HeveaBoard Berhad

Registration No: 199301020774 (275512-A)

Annual Report 2022

WHAT 'S INSIDE

CORPORATE MISSION

Enhanced Growth

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

Efficiency

- Apply innovations and research to lower production cost
- Increase efficiency through energy saving initiatives

Earnings

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

Cover Rationale

Sustainability is at the core of **HeveaBoard**'s business – an approach that creates value for all stakeholders as we ensure our business activities are performed with high standards of environmental and social conduct. Prioritising sustainability in our business strategies enhances our adaptive management, learning, innovation and leadership capacity to manage risks and uncertainties whilst fostering and nurturing long–term growth and value creation. Our focus on business sustainability and ESG–related risks and opportunities is the key building block towards future-proofing the Group with elevated competitiveness to build resilience for a sustainable future.

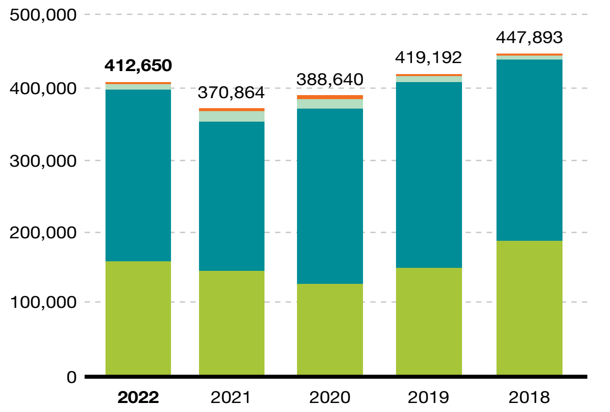
5-YEAR FINANCIAL HIGHLIGHTS

	2022	2021	2020	2019	2018
Turnover (RM'000)	412,650	370,864	388,640	419,192	447,893
Profit/(Loss) Before Tax (RM'000)	16,561	(565)	17,805	15,994	13,578
Tax (RM'000)	(7,228)	(598)	(1,441)	(1,554)	3,080
Profit/(Loss) After Tax (RM'000)	9,333	(1,163)	16,364	14,440	16,658
Share Capital (RM'000)	160,215	160,215	160,215	159,429	158,420
Net Assets (RM'000)	425,804	422,130	430,367	430,378	440,734
Net Assets Per Share (RM)*	0.75	0.74	0.76	0.76	0.79
Interim Dividend (sen)	–	–	1.50	3.00	3.60
Proposed Final Dividend (sen)	1.20	1.00	0.75	1.00	1.40
Net Earnings/(Loss) Per Share (sen)**	1.64	(0.21)	2.88	2.57	2.98

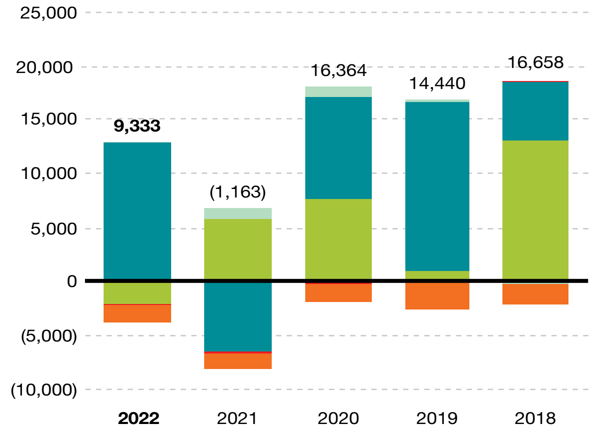
* The net assets per share of the Group is calculated based on the net assets value at the balance sheet date divided by the number of ordinary shares in issue at the balance sheet date.

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

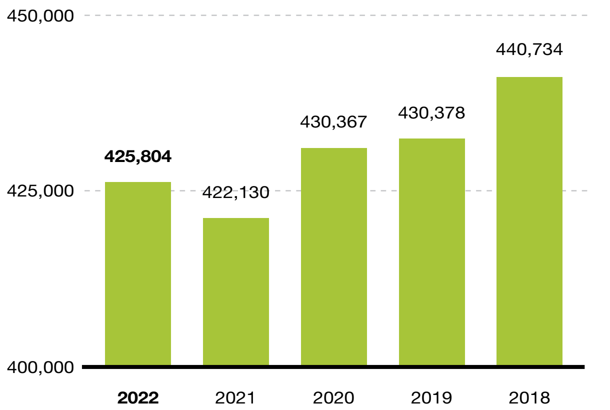
Turnover (RM'000)



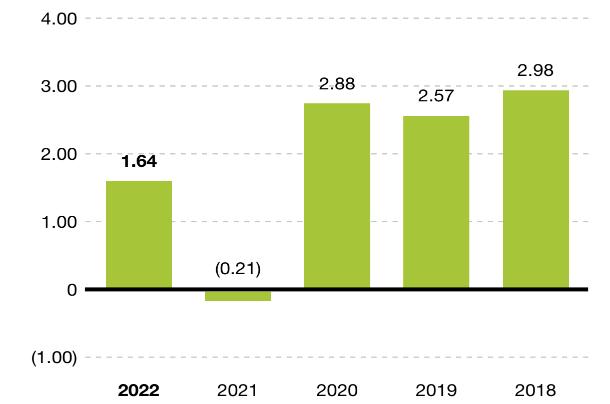
Profit/(Loss) After Tax (RM'000)



