HeveaBoard Berhad

(275512-A)

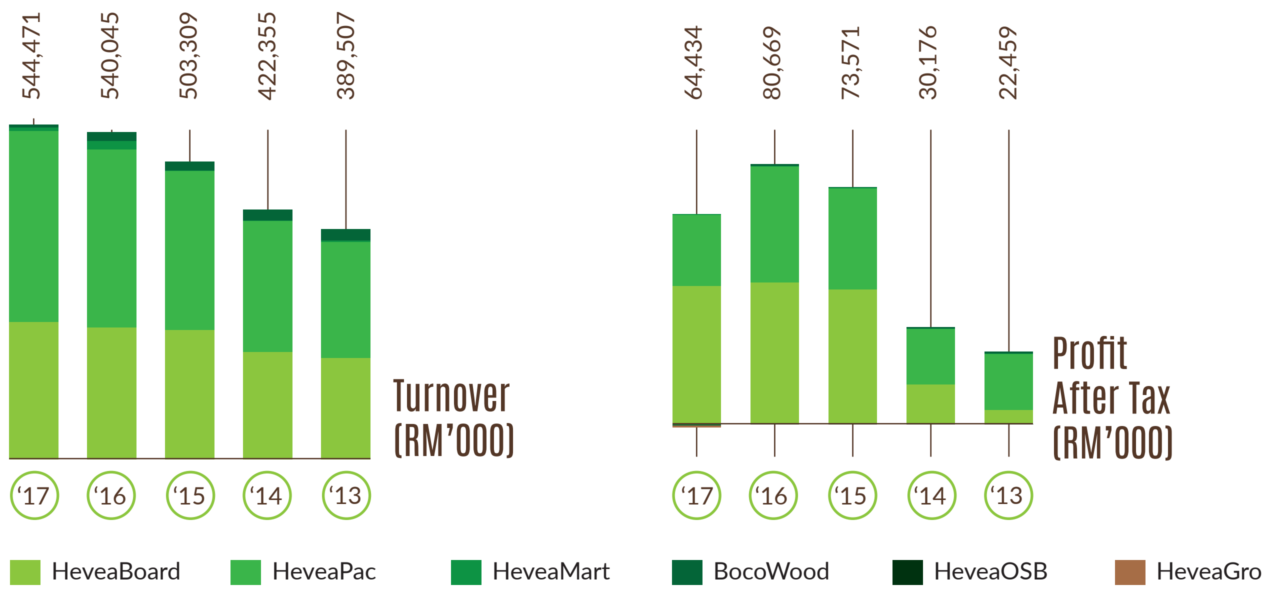
FOCUSED ON QUALITY,
Delivering Value

Annual Report **2017**

WHAT'S INSIDE

Focused on Quality, Delivering Value.

The stylised graphic lens featured on this cover design symbolises unwavering focus and commitment to product quality, ensuring that we deliver high value products to our customers as well as our shareholders.



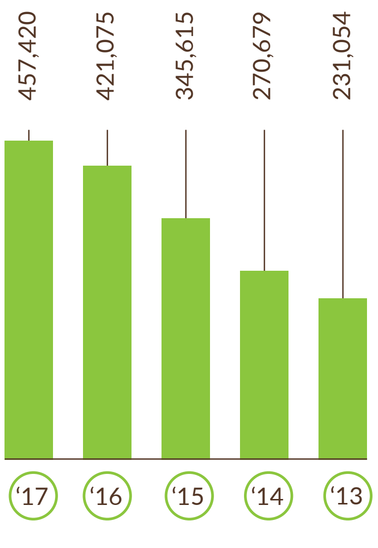
01.
5-YEAR FINANCIAL HIGHLIGHTS

	2017	2016	2015	2014	2013
Turnover (RM'000)	544,471	540,045	503,309	422,355	389,507
Profit Before Tax (RM'000)	65,945	90,296	82,834	32,081	23,952
Tax (RM'000)	(1,511)	(9,627)	(9,263)	(1,905)	(1,493)
Profit After Tax (RM'000)	64,434	80,669	73,571	30,176	22,459
Share Capital (RM'000)	157,900	125,288	109,082	99,449	90,400
Net Assets (RM'000)	457,420	421,075	345,615	270,679	231,054
Net Assets Per Share (RM)*	0.82	0.84	0.79	0.68	0.64
Interim Dividend (sen per ordinary share of RM0.25 each)**	4.80	** 4.60	** 1.75	** 0.38	** -
Proposed Final Dividend (sen per ordinary share of RM0.25 each)**	2.00	** 2.50	** 1.00	** 0.63	** 0.50
Net Earnings Per Share (sen)***	11.96	17.27	17.94	7.93	6.21

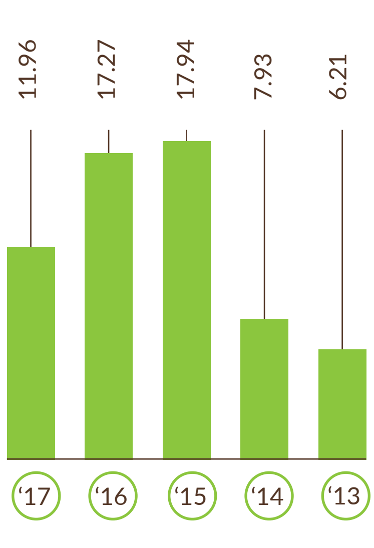
* The net assets per share of the Group is calculated based on the net assets value at the balance sheet date divided by the number of ordinary shares in issue at the balance sheet date.

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

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



Net Assets (RM'000)



Earnings Per Share (sen)

02.
AT A GLANCE

0.8%
Turnover
RM544.5 MIL

RM36.4MIL
PBT
Particleboard

RM29.9MIL
PBT
RTA

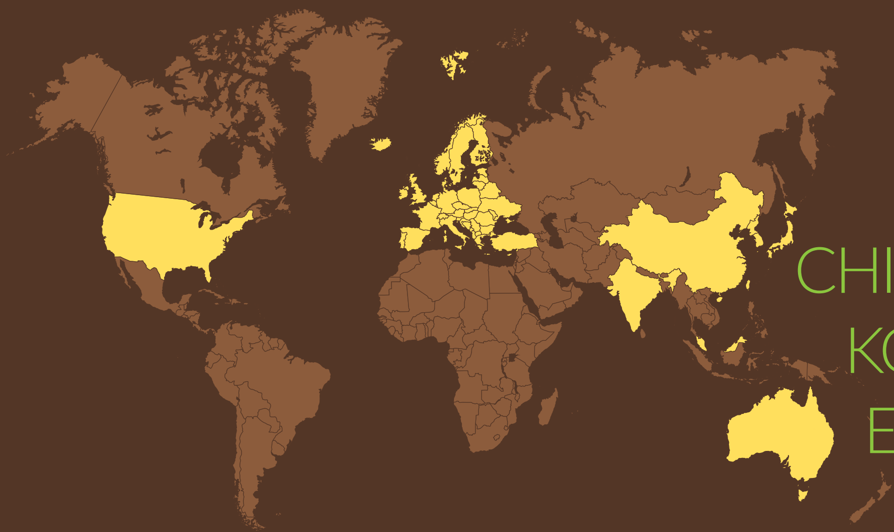
RM64.4MIL
Profit After Tax

TOTAL DIVIDENDS
6.8 SEN
PER ORDINARY SHARE REPRESENTING
59%
OF THE GROUP PAT

8.6%
NET
ASSETS
GROWTH

RM15MIL FOR MUSHROOM CULTIVATION

1ST KING OYSTER MUSHROOM
FACTORY IN MALAYSIA



EXPORTS TO
CHINA, INDIA, JAPAN,
KOREA, AUSTRALIA,
EUROPE AND USA.

MORE THAN 90% PARTICLEBOARDS AND RTA EXPORTED

FIRST

NAF PARTICLEBOARD PRODUCTS
PRODUCER IN THE REGION

MALAYSIA'S
1ST JIS CERTIFIED
PARTICLEBOARDS
MANUFACTURER

NEW 7.7 ACRE
RTA PLANT

03.
MANAGEMENT DISCUSSION & ANALYSIS

Dear Shareholders,

On behalf of the Board of Directors of **HeveaBoard Berhad** (**"HeveaBoard"** or the "Group"), I have the pleasure in presenting to you our 2017 Annual Report and Audited Financial Statements for the Financial Year Ended 31 December 2017 ("FYE 2017").

Yoong Hau Chun
Group Managing Director

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

FINANCIAL PERFORMANCE

Despite a challenging operating environment due to unfavorable external factors, **HeveaBoard** recorded a slightly higher revenue of RM544.5 million for FYE 2017, representing an increase of RM4.4 million or 0.8% from the preceding financial year. The increase in revenue was contributed by the particleboard sector due mainly to higher selling prices, increased sales of higher grade products, and increased sales in value-added products in spite of a lower USD currency exchange rate.

The Group reported a profit before tax ("PBT") of RM65.9 million for FYE 2017, representing a decrease of RM24.3 million or 27.0% from the preceding financial year. The decrease was contributed by both particleboard and ready-to-assemble furniture ("RTA") sectors.

The particleboard PBT was RM36.5 million (excluding dividend received from subsidiaries), representing a decrease of RM7.8 million or 17.6% as compared to RM44.3 million in the previous financial year due mainly to much higher rubber wood cost, and also higher exchange loss.

The RTA PBT was RM29.9 million, representing a decrease of RM15.3 million or 33.9% as compared to RM45.2 million in the previous financial year due largely to shortage of foreign workers during the 3rd and 4th quarters of FYE 2017 thus resulting in higher operational costs as optimum production capacity was not achieved.

Despite a challenging external environment, demand for both particleboard and RTA sectors remains intact, and shall continue to be the main contributors of HeveaBoard's revenue and income.

DIVIDEND POLICY

The dividend policy of no less than 30.0% of the Group's PAT to be distributed as dividend remains in force.

A single-tier 1st, 2nd and 3rd interim dividend of 1.6 sen each per ordinary share in respect of FYE 2017 were paid on 9 October 2017, 5 January 2018 and 9 April 2018 respectively. The Board is recommending a single-tier final dividend of 2.0 sen per ordinary share for FYE 2017 to be approved at the forthcoming Annual General Meeting (AGM), bringing the total dividends declared for FYE 2017 to 6.8 sen per ordinary share, representing a total payout of approximately 59% of the Group PAT for FYE 2017.

BUSINESS OPERATIONS & EFFICIENCIES

HeveaBoard's operational focus in differentiating itself through high quality and environmentally friendly products continues to lead the Group towards a better performance.

Current disturbances in the particleboard market such as higher raw material price and the strengthening of the Ringgit Malaysia against the greenback, coupled with the glut of supplies in the particleboard industry impacted the Group's bottom line. Moving forward, the Group believes that the market shall consolidate, while our focus on consistent quality shall continue to give the Group an edge over its peers.

On the RTA side, shortage of foreign workers is an industry-wide issue. The impact on business operation was exacerbated by the fact that the number of foreign workers bottomed at a period when the new factory was being commissioned.

RM 544.5 MIL
Revenue

RM 65.9 MIL
Profit Before Tax

6.8 SEN
Dividend

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

"The Group expects to reap harvest mid-2018 for its first phase of production."

Moving forward, the Group expects to see improvement in respect of approvals of its applications for foreign labour.

CORPORATE DEVELOPMENT

On 11 January 2017, the Group announced its acquisition of 7.7 acre land in Negeri Sembilan to house its new RTA plant. The additional factory premises and production facilities for the manufacturing of new veneer-based products were set up to cater mainly to the Japanese market. The new RTA plant was completed in August 2017, and has commenced operation ahead of schedule. Save for aforementioned shortage of labour, the Group foresees increase in production to meet increasing demand for the RTA furniture.

In Financial Year 2018, **HeveaBoard** also expects additional revenue from its gourmet fungi cultivation business. Currently, approximately 100 tonnes of bark are segregated daily from the particleboard plant. Instead of selling them to boiler users at a discount, the Group foresees the business potential for mushroom cultivation using this material. In FYE 2017, the Group invested about RM15.0 million in equipment, research, training and knowledge transfer for its venture in the cultivation of Eryngii, or more commonly known as king oyster mushroom. It officially launched the first king oyster mushroom factory in Malaysia on 13 February 2018. Trial run for the mushroom operation was successfully completed and commercialization is underway with harvest period of sixty days from inoculation. The Group expects to reap harvest mid-2018 for its first phase of production.

INDUSTRY OUTLOOK & COMPANY PROSPECT

Overall, the Group's fundamentals remain strong. The Group is of the view that the glut in particleboard supplies shall consolidate over time, while the issue of shortage of foreign labour has started seeing improvement. **HeveaBoard** continues to strive for consistent quality and will also innovate through technology to further manage cost and recovery of precious resources. We believe we can continue to be the market leader by staying focused in the strategy we had identified.

APPRECIATION

On behalf of the Board of Directors, I would like to express my gratitude to the management and staff of **HeveaBoard** Group for their relentless commitment and contribution towards the growth of the Group.

On behalf of my esteemed colleagues, I would also like to express my appreciation to the regulatory authorities, business partners, valued shareholders, customers and professionals in the relevant fields 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.

I hope all shareholders will continue to place your trust and faith in the Group as we continue to drive the Group forward for another challenging but exciting year.

YOONG HAU CHUN
Group Managing Director

"**HeveaBoard** continues to strive for consistent quality and will also innovate through technology to further manage cost and recovery of precious resources."

Acquired
7.7
acre land
for new RTA plant

Invested
RM15MIL
to cultivate
Eryngii mushroom

04.
SUSTAINABILITY STATEMENT

DEAR SHAREHOLDERS,

We have the pleasure in presenting to you our 2017 Sustainability Statement. **HeveaBoard Berhad** ("**HeveaBoard**" or "Group") acknowledges its role and commitment as a responsible corporate citizen to ensure high standards of governance in managing its business and integrating social, environmental, and economic concerns into its business. The Group constantly collaborate with its stakeholders to achieve a positive impact on society.

Accordingly, we strive to achieve the following: -

Environmental Impact

HeveaBoard believes that being environmentally responsible is more than complying with rules and regulations. Thus, the Group actively strives for business growth without detriment to the environment. This includes the sourcing of ingredients and materials for production, packaging, and logistics. The Group also works to reduce the usage of natural resources, optimise product packaging, improve on waste management and usage of energy in order to attain minimal adverse impact to the environment.

Since **HeveaBoard** started with its mobile chipping more than 6 years ago, the maximum recovery of rubber wood fiber has enabled open burning of leftover residues to be reduced to the minimum. The positive impact of our effort is estimated to reduce carbon dioxide (CO2) emission by more than 20,000 tonnes a year.

In 2017, **HeveaBoard** was able to further enhance its effort in maximising raw material recovery through the use of innovative technologies, and it is now able to utilise rubber tree stumps which in the past were discarded. With this harvesting method, **HeveaBoard** is able to recover rubber wood fiber closer to 100%, thus eliminating the need for open burning of residues almost completely. We view this as a major milestone in doing our part to preserve the environment.

HeveaBoard's business focuses on premium grade particleboards. **HeveaBoard**'s main products are low formaldehyde emission boards e.g. E0 and F**** grade products, which are environmental and health-friendly because of the excellent bonding and minimal formaldehyde emission properties. **HeveaBoard** is the pioneer of Japanese Industrial Standard ("JIS") certified companies. In 2017, we upped the ante by commercialising the Non Added Formaldehyde ("NAF") range of particleboard products, making **HeveaBoard** the first producer in the region to produce such products which would give extremely low formaldehyde emission, and it is usually termed "as close as natural wood". This in turn provides the Group with a competitive edge over its peers. There is an increasing demand for **HeveaBoard**'s environmental friendly products particularly from overseas markets due to environmental consciousness of consumers. Going forward, **HeveaBoard** will continue with its Green Initiatives in investing in technologies to bring further positive impact to the environment. Currently, the Group has a few projects in the pipeline that can bring not only cost savings, maximise recovery, but most importantly, also create a greener environment.

Over the years, **HeveaBoard** has obtained various certifications including ISO 14001 Environmental Management System and Occupational, Safety, Health Standard, OHSAS 18001 and MS 1772 by SIRIM QAS. **HeveaBoard** has also successfully obtained ISO 50001:2011 for its excellence Energy Management System. In September 2014, **HeveaBoard** received the ASEAN Best Practices Awards for Energy Management in Buildings and Industries.

HeveaBoard continues to be recognised by various bodies, both local and abroad including Singapore Environment Council, Malaysia Green Tech Corporation and Australia Wood Panel Association Test Centre for its excellence as illustrated in Figure 1.

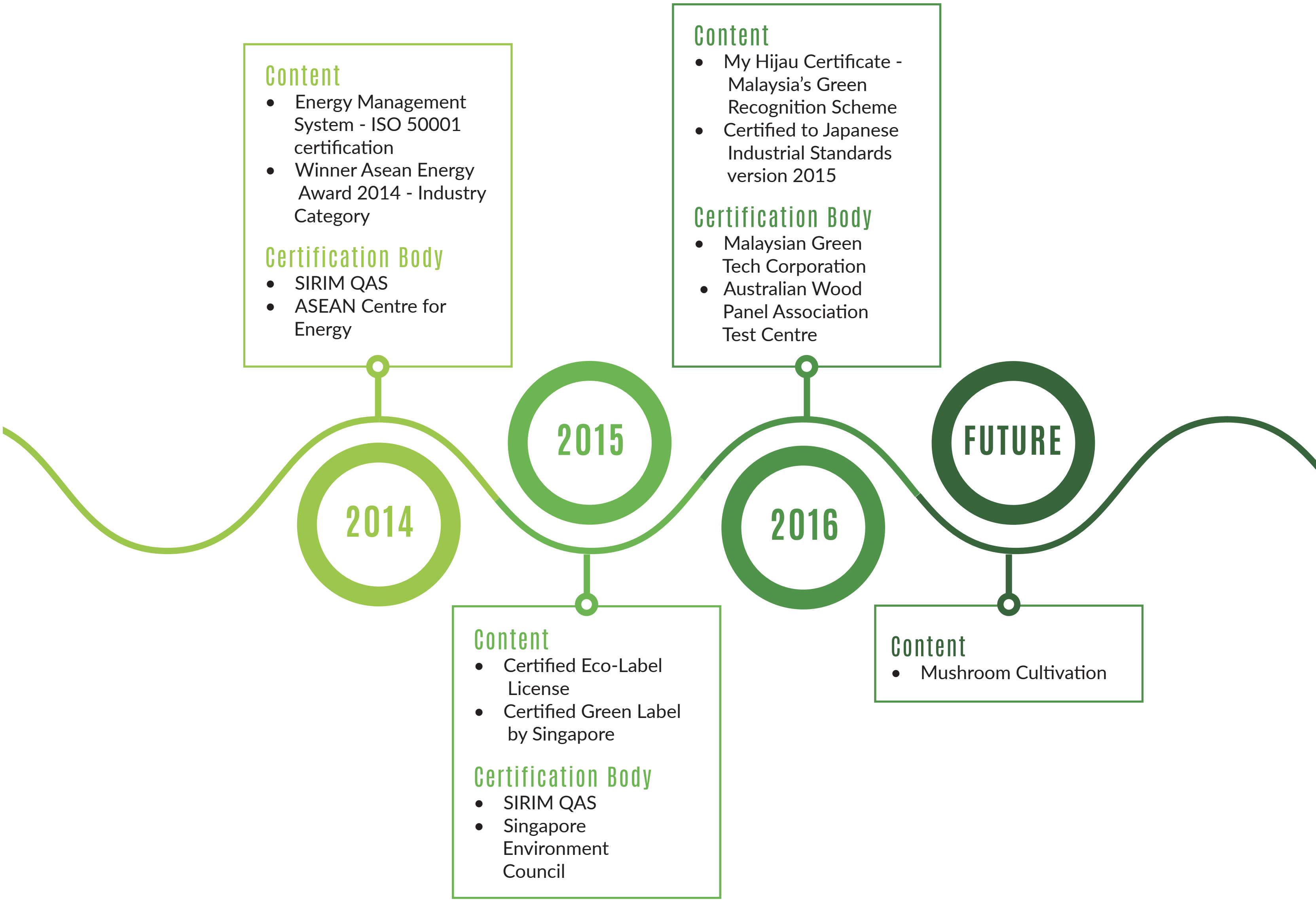


Figure 1. **Heveaboard**'s achievements & certifications 2014-2016

On 5 December 2017, in conjunction of Safety, Health and Environment ("SHE") Week, **HeveaBoard** collaborated with Department of Environment Malaysia to provide talks and exhibitions at **HeveaBoard** with the aim to increase environmental awareness of its employees.

