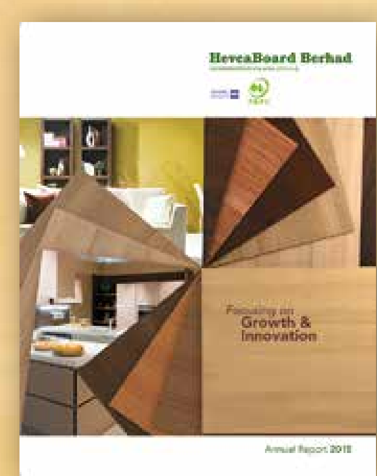
HeveaBoard Berhad

INCORPORATED IN MALAYSIA (275512-A)

Annual Report **2015**



Focusing on Growth & Innovation

HeveaBoard Berhad is proud to commemorate 2015 as the year we turned into a net cash position in our balance sheet. Supported by strong fundamentals and driven by our focus on innovating higher quality and value added products, we are now on a firmer footing to continue seeking new growth and expansion opportunities.

WHAT'S INSIDE

IT'S GOOD TO BE GREEN

In line with our company's sustainability thrust, this annual report cover is printed on environmentally-friendly paper. This is just one of the many initiatives being mobilised within **HeveaBoard Berhad** to help us play our part in preserving the environment. With your support, we will continue to uphold the highest standards of Quality, Health, Safety and Environment to deliver enhanced value to all our stakeholders.

5-YEAR FINANCIAL HIGHLIGHTS

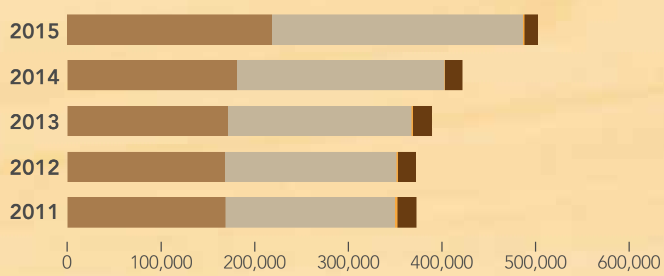
	2015	2014	2013	2012	2011
Turnover (RM'000)	503,309	422,355	389,507	372,597	373,049
Profit Before Tax (RM'000)	82,834	32,081	23,952	13,977	3,894
Tax (RM'000)	(9,263)	(1,905)	(1,493)	1,500	(553)
Profit After Tax (RM'000)	73,571	30,176	22,459	15,477	3,341
Share Capital (RM'000)	109,082	99,449	90,400	90,400	90,400
Net Assets (RM'000)	345,615	270,679	231,054	208,595	194,022
Net Assets Per Share (RM)*	0.79	0.68	0.64	0.58	0.54
Interim Dividend (sen per ordinary share of RM0.25 each)**	1.75	0.38	–	–	–
Proposed Final Dividend (sen per ordinary share of RM0.25 each)**	1.00	0.63	0.50	–	0.25
Net Earnings Per Share (sen)***	17.94	7.93	6.21	4.28	0.92

* 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.

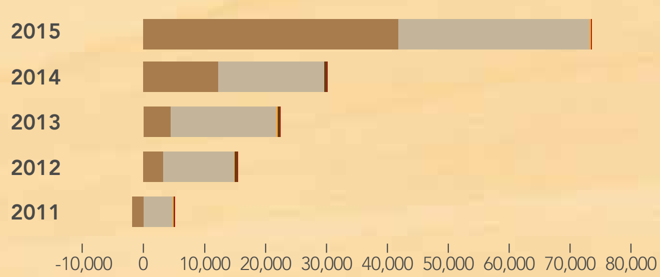
** The comparatives have been restated to account for subdivision of every one (1) ordinary share of RM1.00 each into four (4) ordinary shares of RM0.25 each (share split) which was completed on 24 July 2015.

*** The net earnings per share is arrived at by dividing the Group's profit attributable to shareholders by the assumed weighted average number of ordinary shares (share split) in issue during the financial year. In accordance to MFRS 133 Earnings Per Share, the comparatives have been restated to account for the subdivision of every one (1) ordinary share of RM1.00 into four (4) ordinary share of RM 0.25 each (share split) which was completed on 24 July 2015.

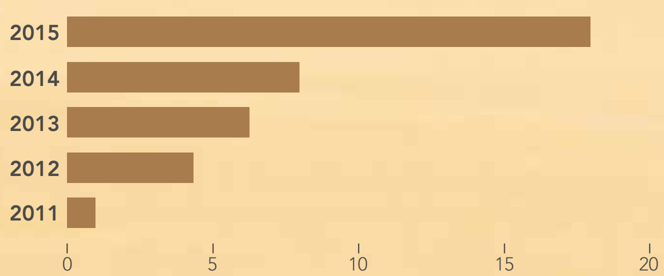
Turnover (RM'000)



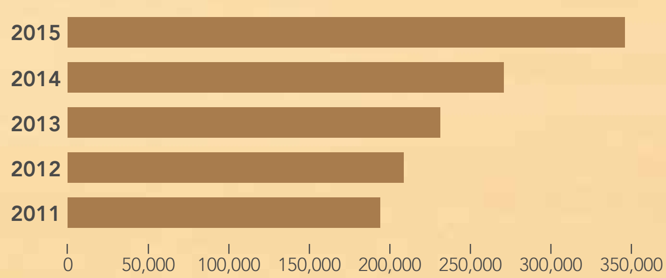
Profit After Tax (RM'000)



Earnings Per Share (sen)



Net Assets (RM'000)



HeveaBoard HeveaPac HeveaMart BocoWood Hevea OSB

STATEMENT FROM
GROUP MANAGING DIRECTOR

Dear Shareholders,

I have great pleasure in presenting to you our 2015 Annual Report and Audited Financial Statements.

OPERATIONS AND PERFORMANCE REVIEW

2015 was indeed a rewarding year for **HeveaBoard**. We recorded a historically high revenue of RM503.3 million, an increase of 19.2% against the preceding financial year ("FY") ended 31 December 2014 of RM422.3 million. The Group also reported a 143.7% jump in profit after tax ("PAT") of RM73.6 million as compared to RM30.2 million in FY 2014.

The decision we made a few years back to focus on higher quality and value added products has proven to be one of the key drivers contributing towards our enhanced achievement during the financial year. Together with the stronger US Dollar and lower raw material cost, we were able to significantly increase the Group's bottom line in FY 2015.

I am also pleased to share with you that since the third quarter of FY 2015, we have turned into a net cash position. It had been a long journey for the Group as we went through numerous ups and downs. In FY 2006, we expanded and built our second particleboard line to increase the capacity by more than three and a half (3.5) folds. We took a long term major USD loan to finance the expansion, but were unfortunately hit with the 2008/2009 financial crisis soon after that and were forced to restructure our loan facilities. We were saddled with high financial costs and repayment obligations and had to operate under an extremely tight cash flow regime. We are grateful that our loyal shareholders, together with our suppliers, customers and employees have been very supportive during these difficult times. With their unrelenting support, we were able to overcome the odds and emerge very much stronger than before.

It therefore gives me great pleasure to share with you that as at March 2016, we have fully paid off all our USD loan and other loans taken for the expansion of the second line. For the record, these loans were in fact settled one (1) year ahead of the original repayment schedule. With these obligations behind us, we are

143.7% **PROFIT AFTER TAX**

Historically high revenue as a result of our decision to focus on higher quality and value added products

now in a better footing to set our focus towards rewarding our shareholders through strong fundamentals that we have built over the years. I would like to take this opportunity to thank our loyal shareholders who have sustained great faith in us during the tough times.

In the particleboard sector, we have moved further up the value chain to concentrate only on the premium, low emission range of products, whereby the environmental friendliness and quality requirements are much higher. We are glad that we have further enhanced our position as a premium particleboard producer in this region. This sector had achieved a PBT of RM47.5 million in FY 2015, up from RM16.3 million in FY 2014, an increase of RM31.2 million or 191.4%.

Our Ready-To-Assemble ("RTA") furniture sector had also contributed significantly to the Group. With the additional capital expenditure ("CAPEX") towards upgrading, we were able to further achieve higher automation and a wider range of higher value product diversifications. With that strategic move, we expect to be able to mitigate the labour cost increase and continue to contribute additionally to the Group. The RTA sector had registered a 15.5% revenue growth to RM293.0 million in FY 2015, up from RM253.6 million in FY 2014 and a PBT of RM40.3 million in FY 2015, as compared with RM19.9 million in FY 2014, an increase of 102.5%.

STATEMENT FROM GROUP MANAGING DIRECTOR

OUTLOOK AND PROSPECTS

With the hefty loan repayments off our shoulders, we are now in a stronger financial position to look at avenues to further enhance our shareholders' returns through organic and inorganic growth. Having said that, we will continue to operate with prudence, to ensure we achieve the best balance in working towards our goals.

To remain competitive, we need to continue to focus on our research and development which has helped us stay relevant hitherto; and to continue to develop higher grade products for our upstream particleboards.

For the year 2016, the Group will allocate RM20.0 million on CAPEX to upgrade our facilities in order to further increase our capability in producing much higher quality products. From the RM20.0 million, RM8.0 million will go into upgrading works for our particleboard sector while RM12.0 million will be allocated to our RTA furniture line to expand on the product range.

As part of our expansion plan, we had introduced a new furniture product line – KREA Kids, to cater for the kids' furniture market. With Eco features such as lower Formaldehyde materials, we believe KREA Kids is another step towards a healthier family lifestyle.

CORPORATE SOCIAL RESPONSIBILITIES

I am pleased to announce that the Group had successfully obtained the Eco Label from SIRIM QAS in February 2015 and the Singapore Green Label Certificate from Singapore Environment Council in June 2015. These certifications mark our commitment towards preservation and protection of the environment.

We also continued our efforts in donating our home made student desks to schools. A total of 380 student desks were donated to two (2) schools in 2015.

2.75sen DIVIDEND

FY 2015 the year of highest dividend payout

DIVIDEND

The Board of Directors has already announced three (3) interim dividends which totalled to 1.75 sen per share, or RM7.62 million for FY 2015. The Board of Directors is recommending a final dividend of 1.00 sen per share to be approved in the coming AGM, making a total dividend payout of 2.75 sen for FY 2015, thus marking FY 2015 the year of highest dividend payout for **HeveaBoard**.

CORPORATE EXERCISE

In July 2015 we had completed a corporate exercise in subdividing every one existing ordinary share of RM1.00 each into four ordinary shares of RM0.25 each in **HeveaBoard**. This corporate exercise is with the intention of enhancing the marketability and trading liquidity of the ordinary shares of **HeveaBoard** on the Main Market of Bursa Securities.

APPRECIATION

On behalf of the Board of Directors, I would like to express our appreciation to the staff of **HeveaBoard** for their relentless dedication and contribution to the growth of the Group.

On behalf of my esteemed colleagues, I would also like to express my deepest gratitude to the regulatory authorities, business partners, valued shareholders, and buyers for their unwavering support.

Finally, I would like to thank my fellow colleagues on the Board for their advice and unrelenting support given to me during this period.

Yoong Hau Chun
Group Managing Director

HIGHLIGHTS
OF 2015

February
- Obtained Eco Label Product certification from SIRIM QAS

April
- HeveaBoard registered record high monthly Profit After Tax of RM5.6 million

May
- The new second Short Cycle Press line in HeveaBoard rolled out its first Melamine Faced Chipboard

July
- Completed share split involving the subdivision of one (1) ordinary share of RM1.00 each into four (4) ordinary shares of RM0.25 each, thus increasing the share base from 99.4 million shares to 397.8 million shares, thereby improving the liquidity and marketability of Hevea shares
- HeveaBoard obtained the Green Label Product certification from Singapore Environment Council

August
- HeveaBoard registered record high monthly revenue of RM24 million

September
- The Group turned net cash
- Awarded MyHijau product certification from GreenTech Malaysia

November
- HeveaPac registered record high monthly Profit After Tax of RM5.8 million
- HeveaBoard was given the Standards and Accreditation Award by MOSTI for Category 3 – company with annual sales of more than RM50 million

December
- HeveaPac registered record high monthly revenue of RM31.4 million
- The Group recorded the highest ever revenue of RM503.3 million, with a record high Profit After Tax of RM73.6 million

PROFILE OF
DIRECTORS

TAN SRI DATO' CHAN CHOONG TACK @ CHAN CHOONG TAK

Senior Independent Non-Executive Chairman

A Malaysian aged 83, was appointed as an Independent Non-Executive Director of HeveaBoard Berhad ("HeveaBoard" or "the Company") on 1 October 2004. On 12 February 2010, he was re-designated as Independent Non-Executive Chairman of HeveaBoard. He is also the Chairman of the Nomination Committee, Remuneration Committee, Tender Board Committee and a member of the Audit Committee of the Company. A qualified Normal Class and Kirby trained teacher as well as a Barrister-at-Law, he holds a Certificate in Teacher Training, a Teachers Trainers' Certificate, an LL.B Degree with Honours, from the University of London, a Certificate of Barrister-at- Law, Lincoln's Inn and a Corporate Masters Business Administration (CMBA) Degree from Ohio University, USA. He has served as a teacher, a headmaster, the Secretary General of Parti Gerakan Rakyat Malaysia, a senator as well as the President of the Senate in Malaysia. On the corporate side, he has served as an independent non-executive director of Tenaga Nasional Berhad as well as a director of a few of its subsidiaries. Currently, he is also a director of a few private limited companies. Tan Sri Dato' Chan 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 40, joined HeveaBoard in 2000 and was appointed as Executive Director to HeveaBoard on 21 July 2000. He was re-designated as the Group Managing Director on 6 June 2012. He graduated from Sussex University, UK with a First Class Honours Degree in Mechanical Engineering with Business Management and a MSc in Wood Industries Technology from UPM. He is responsible for the operation of the particleboard plants and the Group of companies under HeveaBoard. 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.

DATO' LOO SWEE CHEW

Non-Independent Non-Executive Director

A Malaysian aged 68, one of the founding members of HeveaBoard and was appointed as a Non-Independent Non-Executive Director of the Company on 21 October 1997. He is also a member of the Tender Board Committee. Dato' Loo has

been in the timber industry for more than 30 years. He is actively involved in timber logging, sawmill and plywood, and is one of the leading timber exporters based in Kuantan, Pahang Darul Makmur. He does not have any family relationship with any other director and/or substantial shareholders of HeveaBoard.

LIM KAH POON

Independent Non-Executive Director

A Malaysian aged 67, was appointed as an Independent Non-Executive Director of HeveaBoard on 1 October 2004. He is the Chairman of the Audit Committee and a member of the Nomination Committee, Remuneration Committee and Tender Board Committee of HeveaBoard. He is a Fellow of the Institute of Chartered Accountants in Ireland and a member of the Malaysian Institute of Accountants (MIA).

Mr Lim, a finance professional with a broad based business experience, spent the early part of his professional career with two of the big four accounting firms in Dublin and Kuala Lumpur/Penang for approximately 12 years. He joined a multinational company in Kuala Lumpur in 1983, where he held various senior finance positions over a 15 year-period, with the last one and a half years involving in audit and risk assessment on the control environment within the group companies in the Asia Pacific Region. In 1997, he joined a local company, also quoted on Bursa Malaysia Securities Berhad, as its Chief Financial Officer. He left his last company in September 2001 in order to focus on his consultancy work. He is also a Director of Pineapple Resources Berhad, Chuan Huat Resources Berhad and Spring Energy Resources Berhad. He 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 45, was appointed as a Non-Independent Non-Executive Director of HeveaBoard on 8 March 2007. He is a member of the Audit Committee and Nomination Committee. He 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. He 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.

PROFILE OF DIRECTORS

YOONG LI YEN

Executive Director

A Malaysian aged 39, was appointed as an Executive Director of the Company on 18 February 2013. She 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. She was the General Manager in Commercial of HeveaBoard and is the Director of HeveaMart Sdn. Bhd., a wholly-owned subsidiary and marketing arm of HeveaBoard. She is the spouse of Mr Bailey Policarpio, a Non-Independent Non-Executive Director of HeveaBoard. She is the daughter of Mr Tenson Yoong and sister of Mr Yoong Hau Chun, the Directors and substantial shareholders of the Company.

YOONG TEIN SENG @ YONG KIAN SENG (TENSON YOONG)

Alternate Director to Yoong Hau Chun

A Malaysian aged 69, was appointed as the Alternate Director to Mr Yoong Hau Chun, the Group Managing Director, on 18 February 2013.

He has over 30 years of experience in sawmill and timber export business and is one of the founding members of HeveaBoard. He is the father of Mr Yoong Hau Chun and Ms Yoong Li Yen, the Directors and substantial shareholders of HeveaBoard. Mr Tenson Yoong is also the father-in-law of Bailey Policarpio, a Non-Independent Non-Executive Director of the Company.

Notes to Directors' Profiles:

None of the Directors has:

- * *Any conflict of interest with HeveaBoard Berhad.*
- ** *Any conviction for offences as within the past ten (10) years other than traffic offences, if any.*

None of the Directors has any directorship in other public companies, except as disclosed by Mr Lim Kah Poon.

The details of the Directors' securities holdings are set out in the Analysis of Shareholdings as at 30 March 2016 as set out on pages 111 to 117 of this Annual Report.

The details of the Directors' attendance at Board and Audit Committee meetings are set out on pages 14 and 21 of this Annual Report respectively.

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.

CORPORATE STRUCTURE

HeveaBoard Berhad.

Manufacturing of particleboards and Investment holding

100%
HeveaPac Sdn. Bhd.

Manufacturing of ready-to-assemble furniture

100%
HeveaMart Sdn. Bhd.

Trading of particleboards and other panel board

100%
BocoWood Sdn. Bhd.

Distribution and marketing of ready-to assemble furniture

100%
Hevea OSB Sdn. Bhd.