Net Assets (RM'000)



Earnings Per Share (SEN)



HeveaBoard | HeveaPac | HeveaMart | BocoWood | Hevea OSB | HeveaGro

MANAGEMENT DISCUSSION & ANALYSIS

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you **HeveaBoard Berhad's** ("**HeveaBoard**" or "the Group") Annual Report and Audited Financial Statements for the Financial Year Ended 31 December 2022 ("FYE 2022")

FINANCIAL PERFORMANCE

The Group's 2022 performance was affected by significant changes in the operating environment as the domestic economy finally reopened following two years of pandemic-related restrictions. In addition, another global crisis arose from the Russia-Ukraine War resulting in uncertainties and global inflationary pressure, further suppressing economic growth and contributing to the increasing cost of doing business.

Following the global economic situation, **HeveaBoard** recorded a higher total revenue of RM412.7 million in FYE 2022 as compared to the preceding year of RM370.9 million, representing an increase of RM41.8 million or 11.27%. The main contribution to our top line came from the ready-to-assemble ("RTA") sector with RM249.8 million or 60.54% of the Group's total revenue. Meanwhile, our particleboard and fungi cultivation sectors contributed RM159.5 million (net of interco sales) and RM3.4 million, respectively, representing 38.64% and 0.82%, to the Group's total revenue.

Despite a bumpy road last year, the Group managed to return to the black, achieving a full-year profit before tax ("PBT") in FYE 2022 of RM 16.6 million, from a loss before tax of RM0.6 million in FYE2021, a significant increase of RM17.2 million or 2,866.67%. The particleboard sector contributed RM1.0 million to the Group's PBT, a decrease of RM5.2 million or 84.05% from the preceding year. The RTA sector contributed a PBT of RM17.2 million, an increase of RM22.5 million or 420.96% from the preceding year's loss. On the other hand, our fungi cultivation sector reported a loss before tax ("LBT") of RM1.6 million, a decrease of RM0.2 million in loss or 14.83% from the preceding year.

The higher revenue from the particleboard sector was mainly attributable to higher sales of value-added products to the export market resulting in better average selling prices. The better USD/MYR exchange was also a factor that was in favour of this sector. However, PBT of the particleboard sector had decreased mainly due to the lower production and sales volume as a result of weaker market demand and the weakened currencies of our main customers against the USD. There was also a significant increase in material cost during the financial year causing margin compression to the particleboard sector.

Meanwhile, our RTA sector posted higher revenue and PBT mainly due to higher production output, hence contributing to higher sales volumes as there were no Covid-19 related interruptions when compared to preceding year, a higher USD exchange rate, and also from an insurance compensation claim on the windstorm-damaged facilities during mid-2022.

Our fungi cultivation sector posted a slight increase in revenue as well as lower loss before tax (LBT). The loss was mainly due to the higher cost of production caused by the implementation of minimum wage from May 2022 and higher raw material costs. This sector faced continuous competition from China. China's Covid lockdown significantly reduced its domestic mushroom demand and the excess mushroom supply was exported cheaply to Malaysia. With China currently opening up again, HeveaGro will continue its efforts to capture a larger market share to increase its capacity utilization.

DIVIDEND

The Group has a dividend policy of no less than 30% of our Profit After Tax ("PAT") to be paid out as dividend. The Board is proposing a first and final single tier dividend of 1.2 sen per ordinary share to reward our shareholders. This is to be tabled and approved in the upcoming Annual General Meeting, culminating to a total of approximately RM6.79 million.

BUSINESS OPERATIONS & EFFICIENCIES

HeveaBoard

Despite having no Covid-19 related interruptions in FYE2022, the particleboard sector production output was even lower than the prior years with lockdowns, this was mainly due to the earlier mentioned weakening currencies of our major exporting countries against the USD and also the general weakening of market demand. Albeit a lower production, the value-added low emission products export increased by more than 50% as compared to the average of the past 3 years, hence contributing to a higher revenue despite much lower sales volume. Our focus to invest and in developing higher value products to differentiate ourselves is a correct strategy.

The particleboard sector invested RM5 million in FYE2022 to add on another new short cycle line to cater for higher specification laminated boards to meet niche market requirements. The particleboard sector will continue to focus on maintaining our products' high-quality standards to ensure customers' satisfaction through intensified R&D. We will also step up our efforts in product innovation to differentiate ourselves. We remain consistent with our vision to produce environmentally friendly products by focusing on developing our green range of products such as the non-added formaldehyde ("NAF") products, while simultaneously reducing our carbon footprint.

Management Discussion & Analysis
(Continued)

HeveaPac

The Group's RTA sector had a much better utilization rate as compared to FYE2021 as there were no Covid-19 related interruptions in FYE2022. The export market, Japan in particular, grew by almost 30% as compared to the previous year.

As a result of labour issues over the years, we have focused on automation and hiring of more local workers. HeveaPac's focus on automation and process improvements has enabled greater efficiencies to be achieved, including a reduction in product rejection rate.

