chun)	250,000	0.04	194,856,327[(6)]	34.84

[(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	20.82
2.	TA Nominees (Tempatan) Sdn. Bhd. – Pledged Securities Account for Firama Holdings Sdn. Bhd.	28,980,785	5.18
3.	Tenson Holdings Sdn. Bhd.	16,231,652	2.90
4.	Firama Engineering Berhad	14,450,000	2.58
5.	AmanahRaya Trustees Berhad – Public Islamic Opportunities Fund	14,006,800	2.50
6.	Citigroup Nominees (Tempatan) Sdn. Bhd. – Employees Provident Fund Board (CIMB PRIN)	10,323,900	1.85
7.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. – Pledged Securities Account for Yap Kiew @ Yap Chin Fook	10,052,300	1.80
8.	Citigroup Nominees (Tempatan) Sdn. Bhd. – Employees Provident Fund Board	9,738,600	1.74

	Name	No. of Shares Held	%
9.	AmanahRaya Trustees Berhad – PB Islamic Small Cap Fund	7,210,000	1.29
10.	Yoong Kee Sin	4,620,000	0.83
11.	Citigroup Nominees (Tempatan) Sdn. Bhd. – Employees Provident Fund Board (AM INV)	4,347,500	0.78
12.	Dato' Loo Swee Chew	4,292,000	0.77
13.	Citigroup Nominees (Asing) Sdn. Bhd. – CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group INC	4,252,900	0.76
14.	Citigroup Nominees (Tempatan) Sdn. Bhd. – Employees Provident Fund Board (PHEIM)	4,035,700	0.72
15.	Ah Kayu Moy @ Lee Kay Moy	4,000,000	0.72
16.	Yoong Li Bing	4,000,000	0.72
17.	Yoong Li Xian	4,000,000	0.72
18.	Public Nominees (Tempatan) Sdn. Bhd. – Pledged Securities Account for Chong Khong Shoong (E-IMO/JS I)	3,900,000	0.70
19.	Gemas Ria Sdn. Bhd.	3,849,600	0.69
20.	Maybank Nominees (Tempatan) Sdn. Bhd. – Pledged Securities Account for Chong Khong Shoong	3,700,000	0.66
21.	Khoo Chai Pek	3,592,700	0.64
22.	CIMB Islamic Nominees (Tempatan) Sdn. Bhd. – CIMB Islamic Trustee Bhd for BIMB I Dividend Fund	3,320,000	0.59
23.	Lee Ka Yong	3,244,000	0.58
24.	Chong Kwee Hiong	3,237,400	0.58
25.	Public Nominees (Tempatan) Sdn. Bhd. – Pledged Securities Account for Kejutaan Holdings Sdn. Bhd. (E-IMO)	3,100,000	0.55
26.	Yoong Li Mian	3,006,000	0.54
27.	Liau Choon Hwa & Sons Sdn. Bhd.	2,920,000	0.52
28.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. – Pledged Securities Account for Chua Hock Gee	2,900,000	0.52
29.	Cimsec Nominees (Tempatan) Sdn. Bhd. – Pledged Securities Account for Teh Shiou Cherng (J D B Tunggal BR-CL)	2,820,000	0.50
30.	Citigroup Nominees (Asing) Sdn. Bhd. – CBNY For DFA Emerging Markets Small Cap Series	2,743,478	0.49
		303,315,605	54.24

Analysis of Warrant B Holdings

As At 1 April 2019

A. WARRANTS 2010/2020

No. of Warrants 2010/2020 issued	: 170,666,664
No. of Warrants 2010/2020 outstanding	: 7,791,937
Exercise Price of Warrants	: RM0.25 per Warrant
Maturity Date of Warrants	: 01/03/2020

B. DISTRIBUTION OF WARRANTHOLDINGS

Size of Warrantholdings	No. of Holders	%	No. of Warrants	%
Less than 100	17	5.43	281	*0.00
100 – 1,000	48	15.34	20,214	0.26
1,001 – 10,000	136	43.45	778,544	10.00
10,001 – 100,000	97	30.99	3,096,020	39.73
100,001 – 474,306 (less than 5% of issued holdings)	12	3.83	1,950,464	25.03
474,307 (5% of issued holdings) and above	3	0.96	1,946,414	24.98
Total	**313**	**100.00**	**7,791,937**	**100.00**