Dormant

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

ID No. WP MY 03 01

1st JIS Certified Particleboard Manufacturer In Malaysia

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak
Senior Independent Non-Executive Chairman

Yoong Hau Chun
Group Managing Director

Yoong Li Yen
Executive Director

Dato' Loo Swee Chew
Non-Independent Non-Executive Director

Lim Kah Poon
Independent Non-Executive Director

Bailey Policarpio
Non-Independent Non-Executive Director

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

AUDIT COMMITTEE

Lim Kah Poon (Chairman)
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak
Bailey Policarpio

NOMINATION COMMITTEE

Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak (Chairman)
Lim Kah Poon
Bailey Policarpio

REMUNERATION COMMITTEE

Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak (Chairman)
Yoong Hau Chun
Lim Kah Poon

TENDER BOARD COMMITTEE

Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak (Chairman)
Dato' Loo Swee Chew
Lim Kah Poon

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

CIMB Berhad 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 *(AF0117)*
Chartered Accountants
Baker Tilly MH 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

INTRODUCTION

The Board of Directors ("the Board") of HeveaBoard Berhad ("HeveaBoard" or "the Company") is pleased to report that for the financial year under review, the Company has continued to apply good governance practices in managing and directing the business of the Group by adopting the principles and the recommendations prescribed in the Malaysian Code on Corporate Governance 2012 ("the Code").

The Board has conducted a review of its current practices and proceedings against the principles and recommendations in the Code. The result of this review has been used as the basis for the Board in describing the application of the principles and the extent of compliance with the recommendations advocated therein in compliance with the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

BOARD OF DIRECTORS

It is the overall governance responsibilities of the Board to lead and control the Group. The Board plans the strategic direction, development and control of the Group and has taken initiatives to embrace the responsibilities listed in the Code, which facilitate the discharge of the Board's stewardship responsibilities. When implementing the strategic plan, the Executive Directors are responsible for making and implementing operational and corporate decisions while the Non-Executive Directors play an important role in corporate accountability by providing unbiased and independent views, advice and judgement in safeguarding the interests of the shareholders.

During the financial year ended 31 December 2015, the Board has six (6) members comprising two (2) Executive Directors, two (2) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors. The composition of the Board includes sufficient number of Independent, Executive and Non-Executive Directors as prescribed by the Listing Requirements of Bursa Securities. Therefore, the Board is of the view that the current composition of the Board facilitates effective and independent decision making.

The Board consists of members from diverse backgrounds from various fields. Together they bring a broad range of skills, experience and knowledge relevant to directing and managing the Group's businesses. In addition, there is a clear division of responsibilities between the Chairman and Group Managing Director to ensure that there is a balance of power and authority. In ensuring this balance, the positions of the Chairman and Group Managing Director are held by separate members of the Board. The Chairman is responsible for the Board's effectiveness and conduct as well as ensuring timely and necessary information is provided to members of the Company, whilst the Group Managing Director has the overall responsibilities over the Group's operating units, organisational effectiveness and implementation of Board policies and decisions.

The Board is supportive of gender equality and recognises the importance of diversity in terms of ethnicity and age. In its selection of board members, the Board provides equal opportunity to candidates who have the relevant skills, experience, competencies and other qualities vis-a-vis the Group's present business portfolios and prospective investments.

Descriptions of the background of each Director presented previously remain substantially unchanged. The profile of each Director is presented on pages 6 to 8 of this Annual Report. Pursuant to Paragraph 9.25 of the Listing Requirements, such information is also published on the Company's corporate website at www.heveaboard.com.my for shareholders' reference.

BOARD CHARTER

In discharging its duties, the Board is constantly mindful of the need to safeguard the interest of the Group's stakeholders and the importance of good corporate governance to the success of the Company and the Group. In order to facilitate the effective discharge of its duties, the Board is guided by the Board Charter which was adopted by the Board on 18 December 2012, and the same was published on the Company's corporate website.

CODE OF CONDUCT ON ETHICAL BEHAVIOURS

The adoption of the Code of Conduct by the Board on 28 August 2015 formalised the standards of responsibility, obligations, integrity and ethical conduct amongst the Board members in fulfilling their fiduciary obligations to the Company and the Group. The Code of Conduct can be viewed on the Company's corporate website.

WHISTLEBLOWING POLICY

The Group in its effort to enhance corporate governance has put in place a Whistleblowing Policy ("the Policy") on 28 August 2015.

The Policy forms an integral part of the Group's commitment towards providing a safe and ethical work environment, and meeting its obligations to its stakeholders, the relevant authorities, the communities and the environment, thus resulting in improving the overall effectiveness and success of the Group.

Recognising that upholding these ethical standards requires confidence on the part of all directors, employees and stakeholders, and that issues of concern can be raised and addressed transparently, fairly and truthfully, the Policy provides a channel to raise genuine concerns about malpractices so that remedial action can be taken promptly.

The Policy can be viewed on the Company's corporate website.

BOARD COMPOSITION AND COMMITTEES

The Board has delegated specific responsibilities to the respective committees of the Board, namely Audit Committee, Nomination Committee, Remuneration Committee and Tender Board Committee, in order to enhance business and corporate efficiency and effectiveness. The Board Committees will deliberate and examine issues within the established terms of reference and report to the Board on significant matters that require the Board's attention.

Audit Committee ("AC")

The AC comprises solely of Non-Executive Directors with a majority of Independent Directors. The responsibilities, composition, terms of reference and activities of the AC are outlined in this Annual Report under the section of Audit Committee Report.

Nomination Committee ("NC")

In order to ensure that the selection and evaluation of Board members are done objectively, the NC comprises exclusively of Non-Executive Board members with a majority of Independent Directors, and the NC is chaired by a Senior Independent Non-Executive Director. The members of the NC are as follows:

i. Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak – Chairman
ii. Lim Kah Poon – Member
iii. Bailey Policarpio – Member

Functionally, the NC is responsible for reviewing and making recommendation of any appointments to the Board for approval based on the size of the Board, the mix of skills and experience and other qualities of the candidates. The NC assists the Board in reviewing the composition of the Board members annually and ensures that the current composition of the Board functions competently.

During the financial year, NC conducted one (1) meeting on 17 November 2015. In the meeting, the NC:

i. reviewed the appraisals of individual Director, Board Committees and the Board as a whole;

ii. assessed and recommended the re-election of Directors; and

iii. assessed the independence of the Directors who have served as Independent Non-Executive Directors of the Company for a term of more than nine (9) years.

Remuneration Committee ("RC")

The members of the RC are as follows:

i. Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak – Chairman
ii. Lim Kah Poon – Member
iii. Yoong Hau Chun – Member

The RC reviews annually the remuneration packages of the Executive Directors and submits recommendations to the Board on specific adjustments in remuneration and/or reward payments that reflect their respective contributions for the year, and which are depended on the performance of the Group and/or quantified organisational targets set at the beginning of each year.

The remuneration packages of the Company's Executive and Non-Executive Directors are determined by the Board as a whole, with the Director concerned abstaining from participating in the deliberation and decision making in respect of his own individual remuneration.

RC meeting is held at least once a year. During the financial year, two (2) RC meetings were held on 28 August 2015 and 17 November 2015, which were attended by all members.

Tender Board Committee ("TBC")

The TBC is responsible for reviewing, deliberating and considering shortlisted tenders put forward by Management. The TBC comprises mainly Non-Executive Directors. The members of the TBC are as follows:

i. Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak – Chairman
ii. Dato' Loo Swee Chew – Member
iii. Lim Kah Poon – Member

Meetings of TBC are held as and when required. During the financial year, two (2) circular resolutions were prepared dated 28 April 2015 and 24 June 2015 to approve the purchases of equipment and machinery.

Re-election of Directors

The Company's Articles of Association stipulates that all Board members who are appointed by the Board shall be subjected to election by shareholders at the first opportunity of their appointment.

The Company's Articles of Association also provides that at least one-third (1/3) of the Directors shall retire by rotation at each Annual General Meeting and that all Directors shall retire once in every three (3) years. A retiring Director shall be eligible for re-election.

Directors who are above seventy (70) years of age are required to offer themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

SUPPLY OF INFORMATION

The agenda for Board meetings together with the relevant reports and information for the Board's consideration are circulated to all members of the Board prior to the Board meetings. During the meeting, Management provides information and clarification on issues raised by members of the Board during their deliberations and decisions making.

The Board has unrestricted and timely access to all information necessary for the discharge of its responsibilities. All Directors have access to the services and advices of the Company Secretary, management staff and other independent professionals, at the expense of the Group in the discharge of their duties.

The Directors are notified of any corporate announcements released to Bursa Securities. They are also notified of the impending restriction in dealing with the securities of the Company at least one (1) month prior to the release of the quarterly financial results announcement.

The proceedings and resolutions reached at each Board meeting are recorded in the Minutes Book kept at the registered office. Besides Board meetings, the Board also exercises control on matters that requires its approval through the circulation of Directors' resolutions.

BOARD INDEPENDENCE

Independence is important for ensuring objectivity and fairness in Board's decision making. The roles and responsibilities of the Chairman and Group Managing Director continue to be separated and the Chairman of the Board is an Independent Director.

The Board had identified Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak to act as the Senior Independent Director to provide shareholders with an alternative to convey their concerns and seek clarifications from the Board via his e-mail address: choongtak_chan@heveaboard.com.my.

In order to uphold independence of Independent Directors, the Board has adopted the following policies:

i. Subject to Board justification and shareholders' approval, tenure of Independent Directors should not exceed a cummulative nine (9) years; and

ii. Annual assessment of independence of its Independent Directors focusing on events that would affect the ability of Independent Directors to continue bringing independent and objective judgment to Board deliberation and the regulatory definition of Independent Directors.

STATEMENT ON CORPORATE GOVERNANCE

BOARD COMMITMENT

The underlying factors of Directors' commitment to the Group are devotion of time and continuous improvement of knowledge and skill.

The Board meets at least once in every quarter and on other occasions, as and when necessary, to inter-alia approve quarterly financial results, statutory financial statements, the Annual Report, business plans and budgets as well as to review the performance of the Company and its operating subsidiaries, governance matters and other business development matters. Board papers are circulated to the Board members prior to the Board meetings so as to provide the Directors with relevant and timely information to enable them to have a proper deliberation on issues raised during Board meetings.

During the financial year, five (5) Board meetings were held. The details of attendance of the members are as below.

Director	No. of Meetings Attended/ No of Meeting Held
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	5/5
Mr Yoong Hau Chun	5/5
Ms Yoong Li Yen	5/5
Dato' Loo Swee Chew	4/5
Mr Lim Kah Poon	5/5
Mr Bailey Policarpio	5/5

The Directors recognise the needs to attend training to enable them to discharge their duties effectively. The training needs of each Director would be identified and proposed by the individual Director.

All the Directors of the Company had attended the Mandatory Accreditation Programme. The following are the trainings attended by Directors during the financial year:

Director	Training Attended
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	• Updates on key risk profiles • Bursa's Board Chairman Series Part 2: "Leadership Excellence from the Chair" • Bursa's CG Breakfast Series with Directors: "How to Maximise Internal Audit" • Bursa's Board Chairman Series: "Tone From the Chair and Establishing Boundaries" • Bursa's CG Breakfast Series with Directors: "Future of Auditor Reporting – The Game Changer for Boardroom" • Bursa's CG Breakfast Series with Directors: "Board Reward & Recognition" • Bursa's CG Breakfast Series with Directors: "Improving Board Risk Oversight Effectiveness"
Mr Yoong Hau Chun	• Updates on key risk profiles
Ms Yoong Li Yen	• Updates on key risk profiles
Dato' Loo Swee Chew	• Updates on key risk profiles
Mr Lim Kah Poon	• Updates on key risk profiles • Bursa's CG Breakfast Series with Directors: "Future of Auditor Reporting – The Game Changer for Boardroom"
Mr Bailey Policarpio	• Updates on key risk profiles • Superbrands Academy 7 A Branding Seminar on "The ASEAN Integration"

DIRECTORS' REMUNERATION

Executive Directors are remunerated based on the Group's performance whilst the remunerations of the Non-Executive Directors are determined in accordance with their experience and the level of responsibilities assumed. The number of Directors whose income falls within the following bands is set out as follows:

Remuneration Band	Executive Directors	Non-Executive
RM100,000 and below	NIL	2
RM100,001 - RM150,000	NIL	1
RM150,001 - RM200,000	NIL	1
RM400,001 - RM450,000	NIL	1
RM800,001 - RM850,000	1	NIL
RM2,850,001 - RM2,900,000	1	NIL
Total	**2**	**5**

The aggregate remuneration of the Directors of the Company for the year ended 31 December 2015 are as follows:

	Executive Director (RM'000)	Non-Executive Director (RM'000)
Salaries, Bonus, EPF, Others	1,860	NIL
Fees	NIL	641
Other Emoluments	1,849	172
Total	**3,709**	**813**

The details of the individual Director's remuneration are not disclosed in the report as the Board considers the above disclosures satisfy the accountability and transparency aspect of the Code.

FINANCIAL REPORTING

The Board is responsible to ensure that the quarterly financial reporting of the Company presents a fair and balanced view and assessment of the Group's financial position, performance and prospects. The Board ensures that the Group's financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards. The Board is assisted by the AC in reviewing and scrutinising the information in terms of the overall accuracy, adequacy and completeness of disclosure and ensuring the Group's financial statements comply with applicable financial reporting standards.

As part of the AC's review processes, the AC has obtained written assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

Annually, the AC also reviews the appointment, performance and remuneration of the External Auditors before recommending them to the shareholders for re-appointment in the AGM. The AC would convene meetings with the External Auditors and Internal Auditors without the presence of the Executive Directors and employees of the Group as and when necessary.

RISK MANAGEMENT

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's activities and to balance between the cost of managing and treating risks, and the anticipated benefits that will be derived.

In order to further strengthen the present risk management and internal control systems in the Group, the Board would continue to work with Management in formalising and approving the Group's Risk policy.

The Board has established an internal audit function which is currently outsourced to a professional firm. Functionally, the Internal Auditors report to the AC 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. Further details of the Group's state of risk management and internal control systems are reported in the Statement on Risk Management and Internal Control on pages 17 and 18 of this Annual Report.

CORPORATE DISCLOSURE

Corporate disclosure and information are important for investors and shareholders. The Board is advised by Management, the Company Secretary and the External and Internal Auditors on the contents and timing of disclosure requirements of the Listing Requirements on the financial results and various announcements. Management is invited to attend the Board and Audit Committee meetings and to provide explanations to the Board on the operations of the Group.

The Board leverages on its corporate website to communicate, disseminate and add depth to the governance reporting. The Board Charter, Code of Conduct and Whistleblowing Policy are published in the page on corporate governance in its present corporate website. Other principal governance information such as committees' terms of reference and directors' profile would also be transferred eventually from Annual Report and published in the website to avoid dilution of issues in the Annual Report or various announcements.

SHAREHOLDERS' RIGHT

The Board 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 in the Group. This is achieved through timely releases of quarterly financial results, circulars, Annual Reports, corporate announcements and press releases. In addition to the various announcements made during the period, information on the Company is available on the Company's website at www.heveaboard.com.my.

The Company would respond to meetings with institutional shareholders, analysts and members of the press to convey information regarding the Group's performance and strategic direction as and when requested. General meetings are important avenues through which shareholders can exercise their rights. The Board would ensure suitability of venue and timing of meeting and undertake other measures to encourage shareholders' participation in the meetings. Shareholders are reminded that they have the right to demand a poll vote at general meetings. Also, effective 1 June 2013, poll voting is mandated for related party transactions that require specific shareholders' approval.

Pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), the Board of Directors is pleased to provide the following Statement on Risk Management and Internal Control of the Group, which has been prepared in accordance with the "Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers."

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

As the Group operates in a dynamic business environment, a sound risk management and internal control system must be in place to help the Group to achieve its business objectives. Therefore, the Board is committed towards maintaining a sound system of risk management and internal control in achieving its business objectives and operational efficiency.

The risk management processes in identifying, evaluating and managing significant risks facing the organisation are embedded into operating and business processes. These processes are undertaken by all Executive Directors and management team members in their course of work. Key matters covering the financial performance, operation and market are reviewed and deliberated in the EXCO meetings of the Company and in HeveaPac Sdn. Bhd. During these EXCO Meetings, causes and reasons for performances are discussed in order to identify the appropriate measures to manage risks effectively. Key issues are discussed in EXCO meetings, recorded in minutes and are tabled in the quarterly Board meetings for the knowledge and information of all Board members when considering the overall performances of the Group.

Financial forecasts are used as performance targets for the management. Management has also implemented a whistleblowing channel and reward system for reporting of employees' misbehaviours. In addition, a risk workshop is held annually facilitated by the Internal Auditors for re-assessing existing risks and the status of management action plans while new risks are identified, discussed and measured together with new action plans to mitigate new exposures during the workshop. This workshop is attended by the representatives of the executive and non-executive board members and the senior management personnel.

HeveaBoard Berhad continues to be certified with the following certifications:

i. Quality Management Systems ISO 9001:2008;

ii. The Environment Management Systems ISO14001:2004;

iii. Occupational Safety and Health Management System OSHAS 18001 and MS 1722;

iv. Sustainable Forest and Energy Management Systems under the Programme for the Endorsement of Forest Certification ("PEFC")

v. Energy Management System ISO 50001:2011 Certification in Efficient and Effective Energy Management Systems;

vi. Singapore Green Label Certificate and Sirim Eco-Label Scheme Certification, a hall mark for environmentally-friendly product; and

vii. CARB (California Air Resources Board) Certification on compliance with applicable emission standards

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.

STATEMENT ON
RISK MANAGEMENT AND INTERNAL CONTROL

THE REVIEW MECHANISM

There are two levels of review for systems of risk management and internal control in the organisation. The first level of the review is undertaken by the line and senior management while the second level constitutes the independent review performed by the Audit Committee. The internal audit function supports these reviews by conducting periodic audits to assess the effectiveness of the systems of risk management and internal control, recommending actions to management for improvement and reporting the status of management control procedures to the Audit Committee.