We have also participated in the hiring program of Supervised Persons as part of our Corporate Social Responsibility ("CSR") initiatives. The RTA sector will continue to focus on automation and production efficiency improvements to mitigate any challenges ahead. This sector is also in the process of building an Akta 446 compliance hostel for 1,500 foreign workers as a long-term solution to our future labour security.

HeveaGro

The management continues to learn and improve on teething production issues, and has been able to improve production output. With improved output, we are now aggressively expanding our market reach. We are currently in most major hypermarkets and will continue to strive to improve our performance in this sector. It is our hope and vision that the HeveaGro brand name will soon be a household name in the consumer market.

HeveaGro received the Food Safety Management certification which is according to ISO 22000. ISO 22000 is an internationally recognized standard that addresses the aspects of food safety concerns. The standard specifies the requirements for us to demonstrate our ability to control food safety hazards in order to ensure that food is safe at the time of human consumption to assure our customers of our food quality.

FUTURE OUTLOOK & PROSPECT

As an export-oriented Group, our economic prospects remain tied to the performance of the global economy and will be negatively affected by a global recession. With the ongoing Ukraine war, prevailing global inflation, and the high-interest rate regime in most countries, consumers' spending has been significantly affected. The general manufacturing output has slowed down, and some form of market consolidation is expected to take place before recovery can materialize. The significant hike in electricity cost in Malaysia effective January 2023 has also impacted the cost of production significantly.

HeveaBoard has built a reputation for reliability and trustworthiness because of our customer-centric approach to business and our excellent corporate ethics and governance track record. Our risk management philosophy, which puts prudence and sustainable growth at the forefront, has made us into a leading figure in the Malaysian particleboard sector.

Premised on the above and barring any unforeseen circumstances, the Board believes **HeveaBoard** will be able to seize the opportunity to rebound itself once the economy turns around, and is optimistic that the Group's prospect and financial performance shall improve further thereon.

APPRECIATION

As we look to the future, I wish to take this opportunity to express the appreciation of the Board and Management to the employees of **HeveaBoard**. Their professional, excellent contribution during the financial year were instrumental in helping the Group overcome the challenges and obstacles faced during this unprecedented time. In the same vein, on behalf of the Board, I wish to extend our gratitude to our stakeholders, business associates, customers, regulators and relevant authorities for their steadfast support to the Group.

I would also like to thank our audit committee chairman, Mr. Lim Kah Poon, who has served the board since 2004 and will not be seeking re-election as Independent Non-Executive Director in this AGM. His unwavering contribution rendered over the years is much appreciated and I wish Mr. Lim well in his future undertakings. At the same time, I would like to welcome Ms. Chin Pik Yuen on board as our Independent Non-Executive Director.

I look forward to your continued support as we journey together towards greater heights and the creation of more value for all. The future is uncertain but it remains bright, with promising prospects and potential for all stakeholders.

YOONG HAU CHUN
Group Managing Director

SUSTAINABILITY STATEMENT

Dear Shareholders,

We at HeveaBoard believe in sustainability with a great sense of responsibility as we consistently strive to enhance our environment, social, and governance ("ESG") performance in pursuit of our business goals. Through our socially and environmentally responsible plans and actions, we believe that we would be able to continuously create value for our broad range of stakeholders.

We remain committed in ensuring our business activities are performed with high standards of social and environmental conduct. This includes ensuring our operating assets and businesses are carried out in a manner that generates positive outcomes in creating a sustainable manufacturing environment. Our commitment extends beyond the day-to-day operations to include our business partners and those outside the organization.

REPORTING SCOPE & FRAMEWORK

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

The scope of the statement covers **HeveaBoard**'s business divisions, namely Particle Board, Ready-to-Assemble ("RTA") Furniture, and Fungi Cultivation.

STAKEHOLDER ENGAGEMENT

We define stakeholders as parties who are impacted by our business decisions and activities, and as groups whose actions and decisions will influence our business growth. Stakeholders are also those with a vested interest in our corporation. We maintain regular engagement with our stakeholders, enabling us to identify and align their key priorities and concerns with organisational business practices and strategies.

Our stakeholder engagements are carried out through various platforms and organisational touchpoints to gather feedback for analysis and strategy formulation. Maintaining strong stakeholder relationships improves our ESG impact and strengthens our business growth. In 2022, we continued to leverage on digital tools to engage with stakeholders even as Malaysia transitioned into endemicity.

Our key stakeholders are outlined in the table below, along with the forms of engagement and key topics of interest that we seek to address.