* *Negligible*

C. DIRECTORS' WARRANTHOLDINGS

		Direct		Indirect	
	Name	No. of Warrants	%	No. of Warrants	%
1.	Sundra Moorthi A/L V.M. Krishnasamy	—	—	—	—
2.	Yoong Hau Chun	641,050	8.23	246,664[(1)]	3.17
3.	Yoong Li Yen	33,332	0.43	867,714[(2)]	11.14
4.	Lim Kah Poon	—	—	—	—
5.	Bailey Policarpio	26,664	0.34	33,332[(3)]	0.43
6.	Yoong Yan Pin	—	—	—	—
7.	Thye Heng Ong @ Teh Heng Ong	—	—	—	—
8.	Loo Chin Meng	—	—	—	—
9.	Yoong Tein Seng @ Yong Kian Seng (Alternate Director to Yoong Hau Chun)	—	—	874,510[(4)]	11.22

(1) *Deemed interested by virtue of Section 8 of the Act (held through Tenson Holdings Sdn. Bhd., a substantial shareholder of HeveaWood Industries Sdn. Bhd.) and by virtue of his family relationship with Tan Ya Ling, his spouse, 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, 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 Yoong Li Yen, his spouse.*

(4) *Deemed interested by virtue of his family relationship with Yoong Hau Chun, his son, Yoong Li Yen and Yoong Li Mian, 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..*

D. LIST OF THIRTY (30) LARGEST WARRANT B HOLDERS

	Name	No. of Warrants Held	%
1.	Liau Chern Yee	730,264	9.37
2.	Yoong Hau Chun	641,050	8.23
3.	Maybank Nominees (Asing) Sdn. Bhd. - Pledged Securities Account for Rustom Framroze Chothia	575,100	7.38
4.	Ho Phon Guan	225,000	2.89
5.	Chong Kwee Hiong	220,000	2.82
6.	Tiow Choon Lan	214,664	2.75
7.	Gemas Ria Sdn. Bhd.	200,000	2.57
8.	Goh Joo Fong	200,000	2.57
9.	Tiow Choon Lan	157,000	2.01
10.	AMSEC Nominees (Tempatan) Sdn. Bhd. – Pledged Securities Account for Goay Chai Wei	147,600	1.89
11.	Sung Lee Timber Trading Sdn. Bhd.	129,200	1.66
12.	Yong Tu Sang	122,000	1.57
13.	Gerard Chan Hon Weng	113,000	1.45
14.	Teng Lih Hong	112,000	1.44
15.	Tan Eng Hye	110,000	1.41
16.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. – Pledged Securities Account for Sim Hui Leng (M09)	100,000	1.28
17.	Chia Seong Pow	100,000	1.28
18.	Lim Kian Joo	100,000	1.28
19.	Maybank Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Hiew Kim Chow	100,000	1.28

	Name	No. of Warrants Held	%
20.	Siew Kim @ Cecilia Chia Siew Kim	91,000	1.17
21.	Cheng Duo-Ren	84,300	1.08
22.	Eg Kaa Chee	70,000	0.90
23.	Kenanga Nominees (Tempatan) Sdn. Bhd. – Pledged Securities Account for Ow Lai Kuen (002)	70,000	0.90
24.	Maybank Nominees (Tempatan) Sdn. Bhd. – Eugene Lee Wei Hsien	60,000	0.77
25.	Moey Kien Yuen	60,000	0.77
26.	Teoh Seok Hear	59,000	0.76
27.	Lim Yok Lee	58,500	0.75
28.	Oon Gek Kee	56,200	0.72
29.	Maybank Nominees (Tempatan) Sdn. Bhd. – Liu Sheau Pei	54,000	0.69
30.	Cimsec Nominees (Tempatan) Sdn. Bhd. – Pledged Securities Account for Teh Shiou Cherng (J D B Tunggal BR-CL)	50,000	0.64
		5,009,878	64.28