Besides reviewing the systems of internal control, the Audit Committee also reviews the financial information and reports produced by management quarterly. In this case, the Audit Committee in consultation with management deliberates the integrity of the financial results, annual report and audited financial statements before recommending to the Board for approval.

MANAGEMENT RESPONSIBILITIES AND ASSURANCE

In accordance to the Guidelines, the 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 objectives and performance.

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

BOARD ASSURANCE AND LIMITATION

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group. For the financial year under review, the Board is satisfied that the existing level of risk management and internal control systems are effective in enabling the Group to achieve its business objectives and there are 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 systems and systems of internal control could only manage rather than eliminate risks of failure to achieve business objectives. Therefore, these systems of risk management and internal control in the Group could only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

REVIEW OF STATEMENT ON INTERNAL CONTROL BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report for the year ended 31 December 2015 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 the Board has adopted in the review of the adequacy and integrity of the systems of risk management and internal control of the Group.

STATEMENT ON
DIRECTORS' RESPONSIBILITIES

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the income statement and cash flows of the Company and the Group for the financial year.

The Directors consider that, in preparing the financial statements of the Company and the Group for the year ended 31 December 2015, 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 Company and the Group to enable them to ensure that the financial statements comply with the requirements of the Companies Act, 1965.

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

ADDITIONAL COMPLIANCE INFORMATION

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

1. UTILISATION OF PROCEEDS

During the financial year under review, there were no proceeds raised by the Company from any corporate proposal.

2. SHARE BUY-BACKS

The Company had obtained its shareholders' approval at the Annual General Meeting held on 19 June 2015 for the approval to purchase its own shares. During the financial year under review, the Company did not buy back any of its own shares.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year ended 31 December 2015, a total of 38,532,190 new ordinary shares of RM0.25 each were issued and allotted pursuant to the exercise of the Warrants 2010/2020.

Save as disclosed above, no other options, warrants or convertible securities were issued by the Company during the financial year under review.

4. DEPOSITORY RECEIPTS PROGRAMME

The Company did not sponsor any depository receipts programme during the financial year under review.

5. SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and/or its subsidiaries during the financial year under review.

6. NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Group for the financial year ended 31 December 2015 by the External Auditors or a firm or company affiliated to the External Auditors were RM33,598.30

7. VARIATION IN RESULTS

There was no variance of ten per centum (10%) or more between the audited results for the financial year ended 31 December 2015 and the unaudited results previously announced by the Company.

8 PROFIT GUARANTEE

There was no profit guarantee given by the Company during the financial year under review.

9. 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.

AUDIT
COMMITTEE REPORT

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2015.

MEMBERSHIP

The Audit Committee comprises the following members:

1) Mr Lim Kah Poon (Chairman)
Independent Non-Executive Director

2) Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak
Senior Independent Non-Executive Director

3) Mr Bailey Policarpio
Non-Independent Non-Executive Director

ATTENDANCE OF MEETINGS

During the financial year ended 31 December 2015, a total of five (5) Audit Committee meetings were held. The details of attendance of each Audit Committee member are as follows:

Name of Committee Member	No. of Meetings Attended/ No. of Meeting Held
Mr Lim Kah Poon (Chairman)	5/5
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	5/5
Mr Bailey Policarpio	5/5

TERMS OF REFERENCE

The Audit Committee is established as a committee of the Board.

1. Objective

The primary objectives of the Audit Committee are to:

a) Reinforce the independence of the Company's External and Internal Auditors by ensuring their functions are properly conducted and recommendations are implemented effectively;

b) Review and assess the soundness and compliance of the internal control processes and risk management practices within the Group; and

c) Ensure the Group is in compliance with the Main Market Listing Requirements ("Listing Requirements"), accounting standards and other statutory requirements.

2. Composition

The Audit Committee shall be appointed from amongst the Board and shall comprise no fewer than three (3) members. All the Audit Committee Members must be Non-Executive Directors. The majority of them must be Independent Directors and at least one (1) member must be a member of the Malaysian Institute of Accountants or possess such other qualifications and/or experience as approved by Bursa Malaysia Securities Berhad ("Bursa Securities").

3. Meetings

The Audit Committee shall meet at least four (4) times in each financial year. The quorum for a meeting of the Audit Committee shall be two (2) members, provided that the majority of members present at the meeting shall be independent.

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

All decisions at such meeting shall be decided on a show of hands on a majority of votes.

The Internal Auditors and the External Auditors may appear at any meeting at the invitation of the Audit Committee and shall appear before the Audit Committee when required to do so by the Audit Committee. The Internal Auditors and the External Auditors may also request a meeting if they consider it necessary.

4. **Authority**

The Audit Committee, whenever necessary and reasonable for the performance of its duties, shall in accordance with the procedure determined by the Board and at the Company's expenses:

(a) Have the authority to investigate any matter within its terms of reference;

(b) Have the resources which are required to perform its duties;

(c) Have full and unrestricted access to any information pertaining to the Group;

(d) Have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity;

(e) Have the right to obtain independent professional or other advice at the Company's expense;

(f) Have the right to convene meetings with the Internal Auditors and External Auditors, excluding the attendance of the other Directors or employees of the Group, whenever deemed necessary;

(g) Promptly report to Bursa Securities, or such other name(s) as may be adopted by Bursa Securities, matters which have not been satisfactorily resolved by the Board resulting in a breach of the Listing Requirements;

(h) Have the right to pass resolutions by a simple majority vote from the Audit Committee and that the Chairman shall have the casting vote should a tie arise;

(i) Meet as and when required on a reasonable notice; and

(j) The Chairman shall call for a meeting upon the request of the Internal and the External Auditors.

5. **Duties and Responsibilities**

(a) To review with the External Auditors on:

- the audit plan, its scope and nature;
- the audit report;
- the results of their evaluation of the accounting policies and system of internal accounting controls within the Group; and
- the assistance given by the officers of the Company to the External Auditors, including any difficulties or disputes with Management encountered during the audit.

(b) To review the adequacy of the scope, functions, competency, resources and set the standards of the internal audit function.

(c) To provide assurance to the Board on the effectiveness of the system of internal control and risk management practices of the Group.

(d) To review the internal audit programme and results of the internal audit, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.

(e) To review with Management:

- audit reports and management letters issued by the External Auditors and the implementation of audit recommendations;
- interim financial information; and
- the assistance given by the officers of the Company to the External Auditors.

(f) To monitor related party transactions entered into by the Company or the Group and to determine if such transactions are undertaken on an arm's length basis based on normal commercial terms and on terms not more favourable to the related parties than those generally available to the public, and to ensure that the Directors report such transactions annually to shareholders via the Annual Report, and to review conflicts of interest that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

(g) To review the quarterly reports on consolidated results and annual financial statements prior to submission to the Board, focusing particularly on:

- changes in or implementation of major accounting policy and practices;
- significant and/or unusual matters arising from the audit;
- the going concern assumption;
- compliance with accounting standards and other legal requirements; and
- major areas.

(h) To consider the appointment and/or re-appointment of the Internal and the External Auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person or persons as auditors.

6. Summary of activities

During the financial year ended 31 December 2015, the Audit Committee carried out its duties in accordance with the Terms of Reference which included the following:

1. Reviewed the quarterly unaudited results, audited financial statements and annual report which were recommended for the Board's adoption;

2. Reviewed the External Auditors' audit planning memorandum of the Group;

3. Reviewed the issues and results arising from the internal and external audit and the resolutions of such issues highlighted;

4. Reviewed and ensured the adequacy of the scope and coverage of the audit plan proposed by the Internal Auditors and approved the audit plan for audit execution;

5. Reviewed the internal audit reports and the results and recommendations arising from the reviews conducted by the outsourced internal audit function; and

6. Reviewed related party transactions entered into by the Company and the Group, the approval process and disclosure of such transactions.

INTERNAL AUDIT FUNCTION

The Board recognises the importance of the internal audit function and the independent status required for carrying out their function effectively. For the financial year ended 31 December 2015, the internal audit function of the Company was outsourced to an external service provider, namely, IA Essential Sdn. Bhd.

During the financial year, the outsourced internal audit function assisted the Audit Committee in discharging its duties and responsibilities by executing independent reviews to ensure the adequacy and effectiveness of the internal control systems of the Group.

The activities of the internal audit function for the year 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; and

(c) Performing follow-up visits to ensure that recommendations for improvement to the internal control systems were satisfactorily implemented.

The internal audits conducted on the Group did not reveal any 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 cost incurred for the internal audit function in respect of the financial year ended 31 December 2015 was RM67,885.40.

CORPORATE
SOCIAL RESPONSIBILITY

The Group recognises and places great emphasis on corporate social responsibility in respect of employees' health and safety, human resource development, environment, community at large and stakeholders.

EMPLOYEES HEALTH AND SAFETY

Safety of our employees remains our utmost priority. We are committed to ensuring a safe environment for our employees, contractors and visitors on site. Numerous initiatives have been put in place to develop a strong safety culture within the Group. Some areas we continue to review and strengthen include:

- Fire drill and training on firefighting techniques and proper method to use the different firefighting equipment, conducted through collaboration with the Fire Department
- Health checks and briefing on good health practices for employees, through collaboration with Klinik Kesihatan
- Training on Safety and Health at Work, through collaboration with Department of Safety and Health

ENVIRONMENT

ECO Label, Green Label, MyHijau Certificates

In our continuous efforts to produce products that are environmentally friendly, our products were certified with the Eco Label Certificate by SIRIM and Green Label Certificate by Singapore Environment Council.

We also obtained the MyHijau certificate from Greentech Malaysia as testimony that our particleboard is made from raw materials sourced from sustainable forests.

Currently about 15% of HeveaBoard's total wood requirement comes from mobile chipping in rubber plantation. This method has close to 100% recovery and will leave no residue for further open burning, thus saving more than 20,000 tonnes of Carbon Dioxide from being emitted into our atmosphere every year.

HUMAN RESOURCE DEVELOPMENT

The Group believes in local talent and has been making continuous effort to recruit more local workers from the surrounding areas. As one of the major contributors to the economy of Gemas and Sungai Gadut, the Group currently provides more than 800 employment opportunities to the locals.

We recognise human resource as the core to the success of HeveaBoard. The Group believes in the importance of investing in our employees and is committed to helping our employees advance and grow with the companies.

The Group is also committed to permeating a conducive industrial climate in order to garner the strength of its diverse workforce. As part of this commitment, the Group has undertaken the following initiatives:

- The provision of fair and equitable employment terms regardless of age, gender, ethnicity or creed.
- Increasing the representation of women in management as well as top management by continuously seeking to create a work place that attracts, retains and develops women.

COMMUNITY

The Group fully subscribes to the idea of giving back to the community and remains active in various programmes that encourage our employees to reach out with their helping hands to the needy.

We take pride in the yearly blood donation drive for the Seremban General Hospital. We also participated in a tree planting programme organised by the local council, by providing the compost bark as soil conditioner. Our employees helped with the tree planting as well.

The Group recognises the importance of providing an atmosphere that is conducive to students' learning. Using the Company's environmentally friendly products, our subsidiary HeveaPac manufactured writing tables and donated them to schools with desks which were severely worn out or insufficient desks due to increasing number of students. More than 1,000 tables were given out in the past few years.

During our annual dinner, we presented the certificates and cash awards for the top students in PMR, SPM and STPM from 2 schools in Gemas and top achievement awards of certificates and cash awards for the children of our employees in the government examinations. This has proven to be very popular and we plan to extend it to other levels.

The Company also made donations to support a local school's activities as well as the local charities and sports welfare fund.

STAKEHOLDERS

The Group is committed to holding regular dialogue sessions with stakeholders, including shareholders, customers, employees, suppliers, regulators and others. In line with good corporate governance practices, we place utmost importance on compliance, accountability and transparency in the disclosure of information to our stakeholders.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of HeveaBoard Berhad ("the Company") and its subsidiaries ("the Group") for the financial year ended 31st December 2015.

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	73,571	47,098
Attributable to:		
Owners of the Company	73,571	47,098
Non-controlling interests	–	–
	73,571	47,098

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 interim dividend of 1.5 sen per ordinary share of RM1/- each in respect of the financial year ended 31st December 2014, paid on 10th April 2015	1,492
Single tier final dividend of 2.5 sen per ordinary share of RM1/- each in respect of the financial year ended 31st December 2014, paid on 3rd August 2015	2,535
Single tier first interim dividend of 0.5 sen per ordinary share of RM0.25 each (post share split) in respect of the financial year ended 31st December 2015, paid on 8th October 2015	2,101
Single tier second interim dividend of 0.5 sen per ordinary share of RM0.25 each (post share split) in respect of the financial year ended 31st December 2015, paid on 30th December 2015	2,166
	8,294

DIVIDENDS (CONTINUED)

Subsequent to the financial year end, the Company declared a single tier third interim dividend of 0.75 sen per ordinary share of RM0.25 each (post share split) in respect of the financial year ended 31st December 2015 on 24th February 2016. 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 profits in the financial year ending 31st December 2016.

At the forthcoming Annual General Meeting, a final (single tier) dividend in respect of the financial year ended 31st December 2015, amounting 1 sen per ordinary share of RM0.25 each 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 31st December 2016.

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL DEBTS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, 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 that 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 statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount that they might be expected to be realised.

At the date of this report, the directors are not aware of any circumstances that 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 would 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 and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or

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

In the opinion of the directors, no contingent or other liability of the Group and 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 and 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 AN 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 8th 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					
	Before share split		Post share split			
	At 1.1.2015	Exercised	Share split 1:4	Exercised	Expired	At 31.12.2015
Warrants	42,657,666	(2,708,200)	159,797,864	(27,699,390)	–	132,098,474

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

On 30th April 2015, the Company announced the share split involving the subdivision of every one (1) existing ordinary share of RM1/- each into 4 ordinary shares of RM0.25 each in the Company. The entitlement date for share split has been fixed on 23rd July 2015 and additional 119,848,398 warrants has been listed and quoted on the main market of Bursa Malaysia Securities Berhad on 24th July 2015.

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 of RM0.25 each 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 of RM0.25 each 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 authorised share capital of the Company of RM500,000,000/- comprising 500,000,000 ordinary shares of RM1/- each has been amended to RM500,000,000/- comprising 2,000,000,000 ordinary shares of RM0.25 each.

During the financial year, the Company increased its issued and fully paid share capital from 99,449,000 ordinary shares of RM1/- each to 436,328,190 ordinary shares of RM0.25 each through the issuance of:

(i) 2,708,200 ordinary shares of RM1/- each via the exercise of 2,708,200 warrants 2010/2020 at the exercise price of RM1/- each per ordinary share;

(ii) subdivision of every one (1) ordinary share into four (4) ordinary shares from 102,157,200 ordinary shares of RM1/- each into 408,628,800 ordinary shares of RM0.25 each; and

(iii) 27,699,390 ordinary shares of RM0.25 each via the exercise of 27,699,390 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.

The Company did not issue any debentures during the financial year.

DIRECTORS

The directors of the Company in office since the date of the last report are:

Y. Bhg. Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak
Y. Bhg. Dato' Loo Swee Chew
Yoong Tein Seng @ Yong Kian Seng (Alternate director to Yoong Hau Chun)
Yoong Hau Chun
Yoong Li Yen
Lim Kah Poon
Bailey Policarpio

DIRECTORS' INTERESTS

According to the register of directors' shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia, the interests of those directors who held office at the end of the financial year in shares and warrants in the Company and its related corporations during the financial year ended 31st December 2015 are as follows:

		Number of ordinary shares of RM1.00 each			Number of ordinary shares of RM0.25 each		
		At 1.1.2015	Bought/ (sold)	Total shares before share spilt	Share split #	Bought/ (sold)	At 31.12.2015
The Company							
Direct Interests							
Yoong Hau Chun		150,000	–	150,000	600,000	–	600,000
Y. Bhg. Dato' Loo Swee Chew		148,000	–	148,000	592,000	–	592,000
Lim Kah Poon		50,000	–	50,000	200,000	–	200,000
Bailey Policarpio		25,000	–	25,000	100,000	–	100,000
Yoong Li Yen		409,800	–	409,800	1,639,200	–	1,639,200
Indirect Interests							
Yoong Hau Chun	(1)	37,095,200	–	37,095,200	148,380,800	8,440,290	156,821,090
Y. Bhg. Dato' Loo Swee Chew	(2)	28,216,400	–	28,216,400	112,865,600	8,374,290	121,239,890
Y. Bhg.Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	(3)	63,000	–	63,000	252,000	–	252,000
Lim Kah Poon	(4)	21,000	–	21,000	84,000	–	84,000
Bailey Policarpio	(5)	409,800	–	409,800	1,639,200	–	1,639,200
Yoong Li Yen	(6)	36,500,400	–	36,500,400	146,001,600	8,440,290	154,441,890
Yoong Tein Seng @ Yong Kian Seng (Alternate director to Yoong Hau Chun)	(7)	39,611,700	–	39,611,700	158,446,800	8,440,290	166,887,090

DIRECTORS' INTERESTS (CONTINUED)

		Number of Warrants					
		Before share split			Post share split		
		At 1.1.2015	Acquired/ (sold)/ (exercised)	Total shares before share spilt	Share split #	Acquired/ (sold)/ (exercised)	At 31.12.2015
The Company							
Direct Interests							
Yoong Hau Chun		25,000	–	25,000	100,000	–	100,000
Y. Bhg. Dato' Loo Swee Chew		78,233	–	78,233	312,932	–	312,932
Bailey Policarpio		6,666	–	6,666	26,664	–	26,664
Yoong Li Yen		8,333	–	8,333	33,332	–	33,332
Yoong Tein Seng @ Yong Kian Seng (Alternate director to Yoong Hau Chun)		75,000	–	75,000	–	(75,000)	–
Indirect Interests							
Yoong Hau Chun	(1)	16,750,442	–	16,750,442	67,001,768	(14,340,290)	52,661,478
Y. Bhg. Dato' Loo Swee Chew	(2)	15,263,776	–	15,263,776	61,055,104	(8,440,290)	52,614,814
Bailey Policarpio	(5)	8,333	–	8,333	33,332	–	33,332
Yoong Li Yen	(6)	16,770,442	–	16,770,442	67,081,768	(14,340,290)	52,741,478
Yoong Tein Seng @ Yong Kian Seng (Alternate director to Yoong Hau Chun)	(7)	16,697,141	–	16,697,141	66,788,564	(14,040,290)	52,748,274

\# During the financial year, the Company undertook a share split exercise involving the subdivision of every 1 existing ordinary share of RM1/- each in the Company into 4 new ordinary shares of RM0.25 each.