Economic Impact

More than 90.0% of **HeveaBoard**'s particleboards and ready-to-assemble ("RTA") furniture are exported to countries such as Japan, China, Korea, and India due to these markets' demand for premium grade products. As an export-oriented Group which is at the forefront of the particleboard industry in the country, the Group has contributed towards the country's economy and foreign exchange earnings through its export activity.

Furthermore, **HeveaBoard**'s commitment to automation for the past 3 years especially in its manufacturing and trading of RTA division, namely HeveaPac Sdn. Bhd. has contributed towards the efficiency and productivity of the Group in line with the growing digital economy and automation in the country.

The Group also has created employment opportunities for the local community, fresh graduates, school leavers, unskilled workers and the community around its business operations in Gemas and Sungai Gadut, Negeri Sembilan.

For the financial year ended 31 December 2017, **HeveaBoard** achieved a total revenue of RM544.5 million (2016 RM540.0 million), incurred a total operating cost of RM32.5 million (2016 RM38.1 million), paid RM71.9 million (2016 RM69.9 million) to employees as wages and benefits and paid RM6.8 sen (2016 RM7.1 sen) as dividend to shareholders.

As a result of the Group's manufacturing operations and trading activities in creating value add from raw materials to finished products, there are many beneficiaries across the whole supply chain from owners of rubber plantations, raw material suppliers, logistics providers, utilities and other services providers who have been positively impacted.

Social Impact

HeveaBoard is committed to creating value for its stakeholders especially its employees and make a positive social impact through its business operations and resources.

(I) Employees' rights

HeveaBoard always ensures equitable treatment of its people. Our employees have a right to be treated fairly in the workplace regardless of age, gender, ethnicity, nationality or religion. It has always been a practice in the Company that there is no discrimination in how the staff are managed, promoted and trained.

(II) Safety and Health

HeveaBoard is committed to providing its employees with a conducive, safe and healthy working environment. The Group's safety and health department oversees the safety and occupational health issues to prevent accidents and ill health arising from poor practices.

The Group ensures compliance of all safety rules and regulations, standards and security issues, and is committed to improving safety practices in the workplace. Employees are given training on safety and health as well as being equipped with knowledge on safe work practices including the ability to respond to emergencies in workplace.

The Group has established a channel to promote two-way communication. There is a variety of communication options available to them including e-mails, memos, newsletters, intranet, social media, formal meetings, informal meetings, open forums, survey and feedback forms available to employees. Feedback from employees is gathered and analysed as the Group continuously works to improve the working environment in **HeveaBoard**.

(III) Employee Engagement and Development

Employees are our most valuable assets as they play a critical role impacting the performance and future of the Group. Hence, investing in continuous training and development of the employees is one of the Group's main initiatives. Regular training programs and workshops are scheduled and implemented in order to keep the employees abreast of the development in the wood panel industry, and to equip them with the necessary skills.

To promote cohesiveness and forge a better sense of belonging amongst employees, the Group takes initiatives to organise various activities focussing on team building and volunteering opportunities for its employees. A range of social and recreational activities were held in 2017.

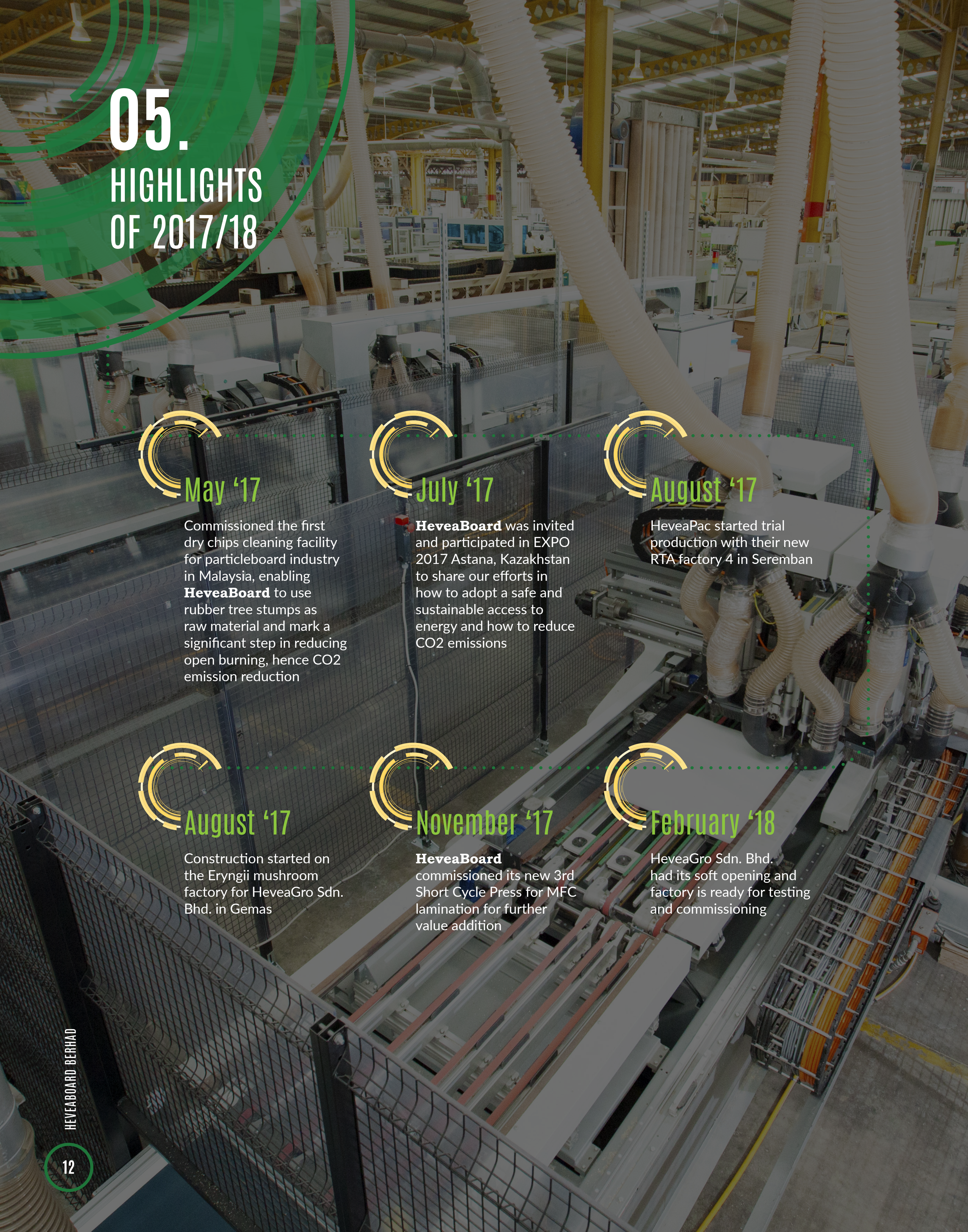
(IV) Diversity

HeveaBoard is an advocate of workplace diversity. The Group appreciates and embraces the differences that exist amongst our people regardless of gender, ethnic group, race, age, personality, tenure, cognitive style, education, organisational function, background, disability, and culture by providing equal opportunities for them to excel and be rewarded. For such a diversity of employees to function competently as an organisation, the Group makes conscious effort in promoting a workplace environment and culture where no one should feel marginalised.

(V) Community impact

HeveaBoard is committed to corporate social responsibility. As part of the outreach program, the Group also provides internships to students from local institutions of higher learning so that these students have the opportunity to gain practical experience before graduating. In 2017, a total of 15 intern students from local universities, local colleges and polytechnics were accepted to undergo practical studies in the Group. The aim was to educate and encourage students on career options within the manufacturing, engineering and automation industry.

We believe strongly in giving back to the society and community around which **HeveaBoard** operates. In this connection, we endeavour to do our best in meeting needs around us. In 2017, HeveaBoard made donations and sponsorships for various causes to schools, universities, terminally ill, poor and needy patients as well as special needs children.



05.
HIGHLIGHTS OF 2017/18

May '17
Commissioned the first dry chips cleaning facility for particleboard industry in Malaysia, enabling **HeveaBoard** to use rubber tree stumps as raw material and mark a significant step in reducing open burning, hence CO2 emission reduction

July '17
HeveaBoard was invited and participated in EXPO 2017 Astana, Kazakhstan to share our efforts in how to adopt a safe and sustainable access to energy and how to reduce CO2 emissions

August '17
HeveaPac started trial production with their new RTA factory 4 in Seremban

August '17
Construction started on the Eryngii mushroom factory for HeveaGro Sdn. Bhd. in Gemas

November '17
HeveaBoard commissioned its new 3rd Short Cycle Press for MFC lamination for further value addition

February '18
HeveaGro Sdn. Bhd. had its soft opening and factory is ready for testing and commissioning

06.
PROFILE OF DIRECTORS

TAN SRI DATO' CHAN CHOONG TACK @ CHAN CHOONG TAK

Senior Independent Non-Executive Chairman

A Malaysian aged 85, male, 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, Tan Sri Dato' Chan 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.

Save as disclosed above, Tan Sri Dato' Chan does not hold any directorship in any other public companies or public listed 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 42, male, joined **HeveaBoard** in 2000 and was appointed as Executive Director to **HeveaBoard** on 21 July 2000. Mr Yoong Hau Chun was re-designated as the Group Managing Director on 6 June 2012.

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

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

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

YOONG LI YEN

Executive Director

A Malaysian aged 41, female, was appointed as an Executive Director of the Company on 18 February 2013.

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

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

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

She is the spouse of Mr Bailey Policarpio, a Non-Independent Non-Executive Director of **HeveaBoard**. She is the daughter of Mr Tenson Yoong and sister of Mr Yoong Hau Chun, the Directors and substantial shareholders of the Company.

DATO' LOO SWEE CHEW

Non-Independent Non-Executive Director

A Malaysian aged 70, male, one of the founding members of **HeveaBoard** and was appointed as a Non-Independent Non-Executive Director of the Company on 21 October 1997. Dato' Loo 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.

Dato' Loo does not hold any directorship in any other public companies or public listed companies.

Save as he is the father of Mr Loo Chin Meng, his Alternate Director, 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 69, male, was appointed as an Independent Non-Executive Director of **HeveaBoard** on 1 October 2004. Mr Lim Kah Poon is the Chairman of the Audit Committee and a member of the Nomination Committee, Remuneration Committee and Tender Board Committee of **HeveaBoard**. He is a Fellow of the Institute of Chartered Accountants in Ireland and a member of the Malaysian Institute of Accountants (MIA).

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

Presently, Mr Lim Kah Poon is also Director of Pineapple Resources Berhad and Chuan Huat Resources Berhad.

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

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

BAILEY POLICARPIO

Non-Independent Non-Executive Director

A Filipino aged 47, male, was appointed as a Non-Independent Non-Executive Director of **HeveaBoard** on 8 March 2007. He is a member of the Nomination Committee and Remuneration Committee.

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

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

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

YOONG YAN PIN

Independent Non-Executive Director

A Malaysian aged 82, male, was appointed as an Independent Non-Executive Director of **HeveaBoard** on 27 February 2018. He is a member of the Audit Committee of the Company.

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

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

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

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

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

PROFILE OF DIRECTORS (CONTINUED)

SUNDRA MOORTHI A/L V.M. KRISHNASAMY

Independent Non-Executive Director

A Malaysian aged 74, male, was appointed as an Independent Non-Executive Director of **HeveaBoard** on 27 February 2018. He is a member of the Audit Committee of the Company.

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

A lawyer by profession, Mr Sundra Moorthi A/L V.M. Krishnasamy has been practicing law since 1971. He was the Partner of Messrs. Ariffin & Ooi from 1972 to 1974. In 1975, he set up his own practice under the name of Messrs. Adnan Sundra & Low and had been a Senior Partner in the said legal firm from then to 2014. As a Founding Partner, he is presently a Consultant of Messrs. Adnan Sundra & Low. On the public service and commercial side, he has acquired more than 38 years of experience holding Directorship in various private limited, public listed and multinational companies.

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

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

THYE HENG ONG @ TEH HENG ONG

Independent Non-Executive Director

A Malaysian aged 67, male, was appointed as an Independent Non-Executive Director of **HeveaBoard** on 27 February 2018.

Mr Thye Heng Ong @ Teh Heng Ong holds a Degree in Mechanical Engineering from the University of Malaya, and Master of Business Administration (MBA) from IMCA Business School, United Kingdom.

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

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

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

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

YOONG TEIN SENG @ YONG KIAN SENG (TENSON YOONG)

Alternate Director to Yoong Hau Chun

A Malaysian aged 71, male, was appointed as the Alternate Director to Mr Yoong Hau Chun, the Group Managing Director, on 18 February 2013.

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

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

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

LOO CHIN MENG

Alternate Director to Dato' Loo Swee Chew

A Singaporean, aged 40, male, was appointed as the Alternate Director to Dato' Loo Swee Chew, Non-Independent Non-Executive Director, on 27 May 2016.

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

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

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

He is the son of Dato' Loo Swee Chew who is a Non-Independent Non-Executive Director and a substantial shareholder of **HeveaBoard**.

Notes to Directors' Profiles:

None of the Directors has:
** Any conflict of interest in any business arrangement involving* **HeveaBoard**.
*** Any conviction for offences within the past five (5) years other than traffic offences, and there are no public sanction and/or penalty imposed by the relevant regulatory bodies on the Directors during the financial year.*

<u>Directors' securities holdings:</u>
The details of the Directors' securities holdings are set out in the Analysis of Shareholdings as at 3 April 2018 as set out on pages 139 to 146 of this Annual Report.

<u>Board Meeting attendance in 2017:</u>
All the Directors attended the five (5) Board Meetings which were held in the financial year, except Mr Yoong Yan Pin, Mr Sundra Moorthi A/L V.M. Krishnasamy and Mr Thye Heng Ong @ Teh Heng Ong who were newly appointed to the Board on 27 February 2018.

07. CORPORATE STRUCTURE

HeveaBoard Berhad

INCORPORATED IN MALAYSIA (275512-A)

Manufacturing of particleboards and investment holding

100%
Hevea OSB Sdn.Bhd.
Dormant

100%
HeveaGro Sdn.Bhd.
Cultivation of gourmet fungi

100%
HeveaMart Sdn.Bhd.
Trading of particleboards and other panel board

100%
BocoWood Sdn.Bhd.
Distribution and marketing of ready-to-assemble furniture

100%
HeveaPac Sdn.Bhd.
Manufacturing of ready-to-assemble furniture

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

ID No. WP MY 03 01

1st JIS Certified Particleboard Manufacturer In Malaysia

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

08.
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 Yan Pin
Independent Non-Executive Director
(appointed on 27 February 2018)

Sundra Moorthi A/L V.M. Krishnasamy
Independent Non-Executive Director
(appointed on 27 February 2018)

Thye Heng Ong @ Teh Heng Ong
Independent Non-Executive Director
(appointed on 27 February 2018)

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

Loo Chin Meng
Alternate Director to Dato' Loo Swee Chew

AUDIT COMMITTEE
Lim Kah Poon (Chairman)
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak
Yoong Yan Pin
(appointed on 27 February 2018)
Sundra Moorthi A/L V.M. Krishnasamy
(appointed on 27 February 2018)

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)
Lim Kah Poon
Bailey Policarpio
(appointed on 27 February 2018)

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

AUDITORS
Baker Tilly Monteiro Heng (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

09.
PROFILE OF KEY SENIOR MANAGEMENT

PEH JU CHAI
Executive Director,
HeveaPac Sdn. Bhd.

58, Male, Malaysian
Date of appointment to present position: 2 January 2001

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

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

Directorship in public listed companies:
None

Directorship in public companies:
None

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

Conflict of interest with the Company:
No

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

YEE KONG YIN
Executive Director,
HeveaPac Sdn. Bhd.

55, Male, Malaysian
Date of appointment to present position: 30 August 2000

Qualification:
- Bachelor of Business Administration from National Cheng Chi University, Taiwan.

Working experience:
- One of the founding members of HeveaPac Sdn. Bhd.
- He has more than 28 years of working experience in wood based industry.

Directorship in public listed companies:
None

Directorship in public companies:
None

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

Conflict of interest with the Company:
No

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

S.GANASEN MOORTHI
General Manager
- Plant Operations

60, Male, Malaysian
Date of appointment to present position: 1 January 2000

Qualification:
- Higher National Diploma-UK

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

Directorship in public listed companies:
None

Directorship in public companies:
None

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

Conflict of interest with the Company:
No

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

ELAINE HEW
Chief Financial Officer

59, Female, Malaysian
Date of appointment to present position: 16 September 2003

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

Working experience:
- 15 years as the Chief Financial Officer with **HeveaBoard Berhad**.
- 13 years as the Senior Finance Manager with Samsung SDI (M) Berhad.
- 3 years as the Accountant with Tan Chong Rubber Gloves Sdn. Bhd.
- 2 years as the Costing Assistant with Nippondenso (M) Sdn. Bhd.

Directorship in public listed companies:
None

Directorship in public companies:
None

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

Conflict of interest with the Company:
No

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

YOONG LI MIAN
General Manager
– Corporate Services

40, Female, Malaysian
Date of appointment to present position: 1 January 2018

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

Working experience:
- 18 years of working experience in areas of information system, corporate affairs and purchasing.

Directorship in public listed companies:
None

Directorship in public companies:
None

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

Conflict of interest with the Company:
No

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

TEE CHIN LUNG
General Manager,
HeveaGro Sdn. Bhd.

42, Male, Malaysia
Date of appointment to present position: 1 June 2017

Qualification:
- Bachelor of Mechanical Engineering, Sussex University, UK.

Working experience:
- One of the founding members of JW Mushroom Cultivation.
- 3 years as Engineer with ProEnviro Sdn. Bhd.
- 4 years as Engineer with **HeveaBoard Berhad**.

Directorship in public listed companies:
None

Directorship in public companies:
None

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

Conflict of interest with the Company:
No

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

10.
CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

The Board recognises the spirit of the new Malaysian Code on Corporate Governance ("MCCG") released by the Securities Commission Malaysia on 26 April 2017 which takes on a new approach to promote greater internalisation of corporate governance culture.

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

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

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

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

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

This statement is presented in compliance with paragraph 15.25(1) of Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements and it is to be read together with the Corporate Governance Report 2017 ("CG Report") of the Company which is available on **HeveaBoard's** website at **www.heveaboard.com.my.** The CG Report discloses the details of the Company's application of each practice set out in the MCCG.

PRINCIPLE A
BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Responsibilities

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

The Board establishes strategic goals and objectives to direct the Group and the Company toward achievement of long-term success and instilling good corporate governance culture to ensure the Group is well run. To ensure the strategic goals and direction of the Group are aligned with the changing business environment, a constant review is conducted by the Board to ensure the Group is always on the right path and right direction in achieving the goals and objectives.

The Board ensures the necessary resources are in place and well organised. It oversees and monitors the conduct and performance of the Group and the Company's business, effectiveness of risk management and internal control and ensures good governance culture within the organisation towards the achievement of the strategic goals and objectives.

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

i. Audit Committee

- Assists the Board on overseeing the Group and the Company's financial reporting and internal control and risk management system while ensuring checks and balances within the Group and the Company.

ii. Nomination Committee

- Assists the Board on the recruitment exercise on appointment of Directors and Key Senior Management, and annual assessment of the effectiveness of Board Committees and the Board as a whole, and performance of individual Directors and Key Senior Management Officers.

iii. Remuneration Committee

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

iv. Tender Board Committee

- Assists the Board on reviewing shortlisted tenders and proposals put forward by the Management.

The Board is led by a Senior Independent Non-Executive Chairman, namely Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak who ensures smooth functioning of the Board so that the Board can perform its responsibility effectively for meeting the goals and objectives of the Group and the Company.

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

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

There is a demarcation of responsibilities between the Board and Board Committees. Besides governed by the Company's Articles of Association (Constitution) and provisions of the Companies Act, 2016, in discharging the duties and fiduciary obligation, the Board is guided by the Board Charter while the Board Committees are guided by their Terms of Reference. The Board in its effort to raise the bar of its corporate governance standard had reviewed and revised the Board Charter and Terms of Reference of each of the Board Committees to align with the MCCG's Practices.