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-Fifth (25th) Annual General Meeting ("AGM") of **HeveaBoard Berhad** will be held at The Royale Chulan Seremban, Ampangan Room, Mezzanine Floor, Jalan Dato' A.S. Dawood, 70100 Seremban, Negeri Sembilan on Monday, 10 June 2019 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 2018 together with the Reports of the Directors and Auditors thereon.	**[Please refer to Explanatory Note 6(i)]**
2.	To approve a single-tier final dividend of 1.4 sen per ordinary share in respect of the financial year ended 31 December 2018.	**Ordinary Resolution 1**
3.	To approve the payment of Directors' fees amounting to RM854,829 per annum for the financial year ending 31 December 2019.	**Ordinary Resolution 2**
4.	To re-elect the following Directors who retire pursuant to Article 123 of the Company's Articles of Association (Constitution), and being eligible, offered themselves for re-election:-	
	i. Mr. Yoong Hau Chun	**Ordinary Resolution 3**
	ii. Ms. Yoong Li Yen	**Ordinary Resolution 4**
5.	To re-elect Mr. Loo Chin Meng, the Director who retires pursuant to Article 128 of the Company's Articles of Association (Constitution), and being eligible, offered himself for re-election.	**Ordinary Resolution 5**
6.	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:-

7. **Renewal of Authority for Directors to Issue Shares** — **Ordinary Resolution 7**

"THAT subject always to the Companies Act, 2016 (the "Act"), Articles of Association (Constitution) of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/regulatory bodies, 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."

8. **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 Articles of Association (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."

9. **Retention of Independent Non-Executive Director based on application of Practice 4.2 of the Malaysian Code on Corporate Governance** **Ordinary Resolution 9**

"THAT 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."

10. **Proposed Adoption of New Constitution of the Company ("Proposed Adoption of New Constitution")** **Special Resolution 1**

"THAT the existing Memorandum and Articles of Association (Constitution) of the Company be deleted in its entirety and that the new Constitution as set out in the Circular to Shareholders dated 30 April 2019 be and is hereby adopted as the new Constitution of the Company.

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and things as necessary and/or expedient in order to give full effect to the Proposed Adoption of New Constitution with full power to assent to any conditions, modifications, and/or amendments as may be required by any relevant authorities."

Any Other Business

11. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 2016 and the Company's Articles of Association (Constitution).

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the Twenty-Fifth (25^{th}) AGM, a single-tier final dividend of 1.4 sen per ordinary share in respect of the financial year ended 31 December 2018 will be payable on 9 July 2019 to holders of ordinary shares registered in the Record of Depositors at the close of business on 25 June 2019.

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 2019 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 (MAICSA 7018778)
Company Secretary

Kuala Lumpur
30 April 2019

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. 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.

4. 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 at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

5. **GENERAL MEETING RECORD OF DEPOSITORS**

   For the purposes of determining a member who shall be entitled to attend this Twenty-Fifth (25th) AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 74 of the Company's Articles of Association (Constitution) and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 31 May 2019. 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.

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

   (i) Item 1 of the Agenda – Audited Financial Statements for the financial year ended 31 December 2018

   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 2019 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. 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 2019.

(iv) Ordinary Resolutions 3 and 4 – Re-election of Directors pursuant to Article 123 of the Company's Articles of Association (Constitution)

Article 123 of the Company's Articles of Association (Constitution) provides that one-third (1/3) of the Directors for the time being are subject to retirement by rotation at each AGM, and each Director must retire from office at least once in every three (3) years. Article 124 provides that a retiring Director shall be eligible for re-election.

The profiles of Mr. Yoong Hau Chun and Ms. Yoong Li Yen who stand for re-election and their interest in the securities of the Company are set out on page 15 and 167 to 173 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 both of them as Directors.