(1) Deemed interested by virtue of Section 6A of the Companies Act, 1965 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 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 6A of the Companies Act, 1965 in Malaysia and by virtue of his family relationship with Loo Chin Meng (Lu Zhenming), his son and deemed interest 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 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.

By virtue of their shareholdings in the Company, Yoong Tein Seng @ Yong Kian Seng, Y. Bhg. Dato' Loo Swee Chew, Yoong Hau Chun, Lim Kah Poon, Bailey Policarpio and Yoong Li Yen are deemed to have interests in shares in the subsidiaries to the extent of the Company's interest, in accordance with Section 6A of the Companies Act, 1965 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 the benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in Note 36 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 arrangement whose 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 apart from the 2010/2020 Warrant issued.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Details of significant event during the financial year are disclosed in Note 41 to the financial statements.

AUDITORS

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

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

YOONG HAU CHUN
Director

Y. BHG. DATO' LOO SWEE CHEW
Director

Kuala Lumpur
Date: 29th March 2016

STATEMENTS OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	233,624	240,880	172,455	184,900
Prepaid lease payments	6	5,725	5,888	–	–
Investment in subsidiaries	7	–	–	40,960	40,960
Goodwill on consolidation	8	2,946	2,946	–	–
Total non-current assets		242,295	249,714	213,415	225,860
Current assets					
Inventories	9	62,977	60,689	19,326	21,525
Trade receivables	10	44,310	53,539	17,487	32,471
Other receivables, deposits and prepayments	11	5,587	12,352	814	1,987
Amount owing by a subsidiary	12	–	–	2,404	1,825
Amount owing by related companies	21	230	–	230	–
Tax recoverable		351	612	303	536
Other investments	13	2,500	–	–	–
Deposits placed with licensed banks	14	88,418	13,424	45,050	699
Cash and bank balances	15	34,456	22,208	19,313	11,964
Total current assets		238,829	162,824	104,927	71,007
TOTAL ASSETS		481,124	412,538	318,342	296,867
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	16	109,082	99,449	109,082	99,449
Other reserves	17	18,280	18,254	18,280	18,254
Retained profits	18	218,253	152,976	103,318	64,514
Total equity		345,615	270,679	230,680	182,217

STATEMENTS OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2015 (continued)

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Non-current liabilities					
Amount owing to a related company	21	–	2,090	–	2,090
Provision for retirement benefits	22	1,261	1,442	495	716
Loans and borrowings	23	23,215	41,656	17,704	37,748
Deferred tax liabilities	26	3,122	2,298	–	–
Total non-current liabilities		27,598	47,486	18,199	40,554
Current liabilities					
Trade payables	19	36,133	27,351	21,179	20,764
Other payables and accruals	20	29,163	25,262	10,353	9,494
Amount owing to subsidiaries	12	–	–	6,168	6,402
Amount owing to related companies	21	2,250	510	2,044	304
Tax payable		4,808	737	–	–
Loans and borrowings	23	35,557	40,513	29,719	37,132
Total current liabilities		107,911	94,373	69,463	74,096
Total liabilities		135,509	141,859	87,662	114,650
TOTAL EQUITY AND LIABILITIES		481,124	412,538	318,342	296,867

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Revenue	27	503,309	422,355	238,849	201,743
Cost of sales	28	(385,168)	(359,152)	(175,044)	(171,332)
Gross profit		118,141	63,203	63,805	30,411
Other income		10,142	4,208	9,851	5,691
Selling and distribution expenses		(7,573)	(4,821)	(3,634)	(2,703)
Administrative expenses		(25,271)	(22,934)	(11,293)	(10,706)
Finance costs	29	(2,088)	(3,113)	(1,607)	(2,432)
Other expenses		(10,517)	(4,462)	(9,940)	(4,026)
Profit before taxation	30	82,834	32,081	47,182	16,235
Taxation	31	(9,263)	(1,905)	(84)	141
Profit for the financial year		73,571	30,176	47,098	16,376
Other comprehensive income		–	–	–	–
Total comprehensive income for the financial year		73,571	30,176	47,098	16,376
Profit for the financial year attributable to:					
Owners of the Company		73,571	30,176	47,098	16,376
Non-controlling interests		–	–	–	–
		73,571	30,176	47,098	16,376
Total comprehensive income attributable to:					
Owners of the Company		73,571	30,176	47,098	16,376
Non-controlling interests		–	–	–	–
		73,571	30,176	47,098	16,376
Earnings per share attributable to owners of the Company (sen)					
- Basic earnings per share	32(a)	17.94	7.93		
- Diluted earnings per share	32(b)	13.57	5.47		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2015

	Note	*Attributable to owners of the Company* *<—— Non-distributable* Share Capital RM'000	Share Premium RM'000	*——>* Warrant Reserve RM'000	*Distributable* Retained Profits RM'000	Total Equity RM'000
Group						
At 1st January 2014		90,400	15,526	400	124,728	231,054
Total comprehensive income for the financial year		–	–	–	30,176	30,176
Transactions with owners:						
Issuance of share capital	16	9,040	2,328	–	–	11,368
Arising from exercise of warrants	16	9	–	–	–	9
Dividends	33	–	–	–	(1,928)	(1,928)
Total transaction with owners		9,049	2,328	–	(1,928)	9,449
At 31st December 2014		99,449	17,854	400	152,976	270,679
Total comprehensive income for the financial year		–	–	–	73,571	73,571
Transactions with owners:						
Arising from exercise of warrants	16	9,633	96	(70)	–	9,659
Dividends	33	–	–	–	(8,294)	(8,294)
Total transactions with owners		9,633	96	(70)	(8,294)	1,365
At 31st December 2015		109,082	17,950	330	218,253	345,615

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2015 (continued)

		Attributable to owners of the Company				
		<— Non-distributable		*—>*	*Distributable*	
	Note	Share Capital RM'000	Share Premium RM'000	Warrant Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
Company						
At 1st January 2014		90,400	15,526	400	50,066	156,392
Total comprehensive income for the financial year		–	–	–	16,376	16,376
Transactions with owners:						
Issuance of share capital	16	9,040	2,328	–	–	11,368
Arising from exercise of warrants	16	9	–	–	–	9
Dividends	33	–	–	–	(1,928)	(1,928)
Total transactions with owners		9,049	2,328	–	(1,928)	9,449
At 31st December 2014		99,449	17,854	400	64,514	182,217
Total comprehensive income for the financial year		–	–	–	47,098	47,098
Transactions with owners:						
Arising from exercise of warrants	16	9,633	96	(70)	–	9,659
Dividends	33	–	–	–	(8,294)	(8,294)
Total transactions with owners		9,633	96	(70)	(8,294)	1,365
At 31st December 2015		109,082	17,950	330	103,318	230,680

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		82,834	32,081	47,182	16,235
Adjustments for:					
Amortisation for prepaid lease payments		163	163	–	–
Depreciation for property, plant and equipment		25,931	25,879	19,822	19,466
Dividend income		–	–	(4,470)	(3,874)
Gain on disposal of property, plant and equipment		(78)	(122)	(70)	(55)
Interest expenses		2,088	3,113	1,607	2,432
Interest income		(754)	(544)	(335)	–
Inventories written off		–	2,155	–	2,155
Net loss on financial liabilities measured at amortised cost		–	246	–	246
Property, plant and equipment written off		2	1,328	–	1,324
Provision for retirement benefits		59	80	19	136
Unrealised loss on foreign exchange		9,498	3,170	9,281	3,170
Operating Profit before Working Capital Changes		119,743	67,549	73,036	41,235
Changes In Working Capital:					
Inventories		(2,288)	4,049	2,199	4,092
Receivables		16,080	(7,149)	16,183	2,238
Payables		12,676	(9,630)	1,274	(4,863)
Amount due from/to subsidiaries		–	–	(820)	93
Cash Generated From Operations		146,211	54,819	91,872	42,795
Interest paid		(2,088)	(3,113)	(1,607)	(2,432)
Retirement benefits paid		(240)	(416)	(240)	(416)
Income tax paid		(4,374)	(1,785)	(8)	(8)
Income tax refunded		267	204	157	190
Net Operating Cash Flows		139,776	49,709	90,174	40,129

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2015 (continued)

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Advances to related companies		(230)	–	(230)	–
Deposits placed with licensed banks held for funded employee benefits		36	(1,278)	223	(699)
Dividend received		–	–	4,470	3,874
Interest received		754	544	335	–
Placement of other investments		(2,500)	–	–	–
Proceeds from disposal of property, plant and equipment		341	146	333	55
Purchase of property, plant and equipment	34	(6,467)	(10,247)	(2,879)	(6,977)
Repayment from subsidiaries		–	–	7	86
Net Investing Cash Flows		(8,066)	(10,835)	2,259	(3,661)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid		(8,294)	(1,928)	(8,294)	(1,928)
Proceed from issuance of share capital		9,633	11,377	9,633	11,377
Net repayment of onshore foreign currency loan		(13,119)	(8,926)	(13,119)	(8,926)
Repayment to related company		(350)	(552)	(350)	(552)
Repayment of hire purchase liabilities		(3,639)	(5,657)	(1,141)	(647)
Repayment of term loan		(29,083)	(26,335)	(27,239)	(26,132)
Net Financing Cash Flows		(44,852)	(32,021)	(40,510)	(26,808)
NET CHANGE IN CASH AND CASH EQUIVALENTS		86,858	6,853	51,923	9,660
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		34,354	27,501	11,964	2,304
Effects of exchange rate changes on cash and cash equivalents		12	–	–	–
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		121,224	34,354	63,887	11,964
ANALYSIS OF CASH AND CASH EQUIVALENTS:					
Deposits placed with licensed banks		88,418	13,424	45,050	699
Cash and bank balances		34,456	22,208	19,313	11,964
Bank overdrafts - secured		(408)	–	–	–
		122,466	35,632	64,363	12,663
Less: Deposit placed with licensed banks held for funded employee benefits	14	(1,242)	(1,278)	(476)	(699)
		121,224	34,354	63,887	11,964

The accompanying notes form an integral part of these 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 29th March 2016.

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"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

2.2 Basis of measurement

The financial statements of the Group and of the Company have been prepared under the historical cost basis, except as disclosed in the significant accounting policies in Note 3 to the financial statements.

2.3 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 reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 to the financial statements.

2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency at 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. BASIS OF PREPARATION (CONTINUED)

2.5 Adoption of Amendments/Improvements to MFRSs

The Group and the Company had adopted the following amendments/improvements to MFRSs that are mandatory for the current financial year:

Amendments/Improvements to MFRSs	
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment
MFRS 3	Business Combinations
MFRS 8	Operating Segments
MFRS 13	Fair Value Measurement
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 124	Related Party Disclosures
MFRS 138	Intangible Assets
MFRS 140	Investment Property

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies, except for those as discussed below:

Amendments to MFRS 8 Operating Segments

Amendments to MFRS 8 require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly to the chief operating decision maker.

Amendments to MFRS 13 Fair Value Measurement

Amendments to MFRS 13 relate to the IASB's Basis for Conclusions which is not an integral part of the Standard. The Basis for Conclusions clarifies that when IASB issued IFRS 13, it did not remove the practical ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments also clarify that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 or MFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132.

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 provide a practical expedient in accounting for contributions from employees or third parties to defined benefit plans.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Adoption of Amendments/Improvements to MFRSs (continued)

Amendments to MFRS 119 Employee Benefits (continued)

If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service.

However, if the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method required by MFRS 119 for the gross benefit (i.e. either based on the plan's contribution formula or on a straight-line basis).

Amendments to MFRS 124 Related Party Disclosures

Amendments to MFRS 124 clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

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

The Group and the Company have not adopted the following new MFRSs and amendments/improvements to MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments/Improvements to MFRSs		
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2016
MFRS 7	Financial Instruments: Disclosures	1 January 2016
MFRS 10	Consolidated Financial Statements	Deferred/ 1 January 2016
MFRS 11	Joint Arrangements	1 January 2016
MFRS 12	Disclosure of Interest in Other Entities	1 January 2016
MFRS 14	Regulatory Deferral Accounts	1 January 2016
MFRS 101	Presentation of Financial Statements	1 January 2016
MFRS 116	Property, Plant and Equipment	1 January 2016
MFRS 119	Employee Benefits	1 January 2016
MFRS 127	Separate Financial Statements	1 January 2016
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2016
MFRS 138	Intangible Assets	1 January 2016
MFRS 141	Agriculture	1 January 2016

A brief discussion on the above significant new MFRSs and amendments/improvements to MFRSs are summarised below. Due to the complexity of these new standards, the financial effects of their adoption are currently still being assessed by the Group and the Company.

2. BASIS OF PREPARATION (CONTINUED)

2.6 New MFRSs and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

MFRS 9 Financial Instruments

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

  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. 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.

- 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.

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;
(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.

2. BASIS OF PREPARATION (CONTINUED)

2.6 New MFRSs and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

MFRS 15 Revenue from Contracts with Customers (continued)

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

Amendments to MFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Amendments to MFRS 5 introduce specific guidance on when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution is discontinued.

Amendments to MFRS 7 Financial Instruments: Disclosures

Amendments to MFRS 7 provide additional guidance to clarify whether servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements of MFRS 7.

The amendments also clarify the applicability of Disclosure – Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7) to condensed interim financial statements.

Amendments to MFRS 101 Presentation of Financial Statements

Amendments to MFRS 101 improve the effectiveness of disclosures. The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

Amendments to MFRS 116 Property, Plant and Equipment

Amendments to MFRS 116 prohibit revenue-based depreciation because revenue does not reflect the way in which an item of property, plant and equipment is used or consumed.

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability and the depth of the market for high quality corporate bonds should be assessed at a currency level.

Amendments to MFRS 127 Separate Financial Statements

Amendments to MFRS 127 allow a parent and investors to use the equity method in its separate financial statements to account for investments in subsidiaries, joint ventures and associates, in addition to the existing options.

2. BASIS OF PREPARATION (CONTINUED)

2.6 New MFRSs and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

Amendments to MFRS 138 Intangible Assets

Amendments to MFRS 138 introduce a rebuttable presumption that the revenue-based amortisation method is inappropriate. This presumption can be overcome only in the following limited circumstances:

- when the intangible asset is expressed as a measure of revenue, i.e. in the circumstance in which the predominant limiting factor that is inherent in an intangible asset is the achievement of a revenue threshold; or
- when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

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 10 Consolidated Financial Statements, MFRS 12 Disclosures of Interests in Other Entities and MFRS 128 Investments in Associates and Joint Ventures

These amendments address the following issues that have arisen in the application of the consolidation exception for investment entities:

- Exemption from presenting consolidated financial statements: the amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
- Consolidation of intermediate investment entities: the amendments clarify that only a subsidiary is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.
- Policy choice for equity accounting for investments in associates and joint ventures: the amendments allow a non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interest in subsidiaries, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture.

Amendments to MFRS 116 Property, Plant and Equipment and Amendments to MFRS 141 Agriculture

With the amendments, bearer plants would come under the scope of MFRS 116 and would be accounted for in the same way as property, plant and equipment. A bearer plant is defined as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Nevertheless, the produce growing on the bearer plant would remain within the scope of MFRS 141. This is because the growth of the produce directly increases the expected revenue from the sale of the produce. Moreover, fair value measurement of the growing produce provides useful information to users of financial statements about future cash flows that an entity will actually realise as the produce will ultimately be detached from the bearer plants and sold separately.

3. SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

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 assumed at the acquisition date.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

(a) Subsidiaries and business combination (continued)

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.

3.2 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 could be required for impairment of non-financial assets as disclosed in Note 3.10(b) to the financial statements.

3.3 Translation of foreign currency transactions

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

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 carried 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Translation of foreign currency transactions (continued)

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary item that is designated as a hedging instrument in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

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

3.4 Financial instruments

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

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

(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)

(a) Subsequent measurement (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.

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 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.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

The Group has not designated any financial liabilities at fair value through profit or loss.

Other financial liabilities

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 through the amortisation process.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

(b) Financial guarantee contracts

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

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(c) 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.

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.

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 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 3.14 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

No depreciation is provided on the freehold land as it has infinite useful life.

Property, plant and equipment are depreciated on straight line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets concerned. The annual rates used for this purpose are as follows:

Leasehold land	1%
Buildings	2% – 5%
Plant, machineries and equipments	5% – 20%
Furniture, fittings and renovation	10% – 20%
Motor vehicles	20%

The residual values and useful lives of assets and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. The effects of any revisions of the residual values, useful lives and depreciation method are included in profit or loss for the financial year in which the changes arise.

Fully depreciated assets are retained in the financial statements until the assets are no longer in use.

(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 included in the profit or loss in the financial year the asset is derecognised.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases (continued)

(a) Lessee Accounting (continued)

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.

3.7 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 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.

Cost is determined on the weighted average basis and comprises the cost of materials and incidentals incurred in bringing the inventories to their present location and condition.

Cost of manufactured goods includes cost of materials, labour and an appropriate proportion of production overheads.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

3.10 Impairment of assets

(a) Impairment and uncollectibility of financial assets

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (continued)

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

Available-for-sale financial assets (continued)

When a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss that had been 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) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (continued)

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

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. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. 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

Ordinary shares

Ordinary shares are equity instruments and classified as equity. 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.

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 and the Company.

(b) Post-employment benefits

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national 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.