The underlying factors of Directors' commitment to the Company are devotion of time and continuous improvement of knowledge and skill in fulfilling their duties and responsibilities as Directors of the Company. Each of the Board members has demonstrated a high commitment. None of the Directors holds directorships in more than five (5) public or public listed companies and all of them have full attendance to the Board Meeting. Details of Directors' attendance at Board and Board Committees' meetings attended by Directors during the financial year is set out below. It is also disclosed in the CG Report under Practice 1.1.

Director	No. of Meeting Attended/No. of Meeting Held in 2017			
	Board Meeting	AC Meeting	NC Meeting	RC Meeting
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	5/5	5/5	1/1	1/1
Mr Yoong Hau Chun (Alternate Director, Mr Yoong Tein Seng @ Yong Kian Seng)	5/5	-	-	1/1
Ms Yoong Li Yen	5/5	-	-	-
Dato' Loo Swee Chew (Alternate Director, Mr Loo Chin Meng)	5/5	-	-	-
Mr Lim Kah Poon	5/5	5/5	1/1	1/1
Mr Bailey Policarpio	5/5	5/5	1/1	-

In ensuring good corporate governance culture and business conduct and code of ethics within the Group, the Board is always mindful to set a right tone at the top through the way it conducts itself. With the issuance of the MCCG, based on the Group's activities and business environment, the Board had reviewed the Group and the Company's current corporate governance practices and where applicable, raises the bar of its corporate governance standard. The following are the key focus areas during the year:-

- Board composition – further strengthening the board composition, independence and accountability to achieve the target of at least half of the Board comprise independent Directors.

- Board Charter, Board Committees' Terms of Reference – revision and enhancement of the duties, responsibilities, practices and proceedings of the Board and Board Committees to meet the Intended Outcomes of the MCCG.

- Code of Conduct and Ethics – revision of the Code of Conduct to extend the application at all levels within the Group and the Company.

- Proceedings at general meeting – applying Practice 4.2 of the MCCG to seek shareholders' approval on retention of Independent Non-Executive Directors who have served the Board for more than twelve (12) years through a Two-Tier Voting Process.

- Enhancing the effectiveness of information dissemination – upgrading the necessary information technology system and application to facilitate issuance of documents required to be sent to shareholders pursuant to the Main Market Listing Requirements via electronic means.

The Board encourages reporting from directors, employees, customers, suppliers, contractors, sub-contractors and other stakeholders who have dealings with the Group about unethical or fraudulent practices within the Group so that damage control or remedial action can be taken promptly. The Whistleblowing Policy has been put in place in August 2015.

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

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

2. Board Composition

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

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

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

Evaluation of candidates' suitability was based on pre-set criteria as disclosed in Practice 4.4 of the CG Report. The Nomination Committee had considered the profile of the potential candidates which some of them were identified by the Nomination Committee members and some were recommended by the Board members. Despite the sources of which the potential candidates were identified, the recruitment process of new Board members and evaluation process of Board's effectiveness had been performed objectively by the Nomination Committee. The Nomination Committee is chaired by a Senior Independent Non-Executive Chairman and comprises exclusively of Non-Executive Directors with a majority of Independent Directors to ensure objective functioning. The composition of the Nomination Committee is disclosed in this Annual Report under the section of Corporate Information.

On 27 February 2018, the Board resolved to appoint additional three (3) Independent Non-Executive Directors namely, Mr Yoong Yan Pin, Mr Sundra Moorthi A/L V.M. Krishnasamy and Mr Thye Heng Ong @ Teh Heng Ong, making the Board size to a total of nine (9) members, comprises a majority of Independent Directors. The profile of each Directors is presented in the Annual Report under the section of Profile of Directors. Such information is also published on **HeveaBoard's** corporate website at **www.heveaboard.com.my**

The length of service of Independent Director is increasingly recognised as a key element in the review of director's independence. The Board recognises a long tenure for Independent Directors might erode the Independent Directors' objectivity due to various reasons such as close relationship with the Board and Management. The Board has laid down in its Board Charter that the tenure of Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the ninth (9th) year, an Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. The Nomination Committee assists the Board to conduct annual assessment of the independence of the long service Independent Directors to determine if they should be retained as Independent Directors. During the financial year, the Board sought shareholders' approval for retention of both long service Independent Directors namely, Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak and Mr Lim Kah Poon based on the justification that both of them have remained independent, they are familiar with the Company's business operation and have exercised due care in discharging their duties. Moving forward, the Board will apply Practice 4.2 of the MCCG to seek shareholders' approval for retention of both of them at the forthcoming Annual General Meeting ("AGM") to be held on 30 May 2018 through a Two-Tier Voting Process.

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

It is imperative to assess the performance of the Board, Board Committees and each individual Director annually to determine the effectiveness of the Board and identify areas requiring improvement. The Nomination Committee assists the Board in conducting annual assessment. The assessment is internally facilitated. The process of assessment is disclosed in the CG Report under Practice 5.1. Based on the assessment conducted in November 2017, the Board had discharged its fiduciary duties and leadership functions effectively, particularly in managing the challenges faced by the Group and the Company during the financial year and the Group has achieved a very good performance despite very challenging conditions. The Independent Directors have continuously fulfilled the independence criteria as set out in Practice 13 of the Main Market Listing Requirements.

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

In ensuring Directors' continuous professional development, the Nomination Committee identified the training needs of each Director and recommended training programme based on the results of the annual assessment. Each Director may also identify and propose his/her own training needs. The training programme attended by the Directors during the financial year is set out below. It is also disclosed in the CG Report under Practice 5.1.

Director	Training Attended
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	▪ Risk Management Workshop
Mr Yoong Hau Chun	▪ Risk Management Workshop
Ms Yoong Li Yen	▪ Risk Management Workshop
Dato' Loo Swee Chew	▪ NIL*
Mr Lim Kah Poon	▪ Risk Management Workshop ▪ "Conversation with Audit Committee" organised by the Securities Commission Malaysia ▪ Advocacy session on corporate disclosure for directors and principal officers of listed issuers
Mr Bailey Policarpio	▪ Risk Management Workshop

** Dato' Loo Swee Chew has not attended any training during the financial year due to surgery impacting his mobility.*

3. Remuneration

The Company has put in place Remuneration Policy and Procedures which aim to set remunerations at levels which are sufficient to attract and retain the Directors and Senior Management that are needed to run the Group and the Company successfully, but without paying more than is necessary to achieve this goal.

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

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

In recognition that remuneration policy and decisions should be made through a transparent and independent process, the Nomination Committee had in November 2017 recommended Remuneration Committee should only consist of Non-Executive Directors and a majority of them must be Independent Directors to align with Guidance 6.2 of the MCCG. In February 2018, the Board resolved to revise the Remuneration Committee composition to consist solely of Non-Executive Directors and a majority of them Independent Directors. The composition of the Remuneration Committee is disclosed in this Annual Report under the section of Corporate Information.

In November 2017, the Remuneration Committee conducted an annual review of the remuneration packages of the Directors and Senior Management and recommended to the Board for approval for implementation in 2018. None of the individuals or the Chairman participated in any discussion and decision relating to their own remuneration. The Board approved the 2018 remuneration packages of the Directors and Senior Management, except the Directors' Fees which will be put forth to the shareholders for approval at the forthcoming AGM pursuant to Sections 230(1) and 340(1)(c) of the Companies Act 2016.

As a good corporate governance practice, the Board applies Practice 7.1 of the MCCG to disclose Directors' remunerations on named basis for individual Directors with detailed remunerations breakdown. The remunerations of the Directors are as follows. It is also disclosed in the CG Report under Practice 7.1.

COMPANY

Non-Executive Directors

No.	Name	Directors' Fees RM'000	Other Emoluments RM'000	Total RM'000
1.	Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak *(Senior Independent Non-Executive Chairman)*	84	nil	84
2.	Lim Kah Poon *(Independent Non-Executive Director)*	140	nil	140
3.	Dato' Loo Swee Chew *(Non-Independent Non-Executive Director)*	68	nil	68
4.	Bailey Policarpio *(Non-Independent Non-Executive Director)*	63	nil	63

Group Managing Director and Executive Director

No.	Name	Salary RM'000	Bonus RM'000	EPF RM'000	Retirement Benefit RM'000	Benefits-in-kind RM'000	Other Allowance RM'000	Total RM'000
1.	Yoong Hau Chun *(Group Managing Director)*	990	173	128	83	13	nil	1,386
2.	Yoong Li Yen *(Executive Director)*	726	181	108	61	nil	72	1,148

GROUP

Non-Executive Directors

No.	Name	Directors' Fees RM'000	Other Emoluments RM'000	Total RM'000
1.	Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak *(Senior Independent Non-Executive Chairman)*	144	nil	144
2.	Lim Kah Poon *(Independent Non-Executive Director)*	140	nil	140
3.	Dato' Loo Swee Chew *(Non-Independent Non-Executive Director)*	68	nil	68
4.	Bailey Policarpio *(Non-Independent Non-Executive Director)*	63	nil	63

Group Managing Director and Executive Director

No.	Name	Salary RM'000	Bonus RM'000	EPF RM'000	Retirement Benefit RM'000	Benefits-in-kind RM'000	Other Allowance RM'000	Total RM'000
1.	Yoong Hau Chun *(Group Managing Director)*	990	173	128	83	13	nil	1,386
2.	Yoong Li Yen *(Executive Director)*	726	181	108	61	nil	72	1,148

However, the Board is of the opinion that the disclosure on a named basis of the top six (6) Senior Management's remuneration component consists of salary, bonus, benefits in-kind and other emoluments in bands of RM50,000 would not be in the best interest of the Group and the Company. It would be commercially disadvantageous for the Company to reveal this information in this highly competitive market for talents and the need to retain talents. The Board assures that the remuneration of the Senior Management is commensurate with the function, workload, responsibilities and individual performance, the Company's performance, and at the level which are sufficient to attract, retain and motivate Senior Management to run the Company successfully but without paying more than is necessary. The HR will regularly review and benchmark employees' compensation to ensure that the remuneration packages are competitive and adequate to employees.

PRINCIPLE B
EFFECTIVE AUDIT AND RISK MANAGEMENT

1. Audit Committee

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

During the financial year, the Audit Committee comprised 3 members who were exclusively Non-Executive Directors with a majority of Independent Directors. This met the requirements of paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements.

The Board in its effort to raise the bar of corporate governance standard had through the Nomination Committee reviewed the composition of the Audit Committee and endorsed the recommendation of the Nomination Committee to apply Practice 8.4 – Step Up of the MCCG that Audit Committee should comprise solely of Independent Directors.

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

On 27 February 2018, the Board resolved to revise the composition of the Audit Committee to comprise solely of Independent Directors with two (2) additional Independent Non-Executive Directors namely, Mr Yoong Yan Pin and Mr Sundra Moorthi A/L V.M. Krishnasamy, as part of the Audit Committee. The composition of the Audit Committee is disclosed in this Annual Report under the section of Corporate Information and Audit Committee Report.

It has been the practice of the Company over the years that the Chairman of the Audit Committee is not the Chairman of the Board. The Board is chaired by Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak who is a Senior Independent Non-Executive Chairman, and the Audit Committee is chaired by Mr Lim Kah Poon who is an Independent Non-Executive Director.

The Audit Committee is led by Mr Lim Kah Poon who is a Fellow of the Institute of Chartered Accountants in Ireland and a member of the Malaysian Institute of Accountants (MIA). The Audit Committee members have been keeping themselves abreast of the development of the accounting and audit standards, practices and rule through various channels so that they are able to assume the responsibility of overseeing the financial report of the Group and the Company effectively.

To be in line with Practice 8.2 of the MCCG, the Terms of Reference of Audit Committee has been revised in March 2018 to include a clause on a minimum cooling-off period of two (2) years before a former key audit partner can be appointed as a member of the Audit Committee. During the financial year, none of the members of the Audit Committee was a former key audit partner of the Group and the Company.

The Audit Committee is responsible for monitoring the ongoing effectiveness and independence of the External Auditors. The Audit Committee put in place policies and procedures to conduct annual assessment on the suitability, objectivity and independence of the External Auditors before making recommendation to the Board on appointment, removal, or whether or not the External Auditors should be put forward for re-appointment at the AGM, and their remunerations. Further details are disclosed in the CG Report under Practice 8.3 and Annual Report under the section of Audit Committee Report.

2. Risk Management and Internal Control Framework

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

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

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

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

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

PRINCIPLE C
INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

1. Communication with Stakeholders

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

The Company has taken various ways to facilitate effective reporting and communication with its shareholders including timely announcement to Bursa Securities, publication of information on **HeveaBoard**'s corporate website, issuance of Annual Reports, regular dialogues with analysts, institutional shareholders and members of the press to convey information regarding the Group and the Company's development, except market sensitive information which has not been formally announced to Bursa Securities, engaging with shareholders at general meetings and AGM, and attending to shareholders and investors' e-mail and telephone enquiries. The details are disclosed in the CG Report under Practice 11.1.

Moving forward, the Board will focus on further upgrading the Company's information technology and ensuring the Company is supported with the necessary information technology system and application to facilitate issuance of documents required to be sent to shareholders pursuant to the Main Market Listing Requirements via electronic means. **HeveaBoard** is not regarded as Large Companies as defined in the MCCG, thus the Company has not adopted an integrated reporting based on globally recognised framework in its reporting approach to stakeholders.

2. Conduct of General Meeting

The General Meetings and Annual General Meeting ("AGM") is one of the principal forums for dialogue with shareholders.

The Company has been practicing sending Notice of AGM to shareholders more than 28 days prior to the meeting. The Board recognises that a longer notice allows ample time for shareholders to consider the resolutions or seek professional advice before exercising their voting rights, and to make arrangement to attend the AGM either personally, through proxy or corporate representative.

The last AGM held on 30 May 2017 was attended by a majority of the Directors. Although not all the Directors were present at the AGM, the following key personnel were present to engage directly with the shareholders:-

i. The Chairman of the Board, who is also the Chairman of the Nomination Committee and Remuneration Committee
ii. The Group Managing Director
iii. The Chairman of the Audit Committee
iv. The Executive Director
v. The Executive Director of HeveaPac Sdn. Bhd. (a wholly-owned subsidiary of **HeveaBoard**)
vi. The Chief Financial Officer
vii. The engagement partner of the External Auditors
viii. The Company Secretary

During the AGM, an audio-visual showing the progress and performance of **HeveaBoard** Group was presented to the shareholders. Questions and Answers sessions were opened to shareholders to raise questions before the resolutions were put for voting. The Board, Executive Director and Chief Financial Officer received an overwhelming response from the shareholders during the Questions and Answers sessions and various questions and suggestions were raised by shareholders in particular on the Group's future plans, its new investment on gourmet fungi cultivation, operations and marketing strategies, financial results, its sustainability and etc. Other than that, the Group Managing Director and Board members also had a face-to-face interaction with shareholders when the meeting was adjourned for vote casting and after the conclusion of the AGM. All questions were duly answered and the shareholders were satisfied with the answers given. The Board and Management acknowledged all concerns and comments of the shareholders and accepted all constructive suggestions from the shareholders.

The Company adopted electronic polling at the last AGM to encourage a smoother flow of the meeting proceedings.

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

This CG Overview Statement was approved by the Board on 30 March 2018.

11.
STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors hereby presents its Statement on Risk Management and Internal Control of the Group. This statement has been prepared in accordance with the Malaysian Code on Corporate Governance and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

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

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

The principal risks and challenges faced by the Group presently are fluctuation of prices of raw materials and foreign currency exchange as well as risk associated with shortage of foreign workers. By managing these principal risks effectively, the Group will be able to protect and improve its business competitiveness and quality of products and to meet the expectation and demands of its local and international customers. As risk is dynamic, the risks mentioned in the foregoing do not reflect the order of their priority.

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

i. Quality Management Systems of ISO 9001:2008;

ii. The Environment Management Systems ISO 14001:2004;

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

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

v. Energy Management System ISO 50001:2011 Certification in efficient and effective energy management system;

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

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

viii. Japanese Industrial Standard (JIS) Mark Certification A5908:2015

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

i. Management organisation chart outlining the management responsibilities and hierarchical structure of reporting and accountability;

ii. Approval and authority limits of the top executives and heads of department;

iii. Insurances to protect the assets and interests of the Group;

iv. Review of operation performance and segregation of duties in the management functions of the Group;

v. Job descriptions are established providing understanding to employees of their tasks in discharging their responsibilities;

vi. Financial forecasts are used as performance targets;

vii. Whistleblowing policy for reporting of employees' misbehaviours; and

viii. Audit Committee review of the quarterly financial reports, annual financial statements, related party transactions, external and internal audit reports.

THE REVIEW MECHANISM

There are two levels of review of systems of risk management and internal control in the organisation. The first level of the review is undertaken by the Executive Directors and Senior Management while the second level constitutes the independent review performed by the Audit Committee. The Internal Audit Function reports directly to the Audit Committee, conducts periodic audits to assess the effectiveness of the risk management and internal control procedures; recommends actions to management for improvement; and reports the status of management control procedures to the Audit Committee. The scope of works of the Internal Audit Function are carried out based on the approved internal audit plan by the Audit Committee.

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

MANAGEMENT RESPONSIBILITIES AND ASSURANCE

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

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

BOARD ASSURANCE AND LIMITATION

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

- Periodic review of financial information covering financial performance and quarterly financial results;

- Audit Committee's review and consultation with Management on the integrity of the financial results, Annual Report and audited financial statements before recommending to the Board for approval;

- Audit findings and reports on the review of systems of internal control provided by the Internal Auditors and status of Management's implementation of the audit recommendations; and

- Management's assurance that the Group's risk management and internal control systems have been operating adequately and effectively, in all material respects.

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

REVIEW OF STATEMENT ON INTERNAL CONTROL BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their assurance engagement was performed pursuant to the scope set out in AAPG 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report.

Based on their review, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the risk management and internal control systems of the Group.

This Statement is made in accordance with the approval and resolution of the Board of Directors dated 30 March 2018.

12.
STATEMENT ON DIRECTORS' RESPONSIBILITIES

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

The Directors consider that, in preparing the financial statements of the Group and the Company for the year ended 31 December 2017, the Company has consistently applied appropriate accounting policies, and has made judgments and estimates that are reasonable and prudent. The Directors confirm that all applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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

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

13.
ADDITIONAL COMPLIANCE INFORMATION

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

1. UTILISATION OF PROCEEDS

There were no corporate proposals undertaken by the Company to raise funds during the financial year ended 31 December 2017.

2. LIST OF PROPERTIES

The properties held by the Company during the financial year ended 31 December 2017 is stated on page 138 of the Annual Report.

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

The details of the related party transactions and recurrent related party transactions of a revenue or trading nature during the financial year ended 31 December 2017 between **HeveaBoard** and related parties are disclosed in Note 30 of the Financial Statements.

4. MATERIAL CONTRACTS

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

5. MATERIAL LITIGATION

There was no material litigation during the financial year ended 31 December 2017.

14.
AUDIT COMMITTEE REPORT

The Board is pleased to present the Audit Committee Report.

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

COMPOSITION OF MEMBERS

During the financial year ended 31 December 2017, the Audit Committee comprised 3 members who were exclusively Non-Executive Directors with a majority of them being Independent Directors. This met the requirements of paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements. The members of the Audit Committee were:-

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

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

3. Mr Bailey Policarpio - Member
   Non-Independent Non-Executive Director

In February 2018, the composition of the Audit Committee has been revised to comprise solely of Independent Directors for good corporate governance. The members of the Audit Committee after the change are:-

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

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

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

4. Mr Sundra Moorthi A/L V.M. Krishnasamy – Member
   Independent Non-Executive Director

The new composition of members is in line with Practice 8.4 –Step Up of the Malaysian Code on Corporate Governance. An independent Audit Committee is better positioned to rigorously challenge and ask probing questions on the Company's financial reporting process, internal controls, risk management and governance.

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

AUTHORITY

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

The Terms of Reference of the Audit Committee has been reviewed and revised on 30 March 2018 to align with the application of practices and guidance of the Malaysian Code on Corporate Governance.

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

KEY RESPONSIBILITIES OF THE AUDIT COMMITTEE

Audit Committee should assume four (4) fundamental responsibilities:-

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

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

MEETING

During the financial year ended 31 December 2017, the Audit Committee held five (5) Audit Committee meetings, and two (2) Audit Committee meetings were held during the period from 1 January 2018 to the date of approving this Report on 30 March 2018.