Sustainability Statement

(Continued)

Stakeholder	Engagement Methods	Priority Issues
Employees	• On-going education and training programs • Employee events • Internal e-announcements	• Employee satisfaction and well being • Training and development • Performance management • Occupational safety and health • Employee engagement • Employee welfare
Shareholders and investors	• Annual report • AGM • Analyst meetings • Announcements on Bursa Malaysia Securities Berhad • Corporate website	• Company development • Business strategy • Regulatory compliance • Financial performance
Financiers/banks	• Meetings and discussions • Announcements on Bursa Malaysia Securities Berhad	• Funding methods
Local authorities/ municipalities/ regulators/ government ministries	• Meetings and discussions	• Strategic partnerships and agreements • Regulatory compliance • Briefings and trainings
Sub-contractors/suppliers	• Meetings and discussions	• Tenders
Media	• Interviews • Press release	• Business development and performance
Customers	• Feedback channels • Meetings and discussions	• Customer satisfaction • Personalised solutions • Competitive pricing

ANTI-BRIBERY AND ANTI-CORRUPTION

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

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

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

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

SUSTAINABILITY GOVERNANCE STRUCTURE

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

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

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

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

ECONOMIC IMPACT

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

Our passion for empowering the local communities also extends beyond this as we welcomed interns under our paid internship placement programme which is targeted to local university students as a platform for them to apply their acquired knowledge to real work situations. We welcomed fifteen interns from various disciplines, including Mechanical Engineering, Information Technology, and Human Resources. Throughout the internship period, the students were assigned according to their chosen fields and encouraged to work with our employees as they apply the acquired knowledge to real work situations. In 2022, we had five interns returning to us for permanent placement.

The economic slowdown and resulting loss of jobs had affected the livelihood of the communities in many ways and disproportionately impacted poorer households and disadvantaged groups making it difficult to put food on the table. Within the Group, philanthropy is one of the most advocated traits that we have continued to inculcate within our workforce. For this reason, we mobilised our workforce to distribute approximately 4,963kg worth of HeveaGro's Eryngii mushrooms to various schools within the surrounding communities, temples, mosques, and local authorities such as police, medical centres, the city council as well as to non-governmental charitable organizations.

The Group was awarded through HeveaGro the "Malaysia Kind Hearts Award" by Pertubuhan Amal Uncle Kentang Malaysia in recognition of our contributions towards those families in need of assistance.

Apart from this, the Group also made monetary donations to multiple organizations within the surrounding community such as Pertubuhan Kebajikan Mental Selangor, Pertubuhan Artritis Negeri Sembilan and Kelab Sukan & Kebajikan Bomba Gemas.

ENVIRONMENTAL IMPACT

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

Product Carbon Footprint License

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

Renewable Power Generation

To enhance the use of more renewable energy in the manufacturing process of our products, the Group has successfully installed rooftop solar PV systems with 1500kWp on the premises of our RTA facilities and 337kWp on the premises of our fungi facility under the Net-Energy Metering ("NEM") program, which is under the purview of Sustainable Energy Development Authority ("SEDA").

The Group is further installing another 450kWp solar PV panels on remaining **HeveaBoard** facilities. This installation also adds on as a covered car park for approximately 100 cars for our employees, providing them with a better environment for our employee's assets while generating emission free green energy.

The combined system of the Group is able to produce about 3,300,000* kWh of green energy per year, equivalent to the capability of powering 800** households in Malaysia and a reduction of carbon emissions of 3,283*** tonne per year. In addition to the reduction of electricity costs, the factories will be relying more on green energy which releases far fewer greenhouse gases than fossil fuels, as well as few or low levels of air pollutants. With this, a portion of our products will be produced with green energy.

* (1500kW + 450kW + 337kW) x 5hrs x 24days x 12months

** Average household uses 345kWh/month in Malaysia (www.mdpi.com/journal/sustainability 2021)

*** iSolarCloud (1kWh PV yield = 0.997kg CO2 reduction)

LED Lighting

The Group has continued its effort in switching from fluorescent lights to Light Emitting Diodes ("LED") in all of its factories, showrooms, and surrounding street lights. LEDs, which are renowned for their energy-efficient features, will help the Group save on electricity significantly and improve energy efficiency. Since we began this initiative in 2016, the Group had already installed approximately 2,500 units of LED lights of various types in all of its factories, showrooms, and the surrounding street lights with additional 977 units in 2022.

We have also installed motion sensors around the facilities of **HeveaBoard** to reduce the wastage of electricity as the lights will only switch on when it is needed.

Reduce, Reuse, Recycle

One of our most significant initiatives to conserve the environment is our increased use of alternative materials such as rubber tree stumps as raw material for particleboard production. Rubber tree stumps are generally irrecoverable for use and are normally burnt during replanting causing undue air pollution. However, **HeveaBoard** has invested in cutting-edge technology and has perfected the ways to recover and re-use rubber tree stumps in the production of our particleboard over the years. The usage of these alternative materials in 2022 account for about 7% of the total raw materials used. As a result, over 22,000**** tonnes of CO2 have been prevented from being emitted into the atmosphere in 2022. For 2023, we have further invested in a stump shredder to enable us to utilise a much higher amount of rubber tree stumps with more consistent quality control and cleaning efficiency. We are confident that with this technology, we will be able to achieve our target to further prevent 60,000* tonnes of CO2 from being emitted into the atmosphere during full production run.

**** Burning 1kg of wood will release 1.65kg to 1.8kg of CO2 (source: https://paperonweb.com)

Another similar effort of the Group is the recovery of rubber tree bark for use in the fungi cultivation sector as substrate. This has reduced the amount of waste from the particleboard sector while simultaneously eliminating the need to dispose of the residue. On a similar note, furniture manufacturing processes can generate high levels of waste. In order to reduce, reuse and recycle, we have incorporated hollow core products into our designs to enable us to use our off-cut materials that would have otherwise been discarded. The RTA sector plans to widen the range of this type of product to reduce waste.