(c) Defined Benefits Scheme

In the previous financial year, the Group and the Company operate a defined benefits scheme (funded) in respect of key personnel.

The amount recognised in the statements of financial position represents the present value of the defined benefit obligation at each financial year end. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate of high quality corporate bonds in which the benefits will be paid.

Actuarial gains and losses arising from the changes in actuarial assumptions and experience adjustments are recognised in other comprehensive income within equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Employee benefits (continued)

(c) Defined Benefits Scheme (continued)

Net interest expenses relating to defined benefits plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past services or the gain or loss on curtailment is recognised immediately in profit or loss.

3.13 Revenue and other income

The Group and the Company recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below:

(a) Sale of Goods

Revenue is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

(b) Interest Income

Interest income is recognised on an accrual basis.

(c) Dividend Income

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

3.14 Borrowing costs

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

Borrowings are initially recognised based on the proceeds received, net of transaction cost incurred. In the subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings.

Interest, dividends, losses and gains relating to a financial instrument, or a component part classified as a liability is reported within finance cost in the profit or loss.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

3.15 Income tax

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Income tax (continued)

(a) Current tax

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

(b) Deferred tax

Deferred tax is provided 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 that is not a business combination and that affects neither the taxable profit nor the accounting profit.

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.

3.16 Operating segments

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Fair value measurements

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

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

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value 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 can access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

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

3.18 Earnings Per Ordinary Share

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

Basis 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.

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) Classification between operating lease and finance lease for leasehold land

The Group has developed certain criteria based on MFRS 117 Leases in making judgement whether a leasehold land should be classified either as operating lease or finance lease.

Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset and operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership. If the leasehold land meets the criteria of the financial lease, the lease will be classified as property, plant and equipment if it is for own use. Judgements are made on the individual leasehold land to determine whether the leasehold land qualifies as operating lease or finance lease.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

(a) Classification between operating lease and finance lease for leasehold land (continued)

The Group has classified the lease period of less than 50 years as operating leases as they did not met the criteria of a finance lease under MFRS 117. The carrying amount of the Group's prepaid lease payments is disclosed in Note 6 to the financial statements.

(b) Depreciation and useful lives of property, plant and equipment

As disclosed in Note 3.5 to the financial statements, the Group and the Company review the residual values, useful lives and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and therefore, future depreciation charges could be revised.

The carrying amounts of the Group's and the Company's property, plant and equipment are disclosed in Note 5 to the financial statements.

(c) Impairment of goodwill

The Group assesses at each reporting date whether there is any indication that goodwill may be impaired. For the purpose of assessing impairment, assets (including goodwill) are grouped at the lowest level where there are separately identifiable cash flows (cash-generating units). In determining the value-in-use of a cash-generating unit, management estimates the discounted cash flows using reasonable and supportable inputs about sales, costs of sales and other expenses based on past experience, current events and reasonably possible future developments. Cash flows that are projected based on those inputs or assumptions and the discount rate applied in the measurement of value-in-use may have a significant effect on the Group's financial position and results if the actual cash flows are less than the expected.

The carrying amount of the Group's goodwill and key assumptions used to determine the recoverable amount for different cash-generating units, including sensitivity analysis, are disclosed in Note 8 to the financial statements.

(d) Impairment of financial assets

For impairment test of held-to-maturity investments, the Group and the Company use estimates of future cash flows of the held-to-maturity investments and discounts the future cash flows using the original effective interest rate of an instrument. As the projected cash flows are based on estimates, the actual cash flows may differ from those estimates and these may affect the carrying amounts of the held-to-maturity investments.

The Group and the Company recognise impairment losses for loans and receivables using the incurred loss model. At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that loans and receivables is impaired. Individually significant loans and receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All others are grouped into credit risk classes and tested for impairment collectively, using the Group's and the Company's past experience of loss statistics, ageing of past due amounts and current economic trends. The actual eventual losses may be different from the impairment made and this may affect the Group's and the Company's financial position and results.

The carrying amounts of the Group's and the Company's financial assets are disclosed in Note 39(a) to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

(e) Measurement of income taxes

Significant judgement is required in determining the Group's and the Company's estimation for current and deferred taxes because the ultimate tax liability for the Group as a whole is uncertain. When the final outcome of the tax payable is determined with the tax authorities in each jurisdiction, the amounts might be different from the initial estimates of the taxes payables. Such differences may impact the current and deferred taxes in the period when such determination is made. The Group and the Company will make adjustments for current or deferred taxes in respect of prior years in the current period on those differences arise. The income tax expense of the Group and the Company are disclosed in Note 31 to the financial statements.

(f) 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 of the Group.

(g) Write-down of obsolete or slow moving 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 amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write-down of obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories. The carrying amounts of the Group's and the Company's inventories are disclosed in Note 9 to the financial statements.

(h) Impairment of non-financial assets

The Group and the Company assess impairment of non-financial assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may be recoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost of disposal for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. Projected future cash flows are based on the Group's and the Company's estimates, taking into consideration factors such as historical and industry trends, general market and economic conditions and other available information. Cash flows that are projected based on those inputs or assumptions and the discount rate applied in the measurement of value-in-use may have a significant effect on the Group's financial position and results if the actual cash flows are less than the expected.

(i) Provision for retirement benefits

Significant estimation is required in determining the present value of the provision for retirement benefits. Estimating the provision for retirement benefits requires the management to make estimation on the discounting rate and retirement date of the key management personnel as disclosed in Note 22 to the financial statements.

5. PROPERTY, PLANT AND EQUIPMENT

Group 2015	Freehold Land RM'000	Leasehold Land RM'000	Leasehold Land and Buildings RM'000	Plant, Machineries and Equipment RM'000	Furniture, Fittings and Renovation RM'000	Motor Vehicles RM'000	Total RM'000
Cost							
At 1st January 2015	7,462	4,061	64,971	403,532	3,401	5,287	488,714
Additions	–	–	1,275	16,165	585	915	18,940
Disposals/write-offs	–	–	–	(1,166)	(7)	(174)	(1,347)
At 31st December 2015	7,462	4,061	66,246	418,531	3,979	6,028	506,307
Accumulated Depreciation							
At 1st January 2015	–	485	14,572	226,208	2,211	4,358	247,834
Depreciation for the financial year	–	44	1,535	23,577	229	546	25,931
Disposals/write-offs	–	–	–	(903)	(5)	(174)	(1,082)
At 31st December 2015	–	529	16,107	248,882	2,435	4,730	272,683
Carrying Amounts							
At 31st December 2015	7,462	3,532	50,139	169,649	1,544	1,298	233,624
2014							
Cost							
At 1st January 2014	7,462	4,061	63,880	395,273	2,788	5,485	478,949
Additions	–	–	1,091	11,298	624	147	13,160
Disposals/write-offs	–	–	–	(3,039)	(11)	(345)	(3,395)
At 31st December 2014	7,462	4,061	64,971	403,532	3,401	5,287	488,714
Accumulated Depreciation							
At 1st January 2014	–	441	13,101	204,336	2,000	4,120	223,998
Depreciation for the financial year	–	44	1,471	23,559	222	583	25,879
Disposals/write-offs	–	–	–	(1,687)	(11)	(345)	(2,043)
At 31st December 2014	–	485	14,572	226,208	2,211	4,358	247,834
Carrying Amounts							
At 31st December 2014	7,462	3,576	50,399	177,324	1,190	929	240,880

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2015	Freehold Land RM'000	Leasehold Land RM'000	Leasehold Land and Buildings RM'000	Plant, Machineries and Equipment RM'000	Furniture, Fittings and Renovation RM'000	Motor Vehicles RM'000	Total RM'000
Cost							
At 1st January 2015	6,034	4,061	30,117	329,793	753	2,629	373,387
Additions	–	–	31	7,307	46	256	7,640
Disposals/write-offs	–	–	–	(1,134)	–	–	(1,134)
At 31st December 2015	6,034	4,061	30,148	335,966	799	2,885	379,893
Accumulated Depreciation							
At 1st January 2015	–	485	7,057	178,390	565	1,990	188,487
Depreciation for the financial year	–	44	629	18,766	45	338	19,822
Disposals/write-offs	–	–	–	(871)	–	–	(871)
At 31st December 2015	–	529	7,686	196,285	610	2,328	207,438
Carrying Amounts							
At 31st December 2015	6,034	3,532	22,462	139,681	189	557	172,455
2014							
Cost							
At 1st January 2014	6,034	4,061	29,987	325,310	694	2,869	368,955
Additions	–	–	130	7,314	59	–	7,503
Disposals/write-offs	–	–	–	(2,831)	–	(240)	(3,071)
At 31st December 2014	6,034	4,061	30,117	329,793	753	2,629	373,387
Accumulated Depreciation							
At 1st January 2014	–	441	6,453	161,409	532	1,933	170,768
Depreciation for the financial year	–	44	604	18,488	33	297	19,466
Disposals/write-offs	–	–	–	(1,507)	–	(240)	(1,747)
At 31st December 2014	–	485	7,057	178,390	565	1,990	188,487
Carrying Amounts							
At 31st December 2014	6,034	3,576	23,060	151,403	188	639	184,900

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 23 to the financial statements with carrying amounts as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Freehold land	6,034	6,034	6,034	6,034
Leasehold land	3,532	3,575	3,532	3,575
Leasehold land and buildings	50,022	50,288	22,349	22,952
Plant, machineries and equipments	136,772	149,285	136,772	149,285
Furniture and fittings	176	126	176	126
	196,536	209,308	168,863	181,972

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Plant, machineries and equipments	12,554	8,630	5,362	828
Motor vehicles	939	671	534	578
	13,493	9,301	5,896	1,406

(iii) Included in property, plant and equipment of the Group and the Company are fully depreciated assets which are still in use with the following costs:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At Cost				
Plant, machineries and equipments	35,321	20,323	4,015	3,394
Furniture and fittings	1,472	848	410	389
Motor vehicles	3,023	2,205	1,225	1,135
	39,816	23,376	5,650	4,918

6. PREPAID LEASE PAYMENTS

	Group	
	2015	**2014**
	RM'000	**RM'000**
At Cost		
At 1st January/ At 31st December	7,530	7,530
Accumulated Amortisation		
At 1st January	1,642	1,479
Amortisation during the financial year	163	163
At 31st December	1,805	1,642
Carrying Amount		
At 3st December	5,725	5,888

Pursuant to MFRS 117 Leases, the Group and the Company have determined that the leasehold land of the Group and the Company with a lease period of more than 50 years at the inception date is in substance a finance lease and has been reclassified as property, plant and equipment.

The leasehold land has been pledged as security to licensed financial institutions for bank borrowings granted to the Group, as disclosed in Note 23 to the financial statements.

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2015	**2014**
	RM'000	**RM'000**
At Cost		
Unquoted shares	40,960	40,960

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Name of company	Effective ownership interest/voting rights 2015 %	2014 %	Principal activities
Held by the Company			
HeveaPac Sdn. Bhd.	100	100	Manufacturing and trading of ready-to-assemble furniture.
HeveaMart Sdn. Bhd.	100	100	Trading of particleboards and other panel boards.
BocoWood Sdn. Bhd.	100	100	Distribution and marketing of ready-to-assemble furniture.
Hevea OSB Sdn. Bhd.	100	100	Dormant.

8. GOODWILL ON CONSOLIDATION

	Group 2015 RM'000	2014 RM'000
At 1st January/ 31st 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 2015 RM'000	2014 RM'000
Manufacturing segment	2,596	2,596
Trading segment	350	350
	2,946	2,946

The recoverable amounts of cash-generating units ("CGUs") in manufacturing segment and trading 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 9% 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 RM278,121,000/- and RM15,587,000/- for manufacturing segment and trading segment respectively. The expected revenue growth in the cash flows projection was ranged from 0% to 5% per annum for year 2016 to 2020.

8. GOODWILL ON CONSOLIDATION (CONTINUED)

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

- The budgeted gross margin is based on the estimated selling prices and fixed and variable costs, adjusted for market conditions and economic conditions and internal resource efficiency. The budgeted gross margin used is 11% and 32% 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. INVENTORIES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At Cost				
Finished goods	15,298	19,210	4,506	4,658
Raw materials	34,749	27,120	5,332	5,637
Work-in-progress	3,442	3,129	–	–
Consumables and spare parts	9,488	11,230	9,488	11,230
	62,977	60,689	19,326	21,525

The cost of inventories of the Group and the Company recognised as an expense in cost of sales during the financial year was RM356,767,000/- (2014: RM331,653,000/-) and RM154,174,000/- (2014: RM152,518,000/-) respectively.

10. TRADE RECEIVABLES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Trade receivables	44,310	53,539	17,487	32,471
Less: Allowance for impairment	–	–	–	–
	44,310	53,539	17,487	32,471

10. TRADE RECEIVABLES (CONTINUED)

The currencies exposure profile of trade receivables are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
United States Dollar	31,216	45,447	16,622	30,856
Ringgit Malaysia	13,094	8,092	865	1,615
	44,310	53,539	17,487	32,471

(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 (2014: 30 to 90 days) from the date of invoices. Other credit terms are assessed and approved on a case by case basis.

(ii) At the reporting date, approximately 38% (2014: 37%) of the Group's trade receivables were due from 2 major customers.

(iii) Ageing analysis

The ageing analysis of the Group's and the Company's trade receivables are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Neither past due nor impaired	41,642	50,862	16,567	29,806
Past due but not impaired:				
1 - 30 days past due not impaird	1,985	1,675	740	1,663
31 - 60 days past due not impaired	683	1,002	180	1,002
	2,668	2,677	920	2,665
Impaired	–	–	–	–
	44,310	53,539	17,487	32,471

Receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group and the Company. The Group and the Company use ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 90 days, which are deemed to have higher credit risk, are monitored individually.

10. TRADE RECEIVABLES (CONTINUED)

(iii) Ageing analysis (continued)

Receivables that are past due but not impaired

The Group and the Company believe that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

In determining the recoverability of a trade receivable, the Group and the Company consider any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The Group and the Company have policies in place to ensure that credit is extended only to customers with acceptable credit history and payment track records. Allowances for impairment are made on specific trade receivable when there is objective evidence that the Company will not able to collect the amounts due.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Other receivables and deposits				
Other receivables	3,992	3,785	587	1,647
Deposits	293	3,936	123	78
	4,285	7,721	710	1,725
Other current assets				
Prepayments	1,302	4,631	104	262
	5,587	12,352	814	1,987

(i) In the previous financial year, included in Group's deposits is an amount of RM3,926,000/- paid for purchase of plant and machineries, as disclosed in Note 37 to the financial statements.

(ii) The currencies exposure profiles of other receivables and deposits are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Euro Dollar	–	338	–	338
Philippines Peso	–	6	–	6
Singapore Dollar	–	2	–	2
United States Dollar	212	576	–	576
Ringgit Malaysia	4,073	6,799	710	803
	4,285	7,721	710	1,725

12. AMOUNT OWING BY/(TO) SUBSIDIARIES

	Company	
	2015 RM'000	2014 RM'000
Amount owing by a subsidiary		
- Trade	2,404	1,825
Amount owing to subsidiaries		
- Trade	2,249	2,008
- Non-trade	(8,417)	(8,410)
	(6,168)	(6,402)

The normal trade credit term is 90 days (2014: 90 days).

The non-trade amounts due to subsidiaries are unsecured, non-interest bearing, repayable on demand and expected to be settled in cash.

13. OTHER INVESTMENTS

	Group	
	2015 RM'000	2014 RM'000
Current:		
Financial assets at fair value through profit or loss		
- Unquoted money market fund	2,500	–

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

14. DEPOSITS PLACED WITH LICENSED BANKS

The currencies exposure profile of deposits placed with licensed banks are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
United States Dollar	8,584	–	8,584	–
Ringgit Malaysia	79,834	13,424	36,466	699
	88,418	13,424	45,050	699

14. DEPOSITS PLACED WITH LICENSED BANKS (CONTINUED)

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

	Group and Company	
	2015 RM'000	2014 RM'000
Interest Rate (%) (per annum)	0.90 - 4.15	3.00 - 3.90
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 RM1,242,000/- (2014: RM1,278,000/-) and RM476,000/- (2014: RM699,000/-) respectively representing the funded amounts for the repayment of retirement benefits as disclosed in Note 22 to the financial statements.

15. CASH AND BANK BALANCES

The currencies exposure profile of cash and bank balances are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Indian Rupee	1	1	1	1
United States Dollar	26,287	15,362	13,244	10,049
Ringgit Malaysia	8,168	6,845	6,068	1,914
	34,456	22,208	19,313	11,964

16. SHARE CAPITAL

	Group and Company			
	2015		2014	
	Number of Shares '000 unit	RM'000	Number of Shares '000 unit	RM'000
Authorised:				
Ordinary shares of RM0.25/RM1/- each	2,000,000	500,000	500,000	500,000
Issued and fully paid:				
At 1st January	99,449	99,449	90,400	90,400
Issued for cash under private placement	–	–	9,040	9,040
Issued for cash under warrant exercised	2,708	2,708	9	9
	102,157	102,157	99,449	99,449
Share split	306,472	–	–	–
Issued for cash under warrant exercised	27,699	6,925	–	–
At 31st December	436,328	109,082	99,449	99,449

16. SHARE CAPITAL (CONTINUED)

(a) Share split

During the financial year, the authorised share capital of the Company of RM500,000,000/- comprising 500,000,000 ordinary shares of RM1/- each has been amended to RM500,000,000/- comprising 2,000,000,000 ordinary shares of RM0.25 each.

On 24th July 2015, the Company increased its issued and fully paid share capital from 102,157,200 ordinary shares of RM1/- each into 408,628,800 ordinary shares of RM0.25 each by way of share split involving the subdivision of every one (1) existing ordinary share of RM1/- each held in the Company into four (4) ordinary shares of RM0.25 each.

The share split was completed on 24th July 2015.