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

Name of Committee Member	No. of Meetings Attended/ No. of Meetings Held	
	Year 2017	1/1/2018 – 31/3/2018
Mr Lim Kah Poon (Chairman)	5/5	2/2
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	5/5	2/2
Mr Bailey Policarpio *	5/5	1/2
Mr Yoong Yan Pin **	n/a	1/2
Mr Sundra Moorthi A/L V.M. Krishnasamy – Member **	n/a	1/2

**Resigned as Audit Committee member on 27 February 2018.*

***Appointed as Audit Committee members on 27 February 2018.*

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

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

The Audit Committee meeting shall be held excluding the attendance of other Directors, Management and employees, except when the Audit Committee requests their presence. The Audit Committee also has the right to hold private discussion with the External Auditors for exchange of free and honest views and opinion without the presence of other Directors and Management, whenever deemed necessary. The Company Secretary will be in attendance at all meetings.

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

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

During the financial year ended 31 December 2017 and subsequent to the year end, at each quarterly meeting, the Chief Financial Officer was invited to present the quarterly financial results and related party transactions as well as conflict of interest situation that may arise within the Group and the Company, and at the same time to provide clarification on issues and queries which may be raised by the Audit Committee members. The Internal Auditors were required to report the outcome of their internal audit, the Executive Directors and Management were invited to brief and give further clarification to the Audit Committee on issues arising from the internal audit to facilitate direct communication and discussion. As and when required, the External Auditors were invited to present their Audit Plan, Audit Review Memorandum and draft Audited Financial Statements.

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

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

During the financial year ended 31 December 2017 and during the period from 1 January 2018 to the date of approving this Report on 30 March 2018, the agendas of the Audit Committee meetings included the following:-

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

SUMMARY OF ACTIVITIES

The activities of the Audit Committee during the financial year ended 31 December 2017, and during the period from 1 January 2018 to the date of approving this Report on 30 March 2018 comprised the following:-

1. Financial Reporting

a. Review of quarterly financial results

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

The Audit Committee reviewed the unaudited quarterly financial results for the four (4) quarters of the financial year ended 31 December 2017 at the four (4) Audit Committee quarterly meetings held on 23 May 2017, 24 August 2017, 23 November 2017 and 27 February 2018.

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

- Significant financial reporting issues and judgements;
- The appropriateness of accounting policies, key judgements and fairness of management estimates and going concern assumptions;

- The material financial areas in which significant judgements have been made;
- Changes in or implementation of major accounting policy and practices;
- Compliance with financial reporting standards and governance requirements;
- Other significant and unusual events; and
- The clarity of disclosures.

b. **Audited Financial Statements**

Audit Plan 2017

On 24 August 2017, the Audit Committee conducted a preliminary meeting with the External Auditors to review and discuss the overall Audit Strategy and Audit Plan of the External Auditors for the financial year ending 31 December 2017. The Audit Plan outlined, amongst others, the audit scope, areas of emphasis, risk assessment and audit approach, related party transaction disclosures and procedures, audit timeframe, and prevailing accounting development.

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

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

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

Audit Review Memorandum

The External Auditors were invited to present their Audit Review Memorandum to provide, amongst others, the status of audit, significant audit findings and matters of concerns, significant unusual events, potential key audit matters, fraud related matters, related party disclosures, significant outstanding matters, uncorrected misstatements, accounting developments and capital market development.

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

- On 24 February 2017, the Audit Committee reviewed the Audit Review Memorandum in respect of audit for the financial year ended 31 December 2016 as presented by the External Auditors.

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

  - Whether there were any fraud related matters.

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

    i. Inventory
    ii. Impairment review of goodwill on consolidation
    iii. Recoverability of long outstanding trade receivables

- Potential Key Audit Matter and the justification that this was identified by the External Auditors.

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

- The Audit Committee took note of the accounting developments i.e., MFRS 141 and the new MFRS 9 and ISA 720 pertaining to the External Auditors' responsibilities relating to other information included in the Annual Report.

A private discussion was held between the Audit Committees and the External Auditors without the presence of the Group Managing Director, other Directors and Management. There were no areas of concern raised by the External Auditors in terms of Management's cooperation with the External Auditors, proficiency and adequacy in financial reporting function in particular in relation to compliance of applicable accounting standards.

- On 27 February 2018, the Audit Committee reviewed the Audit Review Memorandum in respect of audit for the financial year ended 31 December 2017 as presented by the External Auditors.

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

  - Whether there were any fraud related matters.

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

    i. Deferred tax assets
    ii. Impairment review of goodwill on consolidation
    iii. Inventory
    iv. Recoverability of long outstanding trade receivables
    v. Impairment review on investment in subsidiaries

  - Potential Key Audit Matter and the justification that this was identified by the External Auditors.

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

  - The Audit Committee also took note of the accounting developments in particular the new MFRS 9 and MFRS 15, their requirements and impact to the Group and the Company's financial statements, and the key changes in the Companies Act, 2016 that may have impact on the financial statements.

Audited Financial Statements

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

As part of the reviewing process, the Audit Committee also discussed with Management with regards to the audit findings, disclosures and key areas relating to the draft Audited Financial Statements, the representation letters issued by the External Auditors and the implementation of audit recommendations.

- On 22 March 2017, a specific meeting was held to review the draft Audited Financial Statements for the financial year ended 31 December 2016.

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

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

2. External Auditors

The Audit Committee is responsible for monitoring the ongoing effectiveness and independence of the External Auditors, and making recommendation to the Board as to the re-appointment of the External Auditors or the appointment of new External Auditors.

a. Independence

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

The External Auditors, namely Messrs. Baker Tilly Monteiro Heng confirmed that in relation to their audit of the financial statements of **HeveaBoard Group** ("the Group") ended 31 December 2017, the Engagement Partners and its staff engaged in the audit of the Group neither hold any direct or indirect financial interest in the Group nor are connected with the Group which would impair their independence, and have complied with the requirements for independence as stipulated in the International Standards on Auditing ("ISA") 260.

b. Audit and Non-Audit Fees

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

The details of the audit and non-audit fees paid/payable in 2017 to the External Auditors and a firm or corporation affiliated to the External Auditors are set out below:-

	Company (RM)	Group (RM)
Audit Fees	72,701.00	158,729.20
Non-Audit Fees		
i) Review of Internal Control	5,525.00	5,525.00
ii) Review of Unrealised Profit	5,425.00	5,425.00
iii) Review of Other Information	5,400.00	5,400.00
iv) Service to perform Agreed-Upon Procedures (TNB)	1,824.00	1,824.00
v) Taxation Service	15,597.70	39,295.42
Total Non-Audit Fees	33,771.70	57,469.42

At the Audit Committee meeting held on 30 March 2018, the Audit Committee recommended to the Board for approval the audit fee of RM72,701.00 and total non-audit fee of RM33,771.70 in respect of the financial year ended 31 December 2017.

The Board at its meeting held on 30 March 2018, approved the audit fees and non-audit fees based on the recommendation of the Audit Committee.

c. **Re-appointment of External Auditors**

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

The Audit Committee performed assessment of the suitability and independence of the External Auditors by considering the following criteria:-

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

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

Following the completion of the 2017 financial year audit, the Audit Committee was satisfied with the quality of audit, effectiveness and independence of Messrs. Baker Tilly Monteiro Heng as External Auditors of the Group and the Company. The Audit Committee continues to consider Messrs. Baker Tilly Monteiro Heng to be suitable in their role as External Auditors of the Group.

In accordance with the By-laws of the Malaysian Institute of Accountants, Messrs. Baker Tilly Monteiro Heng rotates its engagement partner once every five (5) years to ensure objectivity, independence and integrity of audit opinions. The current lead audit engagement partner of the Group will be due for rotation in 2020.

At the Audit Committee meeting held on 30 March 2018, the Audit Committee recommended to the Board for approval to put forward the re-appointment of Messrs. Baker Tilly Monteiro Heng as External Auditors of the Group and the Company for the financial year ending 31 December 2018 at the forthcoming Annual General Meeting based on the following opinion:-

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

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

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

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

The Board at its meeting held on 30 March 2018, approved the re-appointment of Messrs. Baker Tilly Monteiro Heng as the Group and the Company's External Auditors for the ensuing year based on the Audit Committee's recommendation, subject to the shareholders' approval to be sought at the forthcoming Annual General Meeting.

3. **Internal Audit**

The Internal Audit Function has been outsourced to an independent internal audit consulting firm, namely IA Essential Sdn. Bhd. ("Internal Auditors"), who report directly to the Audit Committee.

Internal Audit Report

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

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

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

Date of AC Meeting	Internal Audit Reports reviewed	Objectives of Audit
24 February 2017	Report on Purchasing and Payable in **HeveaBoard**	To evaluate the effectiveness of management control procedures and compliance with the operating instruction in purchasing and payable function.
23 May 2017	Report on Human Resource Management (for Non-Executive Employees) in **HeveaBoard**	To evaluate the effectiveness of management in Human Resource function and its implementation of policies and procedures.
24 August 2017	Report on Annual Risk Assessment Workshop conducted on 17 July 2017	The risk assessment workshop was conducted to identify, re-assess and rate the existing, new and emerging risks, and to evaluate the adequacy of the existing control and the need for further actions.
23 November 2017	Follow-up Audit Report in relation to **HeveaBoard** and its subsidiary, HeveaPac Sdn. Bhd.	Follow-up audit on the status of implementation of proposed actions and audit recommendations.
27 February 2018	Report on inventory management in **HeveaBoard**	To evaluate the effectiveness of management control on inventory management (raw material and finished goods).

Statement on Risk Management and Internal Control

The Audit Committee reviewed the Statement on Risk Management and Internal Control ("SORMIC") at the Audit Committee meetings held on 22 March 2017 and 30 March 2018, for inclusion in the 2016 and 2017 Annual Reports respectively. The External Auditors had reviewed the SORMIC based on their audit during the financial year and provided with limited assurance that nothing has come to their attention that causes them to believe the SORMIC is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of the system of risk management and internal control of the Group.

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

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

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

As such, the Audit Committee must ensure that:-

a. Adequate oversight over the controls on the following:-

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

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

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

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

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

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

At each quarterly meeting, the Audit Committee reviewed the recurrent related party transactions of revenue or trading in nature which include the rental payment for renting of a piece of land from the Company's substantial shareholder, and supplies of services, parts and maintenance by related parties. Announcement on the transactions is not required to be made to Bursa Malaysian Securities Berhad as the value of the transactions does not exceed the threshold as stipulated by the Listing Requirements.

AUDIT COMMITTEE REPORT (CONTINUED)

INTERNAL AUDIT FUNCTION

The Board recognises the importance of the Internal Audit Function and the independent status required for carrying out their functions effectively. For the financial year ended 31 December 2017, the Internal Audit Function of the Company has been outsourced to an independent internal audit consulting firm, namely IA Essential Sdn. Bhd.

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

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

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

The Audit Committee reviews periodically the adequacy of the audit scope, function and resources made available to the Internal Audit Function as well as the competency of the Internal Auditors.

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

The audit approach is designed for the benefit of the Board and Audit Committee. In carrying their audit assessments, the Internal Auditors design their work to assess the effectiveness of management systems of internal control. Nonetheless, this internal audit does not constitute an audit in accordance with general acceptable auditing standard for expressing an opinion on financial statements.

In determining the proposed Internal Audit Plan, the Internal Auditors take into account the following factors in prioritising its audit focus:-

> Corporate Structure
> Functional Activities
> Board Meeting Minutes
> Financial Highlights
> Debtor's and Creditor's Aging
> KPI Achievement Report
> Risk Assessment Report
> Management's areas of concern

Based on the Internal Audit Plan approved by the Audit Committee, the Internal Audit Function has continued focusing its audit activities on the adequacy and effectiveness of internal control systems and governance processes implemented on key audit areas comprising Purchasing, Human Resources and Inventory Controls which are the fundamental functions for manufacturing operations, using Risk Assessment Workshop as Management's self-assessment tools to verify the effectiveness of control in the Group in managing and mitigating key risks. IT General Control Audit has been considered to be conducted to assess the effectiveness of IT General Control within the Group.

The activities of the Internal Audit Function for the financial year ended 31 December 2017 included the following:-

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

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

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

The cost incurred for the Internal Audit Function in respect of the financial year ended 31 December 2017 amounted to RM69,568.30.

This Report was approved by the Board on 30 March 2018.

15. FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report together with the Audited Financial Statements of HeveaBoard Berhad ("the Company") and its subsidiaries ("the Group") for the financial year ended 31 December 2017.

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	64,434	56,187
Attributable to:-		
Owners of the Company	64,434	56,187
Non-controlling interests	–	–
	64,434	56,187

DIVIDENDS

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

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

DIVIDENDS (CONTINUED)

Subsequent to the financial year end, the Company declared a single tier third interim dividend of 1.60 sen per ordinary share in respect of the financial year ended 31 December 2017 on 27 February 2018. 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 31 December 2018.

At the forthcoming Annual General Meeting, a final (single tier) dividend in respect of the financial year ended 31 December 2017, amounting 2.00 sen per ordinary share will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2018.

RESERVES OR PROVISIONS

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

BAD AND DOUBTFUL DEBTS

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

At the date of this report, the directors are not aware of any circumstances 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 financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

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

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

2010/2020 WARRANTS ("Warrants")

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

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

	Number of Warrants			
	At 1.1.2017	**Exercised**	**Expired**	**At 31.12.2017**
Warrants	67,274,774	(57,426,237)	-	9,848,537

The salient terms of the warrants are as follows:-

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

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

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

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and fully paid share capital from 501,151,890 ordinary shares to 558,578,127 ordinary shares through the issuance of 57,426,237 ordinary shares via the exercise of 57,426,237 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.

TREASURY SHARES

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

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

As at 31 December 2017, the Company held 922,000 treasury shares out of its 558,578,127 issued and paid-up ordinary shares. Such treasury shares are held at a carrying amount of RM1,107,237. Further details are disclosed in Note 14 to the financial statements.

DIRECTORS

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

Y. Bhg. Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	
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	
Loo Chin Meng (Alternate director to Dato' Loo Swee Chew)	
Yoong Yan Pin	(Appointed on 27 February 2018)
Sundra Moorthi A/L V.M. Krishnasamy	(Appointed on 27 February 2018)
Thye Heng Ong @ Teh Heng Ong	(Appointed on 27 February 2018)

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

Amir Firdaus Bin Nordin
Peh Ju Chai
Yee Kong Yin

DIRECTORS' INTERESTS

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

Interest in the Company

		Number of ordinary shares		
		At 1 January 2017	**Bought**	**At 31 December 2017**
Direct Interests				
Yoong Hau Chun		600,000	-	600,000
Y. Bhg. Dato' Loo Swee Chew		3,292,000	1,000,000	4,292,000
Lim Kah Poon		200,000	-	200,000
Bailey Policarpio		100,000	-	100,000
Yoong Li Yen		1,639,200	-	1,639,200
Loo Chin Meng (Alternate director to Dato' Loo Swee Chew)		370,000	-	370,000
Indirect Interests				
Yoong Hau Chun	(1)	163,871,090	20,076,437	183,947,527
Y. Bhg. Dato' Loo Swee Chew	(2)	120,959,890	-	120,959,890
Y. Bhg.Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	(3)	252,000	-	252,000
Lim Kah Poon	(4)	84,000	-	84,000
Bailey Policarpio	(5)	1,639,200	-	1,639,200
Yoong Li Yen	(6)	161,491,890	20,076,437	181,568,327
Yoong Tein Seng @ Yong Kian Seng (Alternate director to Yoong Hau Chun)	(7)	173,937,090	20,076,437	194,013,527
Loo Chin Meng (Alternate director to Dato' Loo Swee Chew)	(8)	3,292,000	1,000,000	4,292,000

DIRECTORS' INTERESTS (CONTINUED)

Interest in the Company (Continued)

		Number of warrants		
		At 1 January 2017	**Exercised**	**At 31 December 2017**
Direct Interests				
Yoong Hau Chun		641,050	-	641,050
Y. Bhg. Dato' Loo Swee Chew		1,000,000	(1,000,000)	-
Bailey Policarpio		26,664	-	26,664
Yoong Li Yen		33,332	-	33,332
Yoong Tein Seng @ Yong Kian Seng (Alternate director to Yoong Hau Chun)		1,312,100	(1,312,100)	-
Indirect Interests				
Yoong Hau Chun	(1)	23,085,065	(22,838,401)	246,664
Y. Bhg. Dato' Loo Swee Chew	(2)	1,349,864	(1,149,846)	200,018
Bailey Policarpio	(5)	33,332	-	33,332
Yoong Li Yen	(6)	23,706,115	(22,838,401)	867,714
Yoong Tein Seng @ Yong Kian Seng (Alternate director to Yoong Hau Chun)	(7)	22,400,811	(21,526,301)	874,510
Loo Chin Meng (Alternate director to Dato' Loo Swee Chew)	(8)	1,000,000	(1,000,000)	-

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

(2) Deemed interested by virtue of his substantial shareholdings in HeveaWood Industries Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 in Malaysia, and by virtue of his family relationship with Loo Chin Meng, his son and deemed interested by virtue of HeveaWood Industries Sdn Bhd being entitled to control the exercise of 100% of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.

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

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

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

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

DIRECTORS' INTERESTS (CONTINUED)

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

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 31 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

INDEMNITY TO DIRECTORS AND OFFICERS

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

SUBSIDIARIES

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events subsequent to the end of the financial year are disclosed in Note 36 to the financial statements.

AUDITORS' REMUNERATION

The details of auditors' remuneration are disclosed in Note 26 to the financial statements.

INDEMNITY TO AUDITORS

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

AUDITORS

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

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

....

YOONG HAU CHUN

Director

....