HeveaPac is the pioneer in producing toolless furniture products, replacing heavier metal hardware such as screws, nails, and wooden dowels with lighter flexible recycled plastic inserts. Such products have lower carbon footprint as the panel component joints are much stronger. Hence, thinner panels can be used, resulting in lesser materials and lowering transportation weight. These toolless furniture products can also be disassembled and assembled any number of times, reducing the need to scrap old furniture while moving houses. In 2022, the total savings in transportation weight is 77,756kg. According to the U.S. Environmental Protection Agency, for every 100 pounds (approximately 45kg) reduction, the transportation fuel economy is improved by approximately 2 percent*****.

***** United States Environmental Protection Agency, 2022

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

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

HeveaBoard has also adopted an efficient water consumption strategy. Through the usage of absorption chillers in the particle board plant, waste heat is recovered to produce chilled water at 6°C to 7°C to be used in the production process. Through this initiative, we managed to save approximately 35,000kWh in electricity consumption. The use of water as a refrigerant is also kinder to the environment. The particleboard sector is in the process of installing additional absorption chillers in wider areas in the production line for maximum waste heat recovery.

At the RTA sector, HeveaPac has installed 45 water tanks with the capacity to collect rainwater of up to 70,888 litres. We are re-using this harvested water for general cleaning and washing, especially for toilets and other equipment. We plan to link the water tanks to our toilet flushing system of the entire factory to maximise the usage of rainwater. Another noteworthy initiative that the Group has taken is through our fungi cultivation sector where HeveaGro's spent mushroom substrate, a waste raw material high in organic matter, is sold to fertilizer producers to be converted into organic fertilizers to be used in agriculture. As such, our spent mushroom substrate has produced zero wastage as all of them are being sold and recycled.

Waste and Effluent Management

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

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

The Group is also an ISO 50001-certified company. This certification demonstrates **HeveaBoard**'s commitment to continual improvement in energy management. **HeveaBoard** saved 4,400kWh of electricity per day in 2022 from one of the efficiency improvement exercises. This is equivalent to a reduction in carbon emissions of 4.4****** tonnes a day. Through this improvement exercise, we are also able to recover 3% additional material for production use and reduce material wastage.

****** iSolarCloud (1kWh PV yield = 0.997kg CO_2 reduction)

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

Research & Development

HeveaBoard has invested in research and development efforts to develop the use of greener adhesives to reduce the health-related side effects in using formaldehyde-based resins. We have continued our focus on manufacturing premier-grade products that are eco-friendly with low formaldehyde emissions. This is an effort to reduce indoor air pollution as formaldehyde has been classified as a potential carcinogen and an important environmental pollutant by the World Health Organisation and the United States Environmental Protection Agency.

HeveaBoard has been relying mainly on rubber wood as the main raw material. Since 2021, the Group has invested in the research of using alternate materials and different species of wood as key ingredients in our products. Going forward, **HeveaBoard** aims to discover alternative raw materials, bringing more sustainability into our production. We are planning to set up a research and development lab for the development of green products and further process improvements.

The RTA sector had capitalised on automation with a new auto edging line, hardware counting automation lines, and automatic printing lines. With these various automation initiatives, the Group has managed to reduce the percentage of product rejection and the need for manpower. In 2022, 3 units of diesel-powered handling equipment have been replaced with electrically powered units, paving our way forward to have more zero-emission handling equipment in the production lines.

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

SOCIAL IMPACT

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

Workplace Diversity

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

The right to work is a fundamental human right accessible to all persons, regardless of whether the person is able-bodied or has disability. The ability to obtain a job allows a person to improve his or her individual economic status. It also facilitates people to improve their self-esteem, participate socially, as well as gain knowledge and skills. In this regard, the Group has taken the initiative to provide employment opportunities for people living with disabilities ("OKU"), starting with one OKU currently under our employ.

We have also participated in the hiring program of Supervised Persons under the out-of-prison rehabilitation programme. We are committed towards mobilizing efforts in helping ex-convicts with skill set training to help them to return and serve the society without being discriminated against for their past offences. Once they are fully discharged from prison, we also invite them to return to us for permanent placement. In 2022, we had a number of them returned to us for permanent placement after they were discharged from prison. We hope to further provide equal opportunity and workforce diversity to all.

Workforce by Gender

Indicator	Number	%
Male	1,829	89%
Female	218	11%
Total	**2,047**	**100%**

Workforce by Age Group

Indicator	Number	%
<20	24	1%
21 – 30	849	41%
31 – 40	752	37%
41 – 50	302	15%
51 – 60	110	5%
>60	10	1%
Total	**2,047**	**100%**

Workforce by Nationality

Indicator	Number	%
Malaysian	798	39%
Foreigner	1,249	61%
Total	**2,047**	**100%**

Workforce by Contract Type

Indicator	Number	%
Permanent	1,958	96%
Contract	89	4%
Total	**2,047**	**100%**

Sustainability Statement

(Continued)

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

HeveaBoard strives to be fair in the way we treat our employees with regard to the terms and conditions of their employment, and the development of employees' skills and knowledge. We observe and comply with statutory rules and regulations in the operation of our factories. This covers reasonable working hours, overtime, public holidays, rest days, and paid annual leave for employees. At **HeveaBoard**, we are committed to continuously engaging in a respectful and fair manner with all our employees and providing ample development opportunities without discrimination against gender, marital status, race, nationality, ethnicity, or age. In 2022, the number of discrimination incidents reported and recorded within **HeveaBoard** was nil, an indicator that our initiatives and practices undertaken are effective in the working environment.