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

(b) Issuance of shares

During the financial year, the Company increased its issued and fully paid share capital from 99,449,000 ordinary shares of RM1/- each to 436,328,190 ordinary shares of RM0.25 each through the issuance of:

(i) 2,708,200 ordinary shares of RM1/- each via the exercise of 2,708,200 warrants 2010/2020 at the exercise price of RM1/- each per ordinary share;

(ii) subdivision of every one (1) ordinary share into four (4) ordinary shares from 102,157,200 ordinary shares of RM1/- each into 408,628,800 ordinary shares of RM0.25 each; and

(iii) 27,699,390 ordinary shares of RM0.25 each via the exercise of 27,699,390 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.

17. OTHER RESERVES

	Group and Company	
	2015 RM'000	2014 RM'000
Share premium	17,950	17,854
Warrant reserve	330	400
	18,280	18,254

(a) Share Premium

The share premium is not distributable by way of cash dividends and may be utilised in the manner as set out in Section 60(3) of the Companies Act, 1965 in Malaysia.

17. OTHER RESERVES (CONTINUED)

(b) *2010/2020 Warrants ("Warrants")*

The warrants issued on 8th 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.

On 30th April 2015, the Company announced the share split involving the subdivision of every one (1) existing ordinary share of RM1/- each into 4 ordinary shares of RM0.25 each in the Company. The entitlement date for share split has been fixed on 23rd July 2015 and additional 119,848,398 warrants has been listed and quoted on the main market of Bursa Malaysia Securities Berhad on 24th July 2015.

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

	Number of Warrants					
	Before share split		Post share split			
	At 1.1.2015	Exercised	Share split 1:4	Exercised	Expired	At 31.12.2015
Warrants	42,657,666	(2,708,200)	159,797,864	(27,699,390)	–	132,098,474

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 of RM0.25 each 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 of RM0.25 each 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. TRADE PAYABLES

(i) The normal trade credit term granted to the Group and the Company range from 30 to 90 days (2014: 30 to 90 days).

19. TRADE PAYABLES (CONTINUED)

(ii) The foreign currencies exposure profile of the trade payables is as follows:

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Swiss Francs	–	28	–	28
Euro Dollar	195	87	165	87
Japanese Yen	53	–	53	–
Singapore Dollar	81	27	81	8
United States Dollar	2,852	1,012	–	72
Ringgit Malaysia	32,952	26,197	20,880	20,569
	36,133	27,351	21,179	20,764

20. OTHER PAYABLES AND ACCRUALS

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Other payables	7,799	9,574	4,204	6,043
Accruals	21,364	15,688	6,149	3,451
	29,163	25,262	10,353	9,494

The currencies exposure profiles of other payables and accruals are as follows:

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Euro Dollar	44	–	–	–
United States Dollar	740	–	697	–
Ringgit Malaysia	28,379	25,262	9,656	9,494
	29,163	25,262	10,353	9,494

21. AMOUNT OWING BY/(TO) RELATED COMPANIES

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Non-current				
Amount owing to a related company	–	(2,090)	–	(2,090)
Current				
Amount owing by related companies	230	–	230	–
Amount owing to related companies	(2,250)	(510)	(2,044)	(304)

The amount owing by/(to) related companies is non-trade in nature, unsecured, interest-free, repayable on demand and is expected to be settled in cash.

22. PROVISION FOR RETIREMENT BENEFITS

The movement in present value of defined benefit obligation are as follows:

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
At 1st January	1,442	1,778	716	996
Recognised in profit or loss during the financial year	59	80	19	136
Benefits paid during the financial year	(240)	(416)	(240)	(416)
At 31st December	1,261	1,442	495	716
The retirement benefit obligations are expected to settled as follows:				
Non-current:				
- later than 5 years	1,261	1,442	495	716

The Group and the Company established an unfunded defined benefit plan for key management personnel since the financial year ended 31st 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 1st 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 31st 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.

23. LOANS AND BORROWINGS

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Current (secured)				
Bank overdrafts	408	–	–	–
Hire purchase liabilities (Note 24)	3,384	2,806	1,328	383
Onshore foreign currency loan	–	13,119	–	13,119
Term loan (Note 25)	31,765	24,588	28,391	23,630
	35,557	40,513	29,719	37,132
Non-current (secured)				
Hire purchase liabilities (Note 24)	3,328	2,294	2,901	226
Term loan (Note 25)	19,887	39,362	14,803	37,522
	23,215	41,656	17,704	37,748
Total loans and borrowings	58,772	82,169	47,423	74,880

(i) The currencies exposure profile of loans and borrowings are as follows:

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
United States Dollar	45,236	74,270	38,274	74,270
Ringgit Malaysia	13,536	7,899	9,149	610
	58,772	82,169	47,423	74,880

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

	Group 2015 %	Group 2014 %	Company 2015 %	Company 2014 %
Bank overdrafts	7.85	8.35	–	8.35
Hire purchase liabilities	2.40 - 3.50	2.48 - 3.50	2.48 - 3.50	2.48 - 3.50
Onshore foreign currency loan	1.85 - 2.00	1.75 - 2.00	1.85 - 2.00	1.75 - 2.00
Term loan	0.95 - 8.35	0.95 - 4.80	0.95 - 5.00	0.95 - 4.80

23. LOANS AND BORROWINGS (CONTINUED)

(iii) The term loan, bank overdrafts, bankers' acceptances, export credit refinancing and onshore foreign currency 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.

24. HIRE PURCHASE LIABILITIES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Minimum hire purchase payments				
- not later than one year	3,688	3,234	1,547	409
- later than one year and not later than five years	3,687	2,271	3,106	203
- later than five years	–	31	–	31
	7,375	5,536	4,653	643
Less: Future finance charges	(663)	(436)	(424)	(34)
Present value of minimum hire purchase payment	6,712	5,100	4,229	609
Represented by:				
Current (Note 23)				
- not later than one year	3,384	2,806	1,328	383
Non-current (Note 23)				
- later than one year and not later than five years	3,328	2,264	2,901	196
- later than five years	–	30	–	30
	3,328	2,294	2,901	226
	6,712	5,100	4,229	609

24. HIRE PURCHASE LIABILITIES (CONTINUED)

Obligations under hire purchase arrangement

(i) Interest rates are fixed at the inception of the hire purchase arrangement;

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

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

25. TERM LOAN

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current:				
- repayable within one year	31,765	24,588	28,391	23,630
Non-current:				
- not later than two years	17,775	24,481	14,803	23,630
- later than two years and not later than five years	2,112	14,881	–	13,892
	19,887	39,362	14,803	37,522
	51,652	63,950	43,194	61,152

26. DEFERRED TAX LIABILITIES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1st January	2,298	2,298	–	–
Transfer to profit or loss (Note 31)	824	–	–	–
At 31st December	3,122	2,298	–	–

26. DEFERRED TAX LIABILITIES (CONTINUED)

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

The components of the recognised deferred tax assets and liability are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deferred tax liability:				
- Accelerated capital allowances	3,122	2,433	–	–
Deferred tax assets:				
- Provision for retirement benefits	–	(135)	–	–
	–	(135)	–	–
	3,122	2,298	–	–
Presented after appropriate offsetting as follows:				
Deferred tax liability	3,122	2,433	–	–
Deferred tax assets	–	(135)	–	–
	3,122	2,298	–	–

(ii) *Unrecognised deferred tax assets*

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Excess of carrying amount over corresponding tax written down value	(131,408)	(146,884)	(131,408)	(146,884)
Provision for retirement benefit	495	716	495	716
Unabsorbed allowances on:				
- capital allowances	67,929	135,208	67,929	135,208
- investment tax allowances	248,805	248,805	248,805	248,805
Unutilised tax losses	1,326	1,327	1,326	1,327
	187,147	239,172	187,147	239,172
Potential deferred tax assets not recognised at 24% (2014: 24%)	44,915	57,401	44,915	57,401

27. REVENUE

Revenue of the Group and of the Company represents the invoiced value of the goods sold less returns and trade discounts.

28. COST OF SALES

Cost of sales represents the costs of inventories sold.

29. FINANCE COSTS

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Interest expenses:				
- bank overdrafts	54	211	54	196
- onshore foreign currency loan	444	262	444	262
- hire purchase	545	504	221	52
- term loan	1,045	2,136	888	1,922
	2,088	3,113	1,607	2,432

30. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at:

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
After charging:				
Amortisation of prepaid lease payments	163	163	–	–
Auditors' remuneration:				
- Statutory:				
- current year	105	90	50	38
- (over)/underprovision in prior year	12	–	8	–
- Non-statutory	78	65	78	65
Depreciation of property, plant and equipment	25,931	25,879	19,822	19,466
Directors' remunerations:				
• Directors of the Company				
- Directors' allowances	146	144	146	144
- Directors' fees	617	591	617	591
- Directors' emoluments:				
- salaries and bonus	1,542	1,092	1,542	1,092
- defined contribution plan	216	163	216	163

30. PROFIT BEFORE TAXATION (CONTINUED)

Profit before taxation has been arrived at: (continued)

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
After charging: (continued)				
Directors' remunerations: (continued)				
• Directors of the subsidiaries				
- Directors' fees	30	24	–	–
- Directors' emoluments:				
- salaries and bonus	2,344	2,260	–	–
- defined contribution plan	283	409	–	–
- other benefits	5,548	3,184	–	–
Loss on foreign exchange:				
- unrealised	9,498	3,170	9,281	3,170
Inventories written off	–	2,155	–	2,155
Net loss on financial liabilities measured at amortised cost	–	246	–	246
Staff costs:				
- salaries, wages and bonuses	58,534	55,045	15,763	12,549
- defined contribution plan	2,256	1,888	1,277	1,154
- other staff related expenses	2,982	2,509	1,225	856
Retirement benefits:				
- directors	172	150	104	71
- others	77	89	77	89
Property, plant and equipment written off	2	1,328	–	1,324
Rental of equipment	26	23	26	23
Rental of premises	158	209	–	53
Rental of land	180	180	180	180
And crediting:				
Dividend income	–	–	(4,470)	(3,874)
Gain on disposal of plant and equipment	(78)	(122)	(70)	(55)
Gain on foreign exchange:				
- realised	(6,778)	(5,330)	(3,390)	(277)
Interest income	(754)	(544)	(335)	–
Rental income	(120)	(120)	–	–

The estimated monetary value of benefits-in-kind received and receivable by a director other than cash from the Company amounted to RM23,950/- (2014: RM 21,250/-)

31. TAXATION

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Income tax				
- current year	(8,553)	(2,023)	(84)	–
- over provision in prior year	114	118	–	141
	(8,439)	(1,905)	(84)	141
Deferred taxation (Note 26)				
- current year	(1,953)	–	–	–
- overprovision in prior year	1,129	–	–	–
	(824)	–	–	–
	(9,263)	(1,905)	(84)	141

The income tax is calculated at the statutory tax rate of 25% (2014: 25%) of the estimated taxable profit for the financial year.

The reconciliation of income tax expense applicable to profit before taxation 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit before taxation	82,834	32,081	47,182	16,235
Taxation at applicable tax rate of 25% (2014: 25%)	(20,709)	(8,020)	(11,796)	(4,059)
Tax effects arising from				
- non-deductible expenses	(2,961)	(1,905)	(2,434)	(1,632)
- non-taxable income	76	1,070	1,140	2,072
- reversal of deferred tax assets not recognised in the financial statements	12,486	6,538	12,486	3,473
- effect of changes in tax rate	602	294	520	146
- overprovision in prior years	1,243	118	–	141
	(9,263)	(1,905)	(84)	141

32. 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.

The weighted average number of ordinary shares in issue for the previous year has been restated to reflect the retrospective adjustments arising from the Share Split which was completed during the financial year.

	Group	
	2015	2014 (Restated)
Profit for the financial year attributable to owners of the Company (RM'000)	73,571	30,176
Weighted average number of shares ('000 units)	409,981	380,749
Basic earnings per ordinary share (sen)	17.94	7.93

(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").

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	
	2015 RM'000	2014 RM'000
Profit for the financial year attributable to owners of the Company	73,571	30,176

	Number of share	
	2015 '000 units	2014 '000 units (Restated)
Weighted average number of ordinary shares in issue	409,981	380,749
Add: Effect of dilution of share warrants	132,098	170,631
At 31st December	542,079	551,380
Diluted earning per share (sen)	13.57	5.47

33. DIVIDENDS

	Group and Company 2015 RM'000	2014 RM'000
Recognised during the financial year:		
Single tier interim dividend of 1.5 sen per ordinary share of RM1/- each in respect of the financial year ended 31st December 2014, paid on 10th April 2015	1,492	–
Single tier final dividend of 2.5 sen per ordinary share of RM1/- each in respect of the financial year ended 31st December 2014, paid on 3rd August 2015	2,535	–
Single tier first interim dividend of 0.5 sen per ordinary share of RM0.25 each (post share split) in respect of the financial year ended 31st December 2015, paid on 8th October 2015	2,101	–
Single tier second interim dividend of 0.5 sen per ordinary share of RM0.25 each (post share split) in respect of the financial year ended 31st December 2015, paid on 30th December 2015	2,166	–
First and final tax exempt dividend of 2 sen per ordinary share of RM1/- each in respect of the financial year ended 31st December 2013	–	1,928
	8,294	1,928

Subsequent to the financial year end, the Company declared a single tier third interim dividend of 0.75 sen per ordinary share of RM0.25 each (post share split) in respect of the financial year ended 31st December 2015 on 24th February 2016. 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 profits in the financial year ending 31st December 2016.

At the forthcoming Annual General Meeting, a final (single tier) dividend in respect of the financial year ended 31st December 2015, amounting 1 sen per ordinary share of RM0.25 each 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 31st December 2016.

34. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Purchase of property, plant and equipment	18,940	13,160	7,640	7,503
Financed by hire purchase arrangements	(5,251)	(2,913)	(4,761)	(526)
Financed by term loan	(7,222)	–	–	–
Cash payments on purchase of property, plant and equipment	6,467	10,247	2,879	6,977

35. RELATED PARTIES

(a) Identify of related parties

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with the Group and the Company or that have an interest in the Group and the Company that give it significant influence over the Group's and the Company's financial operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in the Group and the Company resides with, directly or indirectly.

Related parties of the Group include:

(i) its subsidiaries as disclosed in Note 7 to the financial statements;

(ii) the director 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	
	2015 RM'000	**2014 RM'000**
Dividend income from a subsidiary		
- HeveaPac Sdn. Bhd.	4,470	3,874
Sales to subsidiaries		
- HeveaPac Sdn. Bhd.	19,120	20,277
- HeveaMart Sdn. Bhd.	1,033	345
Rental expense		
- HeveaWood Industries Sdn. Bhd.	180	180

35. RELATED PARTIES (CONTINUED)

(c) Compensation of key management personnel

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Short term employees benefits payable to key management personnel:				
- salaries and bonus	2,619	2,033	2,619	2,033
- defined contribution plans	456	280	456	280
- other benefits	289	141	289	141
	3,364	2,454	3,364	2,454

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.

36. 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Directors of the Company				
Executive Directors:				
- salaries, bonus and defined contribution plans	1,860	1,293	1,860	1,293
- other emoluments	1,849	–	–	–
	3,709	1,293	1,860	1,293
Non-executive Directors:				
- fees	641	615	617	591
- other emoluments	172	1,238	172	177
	813	1,853	789	768
Total Directors' remuneration	4,522	3,146	2,649	2,061
Retirement benefits for Executive Directors	104	150	104	71

37. CAPITAL COMMITMENT

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Capital expenditure commitment				
Property, plant and equipment:				
- Approved and but not contracted for	3,866	6,800	3,866	2,469

38. 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 : Involved in the business of manufacturing and trading of ready- to-assemble furniture; 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.

38. OPERATING SEGMENTS (CONTINUED)

Group 2015	Particle-boards RM'000	Ready-to-assemble products RM'000	Others RM'000	Eliminations RM'000		Total RM'000
REVENUE						
External revenue	219,903	283,406	–	–		503,309
Inter-segment revenue	20,342	9,559	–	(29,901)	A	–
Total revenue	240,245	292,965	–	(29,901)		503,309
RESULTS						
Segment results	49,106	40,820	(5)	(4,999)	B	84,922
Finance costs	(1,607)	(481)	–	–		(2,088)
Profit before taxation	47,499	40,339	(5)	(4,999)		82,834
Taxation						(9,263)
Profit after taxation						73,571
Non-controlling interest						–
Profit attributable to owners of the Company						73,571
CONSOLIDATED STATEMENT OF FINANCIAL POSITION						
Segment assets #	320,679	201,017	6,138	(47,061)	C	480,773
Unallocated corporate assets						351
Total assets						481,124
Segment liabilities ^	87,745	48,742	26	(8,934)	D	127,579
Unallocated corporate liabilities						7,930
Total liabilities						135,509
OTHER INFORMATION						
Capital expenditure	7,641	11,299	–	–		18,940
Depreciation and amortisation	19,822	6,272	–	–		26,094
Non-cash items other than depreciation and amortisation	–	2	–	–		2 E

38. OPERATING SEGMENTS (CONTINUED)

Group 2014 (restated)	Particle-boards RM'000	Ready-to-assemble products RM'000	Others RM'000	Eliminations RM'000		Total RM'000	
REVENUE							
External revenue	181,597	240,758	–	–		422,355	
Inter-segment revenue	20,621	12,806	–	(33,427)	A	–	
Total revenue	202,218	253,564	–	(33,427)		422,355	
RESULTS							
Segment results	18,705	20,583	(4)	(4,090)	B	35,194	
Finance costs	(2,432)	(681)	–	–		(3,113)	
Profit before taxation	16,273	19,902	(4)	(4,090)		32,081	
Taxation						(1,905)	
Profit after taxation						30,176	
Non-controlling interest						–	
Profit attributable to owners of the Company						30,176	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION							
Segment assets #	298,654	153,382	6,141	(46,251)	C	411,926	
Unallocated corporate assets						612	
Total assets						412,538	
Segment liabilities ^	114,704	32,749	24	(8,653)	D	138,824	
Unallocated corporate liabilities						3,035	
Total liabilities						141,859	
OTHER INFORMATION							
Capital expenditure	7,503	5,657	–	–		13,160	
Depreciation and amortisation	19,466	6,576	–	–		26,042	
Non-cash items other than depreciation and amortisation	3,479	4	–	–		3,483	E

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

38. 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:

	2015 RM'000	2014 RM'000
Dividend income	(4,470)	(3,874)
Unrealised profits on inventories	(529)	(216)
	(4,999)	(4,090)

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

	2015 RM'000	2014 RM'000
Investment in subsidiaries	(38,014)	(38,014)
Inter-segment assets	(9,047)	(8,237)
	(47,061)	(46,251)

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

	2015 RM'000	2014 RM'000
Inter-segment liabilities	(8,934)	(8,653)
	(8,934)	(8,653)

E Non-cash items consist of:

	2015 RM'000	2014 RM'000
Inventories written off	–	2,155
Property, plant and equipment written off	2	1,328
	2	3,483

38. OPERATING SEGMENTS (CONTINUED)

Geographical information

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

	Revenue	
	2015 RM'000	2014 RM'000
Australia	32,584	20,378
Brunei	24,777	–
China	103,164	78,039
France	11,396	11,285
India	32,217	12,268
Japan	170,595	147,787
Korea	28,377	33,785
Malaysia	35,694	35,275
United Arab Emirates	9,499	6,106
United Kingdom	12,742	13,113
Others	42,264	64,319
	503,309	422,355

Major customers

Two major customers with revenue equal to more than 10% of Group revenue, amounted to approximately RM146,427,000/- (2014: RM121,378,000/-) arising from manufacturing segment.