Y. BHG. DATO' LOO SWEE CHEW

Director

Kuala Lumpur

Date: 30 March 2018

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	277,627	229,353	165,076	165,788
Prepaid lease payments	6	5,333	5,562	-	-
Investment in subsidiaries	7	-	-	41,960	40,960
Goodwill on consolidation	8	2,946	2,946	-	-
Deferred tax assets	22	6,500	-	6,500	-
Total non-current assets		292,406	237,861	213,536	206,748
Current assets					
Inventories	9	76,808	70,374	21,745	21,444
Trade and other receivables	10	64,943	71,059	39,973	35,933
Prepayments		4,938	4,139	293	259
Tax recoverable		1,152	409	-	377
Other investments	11	46,239	36,039	46,239	36,039
Cash and short-term deposits	12	77,142	94,312	34,005	25,262
Total current assets		271,222	276,332	142,255	119,314
TOTAL ASSETS		563,628	514,193	355,791	326,062
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	13	157,900	125,288	157,900	125,288
Treasury shares	14	(1,107)	(666)	(1,107)	(666)
Other reserves	15	25	18,280	25	18,280
Retained profits	16	300,602	278,173	146,830	132,648
Total equity		457,420	421,075	303,648	275,550
Non-current liabilities					
Provision for retirement benefits	18	876	1,074	71	276
Loans and borrowings	19	15,607	7,977	1,813	5,089
Deferred tax liabilities	22	6,059	3,908	-	-
Total non-current liabilities		22,542	12,959	1,884	5,365

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017 (CONTINUED)

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Current liabilities					
Trade and other payables	17	76,667	69,074	48,253	41,345
Tax payable		1	2,738	-	-
Loans and borrowings	19	6,998	8,347	2,006	3,802
Total current liabilities		83,666	80,159	50,259	45,147
Total liabilities		106,208	93,118	52,143	50,512
TOTAL EQUITY AND LIABILITIES		563,628	514,193	355,791	326,062

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Revenue	23	544,471	540,045	251,663	241,788
Cost of sales	24	(448,979)	(417,241)	(198,701)	(180,846)
Gross profit		95,492	122,804	52,962	60,942
Other income		6,101	10,016	16,867	11,796
Distribution expenses		(4,885)	(10,390)	(3,183)	(7,628)
Administrative expenses		(27,601)	(27,716)	(14,974)	(11,266)
Other expenses		(1,619)	(2,367)	(899)	(1,909)
Operating profit		67,488	92,347	50,773	51,935
Finance costs	25	(1,543)	(2,051)	(1,012)	(1,627)
Profit before tax	26	65,945	90,296	49,761	50,308
Income tax expense	27	(1,511)	(9,627)	6,426	(229)
Profit for the financial year		64,434	80,669	56,187	50,079
Other comprehensive income		-	-	-	-
Total comprehensive income for the financial year		64,434	80,669	56,187	50,079
Profit for the financial year attributable to:					
Owners of the Company		64,434	80,669	56,187	50,079
Non-controlling interests		-	-	-	-
		64,434	80,669	56,187	50,079
Total comprehensive income attributable to:					
Owners of the Company		64,434	80,669	56,187	50,079
Non-controlling interests		-	-	-	-
		64,434	80,669	56,187	50,079
Earnings per share attributable to owners of the Company (sen)					
- Basic earnings per share	28(a)	11.96	17.27		
- Diluted earnings per share	28(b)	11.75	15.09		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Attributable to owners of the Company					
				Non-distributable		Distributable	
	Note	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Warrant Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
Group							
At 1 January 2016		109,082	-	17,950	330	218,253	345,615
Total comprehensive income for the financial year		-	-	-	-	80,669	80,669
Transactions with owners:							
Arising from exercise of warrants	13	16,206	-	162	(162)	-	16,206
Shares repurchased	14	-	(666)	-	-	-	(666)
Dividends	29	-	-	-	-	(20,749)	(20,749)
Total transaction with owners		16,206	(666)	162	(162)	(20,749)	(5,209)
At 31 December 2016		125,288	(666)	18,112	168	278,173	421,075
Total comprehensive income for the financial year		-	-	-	-	64,434	64,434
Transactions with owners:							
Arising from exercise of warrants	13	14,357	-	143	(143)	-	14,357
Shares repurchased	14	-	(441)	-	-	-	(441)
Dividends	29	-	-	-	-	(42,005)	(42,005)
Total transactions with owners		14,357	(441)	143	(143)	(42,005)	(28,089)
Transaction to no-par value regime		18,255	-	(18,255)	-	-	-
At 31 December 2017		157,900	(1,107)	-	25	300,602	457,420

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

		Attributable to owners of the Company					
				Non-distributable		Distributable	
	Note	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Warrant Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
Company							
At 1 January 2016		109,082	-	17,950	330	103,318	230,680
Total comprehensive income for the financial year		-	-	-	-	50,079	50,079
Transactions with owners:							
Arising from exercise of warrants	13	16,206	-	162	(162)	-	16,206
Shares repurchased	14	-	(666)	-	-	-	(666)
Dividends	29	-	-	-	-	(20,749)	(20,749)
Total transactions with owners		16,206	(666)	162	(162)	(20,749)	(5,209)
At 31 December 2016		125,288	(666)	18,112	168	132,648	275,550
Total comprehensive income for the financial year		-	-	-	-	56,187	56,187
Transactions with owners:							
Arising from exercise of warrants	13	14,357	-	143	(143)	-	14,357
Shares repurchased	14	-	(441)	-	-	-	(441)
Dividends	29	-	-	-	-	(42,005)	(42,005)
Total transactions with owners		14,357	(441)	143	(143)	(42,005)	(28,089)
Transaction to no-par value regime		18,255	-	(18,255)	-	-	-
At 31 December 2017		157,900	(1,107)	-	25	146,830	303,648

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

STATEMENTS OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
Profit before tax		65,945	90,296	49,761	50,308
Adjustments for:					
Amortisation for prepaid lease payments		229	163	-	-
Bad debts written off		10	-	-	-
Depreciation for property, plant and equipment		22,480	25,372	15,036	18,763
Dividend income		-	-	(13,217)	(5,960)
Finance costs		1,543	2,051	1,012	1,627
Finance income		(3,491)	(3,324)	(1,702)	(1,467)
Gain on disposal of property, plant and equipment		(5)	(480)	(3)	(223)
Property, plant and equipment written off		218	-*	-	-
Provision for retirement benefits		105	21	-	21
Unrealised loss/(gain) on foreign exchange		3,559	(1,739)	3,221	(1,098)
Operating profit before changes in working capital		90,593	112,360	54,108	61,971
Changes in working capital:					
Inventories		(6,434)	(7,397)	(301)	(2,118)
Trade and other receivables		3,193	(24,105)	1,053	(14,291)
Trade and other payables		8,000	3,572	6,237	5,055
Net cash flows generated from operations		95,352	84,430	61,097	50,617
Interest paid		-	(31)	-	(31)
Income tax paid		(9,835)	(10,969)	(127)	(303)
Income tax refunded		65	-	-	-
Retirement benefits paid		(303)	(240)	(205)	(240)
Net cash flows generated from operating activities		85,279	73,190	60,765	50,043

* Represented by amount less than RM1,000

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities					
Incorporation of a subsidiary		-	-	(1,000)	-
Advances to subsidiary		-	-	(7,376)	-
Advances to related companies		92	(4)	227	(4)
Deposits placed with licensed banks held for funded employee benefits		198	200	205	200
Dividend received		-	-	13,217	5,960
Interest received		3,491	3,324	1,702	1,467
Net change in other investments		(10,200)	(33,539)	(10,200)	(36,039)
Proceeds from disposal of property, plant and equipment		5	509	3	223
Purchase of property, plant and equipment	(a)	(66,633)	(17,800)	(13,512)	(9,827)
Net cash flows used in investing activities		(73,047)	(47,310)	(16,734)	(38,020)
Cash flows from financing activities					
Dividend paid		(42,005)	(20,749)	(42,005)	(20,749)
Drawdown of term loan		13,838	-	-	-
Interest paid		(1,543)	(2,020)	(1,012)	(1,596)
Proceed from issuance of ordinary shares		14,357	16,206	14,357	16,206
Purchase of treasury shares		(441)	(666)	(441)	(666)
Repayment to related company		-	(2,044)	-	(2,044)
Repayment to subsidiaries		-	-	1,101	(1,410)
Net repayment of finance lease liabilities	(b)	(3,069)	(3,871)	(1,834)	(1,657)
Net repayment of term loan	(b)	(7,718)	(43,209)	(4,050)	(39,459)
Net cash flows used in financing activities		(26,581)	(56,353)	(33,884)	(51,375)
Net change in cash and cash equivalents		(14,349)	(30,473)	10,147	(39,352)
Cash and cash equivalents at the beginning of the financial year		92,403	121,224	24,986	63,887
Effects of exchange rate changes on cash and cash equivalents		(1,788)	1,652	(1,199)	451
Cash and cash equivalents at the end of the financial year		76,266	92,403	33,934	24,986

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Analysis of cash and cash equivalents:					
Deposits placed with licensed banks	12	30,889	54,056	3,142	6,255
Cash and bank balances	12	46,253	40,256	30,863	19,007
		77,142	94,312	34,005	25,262
Less: Deposit placed with licensed banks held for funded employee benefits	12	(876)	(1,074)	(71)	(276)
Bank overdraft		-	(835)	-	-
		76,266	92,403	33,934	24,986

(a) Purchase of property, plant and equipment:

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Purchase of property, plant and equipment	70,972	21,130	14,324	12,096
Financed by way of finance lease arrangements	(4,339)	(3,330)	(812)	(2,269)
Cash payments on purchase of property, plant and equipment	66,633	17,800	13,512	9,827

(b) Reconciliation of liabilities arising from financing activities:

	1 January 2017 RM'000	Cash flows RM'000	Non-Cash: Addition RM'000	Non-Cash: Foreign exchange movement RM'000	31 December 2017 RM'000
Finance lease liabilities	6,171	(3,069)	4,339	(160)	7,281
Term loans	9,318	6,120	-	(114)	15,324
	15,489	3,051	4,339	(274)	22,605

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 30 March 2018.

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 Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

2.2 Adoption of amendments/improvements to MFRSs

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

Amendments/Improvements to MFRSs	
MFRS 12	Disclosure of Interests in Other Entities
MFRS 107	Statement of Cash Flows
MFRS 112	Income Taxes

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 107 Statement of Cash Flows

Amendments to MFRS 107 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The Group and the Company have applied the amendments prospectively and accordingly, have disclosed the reconciliation in the Statement of Cash Flows.

2. BASIS OF PREPARATION (CONTINUED)

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

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

		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
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments/Improvements to MFRSs		
MFRS 1	First-time adoption of MFRSs	1 January 2018
MFRS 2	Share-based Payment	1 January 2018
MFRS 3	Business Combinations	1 January 2019
MFRS 4	Insurance Contracts	1 January 2018
MFRS 9	Financial Instruments	1 January 2019
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 112	Income Taxes	1 January 2019
MFRS 119	Employee Benefits	1 January 2019
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018/ 1 January 2019/ Deferred
MFRS 140	Investment Property	1 January 2018
New IC Int		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019

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

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.

2. **BASIS OF PREPARATION (CONTINUED)**

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

MFRS 9 Financial Instruments (Continued)

Key requirements of MFRS 9 (Continued):-

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; and
(v) recognise revenue when (or as) the entity satisfies a performance obligation.

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

2. **BASIS OF PREPARATION (CONTINUED)**

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

MFRS 16 Leases

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

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

Amendments to MFRS 1 First-time Adoption of MFRSs

Amendments to MFRS 1 deleted the short-term exemptions that relate to MFRS 7 *Financial Instruments: Disclosure*, MFRS 119 *Employee Benefits* and MFRS 10 *Consolidated Financial Statements* because they are no longer applicable.

Amendments to MFRS 9 Financial Instruments

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

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

Amendments to MFRS 112 Income Taxes

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

Amendments to MFRS 119 Employee Benefits

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

Amendments to MFRS 123 Borrowing Costs

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

2. BASIS OF PREPARATION (CONTINUED)

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

IC Int 22 Foreign Currency Transactions and Advance Consideration

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

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

2.4 Functional and presentation currency

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

2.5 Basis of measurement

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

2.6 Use of estimates and judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the 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 that are significant to the financial statements are disclosed in Note 4 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

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

(a) Subsidiaries and business combination

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

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

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

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

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

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

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

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.

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

(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.

(ii) Financial liabilities

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, other than bearer plants, includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.15 to the financial statements.

Cost of bearer plants consists of plantation development costs incurred from the commencement of planting of fungi seedlings up to the maturity of the crop cultivated. Capitalisation of plantation development and other operating costs ceases upon the commencement of commercial harvesting of the agricultural produce.

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.

When bearer plants reached the end of its useful life and is replanted, the carrying amount of the old bearer plants are derecognised.

(c) Depreciation

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

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

	Useful lives (years)
Leasehold land	100
Buildings	20 - 50
Plant, machineries and equipment	5 - 20
Furniture, fittings and renovation	5 - 10
Motor vehicles	5

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

(d) Derecognition

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

3.6 Leases

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases (Continued)

(a) Lessee Accounting

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

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

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

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

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

(b) Lessor Accounting

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

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

3.7 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.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Inventories (Continued)

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

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

3.9 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash in 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (Continued)

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

Loans and receivables and held-to-maturity investments (Continued)

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.

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

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

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

(b) Impairment of non-financial assets

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (Continued)

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

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

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

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. 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

(a) Ordinary shares

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

(b) Treasury shares

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

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

3.12 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Employee benefits (Continued)

(b) Post-employment benefits: Defined contribution plans

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

3.13 Provisions

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

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

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

3.14 Revenue and other income

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 using the effective interest method.

(c) Dividend Income

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

(d) Rental Income

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 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.

3.16 Taxes

(a) 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.

(i) Current tax

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

(ii) 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Taxes (Continued)

(a) Income tax (Continued)

(ii) Deferred tax (Continued)

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.

(b) Goods and services tax

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

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of GST included.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Operating segments

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

3.18 Fair value measurements

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

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

When measuring the fair value of an asset or a liability, the Group 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.

3.19 Earnings Per Ordinary Share

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

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

(a) Deferred tax assets

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

The carrying amount of the Group's recognised deferred tax assets is disclosed in Note 22.

(b) **Inventories**

The Group and the Company write down their obsolete or slow moving inventories based on the assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Reviews are made periodically on inventories for standard costs, obsolete and decline in net realisable value below cost. These review require the use of judgement and estimate. Possible changes in these estimates may result in revision to the valuation of inventories. The carrying amounts of the Group's and the Company's and the Company's inventories are disclosed in Note 9 to the financial statements.

5. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land RM'000	Leasehold Land RM'000	Buildings RM'000	Plant, Machineries and Equipment RM'000	Furniture, Fittings and Renovation RM'000	Motor Vehicles RM'000	Capital Work In Progress RM'000	Total RM'000
2017								
Cost								
At 1 January 2017	7,462	4,061	70,475	430,424	4,295	7,250	977	524,944
Additions	-	-	34,678	25,773	406	1,019	9,069	70,972
Disposals/write-offs	-	-	-	(499)	(13)	(43)	-	(555)
At 31 December 2017	7,462	4,061	105,153	455,698	4,688	8,226	10,073	595,361
Accumulated depreciation								
At 1 January 2017	-	574	17,724	271,397	2,695	3,201	-	295,591
Depreciation charge for the financial year	-	44	1,848	19,181	273	1,134	-	22,480
Disposals/write-offs	-	-	-	(283)	(11)	(43)	-	(337)
At 31 December 2017	-	618	19,572	290,295	2,957	4,292	-	317,734
Carrying amounts								
At 31 December 2017	7,462	3,443	85,581	165,403	1,731	3,934	10,073	277,627
Group								
2016								
Cost								
At 1 January 2016	7,462	4,061	66,246	415,646	3,979	6,028	2,885	506,307
Additions	-	-	4,229	12,979	317	3,605	-	21,130
Transfer from capital work in progress	-	-	-	1,908	-	-	(1,908)	-
Disposals/write-offs	-	-	-	(109)	(1)	(2,383)	-	(2,493)
At 31 December 2016	7,462	4,061	70,475	430,424	4,295	7,250	977	524,944

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold Land RM'000	Leasehold Land RM'000	Buildings RM'000	Plant, Machineries and Equipment RM'000	Furniture, Fittings and Renovation RM'000	Motor Vehicles RM'000	Capital Work In Progress RM'000	Total RM'000
2016								
Accumulated depreciation								
At 1 January 2016	-	529	16,107	248,882	2,435	4,730	-	272,683
Depreciation charge for the financial year	-	45	1,617	22,611	261	838	-	25,372
Disposals/write-offs	-	-	-	(96)	(1)	(2,367)	-	(2,464)
At 31 December 2016	-	574	17,724	271,397	2,695	3,201	-	295,591
Carrying amounts								
At 31 December 2016	7,462	3,487	52,751	159,027	1,600	4,049	977	229,353

Company	Freehold Land RM'000	Leasehold Land RM'000	Buildings RM'000	Plant, Machineries and Equipment RM'000	Furniture, Fittings and Renovation RM'000	Motor Vehicles RM'000	Capital Work In Progress RM'000	Total RM'000
2017								
Cost								
At 1 January 2017	6,034	4,061	33,269	341,588	890	3,942	977	390,761
Additions	-	-	1,035	8,449	31	666	4,143	14,324
Disposals	-	-	-	-	-	(43)	-	(43)
At 31 December 2017	6,034	4,061	34,304	350,037	921	4,565	5,120	405,042
Accumulated depreciation								
At 1 January 2017	-	574	8,380	213,781	659	1,579	-	224,973
Depreciation charge for the financial year	-	44	804	13,483	57	648	-	15,036
Disposals	-	-	-	-	-	(43)	-	(43)
At 31 December 2017	-	618	9,184	227,264	716	2,184	-	239,966

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold Land RM'000	Leasehold Land RM'000	Buildings RM'000	Plant, Machineries and Equipment RM'000	Furniture, Fittings and Renovation RM'000	Motor Vehicles RM'000	Capital Work In Progress RM'000	Total RM'000
2017								
Cost								
Carrying amounts								
At 31 December 2017	6,034	3,443	25,120	122,773	205	2,381	5,120	165,076
Company								
2016								
Cost								
At 1 January 2016	6,034	4,061	30,148	333,081	799	2,885	2.885	379,893
Additions	-	-	3,121	6,599	91	2,285	-	12,096
Transfer from capital work in progress	-	-	-	1,908	-	-	(1,908)	-
Disposals	-	-	-	-	-	(1,228)	-	(1,228)
At 31 December 2016	6,034	4,061	33,269	341,588	890	3,942	977	390,761
Accumulated depreciation								
At 1 January 2016	-	529	7,686	196,285	610	2,328	-	207,438
Depreciation charge for the financial year	-	45	694	17,496	49	479	-	18,763
Disposals	-	-	-	-	-	(1,228)	-	(1,228)
At 31 December 2016	-	574	8,380	213,781	659	1,579	-	224,973
Carrying amounts								
At 31 December 2016	6,034	3,487	24,889	127,807	231	2,363	977	165,788

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 19 to the financial statements with carrying amounts as follows:-

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Freehold land	6,034	6,034	6,033	6,034
Leasehold land	3,443	3,487	3,443	3,487
Buildings	66,698	51,402	6,240	23,543
Plant, machineries and equipments	9,390	13,734	9,390	13,734
Furniture and fittings	-	166	-	166
	85,565	74,823	25,106	46,964

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Plant, machineries and equipments	7,467	9,075	4,128	4,776
Motor vehicles	3,275	3,557	2,308	2,281
	10,742	12,632	6,436	7,057

6. PREPAID LEASE PAYMENTS

	Group	
	2017 RM'000	2016 RM'000
At cost		
At 1 January/ At 31 December	7,530	7,530
Accumulated amortisation		
At 1 January	1,968	1,805
Amortisation during the financial year	229	163
At 31 December	2,197	1,968
Carrying amounts		
At 31 December	5,333	5,562

The leasehold land has been pledged as security to licensed financial institutions for bank borrowings granted to the Group, as disclosed in Note 19 to the financial statements.

7. INVESTMENT IN SUBSIDIARIES

	Company 2017 RM'000	Company 2016 RM'000
At cost		
Unquoted shares	41,960	40,960

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

Name of company	Effective ownership interest/voting rights 2017 %	2016 %	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.
HeveaGro Sdn. Bhd.	100	-	Cultivation and trading of fungi.

On 1 March 2017, the Company has incorporated a new wholly-owned subsidiary namely, HeveaGro Sdn. Bhd. ("HeveaGro").

HeveaGro is incorporated under the Companies Act 2016 with an initial share capital and number of issued shares represented by 1,000,000 ordinary shares, equivalent to RM1,000,000.

The principal activity of HeveaGro is the cultivation of gourmet fungi, packing, distribution and trading of all kind of edible fungi and agro products.

8. GOODWILL ON CONSOLIDATION

	Company	
	2017	2016
	RM'000	RM'000
At 1 January/ 31 December	2,946	2,946

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

	Group	
	2017	2016
	RM'000	RM'000
Ready-to-assemble products segment:		
Manufacturing segment	2,666	2,666
Trading segment	280	280
	2,946	2,946

The recoverable amounts of cash-generating units ("CGUs") in ready-to-assemble products segment are determined based on value-in-use calculations using cash flows projections on financial budgets approved by management covering a 5 years period. The cash flows were projected by the directors based on past experiences, actual operating results and the 5 years business plan. A pre-tax discount rate of 14% was used in determining the value-in-used. The 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 RM307,970,000 and RM6,847,000 for manufacturing segment and trading segment respectively. The expected revenue growth in the cash flows projection was ranged from 5% to 30% per annum for year 2018 to 2022.

- The budgeted gross margin is based on the estimated selling prices, fixed and variable costs, adjusted for market conditions and economic conditions and internal resource efficiency. The budgeted gross margin used is 12.70% and 35.30% 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At cost				
Finished goods	11,566	16,365	4,661	4,854
Raw materials	48,969	40,609	6,031	6,775
Work-in-progress	5,220	3,585	-	-
Consumables and spare parts	11,053	9,815	11,053	9,815
	76,808	70,374	21,745	21,444

The cost of inventories of the Group and the Company recognised as an expense in cost of sales during the financial year was RM447,894,732 (2016: RM389,389,202) and RM179,751,642 (2016: RM160,444,598) respectively.

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Trade				
Trade receivables	45,321	59,590	23,456	30,066
Amount owing by a subsidiary	-	-	920	588
Less: Impairment for trade receivables	-	-	-	-
Trade receivables, net	45,321	59,590	24,376	30,654
Non-trade				
Other receivables	15,093	8,128	8,179	4,813
Refundable deposits	4,387	3,107	35	232
Amount owing by a related company	142	234	7	234
Amount owing by a subsidiary	-	-	7,376	-
	19,622	11,469	15,597	5,279
Less: Impairment for other receivables	-	-	-	-
Other receivables, net	19,622	11,469	15,597	5,279
Total trade and other receivables	64,943	71,059	39,973	35,933

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Chinese Yuan	31	1,293	31	1,293
Euro Dollar	4,756	3,682	802	1,109
Ringgit Malaysia	22,422	17,293	14,975	4,522
Singapore Dollar	-	56	-	52
United States Dollar	37,734	48,735	24,165	28,957
	64,943	71,059	39,973	35,933

Trade receivables are non-interest bearing and normal trade credit terms offered by the Group and the Company ranging from 30 to 90 days (2016: 30 to 90 days) from the date of invoices. Other credit terms are assessed and approved on a case by case basis.