Health & Safety

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

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

The Group has in place a Health, Safety & Environment ("HSE") Committee with dedicated officers in charge of health, safety and environment. The HSE Committee is chaired by the General Manager and supported by the Plant Manager and employer / employee representatives from each department and has identified five scopes under the purview of the HSE Committee, namely Security, ERT & Landscaping, Fire Safety, Safety & Health Monitoring, Environment and Health Surveillance - Audiometric. The committee convenes on a quarterly basis to evaluate and analyse the risks that can affect our employees and manage them responsibly.

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

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

Training and awareness on safe work practices were also done by each department during daily toolbox talks in the morning before beginning work. As a result of this, we are able to report that in the year under review, 9 work-related injuries were reported with no fatalities. This represents an increase of 2 incidents of work-related injuries from 2021. We firmly believe that consistent injury reporting and the timely sharing of preventive actions to all operations will provide the support required to reduce injury rates in the future.

We are also strong advocates of upskilling our employees and had over the past year provided our engineering and process workers upskilling training programmes such as Amendments to the Occupational Safety and Health Act 1994, basic course on radiation detectors & measurement and Factory Transformation Program 2022. The Group clocked in a total of 217 hours of internal training and 192 hours of external training in 2022.

Due to the implementation of various phases of the MCO across the country in 2021, the exercise and briefing for the Emergency Response Team and Firefighting Team by the local Fire and Rescue Department of Malaysia ("FRDM") could not be conducted. As we return to normal, FRDM conducted two training sessions for the in-house team in 2022.

Benefits for Staff

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

Our employee benefits program includes leave entitlement such as annual, medical, maternity and paternity, calamity, compassionate and examination leave. We also provide allowances and coverage by SOCSO as well as Personal Accident Insurance, Hospitalisation and Surgical Insurance coverage. As a company that promotes family values, we extend our employee benefits to the family members, especially on key aspects such as health. Condolence benefits are also given out to our employees who lost their loved ones as an expression of sympathy. On top of that, we also celebrate our employees' that get married with gifts as a token of appreciation.

In early 2022, 29 workers were affected by the flood around Gemas. The particleboard sector provided financial aid to workers affected.

In 2022, we initiated a company-wide campaign 'Walk for Good Health' to encourage our employees to walk more to promote a healthier lifestyle and we had seen encouraging participation. Each month, the team with the highest number of steps recorded will be rewarded. We believe by incentivizing, and also to induce internal competition the Company can help employees to lead a healthier lifestyle in an effective way.

Our employee welfare program also includes initiatives that promote convenience within our workforce such as the establishment of an in-house clinic and an automated teller machine ("ATM") within the RTA factory's compound. In 2022, we have an average of 774 patients at our in-house clinic per month. With the in-house clinic, we can give prompt medical attention to the workers, and at the same time also managed to potentially reduce the carbon emission by 3.6* tonnes of CO2 per year as we cut down the need for standby vans needed to send workers to outside clinics.

*1 litre of diesel consumption creates 2.68kg of CO2. With an average of 25km per round trip, the consumption of diesel is roughly 1.25L per day.

The RTA sector has invested over RM20 million in constructing a new workers' hostel to accommodate 1500 workers and it will be completed by July 2023. With this new facility, we will be able to offer a safe and comfortable living area for the workers, while complying with all the necessary Acts.