39. 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:

	Loans and receivables RM'000	Financial asset at fair value through profit or loss RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
At 31st December 2015				
Financial assets				
Group				
Trade receivables	44,310	–	–	44,310
Other receivables and deposits (Note 11)	4,285	–	–	4,285
Amount owing by related companies	230	–	–	230
Other investments	–	2,500	–	2,500
Deposits placed with licensed banks	88,418	–	–	88,418
Cash and bank balances	34,456	–	–	34,456
	171,699	2,500	–	174,199
Company				
Trade receivables	17,487	–	–	17,487
Other receivables and deposits (Note 11)	710	–	–	710
Amount owing by a subsidiary	2,404	–	–	2,404
Amount owing by related companies	230	–	–	230
Deposits placed with licensed banks	45,050	–	–	45,050
Cash and bank balances	19,313	–	–	19,313
	85,194	–	–	85,194
Financial liabilities				
Group				
Trade payables	–	–	36,133	36,133
Other payables and accruals	–	–	29,163	29,163
Amount owing to related companies	–	–	2,250	2,250
Loans and borrowings	–	–	58,772	58,772
	–	–	126,318	126,318
Company				
Trade payables	–	–	21,179	21,179
Other payables and accruals	–	–	10,353	10,353
Amount owing to subsidiaries	–	–	6,168	6,168
Amount owing to related companies	–	–	2,044	2,044
Loans and borrowings	–	–	47,423	47,423
	–	–	87,167	87,167

39. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

	Loans and receivables RM'000	Financial asset at fair value through profit or loss RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
At 31st December 2014				
Financial assets				
Group				
Trade receivables	53,539	–	–	53,539
Other receivables and deposits (Note 11)	7,721	–	–	7,721
Deposits placed with licensed banks	13,424	–	–	13,424
Cash and bank balances	22,208	–	–	22,208
	96,892	–	–	96,892
Company				
Trade receivables	32,471	–	–	32,471
Other receivables and deposits (Note 11)	1,725	–	–	1,725
Amount owing by a subsidiary	1,825	–	–	1,825
Deposits placed with licensed banks	699	–	–	699
Cash and bank balances	11,964	–	–	11,964
	48,684	–	–	48,684
Financial liabilities				
Group				
Trade payables	–	–	27,351	27,351
Other payables and accruals	–	–	25,262	25,262
Amount owing to related companies	–	–	2,600	2,600
Loans and borrowings	–	–	82,169	82,169
	–	–	137,382	137,382
Company				
Trade payables	–	–	20,764	20,764
Other payables and accruals	–	–	9,494	9,494
Amount owing to subsidiaries	–	–	6,402	6,402
Amount owing to related companies	–	–	2,394	2,394
Loans and borrowings	–	–	74,880	74,880
	–	–	113,934	113,934

39. 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

Trade and other receivables

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.

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.

The Group and the Company use ageing analysis to monitor the credit quality of the trade receivables. The ageing of trade receivables as at the end of the financial year is disclosed in Note 10 to the financial statements. 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. Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their realisable values. Impairment are made on specific receivables when there is objective evidence that the Group and the Company will not be able to collect all amounts due.

The Group and the Company monitor the results of the subsidiaries and related companies in determining the recoverability of these intercompany balances.

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit Risk (continued)

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Australia	1,822	1,140	–	253
China	10,464	23,644	10,460	23,644
France	326	357	–	–
India	2,629	1,953	2,299	1,824
Indonesia	214	1,368	–	1,048
Japan	17,502	11,973	1,557	1,214
Malaysia	8,477	7,839	1,326	1,249
Portugal	252	–	–	–
United Arab Emirates	1,924	532	1,645	518
United States of America	185	184	–	–
Others	515	4,549	200	2,721
	44,310	53,539	17,487	32,471

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 10 to the financial statements. 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

Information regarding financial assets that are past due but not impaired is disclosed in Note 10 to the financial statements. The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

Other financial assets

For other financial assets (including 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 financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit Risk (continued)

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 RM10,921,000/- (2014: RM7,257,000/-) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 39(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.

(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, Japanese Yen, Singapore Dollar, Euro Dollar, Swiss Francs, Indian Rupee and Philippines Peso.

Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. 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:

	Swiss Franc RM'000	Indian Rupee RM'000	Euro Dollar RM'000	Japanese Yen RM'000	Philippines Peso RM'000	Singapore Dollar RM'000	United States Dollar RM'000
Group							
2015							
Trade receivables	–	–	–	–	–	–	31,216
Other receivables and deposits	–	–	–	–	–	–	212
Trade payables	–	–	(195)	(53)	–	(81)	(2,852)
Other payables	–	–	(44)	–	–	–	(740)
Deposits placed with licensed banks	–	–	–	–	–	–	8,584
Cash and bank balances	–	1	–	–	–	–	26,287
Loans and borrowings	–	–	–	–	–	–	(45,236)
	–	1	(239)	(53)	–	(81)	17,471

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(ii) Foreign Currency Risk (continued)

	Swiss Franc RM'000	Indian Rupee RM'000	Euro Dollar RM'000	Japanese Yen RM'000	Philippines Peso RM'000	Singapore Dollar RM'000	United States Dollar RM'000
Group (continued)							
2014							
Trade receivables	–	–	–	–	–	–	45,447
Other receivables and deposits	–	–	338	–	6	2	576
Trade payables	(28)	–	(87)	–	–	(27)	(1,012)
Cash and bank balances	–	1	–	–	–	–	15,362
Loans and borrowings	–	–	–	–	–	–	(74,270)
	(28)	1	251	–	6	(25)	(13,897)
Company							
2015							
Trade receivables	–	–	–	–	–	–	16,622
Trade payables	–	–	(165)	(53)	–	(81)	–
Other payables	–	–	–	–	–	–	(697)
Deposits placed with licensed banks	–	–	–	–	–	–	8,584
Cash and bank balances	–	1	–	–	–	–	13,244
Loans and borrowings	–	–	–	–	–	–	(38,274)
	–	1	(165)	(53)	–	(81)	(521)
2014							
Trade receivables	–	–	–	–	–	–	30,856
Other receivables and deposits	–	–	338	–	6	2	576
Trade payables	(28)	–	(87)	–	–	(8)	(72)
Cash and bank balances	–	1	–	–	–	–	10,049
Loans and borrowings	–	–	–	–	–	–	(74,270)
	(28)	1	251	–	6	(6)	(32,861)

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

39. 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	
	2015 Increase/ (Decrease) RM'000	2014 Increase/ (Decrease) RM'000	2015 Increase/ (Decrease) RM'000	2014 Increase/ (Decrease) RM'000
Effects on profit or loss and equity				
Swiss Franc:				
- strengthened by 10%	–	(3)	–	(3)
- weakened by 10%	–	3	–	3
Indian Rupee:				
- strengthened by 10%	– *	– *	– *	– *
- weakened by 10%	– *	– *	– *	– *
Euro Dollar:				
- strengthened by 10%	(24)	25	(17)	25
- weakened by 10%	24	(25)	17	(25)
Japanese Yen:				
- strengthened by 10%	(5)	–	(5)	–
- weakened by 10%	5	–	5	–
Philippines Peso:				
- strengthened by 10%	–	1	–	1
- weakened by 10%	–	(1)	–	(1)
Singapore Dollar:				
- strengthened by 10%	(8)	(3)	(8)	(1)
- weakened by 10%	8	3	8	1
United States Dollar:				
- strengthened by 10%	1,747	(1,390)	(5)	(3,286)
- weakened by 10%	(1,747)	1,390	5	3,286

* Represented by amount less than RM1,000/-.

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

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):

	Carrying Amount RM'000	Contractual interest rate %	Contractual cash flow RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	More than 5 Years RM'000
Group						
Financial Liabilities						
2015						
Trade payables	36,133	–	36,133	36,133	–	–
Other payables and accruals	29,163	–	29,163	29,163	–	–
Amount owing to related companies	2,250	–	2,250	2,250	–	–
Loans and borrowings:						
- Hire purchase	6,712	2.40 - 3.50	7,375	3,688	3,687	–
- Term loan	51,652	2.24 - 8.35	64,817	40,236	24,581	–
	125,910		139,738	111,470	28,268	–
2014						
Trade payables	27,351	–	27,351	27,351	–	–
Other payables and accruals	25,262	–	25,262	25,262	–	–
Amount owing to related companies	2,600	–	2,600	510	2,090	–
Loans and borrowings:						
- Hire purchase	5,100	2.48 - 3.50	5,536	3,234	2,271	31
- Term loan	63,950	0.95 - 8.35	81,866	31,982	49,884	–
- Onshore foreign currency loan	13,119	1.75 - 2.00	13,119	13,119	–	–
	137,382		155,734	101,458	54,245	31

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Liquidity Risk (continued)

	Carrying Amount RM'000	Contractual interest rate %	Contractual cash flow RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	More than 5 Years RM'000
Company						
Financial Liabilities						
2015						
Trade payables	21,179	–	21,179	21,179	–	–
Other payables and accruals	10,353	–	10,353	10,353	–	–
Amount owing to subsidiaries	6,168	–	6,168	6,168	–	–
Amount owing to related companies	2,044	–	2,044	2,044	–	–
Loans and borrowings:						
- Hire purchase	4,229	2.48 - 3.50	4,653	1,547	3,106	–
- Term loan	43,194	0.95 - 5.00	55,956	36,639	19,317	–
Financial guarantee contracts	–	–	10,921	10,921	–	–
	87,167		111,274	88,851	22,423	–
2014						
Trade payables	20,764	–	20,764	20,764	–	–
Other payables and accruals	9,494	–	9,494	9,494	–	–
Amount owing to subsidiaries	6,402	–	6,402	6,402	–	–
Amount owing to related companies	2,394	–	2,394	304	2,090	–
Loans and borrowings:						
- Hire purchase	609	2.48 - 3.50	643	409	203	31
- Term loan	61,152	0.95 - 4.80	78,703	30,859	47,844	–
- Onshore foreign currency loan	13,119	1.75 - 2.00	13,119	13,119	–	–
Financial guarantee contracts	–	–	7,257	7,257	–	–
	113,934		138,776	88,608	50,137	31

(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.

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iv) Interest Rate Risk (continued)

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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Fixed rate instruments				
Financial liabilities				
Hire purchase liabilities	6,712	5,100	4,229	609
Onshore foreign currency loan	–	13,119	–	13,119
Financial asset				
Deposits placed with licensed banks	88,418	13,424	45,050	699
Floating rate instruments				
Financial liabilities				
Bank overdrafts	408	–	–	–
Term loan	51,652	63,950	43,194	61,152

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

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.

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iv) Interest Rate Risk (continued)

	Profit or loss and Equity			
	2015		2014	
	Increase 1% RM'000	Decrease 1% RM'000	Increase 1% RM'000	Decrease 1% RM'000
Group				
Variable rate instruments	(520)	520	(640)	640
Company				
Variable rate instruments	(432)	432	(612)	612

(c) Fair value measurement

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (current)	10 – 11
Trade and other payables (current)	19 – 20
Bank overdrafts	23
Onshore foreign currency loan	23
Term loan	25
Amount owing by/(to) subsidiaries	12
Amount owing by/(to) related parties (current)	21
Deposits placed with licensed banks	14
Cash and bank balances	15

The carrying amounts of these financial assets and liabilities 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.

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

39. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurement (continued)

As at 31st December 2015, 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 management company.

During the financial year ended 31st December 2015, there were no transfers between Level 1 and Level 2 fair value measurements.

Fair value of financial instruments not carried at fair value
The fair value of other financial liabilities together with the carrying amount shown in the statements of financial position are as follows:

	2015		2014	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Group				
Financial Liabilities				
Amount due to a related company	–	–	2,600	2,600
Hire purchase liabilities	6,712	6,165	5,100	5,127
Company				
Financial Liabilities				
Amount due to a related company	–	–	2,394	2,394
Hire purchase liabilities	4,229	3,798	609	607

The fair value of amount due to a related company (non-current) and hire purchase liabilities are estimated by discounting the expected future cash flows using the current interest rates for similar risk profiles. The amount due to related company and hire purchase liabilities are measured at Level 3 under the measurement hierarchy.

40. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders value. 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.

40. CAPITAL MANAGEMENT (CONTINUED)

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total borrowings	58,772	82,169	47,423	74,880
Less:				
Deposits placed with licensed banks	(88,418)	(13,424)	(45,050)	(699)
Cash and bank balances	(34,456)	(22,208)	(19,313)	(11,964)
Net (cash)/debt	(64,102)	46,537	(16,940)	62,217
Equity attributable to owners of the Company	345,615	270,679	230,680	182,217
Debt-to-equity ratio (times)	N/A	0.17	N/A	0.34

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

41. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 30th April 2015, the Company announced the share split involving the subdivision of every one (1) existing ordinary share of RM1/- each in HeveaBoard Berhad ("HeveaBoard") into 4 ordinary shares of RM0.25 each in HeveaBoard. The entitlement date for share split has been fixed on 23rd July 2015 and the share split was completed on 24th July 2015.

SUPPLEMENTARY INFORMATION ON
THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25th March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained profits as at the end of the reporting period, into realised and unrealised profits or losses.

On 20th December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

Pursuant to the directive, the amounts of realised and unrealised profits or losses included in the retained profits of the Group and the Company as at 31st December 2015 are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
The retained profits of the Group and of the Company:				
- Realised	204,861	145,904	94,037	61,344
- Unrealised	12,620	5,468	9,281	3,170
	217,481	151,372	103,318	64,514
Add: Consolidation adjustments	772	1,604	-	-
Total Group retained profits as per statements of financial position	218,253	152,976	103,318	64,514

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants on 20th December 2010.

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

STATEMENT BY DIRECTORS

We, **YOONG HAU CHUN** and **Y. BHG. DATO' LOO SWEE CHEW**, being two of the directors of HeveaBoard Berhad, do hereby state that, in the opinion of the directors, the financial statements set out on pages 34 to 104 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31st December 2015 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out on page 105 have been prepared in accordance with the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

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

YOONG HAU CHUN
Director

Y. BHG. DATO' LOO SWEE CHEW
Director

Kuala Lumpur
Date: 29th March 2016

STATUTORY DECLARATION

I, **YOONG HAU CHUN**, being the director primarily responsible for the financial management of HeveaBoard Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 34 to 104 and the supplementary information set out on page 105 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.

YOONG HAU CHUN

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 29th March 2016.