(i) Amount owing by a subsidiary is unsecured, non-interest bearing and repayable upon demand and is expected to be settled in cash.

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

(iii) At the reporting date, approximately 49% (2016: 37%) of the Group's trade receivables were due from 2 major customers.

(iv) Included in Group's deposits is an amount of RM4,243,613 (2016: RM2,660,086) paid for purchase of plant and machineries and motor vehicles, as disclosed in Note 32 to the financial statements.

(v) Ageing analysis

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Neither past due nor impaired	39,710	57,381	23,456	30,066
Past due but not impaired:				
1 - 30 days past due not impaired	867	1,532	-	-
More than 30 days past due not impaired	4,744	677	-	-
	5,611	2,209	-	-
Impaired	-	-	-	-
	45,321	59,590	23,456	30,066

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

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 aging 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.

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 INVESTMENTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current:				
Financial assets at fair value through profit or loss				
- Unquoted money market fund	46,239	36,039	46,239	36,039

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

12. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	46,253	40,256	30,863	19,007
Short-term deposits placed with licensed banks	30,889	54,056	3,142	6,255
	77,142	94,312	34,005	25,262

12. CASH AND SHORT-TERM DEPOSITS (CONTINUED)

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Chinese Yuan	1,628	3,884	1,628	3,884
Indian Rupee	1	1	1	1
Japanese Yen	584	174	584	174
Ringgit Malaysia	56,421	84,577	18,387	17,651
United States Dollar	18,508	5,676	13,405	3,552
	77,142	94,312	34,005	25,262

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

	Group and Company	
	2017 RM'000	2016 RM'000
Interest Rate (%) (per annum)	2.45 -4.10	2.45 - 4.11
Average maturities (months)	1 to 12	1 to 6

Included in the deposits placed with licensed banks of the Group and the Company is an amount of RM875,696 (2016: RM1,073,812) and RM71,428 (2016: RM276,275) respectively representing the funded amounts for the repayment of retirement benefits as disclosed in Note 18 to the financial statements.

13. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		← Amount →	
	2017 '000 unit	2016 '000 unit	2017 RM'000	2016 RM'000
Issued and fully paid up:				
Ordinary shares::				
At 1 January	501,152	436,328	125,288	109,082
Issued for cash under warrant exercised	57,426	64,824	14,357	16,206
Effect from adoption of Companies Act 2016	-	-	18,255	-
At 31 December	558,578	501,152	157,900	125,288

13. SHARE CAPITAL (CONTINUED)

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

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

(b) During the financial year, the Company increased its issued and fully paid share capital from 501,151,890 ordinary shares to 558,578,127 ordinary shares through the issuance of 57,426,237 ordinary shares via the exercise of 57,426,237 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.

14. TREASURY SHARES

	Group and Company			
	Number of ordinary shares		← Amount →	
	2017 '000 unit	2016 '000 unit	2017 RM'000	2016 RM'000
At 1 January	580	-	666	-
Shares repurchased during the financial year	342	580	441	666
At 31 December	922	580	1,107	666

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

Shares repurchased	Number of shares repurchased '000 unit	Total Consideration RM'00
March 2017	1	2
August 2017	1	2
November 2017	240	319
December 2017	100	118
	342	441

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

14. TREASURY SHARES (CONTINUED)

At the Annual General Meeting held on 30 May 2017, the shareholders approved the Company to repurchase of its issued ordinary shares based on the following terms:-

(i) The aggregate number of shares purchased does not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company as quoted on Bursa Securities as at the point of purchase;

(ii) The maximum fund to be allocated by the Company for the purpose of purchasing the shares shall be backed by an equivalent amount of retained profits and share premium; and

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

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

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

15. OTHER RESERVES

	Group and Company	
	2017	**2016**
	RM'000	**RM'000**
Share premium	-	18,112
Warrant reserve	25	168
	25	18,280

(a) Share Premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. Pursuant to Section 618(2) of the Companies Act 2016 in Malaysia, the sum of RM18,255,939 standing to the credit of the Company's share premium account has been transferred and became part of the Company's share capital as disclosed in Note 13.

15. OTHER RESERVES (CONTINUED)

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

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

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

	Number of Warrants			
	At 1.1.2017	**Exercised**	**Expired**	**At 31.12.2017**
Warrants	67,274,774	(57,426,237)	-	9,848,537

The salient terms of the warrants are as follows:-

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

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

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

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

16. RETAINED PROFITS

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

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current				
Trade				
Trade payables	31,171	30,886	19,387	21,101
Non-trade				
Other payables	26,223	11,891	14,025	5,472
Accrued operating expenses	19,273	26,091	8,982	10,014
Amount owing to subsidiaries	-	-	5,859	4,758
Amount owing to a related company	-	206	-	-
	45,496	38,188	28,866	20,244
Total trade and other payables	76,667	69,074	48,253	41,345

(i) The normal trade credit term granted to the Group and the Company range from 30 to 90 days (2016: 30 to 90 days).

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

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Chinese Yuan	386	-	386	-
Euro Dollar	583	54	248	24
Japanese Yen	64	155	64	155
Ringgit Malaysia	74,767	66,038	46,997	39,555
United States Dollar	867	2,827	558	1,611
	76,667	69,074	48,253	41,345

18. PROVISION FOR RETIREMENT BENEFITS

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	1,074	1,261	276	495
Addition	8	53	-	21
Benefits paid during the financial year	(206)	(240)	(205)	(240)
At 31 December	876	1,074	71	276
The retirement benefit obligations are expected to settled as follows:-				
Non-current:-				
- later than 5 years	876	1,074	71	276

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

With effective from 1 April 2014, as a retirement benefit, the Group and the Company shall contribute to the Employees Provident Fund as additional monthly contribution of 8.33% of monthly basic salary only excluding bonus or allowances until the employee attains the age of 60 years. The accumulated retirement benefits up to 31 March 2014 will be paid by the Company into a designated fixed deposit account as disclosed in Note 12 to the financial statements and such amount shall only be paid to the employee upon his/her retirement together with the interest earned.

19. LOANS AND BORROWINGS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current (secured)				
Bank overdraft	-	835	-	-
Finance lease liabilities (Note 20)	3,496	2,399	2,006	1,782
Term loan (Note 21)	3,502	5,113	-	2,020
	6,998	8,347	2,006	3,802
Non-current (secured)				
Finance lease liabilities (Note 20)	3,785	3,772	1,813	3,059
Term loan (Note 21)	11,822	4,205	-	2,030
	15,607	7,977	1,813	5,089
Total loans and borrowings	22,605	16,324	3,819	8,891

19. LOANS AND BORROWINGS (CONTINUED)

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
United States Dollar	1,395	8,502	-	4,050
Ringgit Malaysia	21,210	7,822	3,819	4,841
	22,605	16,324	3,819	8,891

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

	Group		Company	
	2017 %	2016 %	2017 %	2016 %
Bank overdraft	-	7.60 - 8.15	-	-
Finance lease liabilities	2.23 - 3.30	2.23 - 3.30	2.23 - 3.30	2.23 - 3.30
Term loan	2.24 - 7.95	1.33 - 8.35	3.16 - 3.85	1.33 - 5.01

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

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

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

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

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

20. FINANCE LEASE LIABILITIES

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Minimum finance lease payments				
- not later than one year	3,917	2,845	2,164	2,184
- later than one year and not later than five years	3,831	3,809	1,902	3,059
	7,748	6,654	4,066	5,243
Less: Future finance charges	(467)	(483)	(247)	(402)
Present value of minimum finance lease payment	7,281	6,171	3,819	4,841
Represented by:				
Current (Note 19)				
- not later than one year	3,496	2,399	2,006	1,782
Non-current (Note 19)				
- later than one year and not later than five years	3,785	3,772	1,813	3,059
	7,281	6,171	3,819	4,841

Obligations under finance lease arrangement

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

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

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

21. TERM LOAN

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Current: (Note 19)				
- repayable within one year	3,502	5,113	-	2,020
Non-current: (Note 19)				
- not later than two years	2,295	3,597	-	1,670
- later than two years and not later than five years	6,142	608	-	360
- later than five years	3,385	-	-	-
	11,822	4,205	-	2,030
	15,324	9,318	-	4,050

22. DEFERRED TAX ASSETS/(LIABILITIES)

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
At 1 January	3,908	3,122	-	-
Transfer to profit or loss (Note 27)	(4,349)	786	(6,500)	-
At 31 December	(441)	3,908	(6,500)	-

(i) Recognised deferred tax liabilities

Deferred tax liabilities relates to the following:-

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Deferred tax liability:				
Accelerated capital allowance	(6,059)	(3,908)	-	-

(ii) Recognised deferred tax assets

Deferred tax assets relates to the following:-

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Deferred tax assets:				
Investment tax allowance	6,500	-	6,500	-

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

(iii) Unrecognised deferred tax assets

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

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Excess of carrying amount over corresponding tax written down value	(116,079)	(122,303)	(115,981)	(122,303)
Provision for retirement benefit	71	276	71	276
Unabsorbed allowances on:-				
- capital allowances	72	12,763	-	12,763
- investment tax allowances	186,879	248,805	186,879	248,805
- reinvestment allowance	2,633	2,633	2,633	2,633
Unutilised tax losses	1,461	1,327	1,327	1,327
	75,037	143,501	74,929	143,501
Potential deferred tax assets not recognised at 24% (2016: 24%)	18,009	34,440	17,983	34,440

23. REVENUE

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

24. COST OF SALES

Cost of sales represents the costs of inventories sold.

25. FINANCE COSTS

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Finance costs:				
- bank overdraft	-	31	-	31
- finance lease	477	491	251	293
- letter of credit	671	794	671	794
- term loan	395	735	90	509
	1,543	2,051	1,012	1,627

26. PROFIT BEFORE TAX

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Amortisation of prepaid lease payments	229	163	-	-
Auditors' remuneration:-				
- Statutory:-				
- current year	149	123	73	58
- underprovision in prior year	26	10	16	-
- Non-statutory	70	60	70	60
Bad debts written off	10	-	-	-
Depreciation of property, plant and equipment	22,480	25,372	15,036	18,763
Directors' remunerations:-				
- Directors of the Company				
- Directors' allowances	167	157	167	157
- Directors' fees	775	728	715	668
- Directors' emoluments:-				
- salaries and bonus	2,138	2,015	2,138	2,015
- defined contribution plan	236	220	236	220
- Directors of the subsidiaries				
- Directors' fees	24	24	-	-
- Directors' emoluments:-				
- salaries and bonus	2,360	2,687	-	-
- defined contribution plan	428	515	-	-
- other benefits	2,654	6,150	-	-
Loss on foreign exchange:-				
- realised	1,237	-	1,234	-
- unrealised	3,559	-	3,221	-
Staff costs:-				
- salaries, wages and bonuses	65,067	63,284	14,412	14,657
- defined contribution plan	2,979	2,230	1,617	1,439
- other staff related expenses	3,876	4,357	2,374	2,603
Provision for retirement benefits:-				
- directors	264	242	143	130
- others	86	85	86	85
Property, plant and equipment written off	218	-*	-	-
Rental of equipment	215	246	210	234
Rental of premises	79	48	4	-
Rental of land	180	180	180	180

26. PROFIT BEFORE TAX (CONTINUED)

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Dividend income	-	-	(13,217)	(5,960)
Gain on disposal of				
property, plant and equipment	(5)	(480)	(3)	(223)
Gain on foreign exchange:				
- realised	(438)	(2,431)	-	(1,279)
- unrealised	-	(1,739)	-	(1,098)
Interest income	(3,491)	(3,324)	(1,702)	(1,467)

The estimated monetary value of benefits-in-kind received and receivable by a director other than cash from the Company amounted to RM13,325 (2016: RM13,325).

* Represented by amount less than RM1,000.

27. INCOME TAX EXPENSE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Income tax				
- current year	(6,669)	(10,728)	(74)	(229)
- over provision in prior year	809	1,887	-	-
	(5,860)	(8,841)	(74)	(229)
Deferred taxation (Note 22)				
- current year	5,312	(775)	6,500	-
- underprovision in prior year	(963)	(11)	-	-
	4,349	(786)	6,500	-
	(1,511)	(9,627)	6,426	(229)

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2016: 24%) of the estimated assessable profit for the financial year.

27. INCOME TAX EXPENSE (CONTINUED)

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before tax	65,945	90,296	49,761	50,308
Tax at Malaysian statutory income tax rate of 24% (2016: 24%)	(15,827)	(21,671)	(11,943)	(12,074)
Tax effects arising from				
- non-deductible expenses	(2,401)	(1,372)	(1,595)	(911)
- non-taxable income	440	466	3,507	1,682
- reversal of deferred tax assets not recognised in the financial statements	16,431	11,074	16,457	11,074
- (under)/overprovision in prior years	(154)	1,876	-	-
Income tax expense	(1,511)	(9,627)	6,426	(229)

28. EARNINGS PER SHARE

(a) Basic earnings per ordinary share

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

	Group	
	2017	2016
Profit for the financial year attributable to owners of the Company (RM'000)	64,434	80,669
Weighted average number of shares ('000 units)	538,657	467,180
Basic earnings per ordinary share (sen)	11.96	17.27

(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.

28. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per ordinary share (continued)

	Group	
	2017 RM'000	2016 RM'000
Profit for the financial year attributable to owners of the Company	64,434	80,669

	2017 '000 units	2016 '000 units
Weighted average number of ordinary shares in issue	538,657	467,180
Add: Effect of dilution of share warrants	9,849	67,275
Weighted average number of ordinary shares for diluted earnings per share	548,506	534,455
Diluted earning per share (sen)	11.75	15.09

29. DIVIDENDS

	Group and Company	
	2017	2016
	RM'000	RM'000
Recognised during the financial year:-		
Single tier third interim dividend of 2.00 sen per ordinary share of RM0.25 each in respect of the financial year ended 31 December 2016, paid on 31 March 2017.	10,700	-
Single tier final dividend of 2.50 sen per ordinary share of RM0.25 each in respect of the financial year ended 31 December 2016, paid on 29 June 2017.	13,471	-
Single tier first interim dividend of 1.60 sen per ordinary share in respect of the financial year ended 31 December 2017, paid on 9 October 2017.	8,911	-
Single tier second interim dividend of 1.60 sen per ordinary share in respect of the financial year ended 31 December 2017, payable on 5 January 2018.	8,923	-
Single tier third interim dividend of 0.75 sen per ordinary share of RM0.25 each in respect of the financial year ended 31 December 2015, paid on 8 April 2016.	-	3,348
Single tier final dividend of 1.00 sen per ordinary share of RM0.25 each in respect of the financial year ended 31 December 2015, paid on 13 July 2016.	-	4,613
Single tier first interim dividend of 1.30 sen per ordinary share of RM0.25 each in respect of the financial year ended 31 December 2016, paid on 23 September 2016.	-	6,284
Single tier second interim dividend of 1.30 sen per ordinary share of RM0.25 each in respect of the financial year ended 31 December 2016, paid on 21 December 2016.	-	6,504
	42,005	20,749

Subsequent to the financial year end, the Company declared a single tier third interim dividend of 1.60 sen per ordinary share in respect of the financial year ended 31 December 2017 on 27 February 2018. 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 31 December 2017.

At the forthcoming Annual General Meeting, a final (single tier) dividend in respect of the financial year ended 31 December 2017, amounting 2.00 sen per ordinary share will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2018.

30. RELATED PARTIES

(a) Identity 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 directors who are the key management personnel; and

(iii) entities controlled by certain key management personnel, directors and/or substantial shareholders, namely HeveaWood Industries Sdn. Bhd. and Gemas Ria Sdn. Bhd.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:-

	Company	
	2017	**2016**
	RM'000	**RM'000**
Dividend income from a subsidiary		
- HeveaPac Sdn. Bhd.	12,617	5,960
- BocoWood Sdn. Bhd.	600	-
Sales to subsidiaries		
- HeveaPac Sdn. Bhd.	10,286	12,529
- HeveaMart Sdn. Bhd.	9,492	6,023
Purchase from a subsidiary		
- HeveaPac Sdn. Bhd.	(118)	(95)
Rental expense		
- HeveaWood Industries Sdn. Bhd.	180	180

30. **RELATED PARTIES (CONTINUED)**

(c) **Compensation of key management personnel**

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

	Group and Company	
	2017	**2016**
	RM'000	**RM'000**
Short term employees benefits payable to key management personnel:-		
- salaries and bonus	3,494	3,249
- defined contribution plans	362	352
- other benefits	354	395
	4,210	3,996

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.

31. **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	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors of the Company				
Executive Directors:-				
- salaries, bonus and defined contribution plans	2,534	2,357	2,534	2,357
- other emoluments	-	2,050	-	-
	2,534	4,407	2,534	2,357
Non-executive Directors:-				
- fees	775	728	715	668
- other emoluments	-	178	-	178
	775	906	715	846
Total Directors' remuneration	3,309	5,313	3,249	3,203

31. DIRECTORS' REMUNERATION (CONTINUED)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Retirement benefits for Executive Directors	143	130	143	130

32. CAPITAL COMMITMENT

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Capital expenditure commitment				
Property, plant and equipment:-				
- Contracted but not provided for	8,516	3,290	525	2,703

33. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Board of directors/ respective Executive Committee as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group's operating segments are classified according to the nature of activities as follows:-

Particleboards segment : Involved in the business of manufacturing and trading of particleboards and other panel boards;

Ready-to-assemble Product Segment : Involved in the business of manufacturing and trading of ready- to-assemble furniture; and

Others : Involved in the business of cultivation and trading of fungi as well as 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.

33. OPERATING SEGMENTS (CONTINUED)

Group 2017	Particle-boards RM'000	Ready-to-assemble products RM'000	Others RM'000	Eliminations RM'000		Total RM'000
REVENUE						
External revenue	231,918	312,553	-	-		544,471
Inter-segment revenue	19,745	12,023	-	(31,768)	A	-
Total revenue	251,663	324,576	-	(31,768)		544,471
RESULTS						
Segment results	50,773	30,594	(514)	(13,365)	B	67,488
Finance costs	(1,012)	(531)				(1,543)
Profit before tax	49,761	30,063	(514)	(13,365)		65,945
Taxation						(1,511)
Profit after tax						64,434
Non-controlling interest						-
Profit attributable to owners of the Company						64,434
CONSOLIDATED STATEMENT OF FINANCIAL POSITION						
Segment assets #	349,292	246,199	14,297	(53,812)	C	555,976
Unallocated corporate assets						7,652
Total assets						563,628
Segment liabilities ^	52,144	54,646	7,720	(14,362)	D	100,148
Unallocated corporate liabilities						6,060
Total liabilities						106,208
OTHER INFORMATION						
Capital expenditure	14,324	51,696	4,952	-		70,972
Depreciation and amortisation	15,036	7,673	-	-		22,709
Non-cash items other than depreciation and amortisation	-	228	-	-		228

33. OPERATING SEGMENTS (CONTINUED)

Group 2016	Particle-boards RM'000	Ready-to-assemble products RM'000	Others RM'000	Eliminations RM'000		Total RM'000
REVENUE						
External revenue	223,236	316,809	-	-		540,045
Inter-segment revenue	18,552	14,059	-	(32,611)	A	-
Total revenue	241,788	330,868	-	(32,611)		540,045
RESULTS						
Segment results	51,935	46,578	(21)	(6,145)	B	92,347
Finance costs	(1,627)	(424)	-	-		(2,051)
Profit before tax	50,308	46,154	(21)	(6,145)		90,296
Taxation						(9,627)
Profit after tax						80,669
Non-controlling interest						-
Profit attributable to owners of the Company						80,669
CONSOLIDATED STATEMENT OF FINANCIAL POSITION						
Segment assets #	325,685	226,625	6,114	(44,640)	C	513,784
Unallocated corporate assets						409
Total assets						514,193
Segment liabilities ^	50,512	42,264	23	(6,327)	D	86,472
Unallocated corporate liabilities						6,646
Total liabilities						93,118
OTHER INFORMATION						
Capital expenditure	12,097	9,033	-	-		21,130
Depreciation and amortisation	18,764	6,771	-	-		25,535
Non-cash items other than depreciation and amortisation	-	-*	-	-		-*

Segment assets comprise total current and non-current assets, less tax recoverable and deferred tax assets.
^ Segment liabilities comprise total current and non-current liabilities, less tax payable and deferred tax liabilities.
* Represented by amount less than RM1,000.