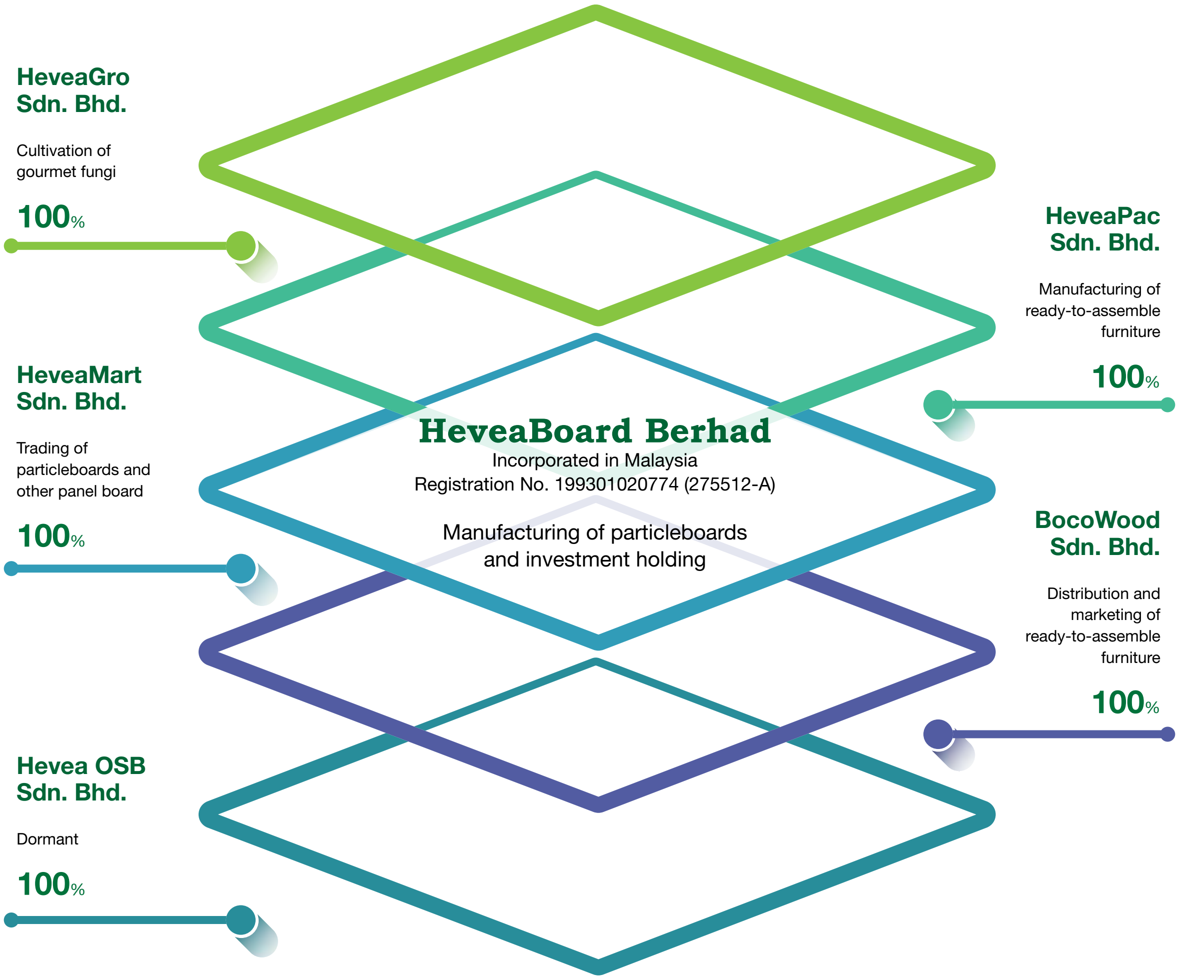
The particleboard sector has also purchased 4 units of double-storey shop offices within walking distance to the facility which will be renovated into new hostels.

CONCLUSION

HeveaBoard has accumulated years of experience in fostering positive changes and legacies in the economic, environmental and social spheres. We will continue to enhance our corporate governance and sustainability management practices in response to the latest developments in regulatory requirements and growing public expectations.

We are aware of the urgency to protect the planet against the triple crisis of climate change, biodiversity loss, and unsustainable exploitation of natural resources and as such, we constantly seek long-term and sustainable solutions to minimise any negative impact that could potentially bring harm to our environment. In line with this, the Group will be establishing a sustainability roadmap as well as charting our ESG performance within the next financial year.

CORPORATE STRUCTURE



CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Yoong Hau Chun
Group Managing Director

Yoong Li Yen
Executive Director

Lim Kah Poon
Independent Non-Executive Director

Bailey Policarpio
Non-Independent Non-Executive Director

Yoong Yan Pin
Independent Non-Executive Director

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

Chin Pik Yuen
Independent Non-Executive Director
(Appointed on 1 November 2022)

Loo Chin Meng
Non-Independent Non-Executive Director

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

AUDIT COMMITTEE

Lim Kah Poon
Chairman

Yoong Yan Pin

Thye Heng Ong @ Teh Heng Ong

NOMINATION COMMITTEE

Yoong Yan Pin
Chairman

Lim Kah Poon

Bailey Policarpio

REMUNERATION COMMITTEE

Sundra Moorthi A/L V.M. Krishnasamy
Chairman

Lim Kah Poon

Bailey Policarpio

INTEGRITY COMMITTEE

Yoong Hau Chun
Chairman

Sundra Moorthi A/L V.M. Krishnasamy

Lim Kah Poon

Yoong Li Yen

Elaine Hew

TENDER BOARD COMMITTEE

Thye Heng Ong @ Teh Heng Ong
Chairman

Lim Kah Poon

Loo Chin Meng

COMPANY SECRETARY

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

PRINCIPAL OFFICE

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

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

WEBSITE

www.heveaboard.com.my

REGISTERED OFFICE

Level 5, Tower 8, Avenue 5
Horizon 2, Bangsar South City
59200 Kuala Lumpur
Wilayah Persekutuan Kuala Lumpur

Tel : 03-2280 6388
Fax : 03-2280 6399

SHARE REGISTRAR

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

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

PRINCIPAL BANKERS

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

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

Citibank Berhad
Registration No. 199401011410 (297089-M)

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

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

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

AUDITORS

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

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

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

Stock Name : HEVEA
Stock Code : 5095

PROFILE OF DIRECTORS

Sundra Moorthi A/L V.M. Krishnasamy

Independent Non-Executive Chairman

Aged 79 | Malaysian | Male

Mr Sundra Moorthi A/L V.M. Krishnasamy was appointed as an Independent Non-Executive Director of **HeveaBoard** on 27 February 2018. On 19 November 2018, he was re-designated as an Independent Non-Executive Chairman of **HeveaBoard**. He is the Chairman of the Remuneration Committee.