Before me,

ZULKIFLA MOHD DAHLIM (W541)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO
THE MEMBERS OF HEVEABOARD BERHAD (INCORPORATED IN MALAYSIA)

Report on the Financial Statements

We have audited the financial statements of HeveaBoard Berhad, which comprise the statements of financial position as at 31st December 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 34 to 104.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation of financial statements that give a true and fair view 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 Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31st December 2015 and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia;

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes; and

(c) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

Other Reporting Responsibilities

The supplementary information set out on page 105 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 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
No. AF 0117
Chartered Accountants

Ng Boon Hiang
No. 2916/03/18 (J)
Chartered Accountant

Kuala Lumpur
Date: 29th March 2016

LIST OF PROPERTIES

Registered Owner	Location	Description/ existing use	Tenure of Land	Land Area	Audited Net Book Value as at 31st December 2015
HeveaBoard	Lot 1941 & 1942, Batu Tiga, Jalan Tampin, 73400 Gemas Negeri Sembilan Darul Khusus	Factory, Office and Warehouse	Freehold	31,580 sq. m	8,670
	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	20,504
	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
	PT 2584/2585/2586/2587 Mukim of Gemas Daerah Tampin Negeri Sembilan Darul Khusus	Staff Quarters	Leasehold (Expires on 21-2-2090)	1,104 sq. m	202
Hevea OSB	Lot 1943, Batu Tiga Jalan Tampin, 73400 Gemas Negeri Sembilan Darul Khusus	Vacant Land	Freehold	20,234 sq. m	1,429
HeveaPac	PT 414, Kawasan Perindustrian Sg. Gadut KM 11, Jalan Tampin, 71450 Seremban, Negeri Sembilan	Factory Buildings and Office Blocks	Leasehold (Expires on 22-1-2047)	39,659 sq. m	12,701
	PT 406, Kawasan Perindustrian Sg. Gadut KM 11, Jalan Tampin, 71450 Seremban, Negeri Sembilan Darul Khusus	Factory Buildings and Office Blocks	Leasehold (Expires on 24-3-2046)	40,468 sq. m	13,980
	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	5,684

ANALYSIS OF SHAREHOLDINGS
AS AT 30 MARCH 2016

A. SHARE CAPITAL

Authorised Share Capital	:	RM500,000,000.00 divided into 2,000,000,000 shares of RM0.25 each
Issued Capital	:	448,488,190 shares of RM0.25 each
Fully Paid-up Capital	:	RM112,122,047.50
Class of Shares	:	Ordinary shares of RM0.25 each
Voting Rights	:	Every member of the Company, present in person or by proxy, 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	:	180,000 shares of RM0.25 each

B. DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Holders	%	No. of Shares	%
Less than 100	9	0.17	344	0.00
100 – 1,000	884	16.86	582,636	0.13
1,001 – 10,000	2,738	52.23	14,562,560	3.25
10,001 – 100,000	1,318	25.14	43,141,172	9.62
100,001 – 22,415,409 (less than 5% of issued holdings)	292	5.57	273,581,188	61.03
22,415,410 (5% of issued holdings) and above	1	0.02	116,440,290	25.97
Total	**5,242**	**100.00**	**448,308,190**	**100.00**

C. SUBSTANTIAL SHAREHOLDERS

	Name	Direct No. of Shares	%	Indirect No. of Shares	%	
1.	HeveaWood Industries Sdn. Bhd.	116,740,290	26.04	3,849,600	0.86	@
2.	Firama Holdings Sdn. Bhd.	19,770,000	4.41	134,221,890	29.94	*
3.	Liang Chong Wai	10,400	0.002	120,589,890	26.90	~
4.	Yoong Tein Seng @ Yong Kian Seng	–	–	167,137,090	37.28	***
5.	Yoong Hau Chun	600,000	0.13	157,071,090	35.04	#
6.	Dato' Loo Swee Chew	592,000	0.13	120,959,890	26.98	❖
7.	Tenson Holdings Sdn. Bhd.	–	–	153,991,890	34.35	**
8.	Mah Fah Victor Group Sdn. Bhd.	–	–	153,991,890	34.35	**
9.	Yoong Li Yen	1,639,200	0.37	154,691,890	34.51	****

@ *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 6A of the Companies Act, 1965 ("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.*

C. SUBSTANTIAL SHAREHOLDERS (CONTINUED)

~ *Deemed interested by virtue of his substantial shareholdings in HeveaWood Industries Sdn. Bhd. pursuant to Section 6A 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 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 Section 6A of the Act (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 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 his substantial shareholdings in HeveaWood Industries Sdn. Bhd. pursuant to Section 6A of the Act and by virtue of his family relationship with Loo Chin Meng (Lu Zhenming), 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 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 6A 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 her family relationship with Bailey Policarpio, her spouse, 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.*

D. DIRECTORS' SHAREHOLDINGS

	Name	Direct No. of Shares	%	Indirect No. of Shares	%
1.	Yoong Hau Chun	600,000	0.13	157,071,090(1)	35.04
2.	Dato' Loo Swee Chew	592,000	0.13	120,959,890(2)	26.98
3.	Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	–	–	252,000(3)	0.06
4.	Lim Kah Poon	200,000	0.04	84,000(4)	0.02
5.	Bailey Policarpio	100,000	0.02	1,639,200(5)	0.37
6.	Yoong Li Yen	1,639,200	0.37	154,691,890(6)	34.51
7.	Yoong Tein Seng @ Yong Kian Seng (Alternate Director to Yoong Hau Chun)	–	–	167,137,090(7)	37.28

(1) *Deemed interested by virtue of Section 6A of the Act (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 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.*

D. DIRECTORS' SHAREHOLDINGS (CONTINUED)

(2) *Deemed interested by virtue of his substantial shareholdings in HeveaWood Industries Sdn. Bhd. pursuant to Section 6A of the Act and by virtue of his family relationship with Loo Chin Meng (Lu Zhenming), 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.*

(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 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.*

(7) *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

	Name	No. of Shares Held	%
1.	HeveaWood Industries Sdn. Bhd.	116,440,290	25.97
2.	TA Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Firama Holdings Sdn. Bhd.	18,836,000	4.20
3.	HSBC Nominees (Asing) Sdn. Bhd. - Exempt AN for Morgan Stanley & Co. LLC	12,418,000	2.77
4.	HSBC Nominees (Tempatan) Sdn. Bhd. - HSBC (M) Trustee Bhd for CIMB Islamic Dali Equity Theme Fund	9,922,500	2.21
5.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Yap Kiew @ Yap Chin Fook	8,672,500	1.93
6.	HSBC Nominees (Asing) Sdn. Bhd. - Morgan Stanley & Co. International PLC	8,648,900	1.93
7.	Citigroup Nominees (Tempatan) Sdn. Bhd. - Universal Trustee (Malaysia) Berhad for CIMB Islamic Small Cap Fund	8,592,000	1.92
8.	HSBC Nominees (Asing) Sdn. Bhd. - Exempt AN for the Bank of New York Mellon	8,377,600	1.87
9.	Firama Engineering Berhad	7,560,000	1.69
10.	Lee Ka Yong	5,956,000	1.33
11.	Firama Engineering Berhad	5,890,000	1.31
12.	HSBC Nominees (Asing) Sdn. Bhd. - Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	5,643,000	1.26

E. LIST OF THIRTY (30) LARGEST SHAREHOLDERS (CONTINUED)

	Name	No. of Shares Held	%
13.	Maybank Nominees (Tempatan) Sdn. Bhd. - Maybank Trustees Berhad for CIMB-Principal Small Cap Fund	5,049,700	1.13
14.	HSBC Nominees (Asing) Sdn. Bhd. - Exempt AN for JPMorgan Chase Bank, National Association (Finland)	4,500,000	1.00
15.	DB (Malaysia) Nominee (Tempatan) Sdn. Bhd. - Exempt AN for Kumpulan Sentiasa Cemerlang Sdn. Bhd.	4,480,000	1.00
16.	Ah Kayu Moy @ Lee Kay Moy	4,000,000	0.89
17.	Yoong Li Bing	4,000,000	0.89
18.	Yoong Li Xian	4,000,000	0.89
19.	Gemas Ria Sdn. Bhd.	3,849,600	0.86
20.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. - Deutsche Bank AG London	3,716,386	0.83
21.	Amanah Raya Berhad - Kumpulan Wang Bersama Syariah	3,400,000	0.76
22.	Yoong Kee Sin	3,380,000	0.75
23.	Kumpulan Wang Simpanan Guru-Guru	3,030,000	0.68
24.	RHB Capital Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Fong Siling	3,000,000	0.67
25.	Liau Choon Hwa & Sons Sdn. Bhd.	2,920,000	0.65
26.	Yoong Li Mian	2,906,000	0.65
27.	UOB Kay Hian Nominees (Asing) Sdn. Bhd. - Exempt AN for UOB Kay Hian Pte. Ltd.	2,860,000	0.64
28.	Amsec Nominees (Tempatan) Sdn. Bhd. - Amtrustee Berhad for CIMB Islamic Dali Equity Growth Fund	2,456,100	0.55
29.	Maybank Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Chong Khong Shoong	2,200,000	0.49
30.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. - SSBT Fund 59HL for Oregon Public Employees Retirement System	2,164,659	0.48
		278,869,235	**62.20**

ANALYSIS OF WARRANT B HOLDINGS
AS AT 30 MARCH 2016

A. WARRANTS 2010/2020

No. of Warrants 2010/2020 issued	:	170,666,664
No. of Warrants 2010/2020 outstanding	:	119,938,474
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	19	1.74	376	0.00
100 – 1,000	79	7.23	48,032	0.04
1,001 – 10,000	498	45.56	2,906,436	2.42
10,001 – 100,000	395	36.14	13,058,456	10.89
100,001 – 5,996,923 (less than 5% of issued holdings)	99	9.06	42,085,224	35.09
5,996,924 (5% of issued holdings) and above	3	0.27	61,839,950	51.56
Total	**1,093**	**100.00**	**119,938,474**	**100.00**

C. DIRECTORS' WARRANTHOLDINGS

	Name	Direct No. of Warrants	%	Indirect No. of Warrants	%
1.	Yoong Hau Chun	100,000	0.08	52,751,478[(1)]	43.98
2.	Dato' Loo Swee Chew	312,932	0.26	52,614,814[(2)]	43.87
3.	Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	–	–	–	–
4.	Lim Kah Poon	–	–	–	–
5.	Bailey Policarpio	26,664	0.02	33,332[(3)]	0.03
6.	Yoong Li Yen	33,332	0.03	52,831,478[(4)]	44.05
7.	Yoong Tein Seng @ Yong Kian Seng (Alternate Director to Yoong Hau Chun)	–	–	52,838,274[(5)]	44.05

(1) *Deemed interested by virtue of Section 6A of the Act (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 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 his substantial shareholdings in HeveaWood Industries Sdn. Bhd. pursuant to Section 6A of the Act and by virtue of his family relationship with Loo Chin Meng (Lu Zhenming), 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.*

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

ANALYSIS OF WARRANT B HOLDINGS
AS AT 30 MARCH 2016 (continued)

C. DIRECTORS' WARRANTHOLDINGS (CONTINUED)

(4) *Deemed interested by virtue of her family relationship with Bailey Policarpio, her spouse, 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.*

(5) *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.	HeveaWood Industries Sdn. Bhd.	32,047,710	26.72
2.	HeveaWood Industries Sdn. Bhd.	19,217,240	16.02
3.	UOB Kay Hian Nominees (Asing) Sdn. Bhd. - Exempt AN for UOB Kay Hian Pte. Ltd.	10,575,000	8.82
4.	RHB Capital Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Fong Siling	5,000,000	4.17
5.	Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Ronie Tan Choo Seng	3,300,000	2.75
6.	UOB Kay Hian Nominees (Tempatan) Sdn. Bhd. - Exempt AN for UOB Kay Hian Pte. Ltd.	1,450,000	1.21
7.	Gemas Ria Sdn. Bhd.	1,349,864	1.13
8.	Liau Chern Yee	1,230,264	1.03
9.	Yoong Kee Sin	1,200,000	1.00
10.	Ong Lam Huat	1,172,000	0.98
11.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Ronie Tan Choo Seng	1,150,000	0.96
12.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Ronie Tan Choo Seng	1,085,000	0.90
13.	Ng Hoe Tian	1,020,800	0.85
14.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Tan Oiy Pow	900,000	0.75
15.	Maybank Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Chong Khong Shoong	900,000	0.75
16.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Tan Yuen Yuen	800,000	0.67
17.	Public Invest Nominees (Asing) Sdn. Bhd. - Exempt AN for Philip Securities Pte. Ltd.	680,000	0.57

ANALYSIS OF WARRANT B HOLDINGS
AS AT 30 MARCH 2016 (continued)

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

	Name	No. of Warrants Held	%
18.	Maybank Nominees (Tempatan) Sdn. Bhd. - Cheng Ai Leng	672,000	0.56
19.	Ooi Chin Hock	657,100	0.55
20.	Public Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Chang Soke Hun	625,000	0.52
21.	Maybank Nominees (Asing) Sdn. Bhd. - Pledged Securities Account for Rustom Framroze Chothia	580,000	0.48
22.	Citigroup Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Susy Ding	578,000	0.48
23.	Public Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Hugo Chong Jin Der	550,000	0.46
24.	Yong Liu Theng	520,000	0.43
25.	Public Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Lee Hwa Seng	485,700	0.40
26.	Maybank Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Wong Lai Moey	460,000	0.38
27.	Tan Jing Wei	453,200	0.38
28.	Rudi Wong Cuin-Hau	445,000	0.37
29.	Yap Nyok Lian	443,000	0.37
30.	Leong Kok Cheong	416,700	0.35
		89,963,578	**75.01**

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Second (22nd) Annual General Meeting ("AGM") of **HeveaBoard Berhad** will be held at The Royale Bintang Resort & Spa Seremban, Ampangan Room, Mezzanine Floor, Jalan Dato' A.S. Dawood, 70100 Seremban, Negeri Sembilan on Monday, 30 May 2016 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 2015 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 1.0 sen per ordinary share of RM0.25 each in respect of the financial year ended 31 December 2015. *Ordinary Resolution 1*
3. To approve the payment of Directors' fees of RM640,707 for the financial year ended 31 December 2015. *Ordinary Resolution 2*
4. To re-elect Dato' Loo Swee Chew, the Director who is retiring pursuant to Article 123 of the Company's Articles of Association, and being eligible, offered himself for re-election. *Ordinary Resolution 3*
5. To re-elect Ms Yoong Li Yen, the Director who is retiring pursuant to Article 123 of the Company's Articles of Association, and being eligible, offered herself for re-election. *Ordinary Resolution 4*
6. To re-appoint Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak, the Director who is over the age of seventy (70) years, and is retiring pursuant to Section 129 (6) of the Companies Act, 1965, and being eligible, offered himself for re-appointment. *Ordinary Resolution 5*
7. To re-appoint Messrs Baker Tilly Monteiro Heng 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 Ordinary Resolutions, with or without modifications:

8. **Authority to Issue Shares** *Ordinary Resolution 7*

"THAT subject always to the Companies Act, 1965, Articles of Association 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 Section 132D of the Companies Act, 1965 to issue and allot not more than ten per centum (10%) of the issued share capital 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."

9. **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, 1965 (the "Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association 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 of RM0.25 each 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 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.

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."

10. **Retention of Independent Non-Executive Directors Pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012**

"THAT pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012, Mr Lim Kah Poon who has served the Board as an Independent Non-Executive Director of the Company for a term of more than nine (9) years since 1 October 2004 be and is hereby retained as an Independent Non-Executive Director of the Company." *Ordinary Resolution 9*

"THAT subject to the passing of Resolution 5 and pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012, Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak who has served the Board as an Independent Non-Executive Director of the Company for a term of more than nine (9) years since 1 October 2004 be and is hereby retained as an Independent Non-Executive Director of the Company." *Ordinary Resolution 10*

Any Other Business

11. To transact any other ordinary business of which due notice shall have been given.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the Twenty-Second (22nd) AGM, a single-tier final dividend of 1.0 sen per ordinary share of RM0.25 each for the financial year ended 31 December 2015 will be payable on 13 July 2016 to holders of ordinary shares registered in the Record of Depositors at the close of business on 15 June 2016.

A depositor shall qualify for entitlement only in respect of:

a. Shares transferred into the Depositor's Securities Account on or before 4.00 p.m. on 15 June 2016 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
29 April 2016

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 appointer or his/her attorney duly authorised in writing or, if the appointer 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-Second (22nd) 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 24 May 2016. 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

This Agenda item is meant for discussion only, as the provision of Section 169(1) of the Act does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

(ii) **Ordinary Resolution 5** – Re-appointment of Director pursuant to Section 129(6) of the Companies Act 1965

The re-appointment of Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak, being over the age of seventy (70) years as Director of the Company to hold office until the conclusion of the next AGM of the Company shall take effect if the Resolution 5 has been passed by a majority of not less than three-fourth (3/4) of such members as being entitled to vote in person or, where proxies are allowed, by proxy, at the Twenty-Second (22nd) AGM of which not less than twenty-one (21) days' notice has been duly given.

(iii) **Ordinary Resolution 7** – Authority 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 issued share capital 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 19 June 2015 ("the previous mandate"). The purpose of this general mandate sought will provide flexibility to the Company for any possible fund raising activities but not limited for further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

(iv) **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 and/or hold up to ten per centum (10%) of the issued and paid-up share capital 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 Circular to Shareholders dated 29 April 2016 for further information.

(v) **Ordinary Resolutions 9 and 10** – Retention of Independent Non-Executive Directors Pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012

The Nomination Committee has assessed the independence of Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak and Mr Lim Kah Poon, who both have served as Independent Non-Executive Directors of the Company for a term of more than nine (9) years and recommended both of them to continue to act as Independent Non-Executive Directors of the Company on the following justifications:

(a) Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak and Mr Lim Kah Poon have fulfilled the criteria stated under the definition of Independent Director as defined in the Listing Requirements of Bursa Securities and they would be able to provide proper check and balance thus bringing an element of objectivity to the Board;

(b) Their length of services on the Board of more than nine (9) years each do not in any way interfere with the exercise of objective judgement or their ability to act in the best interest of the Company and the Group. In fact, Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak and Mr Lim Kah Poon, having been with the Company for more than nine (9) years, are familiar with the Group's business operations and have always actively participated in Board and Board Committee discussions and have continuously provided an independent view to the Board; and

(c) They have exercised due care during their tenures as Independent Directors of the Company and have discharged their 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.

7. **STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING**

Further details of Directors seeking for re-election as Directors are set out in their respective profiles which appear in the Profile of Directors on pages 6 to 8 of the Annual Report 2015 and the details of their interest in the securities of the Company are disclosed on pages 111 to 117 of the Annual Report.

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PROXY FORM

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

No Of Shares Held	
CDS Account No.	

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-Second (22nd) Annual General Meeting of the Company to be held at The Royale Bintang Resort & Spa Seremban, Ampangan Room, Mezzanine Floor, Jalan Dato' A.S. Dawood, 70100 Seremban, Negeri Sembilan on Monday, 30 May 2016 at 10.00 a.m. or at any adjournment thereof and to vote as indicated below:

	Resolutions	For	Against
	Ordinary Resolutions		
1	Approval of Single-Tier Final Dividend		
2	Approval of Directors' Fees		
3	Re-election of Dato' Loo Swee Chew as Director		
4	Re-election of Ms Yoong Li Yen as Director		
5	Re-appointment of Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak as Director		
6	Re-appointment of Messrs Baker Tilly Monteiro Heng as Auditors		
7	Authority 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		
10	Retention of Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak as Independent Non-Executive Director		

* *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 cast 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 ____________ 2016

____
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 appointer or his/her attorney duly authorised in writing or, if the appointer 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-Second (22nd) 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 24 May 2016. 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
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HeveaBoard Berhad (275512-A)
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia

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