33. 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:-

	2017 RM'000	2016 RM'000
Dividend income	(13,217)	(5,960)
Unrealised profits on inventories	(138)	(185)
Others	(10)	-
	(13,365)	(6,145)

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

	2017 RM'000	2016 RM'000
Investment in subsidiaries	(38,868)	(38,014)
Inter-segment assets	(14,944)	(6,626)
	(53,812)	(44,640)

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

	2017 RM'000	2016 RM'000
Inter-segment liabilities	(14,362)	(6,327)
	(14,362)	(6,327)

E Non-cash items consist of:-

	2017 RM'000	2016 RM'000
Property, plant and equipment written off	218	-*
Bad debt written off	10	-
	228	-

* Represented by amount less than RM1,000.

33. 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	
	2017 RM'000	2016 RM'000
Australia	37,403	40,716
Brunei	29,373	26,834
China	126,607	116,971
France	8,669	12,671
India	17,575	29,567
Japan	192,185	167,853
Korea	39,141	28,209
Malaysia	35,211	36,447
United Arab Emirates	8,468	7,866
United Kingdom	12,962	13,245
Others	36,877	59,666
	544,471	540,045

Major customers

Two major customers with revenue equal to more than 37% (2016: 31%) of the Group revenue, amounted to approximately RM199,789,685 (2016: RM167,906,132) arising from particleboards and ready-to-assemble furniture segments.

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

(i) Loans and receivables ("L&R")
(ii) Fair value through profit or loss ("FVTPL") - Held for trading ("HFT")
(iii) Other financial liabilities ("FL")

	Carrying amount RM'000	L&R/(FL) RM'000	FVTPL-HFT RM'000
At 31 December 2017			
Financial assets			
Group			
Trade and other receivables	64,943	64,943	-
Other investments	46,239	-	46,239
Cash and short-term deposits	77,142	77,142	-
	188,324	142,085	46,239
Company			
Trade and other receivables	39,973	39,973	-
Other investments	46,239	-	46,239
Cash and short-term deposits	34,005	34,005	-
	120,217	73,978	46,239
At 31 December 2017			
Financial liabilities			
Group			
Trade and other payables	(76,667)	(76,667)	-
Loans and borrowings	(22,605)	(22,605)	-
	(99,272)	(99,272)	-
Company			
Trade and other payables	(48,253)	(48,253)	-
Loans and borrowings	(3,819)	(3,819)	-
	(52,072)	(52,072)	-

34. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (Continued)

	Carrying amount RM'000	L&R/(FL) RM'000	FVTPL-HFT RM'000
At 31 December 2016			
Financial assets			
Group			
Trade and other receivables	71,059	71,059	-
Other investments	36,039	-	36,039
Cash and short-term deposits	94,312	94,312	-
	201,410	165,371	36,039
Company			
Trade and other receivables	35,933	35,933	-
Other investments	36,039	-	36,039
Cash and short-term deposits	25,262	25,262	-
	97,234	61,195	36,039
At 31 December 2016			
Financial liabilities			
Group			
Trade and other payables	(69,074)	(69,074)	-
Loans and borrowings	(16,324)	(16,324)	-
	(85,398)	(85,398)	-
Company			
Trade and other payables	(41,345)	(41,345)	-
Loans and borrowings	(8,891)	(8,891)	-
	(50,236)	(50,236)	-

34. 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.

34. 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Australia	1,267	2,304	116	62
Brunei	187	-	187	-
China	17,474	20,745	17,474	20,745
Europe	227	-	-	-
France	1	-	-	-
Hong Kong	1,830	-	1,830	-
India	1,420	2,162	1,323	2,162
Indonesia	(380)	972	(380)	-
Japan	10,857	13,662	(288)	48
Korea	1,999	2,831	1,999	2,831
Malaysia	8,136	11,980	(86)	861
Morocco	306	-	-	-
Oman	252	-	252	-
Philippines	130	-	130	-
Portugal	64	-	-	-
Singapore	269	-	-	-
Sri Lanka	616	-	616	-
United Arab Emirates	283	2,246	283	2,246
United States of America	383	40	-	-
Others	-	2,648	-	1,111
	45,321	59,590	23,456	30,066

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.

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit Risk (Continued)

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.

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 RM18,516,587 (2016: RM6,102,343) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 34(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, Chinese Yuan, Euro Dollar, Japanese Yen, Singapore Dollar and Indian Rupee.

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.

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(ii) Foreign Currency Risk (Continued)

The Group's exposure to foreign currency (a currency which is other than currency of the Group entities) risk, based on carrying amounts as at the end of reporting period is as follows:-

Group	Chinese Yuan RM'000	Indian Rupee RM'000	Euro Dollar RM'000	Japanese Yen RM'000	Singapore Dollar RM'000	United States Dollar RM'000
2017						
Trade and other receivables	31	-	4,756	-	-	37,734
Trade and other payables	(386)	-	(583)	(64)	-	(867)
Cash and short-term deposits	1,628	1	-	584	-	18,508
Loans and borrowings	-	-	-	-	-	(1,395)
	1,273	1	4,173	520	-	53,980
2016						
Trade and other receivables	1,293	-	3,682	-	56	48,735
Trade and other payables	-	-	(54)	(155)	-	(2,827)
Cash and short-term deposits	3,884	1	-	174	-	5,676
Loans and borrowings	-	-	-	-	-	(8,502)
	5,177	1	3,628	19	56	43,082
Company						
2017						
Trade and other receivables	31	-	802	-	-	24,165
Trade and other payables	(386)	-	(248)	(64)	-	(558)
Cash and short-term deposits	1,628	1	-	584	-	13,405
Loans and borrowings	-	-	-	-	-	-
	1,273	1	554	520	-	37,012
2016						
Trade and other receivables	1,293	-	1,109	-	52	28,957
Trade and other payables	-	-	(24)	(155)	-	(1,611)
Cash and short-term deposits	3,884	1	-	174	-	3,552
Loans and borrowings	-	-	-	-	-	(4,050)
	5,177	1	1,085	19	52	26,848

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

34. 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	
	2017 Increase/ (Decrease) RM'000	2016 Increase/ (Decrease) RM'000	2017 Increase/ (Decrease) RM'000	2016 Increase/ (Decrease) RM'000
Effects on profit or loss and equity				
Chinese Yuan:-				
- strengthened by 10%	127	518	127	518
- weakened by 10%	(127)	(518)	(127)	(518)
Euro Dollar:-				
- strengthened by 10%	417	363	55	109
- weakened by 10%	(417)	(363)	(55)	(109)
Japanese Yen:-				
- strengthened by 10%	52	2	52	2
- weakened by 10%	(52)	(2)	(52)	(2)
Singapore Dollar:-				
- strengthened by 10%	-	6	-	5
- weakened by 10%	-	(6)	-	(5)
United States Dollar:-				
- strengthened by 10%	5,398	4,308	3,701	2,685
- weakened by 10%	(5,398)	(4,308)	(3,701)	(2,685)

34. 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):-

		Contractual cash flow		
	Carrying Amount RM'000	On demand or within 1 year RM'000	Between 1 and 5 years RM'000	Total RM'000
Group				
Financial Liabilities				
2017				
Trade and other payables	76,667	76,667	-	76,667
Loans and borrowings:-				
- Finance lease liabilities	7,281	3,917	3,831	7,748
- Term loan	15,324	4,197	13,535	17,732
	99,272	84,781	17,366	102,147
2016				
Trade and other payables	69,074	69,074	-	69,074
Loans and borrowings:-				
- Bank overdraft	835	901	-	901
- Finance lease liabilities	6,171	2,845	3,809	6,654
- Term loan	9,318	5,418	4,381	9,799
	85,398	78,238	8,190	86,428

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(iii) Liquidity Risk (Continued)

		Contractual cash flow		
	Carrying Amount RM'000	On demand or within 1 year RM'000	Between 1 and 5 years RM'000	Total RM'000
Company				
Financial Liabilities				
2017				
Trade and other payables	48,253	48,253	-	48,253
Loans and borrowings:-				
- Finance lease liabilities	3,819	2,006	1,813	3,819
Financial guarantee contracts	-	18,517	-	18,517
	52,072	68,776	1,813	70,589
2016				
Trade and other payables	41,345	41,345	-	41,345
Loans and borrowings:-				
- Finance lease liabilities	4,841	2,184	3,059	5,243
- Term loan	4,050	2,141	2,100	4,241
Financial guarantee contracts	-	6,102	-	6,102
	50,236	51,772	5,159	56,931

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(iv) Interest Rate Risk

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

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

The Group and the Company manage the net exposure to interest rate risks by maintaining sufficient lines of credit to obtain acceptable lending costs and by monitoring the exposure to such risks on an on-going basis. Management does not enter into interest rate hedging transactions since it considers that the cost of such instruments outweigh the potential risk of interest rate fluctuation.

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

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Fixed rate instruments				
Financial liabilities				
Finance lease liabilities	7,281	6,171	3,819	4,841
Financial asset				
Short-term deposits placed with licensed banks	30,889	54,056	3,142	6,255
Floating rate instruments				
Financial liabilities				
Bank overdrafts	-	835	-	-
Term loan	15,324	9,318	-	4,050

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

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(iv) Interest Rate Risk (Continued)

Sensitivity analysis for interest rate risk

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets at fair value through profit or loss and equity. Therefore, a change in interest rates at the reporting date would not affect profit or loss and equity.

Cash flow sensitivity analysis for variable rate instruments

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

	Profit or loss and Equity			
	2017		2016	
	Increase 1% RM'000	Decrease 1% RM'000	Increase 1% RM'000	Decrease 1% RM'000
Group				
Variable rate instruments	(153)	153	(102)	102
Company				
Variable rate instruments	-	-	(41)	41

(c) Fair value measurement

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

As at 31 December 2017, the fair value of other investments as disclosed in Note 11 to the financial statements is measured under Level 1, of which is determined directly by reference to prices provided by investment banks.

During the financial year ended 31 December 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

34. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurement (Continued)

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

	2017		2016	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Group				
Financial assets				
Financial liabilities				
Level 3				
Financial instrument not carried at fair value:				
Hire purchase liabilities	7,281	7,248	6,171	6,220
Company				
Financial assets				
Financial liabilities				
Level 3				
Financial instrument not carried at fair value:				
Hire purchase liabilities	3,819	3,790	4,841	4,853

Level 3 fair value

Fair value of financial instrument not carried at fair value

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

35. 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.

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

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Total borrowings	22,605	16,324	3,819	8,891
Less:				
Cash and short-term deposits	(77,142)	(94,312)	(34,005)	(25,262)
Add:				
Deposit placed with licensed banks held for employee benefits	876	1,074	71	276
Bank overdraft	-	835	-	-
Net cash	(53,661)	(76,079)	(30,115)	(16,095)
Equity attributable to owners of the Company	457,420	421,075	303,648	275,550
Debt-to-equity ratio (times)	N/A	N/A	N/A	N/A

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

36. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 11 January 2017, HeveaPac Sdn. Bhd. ("HeveaPac"), a wholly-owned subsidiary of the Company has entered into a Sale and Purchase Agreement ("the SPA") with Mr Yee Kong Yin ("the Vendor"), the Director of HeveaPac for the acquisition of a leasehold vacant land ("the Land") located at Pajakan Negeri 38000 Lot 6246 Pekan Sungai Gadut, District of Seremban and State of Negeri Sembilan measuring approximately 3.127 Hectares (7.7269 acres) for a cash consideration of RM13,463,350 ("the Purchase Price"). The completion date for the acquisition is on 19 June 2017.

STATEMENT BY DIRECTORS
(PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016)

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 accompanying financial statements set out on pages 60 to 131 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

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

....
YOONG HAU CHUN
Director

....
Y. BHG. DATO' LOO SWEE CHEW
Director

Kuala Lumpur

Date: 30 March 2018

STATUTORY DECLARATION
(PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016)

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 accompanying financial statements set out on pages 60 to 131 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 30 March 2018.

Before me,

....
Commissioner for Oaths

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of HeveaBoard Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 60 to 131.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Inventories (Note 9 to the financial statements)

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

Our response:-

Out audit procedures included, among others:-
- observing year end physical inventory count to examine physical existence and condition of the finished goods and evaluating the design and implementation of controls during the count;
- reviewing subsequent sales and evaluating the Group's and the Company's assessment on estimated net realizable value on selected inventory items;
- reviewing whether the inventories have been written down to their net realizable value for inventory items with net realizable value lower than their cost; and
- reviewing the Group's and the Company's estimation used in the standard cost calculations.

Deferred tax assets (Note 22 to the financial statements)

As at 31 December 2017, the Group and the Company have recognised and unrecognised deferred tax assets of RM18,009,000 and RM17,983,000 respectively. The recognition of deferred tax assets is dependent on the ability of the Group and the Company to generate sufficient future taxable profits to be utilised against the unused tax credit of the Group and the Company.

We focused on this area because the Directors made significant judgement on the realisation of these deferred tax assets which is dependent on future taxable profits to support the recognition of deferred tax assets.

Our response:-

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

- evaluating information available to support the assumption made by the management;
- reviewing the profit projections by comparing the assumptions made as well as our assessments in relation to key inputs such as growth rate, and profit margin; and
- testing the mathematical accuracy of the profit projection calculation.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng	Ong Teng Yan
No. AF 0117	No. 03076/07/2019 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur

Date: 30 March 2018

16.
LIST OF PROPERTIES

Registered Owner	Location	Description/ existing use	Tenure of Land	Land Area	Net Book Value as at 31 December 2017 (RM'000)
HeveaBoard	Lot 1941 & 1942, Batu Tiga, Jalan Tampin, 73400 Gemas Negeri Sembilan Darul Khusus	Factory, Office and Warehouse	Freehold	31,580 sq. m	8,314
	Lot 4577/8, Batu Tiga, Jalan Tampin, 73400 Gemas, Negeri Sembilan Darul Khusus	Factory and Warehouse	Leasehold (Expires on 13-8-2095)	81,824 sq. m	19,772
	19A-10-2, Level 10, UOA Centre, No 19 Jalan Pinang 50450 Kuala Lumpur	Office	Freehold	173 sq. m	1,964
	Lot 4184, 4185 & 4186 Jalan Tampin, 73400 Gemas Negeri Sembilan Darul Khusus	Storage Yard for logs and wood slabs	Freehold	39,225 sq. m	2,740
	No 44 & 45 Jalan Pahlawan 4 Taman, 73400 Gemas Negeri Sembilan Darul Khusus	Staff Quarters	Freehold	290 sq. m	509
Hevea OSB	Lot 1943, Batu Tiga Jalan Tampin, 73400 Gemas Negeri Sembilan Darul Khusus	Vacant Land	Freehold	20,234 sq. m	1,429
HeveaPac	PT 414, Kawasan Perindustrian Sg. Gadut, KM 11, Jalan Tampin, 71450 Seremban, Negeri Sembilan	Factory Buildings and Office Blocks	Leasehold (Expires on 22-1-2047)	39,659 sq. m	11,903
	PT 406, Kawasan Perindustrian Sg. Gadut, KM 11, Jalan Tampin, 71450 Seremban, Negeri Sembilan Darul Khusus	Factory Buildings and Office Blocks	Leasehold (Expires on 24-3-2046)	40,468 sq. m	14,782
	PT 403, Kawasan Perindustrian Sg. Gadut, KM 11, Jalan Tampin, 71450 Seremban, Negeri Sembilan Darul Khusus	Warehouse Hostel	Leasehold (Expires on 21-3-2045)	21,044sq. m	6,436
	PT 405, Kawasan Perindustrian Sg. Gadut, KM 11, Jalan Tampin, 71450 Seremban, Negeri Sembilan Darul Khusus	Factory Buildings and Office Blocks	Leasehold (Expires on 7-3-2046)	31,270sq.m	13,526

17.
ANALYSIS OF SHAREHOLDINGS
AS AT 3 APRIL 2018

A. SHARE CAPITAL

Total Number of Issued Shares	:	557,667,527 shares*
Class of Shares	:	Ordinary shares
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	:	1,273,000 shares

**Excluding a total of 1,273,000 shares bought back by the Company and retained as treasury shares.*

B. DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Holders	%	No. of Shares	%
Less than 100	25	0.32	637	*0.00
100 – 1,000	1,185	15.02	778,036	0.14
1,001 – 10,000	4,133	52.39	22,076,850	3.96
10,001 – 100,000	2,160	27.38	70,847,502	12.70
100,001 – 27,883,375 (less than 5% of issued holdings)	384	4.87	318,543,427	57.12
27,883,376 (5% of issued holdings) and above	2	0.02	145,421,075	26.08
Total	**7,889**	**100.00**	**557,667,527**	**100.00**

**Negligible*

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

	Name	Direct No. of Shares	%	Indirect No. of Shares	%	
1.	HeveaWood Industries Sdn. Bhd.	116,740,290	20.93	3,849,600	0.70	@
2.	Firama Holdings Sdn. Bhd.	30,294,785	5.43	134,721,890	24.16	*
3.	Tenson Holdings Sdn. Bhd.	16,231,652	2.91	165,016,675	29.59	**
4.	Mah Fah Victor Group Sdn. Bhd.	-	-	165,016,675	29.59	**
5.	Employees Provident Fund Board	30,856,500	5.53	-	-	
6.	Yoong Hau Chun	600,000	0.11	184,327,527	33.05	#
7.	Yoong Li Yen	1,639,200	0.29	181,948,327	32.63	****
8.	Yoong Tein Seng @ Yong Kian Seng	-	-	194,393,527	34.86	***
9.	Dato' Loo Swee Chew	4,292,000	0.77	120,959,890	21.69	❖
10.	Liang Chong Wai	10,400	0.002	120,589,890	21.62	~

C. SUBSTANTIAL SHAREHOLDERS (CONTINUED)

@ *Deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.*

* *Deemed interested by virtue of its substantial shareholdings in both HeveaWood Industries Sdn. Bhd. and Firama Engineering Bhd. pursuant to Section 8 of the Companies Act, 2016 ("the Act") and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.*

** *Deemed interested by virtue of its substantial shareholdings in HeveaWood Industries Sdn. Bhd., Firama Holdings Sdn. Bhd. and Firama Engineering Bhd. (shareholdings held through Firama Holdings Sdn. Bhd.) pursuant to Section 8 of the Act and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.*

\# *Deemed interested by virtue of Section 8 of the Act [shareholdings held through Tenson Holdings Sdn. Bhd., a substantial shareholder of Firama Holdings Sdn. Bhd., HeveaWood Industries Sdn. Bhd. and Firama Engineering Bhd (shareholdings held through Firama Holdings Sdn. Bhd.)] and by virtue of his family relationship with Tan Ya Ling, his spouse and Yoong Li Yen, his sister and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.*

**** *Deemed interested by virtue of her family relationship with Bailey Policarpio, her spouse, Yoong Hau Chun, her brother and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.*

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

❖ *Deemed interested by virtue of his substantial shareholdings in HeveaWood Industries Sdn. Bhd. pursuant to Section 8 of the Act and by virtue of his family relationship with Loo Chin Meng, his son and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.*

~ *Deemed interested by virtue of his substantial shareholdings in HeveaWood Industries Sdn. Bhd. pursuant to Section 8 of the Act and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.*

D. DIRECTORS' SHAREHOLDINGS

(as per Register of Directors' Shareholdings)

	Name	Direct No. of Shares	%	Indirect No. of Shares	%
1.	Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	-	-	252,000[1]	0.05
2.	Yoong Hau Chun	600,000	0.11	184,327,527[2]	33.05
3.	Yoong Li Yen	1,639,200	0.29	181,948,327[3]	32.63
4.	Dato' Loo Swee Chew	4,292,000	0.77	120,959,890[4]	21.69
5.	Lim Kah Poon	200,000	0.04	84,000[5]	0.02
6.	Bailey Policarpio	100,000	0.02	1,639,200[6]	0.29