(v) Ordinary Resolutions 5 – Re-election of Director pursuant to Article 128 of the Company's Articles of Association (Constitution)

Pursuant to Article 128 of the Company's Articles of Association (Constitution), the newly appointed Director shall hold office until the next following AGM and shall then be eligible for re-election. As such, Mr. Loo Chin Meng who was appointed to the Board on 19 November 2018 shall retire at this AGM. He offered himself for election as Director of the Company.

Mr. Loo Chin Meng's profile and interest in the securities of the Company are set out on page 17 and 167 to 173 of the Annual Report.

(vi) Ordinary Resolution 7 – Renewal of Authority for Directors to Issue Shares

The proposed Ordinary Resolution 7, if passed, will give flexibility to the Directors of the Company to issue shares up to a maximum of ten per centum (10%) of the total number of issued shares of the Company at the time of such issuance of shares and for such purposes as they consider would be in the best interest of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

This is the renewal of the mandate obtained from the shareholders at the last AGM held on 30 May 2018 ("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 futher 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.

(vii) 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 2019, which is despatched together with the Annual Report, for further information.

(viii) 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 applies 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 has exercised due care during his tenure as an Independent Director of the Company and has discharged his duties with reasonable skill and competence, bringing independent judgement into the decision making of the Board and in the best interest of the Company and its shareholders.

(ix) Special Resolution 1 – Proposed Adoption of New Constitution

The proposed Special Resolution 1, if passed, will align the existing Memorandum and Articles of Association (Constitution) of the Company with the Companies Act, 2016 which came into force on 31 January 2017, the amendments to the Main Market Listing Requirements of Bursa Securities and the prevailing statutory and regulatory requirements applicable to the Company, to render greater clarity and consistency throughout as well as to enhance administrative efficiency. Instead of amending the existing Memorandum and Articles of Association (Constitution) which involve a substantial amount of amendments, the Board proposed that the existing Memorandum and Articles of Association (Constitution) be deleted in its entirety by replacement thereof with a new Constitution. Please refer to the Circular to Shareholders dated 30 April 2019 and the proposed new Constitution annexed as Appendix II, which is despatched together with the Annual Report, for further information.

7. **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-Fifth (25^{th}) AGM of the Company.

Proxy Form

No. of shares held	
CDS Account No.	
Contact No.	

HeveaBoard Berhad (275512-A)
(Incorporated in Malaysia)

I/We ____
(*full name in block letters*)

of (*full address*) ____

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

(*full name*) ____

of (*full address*) ____

or failing him/her, (*full name*) ____

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-Fifth (25th) Annual General Meeting of the Company to be held at The Royale Chulan Seremban, Ampangan Room, Mezzanine Floor, Jalan Dato' A.S. Dawood, 70100 Seremban, Negeri Sembilan on Monday, 10 June 2019 at 10.00 a.m. or at any adjournment thereof and to vote as indicated.

Resolutions		For	Against
Ordinary Resolutions			
1	Approval of Single –Tier Final Dividend		
2	Approval of the payment of Directors' fees amounting to RM854,829 per annum for the financial year ending 31 December 2019		
3	Re-election of Mr. Yoong Hau Chun as Director		
4	Re-election of Ms. Yoong Li Yen as Director		
5	Re-election of Mr. Loo Chin Meng as Director		
6	Re-appointment of Messrs. Baker Tilly Monteiro Heng PLT as Auditors		
7	Renewal of Authority for Directors to Issue Shares		
8	Proposed Renewal of Authority for Purchase of Own Shares by the Company		
9	Retention of Mr. Lim Kah Poon as Independent Non-Executive Director		
Special Resolution			
1	Proposed Adoption of New Constitution		

* *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 ________________ 2019

____
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. 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.

4. 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 at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

5. **GENERAL MEETING RECORD OF DEPOSITORS**

   For the purposes of determining a member who shall be entitled to attend this Twenty-Fifth (25th) AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 74 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 31 May 2019. 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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AFFIX STAMP
HERE

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Bangsar South City
59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia

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Registered Office

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Wilayah Persekutuan, Malaysia
T : 603-2241 5800
F : 603-2282 5022

KL Office

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