D. DIRECTORS' SHAREHOLDINGS (CONTINUED)

	Name	Direct No. of Shares	%	Indirect No. of Shares	%
7.	Yoong Yan Pin	-	-	-	-
8.	Sundra Moorthi A/L V.M. Krishnasamy	-	-	-	-
9.	Thye Heng Ong @ Teh Heng Ong	-	-	-	-
10.	Yoong Tein Seng @ Yong Kian Seng (Alternate Director to Yoong Hau Chun)	-	-	194,393,527[7]	34.86
11.	Loo Chin Meng (Alternate Director to Dato' Loo Swee Chew)	370,000	0.07	4,292,000[8]	0.77

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

(2) *Deemed interested by virtue of Section 8 of the Act [shareholdings held through Tenson Holdings Sdn. Bhd., a substantial shareholder of Firama Holdings Sdn. Bhd., HeveaWood Industries Sdn. Bhd. and Firama Engineering Bhd (shareholdings held through Firama Holdings Sdn. Bhd.)] and by virtue of his family relationship with Tan Ya Ling, his spouse 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.*

(3) *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.*

(4) *Deemed interested by virtue of his substantial shareholdings in HeveaWood Industries Sdn. Bhd. pursuant to Section 8 of the Act and by virtue of his family relationship with Loo Chin Meng, his son and deemed interested by virtue of HeveaWood Industries Sdn Bhd being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.*

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

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

(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.*

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

E. LIST OF THIRTY (30) LARGEST SHAREHOLDERS

(without aggregating the securities from different securities accounts belonging to the same depositor)

	Name	No. of Shares Held	%
1.	HeveaWood Industries Sdn. Bhd.	116,440,290	20.88
2.	TA Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Firama Holdings Sdn. Bhd.	28,980,785	5.20
3.	Tenson Holdings Sdn. Bhd.	16,231,652	2.91
4.	Citigroup Nominees (Tempatan) Sdn. Bhd. - Employees Provident Fund Board	15,942,500	2.86
5.	Firama Engineering Berhad	14,150,000	2.54
6.	AmanahRaya Trustees Berhad - Public Islamic Opportunities Fund	14,006,800	2.51
7.	Citigroup Nominees (Tempatan) Sdn. Bhd. - Employees Provident Fund Board (CIMB PRIN)	10,323,900	1.85
8.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Yap Kiew @ Yap Chin Fook	9,522,600	1.71
9.	RHB Capital Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Fong Siling (CEB)	8,000,000	1.43
10.	AmanahRaya Trustees Berhad - PB Islamic Small Cap Fund	7,210,000	1.29
11.	HSBC Nominees (Asing) Sdn. Bhd. - TNTC for CIM Investment Fund ICAV	6,250,000	1.12
12.	Citigroup Nominees (Tempatan) Sdn. Bhd. - Employees Provident Fund Board (AM INV)	5,039,600	0.90
13.	Amanah Raya Berhad - Kumpulan Wang Bersama Syariah	5,000,000	0.90
14.	Citigroup Nominees (Asing) Sdn. Bhd. - CEP for Perinvest (LUX) SICAV	4,750,000	0.85
15.	Citigroup Nominees (Tempatan) Sdn. Bhd. - Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)	4,628,300	0.83
16.	Yoong Kee Sin	4,320,000	0.77
17.	Loo Swee Chew	4,292,000	0.77
18.	Citigroup Nominees (Asing) Sdn. Bhd. - Exempt AN for Citibank New York (Norges Bank 14)	4,287,300	0.77
19.	Ah Kayu Moy @ Lee Kay Moy	4,000,000	0.72
20.	Public Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Chong Khong Shoong (E-IMO/JS I)	4,000,000	0.72
21.	Yoong Li Bing	4,000,000	0.72
22.	Yoong Li Xian	4,000,000	0.72

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

	Name	No. of Shares Held	%
23.	Maybank Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Chong Khong Shoong	3,900,000	0.70
24.	Gemas Ria Sdn. Bhd.	3,849,600	0.69
25.	CIMB Islamic Nominees (Tempatan) Sdn. Bhd. - CIMB Islamic Trustee Berhad for BIMB I Dividend Fund	3,320,000	0.60
26.	HSBC Nominees (Asing) Sdn. Bhd. - TNTC for FMC Technologies Inc. Employees' Retirement Program	3,250,000	0.58
27.	Lee Ka Yong	3,244,000	0.58
28.	Yoong Li Mian	3,006,000	0.54
29.	Chong Kwee Hiong	2,958,300	0.53
30.	Liau Choon Hwa & Sons Sdn. Bhd.	2,920,000	0.52
		321,823,627	57.71

18.
ANALYSIS OF WARRANT B HOLDINGS
AS AT 3 APRIL 2018

A. WARRANTS 2010/2020

No. of Warrants 2010/2020 issued	:	170,666,664
No. of Warrants 2010/2020 outstanding	:	9,486,137
Exercise Price of Warrants	:	RM0.25 per Warrant
Maturity Date of Warrants	:	01/03/2020

B. DISTRIBUTION OF WARRANTHOLDINGS

Size of Warrantholdings	No. of Holders	%	No. of Warrants	%
Less than 100	17	4.88	281	*0.00
100 – 1,000	50	14.37	22,014	0.23
1,001 – 10,000	156	44.83	899,044	9.48
10,001 – 100,000	108	31.03	3,557,720	37.50
100,001 – 474,306 (less than 5% of issued holdings)	13	3.74	2,392,664	25.22
474,307 (5% of issued holdings) and above	4	1.15	2,614,414	27.56
Total	**348**	**100.00**	**9,486,137**	**100.00**

**Negligible*

C. DIRECTORS' WARRANTHOLDINGS

	Name	Direct No. of Warrants	%	Indirect No. of Warrants	%
1.	Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	-	-	-	-
2.	Yoong Hau Chun	641,050	6.76	246,664[1]	2.60
3.	Yoong Li Yen	33,332	0.35	867,714[2]	9.15
4.	Dato' Loo Swee Chew	-	-	200,000[3]	2.11
5.	Lim Kah Poon	-	-	-	-
6.	Bailey Policarpio	26,664	0.28	33,332[4]	0.35
7.	Yoong Yan Pin	-	-	-	-
8.	Sundra Moorthi A/L V.M. Krishnasamy	-	-	-	-
9.	Thye Heng Ong @ Teh Heng Ong	-	-	-	-
10.	Yoong Tein Seng @ Yong Kian Seng (Alternate Director to Yoong Hau Chun)	-	-	874,510[5]	9.22
11.	Loo Chin Meng (Alternate Director to Dato' Loo Swee Chew)	-	-	-	-

C. DIRECTORS' WARRANTHOLDINGS (CONTINUED)

[(1)] *Deemed interested by virtue of Section 8 of the Act (held through Tenson Holdings Sdn. Bhd., a substantial shareholder of HeveaWood Industries Sdn. Bhd.) and by virtue of his family relationship with Tan Ya Ling, his spouse and Yoong Li Yen, his sister and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.*

[(2)] *Deemed interested by virtue of her family relationship with Bailey Policarpio, her spouse, Yoong Hau Chun, her brother and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.*

[(3)] *Deemed interested by virtue of his substantial shareholdings in HeveaWood Industries Sdn. Bhd. pursuant to Section 8 of the Act and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.*

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

[(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 Shares Held	%
1.	Liau Chern Yee	730,264	7.70
2.	Public Invest Nominees (Asing) Sdn. Bhd. - Exempt AN for Phillip Securities Pte. Ltd. (Clients)	658,000	6.94
3.	Yoong Hau Chun	641,050	6.76
4.	Maybank Nominees (Asing) Sdn. Bhd. - Pledged Securities Account for Rustom Framroze Chothia	585,100	6.17
5.	Yoong Kee Sin	300,000	3.16
6.	Citigroup Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Susy Ding (471873)	239,500	2.52
7.	Leong Kok Cheong	235,700	2.48
8.	Ho Phon Guan	225,000	2.37
9.	Tiow Choon Lan	214,664	2.26
10.	Gemas Ria Sdn. Bhd.	200,000	2.11
11.	Goh Joo Fong	200,000	2.11
12.	Tiow Choon Lan	157,000	1.66
13.	AMSEC Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Goay Chai Wei	147,600	1.56
14.	Sung Lee Timber Trading Sdn. Bhd.	129,200	1.36
15.	Yong Tu Sang	122,000	1.29
16.	Teng Lih Hong	112,000	1.18

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

	Name	No. of Shares Held	%
17.	Tan Eng Hye	110,000	1.16
18.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Sim Hui Leng (M09)	100,000	1.05
19.	Chia Seong Pow	100,000	1.05
20.	Lim Kian Joo	100,000	1.05
21.	Maybank Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Hiew Kim Chow	100,000	1.05
22.	Siew Kim @ Cecilia Chia Siew Kim	91,000	0.96
23.	Gerard Chan Hon Weng	85,000	0.90
24.	Cheng Duo-Ren	84,300	0.89
25.	Chin Choy Foong	80,000	0.84
26.	CIMSEC Nominees (Tempatan) Sdn. Bhd. - CIMB Bank for Jinny Chong Jin Yi (MY2535)	70,000	0.74
27.	Eg Kaa Chee	70,000	0.74
28.	Kenanga Nominees (Tempatan) Sdn. Bhd - Pledged Securities Account for Ow Lai Kuen (002)	70,000	0.74
29.	Maybank Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Yong Kin Siong	68,000	0.72
30.	Maybank Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Lee Chak Hee	65,000	0.69
		6,090,378	64.21

19.
NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Fourth (24th) Annual General Meeting ("AGM") of **HeveaBoard Berhad** will be held at Royale Chulan Seremban, Ampangan Room, Mezzanine Floor, Jalan Dato' A.S. Dawood, 70100 Seremban, Negeri Sembilan on Wednesday, 30 May 2018 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 2017 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 2.0 sen per ordinary share in respect of the financial year ended 31 December 2017. **Ordinary Resolution 1**

3. To approve the payment of Directors' fees amounting to RM916,408.00 per annum for the financial year ending 31 December 2018. **Ordinary Resolution 2**

4. To re-elect the following Directors who retire pursuant to Article 123 of the Company's Articles of Association (Constitution), and being eligible, offered themselves for re-election:-

   i. Dato' Loo Swee Chew **Ordinary Resolution 3**
   ii. Mr Bailey Policarpio **Ordinary Resolution 4**

5. To re-elect the following Directors who retire pursuant to Article 128 of the Company's Articles of Association (Constitution), and being eligible, offered themselves for re-election:-

i.	Mr Yoong Yan Pin	**Ordinary Resolution 5**
ii.	Mr Sundra Moorthi A/L V.M. Krishnasamy	**Ordinary Resolution 6**
iii.	Mr Thye Heng Ong @ Teh Heng Ong	**Ordinary Resolution 7**

6. 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 8**

Special Business

To consider and if thought fit, to pass the following Ordinary Resolutions, with or without modifications:-

7. **Renewal of Authority for Directors to Issue Shares** **Ordinary Resolution 9**

"THAT subject always to the Companies Act 2016 (the "Act"), Articles of Association (Constitution) of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/regulatory bodies, where such approval is necessary, authority be and is hereby given to the Directors pursuant to Section 76 of the Companies Act 2016 to issue and allot not more than ten per centum (10%) of the total number of issued shares of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company AND THAT the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof."

8. **Proposed Renewal of Authority for Purchase of Own Shares by the Company ("Proposed Renewal of Authority")** **Ordinary Resolution 10**

"THAT subject to the Companies Act 2016, rules, regulations and orders made pursuant to the Act, provisions of the Company's Articles of Association (Constitution) and the requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

i. the aggregate number of shares purchased does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase;

ii. the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall be backed by an equivalent amount of retained profits; and

iii. the Directors of the Company may resolve to retain the shares so purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder, where such shares are held as treasury shares, the Directors may resell the treasury shares or transfer the treasury shares or cancel the treasury shares or distribute the treasury shares as dividends to shareholders.

AND THAT the authority conferred by this resolution will commence after the passing of this ordinary resolution and will continue to be in force until:-

i. the conclusion of the next Annual General Meeting ("AGM") at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

ii. the expiration of the period within which the next AGM after that date is required by law to be held; or

iii. revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement or to effect the purchase(s) of the shares with full power to assent to any condition, modification, variation and/or amendment as may be imposed by the relevant authorities and to take all such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto."

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

"THAT based on application of Practice 4.2 of the Malaysian Code on Corporate Governance, Mr Lim Kah Poon who has served the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years since 1 October 2004 be and is hereby retained as an Independent Non-Executive Director of the Company." **Ordinary Resolution 11**

"THAT based on application of Practice 4.2 of the Malaysian Code on Corporate Governance, 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 cumulative term of more than twelve (12) years since 1 October 2004 be and is hereby retained as an Independent Non-Executive Director of the Company." **Ordinary Resolution 12**

Any Other Business

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

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the Twenty-Fourth (24th) AGM, a single-tier final dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 December 2017 will be payable on 5 July 2018 to holders of ordinary shares registered in the Record of Depositors at the close of business on 21 June 2018.

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 21 June 2018 in respect of ordinary transfers; and

b. Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Securities.

BY ORDER OF THE BOARD

WONG YOUN KIM (MAICSA 7018778)
Company Secretary

Kuala Lumpur
30 April 2018

Notes:-

1. A member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint any person as his/her proxy to attend and vote instead of the member at the meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.

2. The instrument appointing a proxy shall be in writing executed by or on behalf of the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.

3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

5. **GENERAL MEETING RECORD OF DEPOSITORS**

For the purposes of determining a member who shall be entitled to attend this Twenty-Fourth (24th) AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 74 of the Company's Articles of Association (Constitution) and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 22 May 2018. Only a depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting or appoint proxies to attend and/or vote on his/her behalf.

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

i. Item 1 of the Agenda – Audited Financial Statements for the financial year ended 31 December 2017

The Audited Financial Statements are laid pursuant to Section 340(1)(a) of the Companies Act 2016 for discussion only, a formal approval of the shareholders for the Audited Financial Statements is not required. Hence, this Agenda item is not put forward for voting.

ii. Ordinary Resolution 1 - Final dividend

With reference to Section 131 of the Companies Act 2016 (the "Act"), a company may only make a distribution to the shareholders out of profits of the company available if the company is solvent. The Directors of the Company are satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within twelve (12) months immediately after the distribution is made on 5 July 2018 in accordance with the requirements under Section 132(2) and (3) of the Act.

iii. Ordinary Resolution 2 – Directors' fees

Section 230(1) of the Companies Act 2016 provides amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved by shareholders at a general meeting. In this respect, the Board seeks the shareholders' approval at this AGM on the payment of Directors' fees.

The proposed Ordinary Resolution 2 is to facilitate the payment of Directors' fees. The Board is of the view that it is just and equitable for the Directors to be paid the Directors' fees, particularly after they have discharged their responsibilities and rendered their services to the Company throughout the year 2018.

The Board approved the recommendation of the Remuneration Committee that the total Directors' fees for the Non-Executive Directors ("NEDs") (except the NEDs who were newly appointed to the Board on 27 February 2018) for the financial year ending 31 December 2018 be increased by RM28,325.00, having regards to the various factors including the fiduciary duty assumed by them, their contribution and guidance in overseeing the Group over the years as well as the directors' remuneration framework of other comparable public listed companies, to ensure that the Directors' fees are competitive and at par with the prevalent market rate.

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

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

The profiles of Dato' Loo Swee Chew and Mr Bailey Policarpio who stand for re-election and their interest in the securities of the Company are set out on pages 14, 15 and 139 to 146 of the Annual Report.

The Nomination Committee had assessed the above retiring Directors based on a pre-set criteria and had rated their performance as "Good/Competent" in discharging their duties and responsibilities as Directors. Based the above, the Board recommended the re-election of both of them as Directors.

v. Ordinary Resolutions 5, 6 and 7 – Re-election of Directors pursuant to Article 128 of the Company's Articles of Association (Constitution)

Pursuant to Article 128 of the Company's Articles of Association (Constitution), the newly appointed Director shall hold office until the next following AGM and shall then be eligible for re-election. As such, Mr Yoong Yan Pin, Mr Sundra Moorthi A/L V.M. Krishnasamy and Mr Thye Heng Ong @ Teh Heng Ong who were appointed to the Board on 27 February 2018 shall retire at this AGM. They offered themselves for election as Directors of the Company.

Their profiles and interest in the securities of the Company are set out on pages 15, 16 and 139 to 146 of the Annual Report.

vi. Ordinary Resolution 9 – Renewal of Authority for Directors to Issue Shares

The proposed Ordinary Resolution 9, if passed, will give flexibility to the Directors of the Company to issue shares up to a maximum of ten per centum (10%) of the total number of issued shares of the Company at the time of such issuance of shares and for such purposes as they consider would be in the best interest of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

This is the renewal of the mandate obtained from the shareholders at the last AGM held on 30 May 2017 ("the previous mandate"). The purpose of this general mandate sought will provide flexibility to the Company for any possible fund raising activities but not limited for futher placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

As at the date of Notice of Meeting, no shares have been issued pursuant to the general mandate granted at the last AGM of the Company.

vii. Ordinary Resolution 10 - Proposed Renewal of Authority for Purchase of Own Shares by the Company

The proposed Ordinary Resolution 10, if passed, will empower the Company to purchase its own shares and hold its own shares as treasury shares up to ten per centum (10%) of the total number of issued shares of the Company. This authority unless revoked or varied by the Company at a general meeting will expire at the next AGM. Please refer to the Share Buy-back Statement in relation to the Proposed Renewal of Authority dated 30 April 2018 for further information.

viii. Ordinary Resolutions 11 and 12 - Retention of Independent Non-Executive Directors based on application of Practice 4.2 of the Malaysian Code on Corporate Governance ("MCCG")

The Board of Directors applied Practice 4.2 of the MCCG and seeks the shareholders' approval to continue retain both 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 cumulative term of more than twelve (12) years through a Two-tier Voting Process at this AGM.

The Nomination Committee has assessed the independence of both the above Independent Directors. To justify the retaining of the Independent Directors, a rigorous review was undertaken to determine whether their independence has been impaired. The review focused not only on whether the Director's background and current activities qualify him as independent but also whether the Director can act independently of management.

It was recommended both of them to continue to act as Independent Directors of the Company based 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 twelve (12) 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 Group and the Company. In fact, Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak and Mr Lim Kah Poon who 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 and constructive 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**

Details of individual who is standing for election as Director

No individual is seeking for election as Director at the Twenty-Fourth (24th) AGM of the Company.

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PROXY FORM

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

HeveaBoard Berhad

(275512-A) (Incorporated in Malaysia)

I/We ____
(full name in block letters)

of ____
(full address)

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

____
(full name)

of ____
(full address)

or failing him/her, ____
(full name)

of ____
(full address)

or failing which, the Chairman of the Meeting* as my/our proxy to attend and vote for me/us on my/our behalf at the Twenty-Fourth (24th) Annual General Meeting of the Company to be held at Royale Chulan Seremban, Ampangan Room, Mezzanine Floor, Jalan Dato' A.S. Dawood, 70100 Seremban, Negeri Sembilan on Wednesday, 30 May 2018 at 10.00 a.m. or at any adjournment thereof and to vote as indicated below:-

Resolutions		For	Against
Ordinary Resolutions			
1	Approval of Single-Tier Final Dividend		
2	Approval of the payment of Directors' fees amounting to RM916,408.00 per annum for the financial year ending 31 December 2018		
3	Re-election of Dato' Loo Swee Chew as Director		
4	Re-election of Mr Bailey Policarpio as Director		
5	Re-election of Mr Yoong Yan Pin as Director		
6	Re-election of Mr Sundra Moorthi A/L V.M. Krishnasamy as Director		
7	Re-election of Mr Thye Heng Ong @ Teh Heng Ong as Director		
8	Re-appointment of Messrs Baker Tilly Monteiro Heng as Auditors		
9	Renewal of Authority for Directors to Issue Shares		
10	Proposed Renewal of Authority for Purchase of Own Shares by the Company		
11	Retention of Mr Lim Kah Poon as Independent Non-Executive Director		
12	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 casted in respect of the above resolutions. If you do not do so, the proxy may vote or abstain at his/her discretion.)

Signed this ____________ day of ________________ 2018

____
Signature/Common Seal of Shareholder

Notes:

1. A member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint any person as his/her proxy to attend and vote instead of the member at the meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
2. The instrument appointing a proxy shall be in writing executed by or on behalf of the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
5. **GENERAL MEETING RECORD OF DEPOSITORS**

   For the purposes of determining a member who shall be entitled to attend this Twenty-Fourth (24th) AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 74 of the Company's Articles of Association (Constitution) and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 22 May 2018. 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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Bangsar South City
59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia

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