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

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

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

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

Yoong Hau Chun

Group Managing Director

Aged 47 | Malaysian | Male

Mr Yoong Hau Chun joined **HeveaBoard** in 2000 and was appointed as an Executive Director of **HeveaBoard** on 21 July 2000. He was re-designated as the Group Managing Director on 6 June 2012.

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

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

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

Yoong Li Yen

Executive Director

Aged 46, Malaysian, Female

Ms Yoong Li Yen was appointed as an Executive Director of **HeveaBoard** on 18 February 2013.

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

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

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

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

Lim Kah Poon

Independent Non-Executive Director

Aged 74, Malaysian, Male

Mr Lim Kah Poon was appointed as an Independent Non-Executive Director of **HeveaBoard** on 1 October 2004. He is the Chairman of the Audit Committee and a member of the Nomination Committee, Remuneration Committee and Tender Board Committee of **HeveaBoard**.

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).

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

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

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

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

Profile of Directors

(Continued)

Bailey Policarpio

Non-Independent Non-Executive Director

Aged 52 | Filipino | Male

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

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

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

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

Yoong Yan Pin

Independent Non-Executive Director

Aged 87 | Malaysian | Male

Mr Yoong Yan Pin was appointed as an Independent Non-Executive Director of **HeveaBoard** on 27 February 2018. He is the Chairman of the Nomination Committee and a member of the Audit Committee of **HeveaBoard**.

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

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

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

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

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

Thye Heng Ong @ Teh Heng Ong

Independent Non-Executive Director

Aged 72, Malaysian, Male

Mr Thye Heng Ong @ Teh Heng Ong was appointed as an Independent Non-Executive Director of **HeveaBoard** on 27 February 2018. He is the Chairman of the Tender Board Committee and member of the Audit Committee of **HeveaBoard**.

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

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

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

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

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

Chin Pik Yuen

Independent Non-Executive Director

Aged 58, Malaysian, Female

Ms Chin Pik Yuen was appointed as an Independent Non-Executive Director of **HeveaBoard** on 1 November 2022.

Ms Chin Pik Yuen is a Certified Public Accountant of the Malaysian Institute of Certified Public Accountants and a Chartered Accountant of the Malaysian Institute of Accountants. She holds a post graduate diploma in Anti-Money Laundering from University of Manchester, Manchester Business School, United Kingdom.

Ms Chin Pik Yuen started her career as a statutory auditor in 1988 and subsequently specialised in internal audit with two public listed groups of companies in the banking and capital market sectors for a period of 12 years. In these companies she also took on various other functions during her service, including Internal Audit Professional Practices, Special Projects, Systems & Methods and Human Resources & Administration. She then moved on to a governance role with a US-based Outsourcing company where she supported the Hong Kong operations. She subsequently returned to the banking and capital markets sector for 7 years in a risk and compliance role with a foreign bank and a local investment bank as head of group compliance, covering Hong Kong, Singapore and the bank's ASEAN-based subsidiaries.

Ms Chin Pik Yuen joined Securities Commission Malaysia in 2014 where she served until her retirement in 2021. She headed the Managed Investment Schemes Department and subsequently the Authorisation & Licensing Department. Her final role before retirement was General Manager of Corporate Planning and Strategy Department.

Ms Chin Pik Yuen does not hold any directorship in any other public companies or public listed companies.

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

Profile of Directors

(Continued)

Loo Chin Meng

Non-Independent Non-Executive Director

Aged 45 | Singaporean | Male

Mr Loo Chin Meng was appointed as a Non-Independent Non-Executive Director of **HeveaBoard** on 19 November 2018. He is a member of the Tender Board Committee of **HeveaBoard**.

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

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

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

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

Yoong Tein Seng @ Yong Kian Seng (Tenson Yoong)

Alternate Director to Yoong Hau Chun

Aged 76 | Malaysian | Male

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

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

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

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

Notes to Directors' Profiles:

None of the Directors has:

* Any conflict of interest in any business arrangement involving **HeveaBoard**.

** Any conviction for offences within the past five (5) years other than traffic offences, and there are no public sanction and/or penalty imposed by the relevant regulatory bodies on the Directors during the financial year.

Directors' securities holdings:

The details of the Directors' securities holdings are set out in the section of Analysis of Shareholdings of this Annual Report.

Board Meeting attendance in 2022:

All the Directors, except Ms Chin Pik Yuen who was appointed to the Board on 1 November 2022, attended all the five (5) Board Meetings which were held during the financial year. Ms Chin Pik Yuen attended one (1) Board Meeting which was the fifth (5th) Board Meeting held on 17 November 2022.

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

PROFILE OF KEY SENIOR MANAGEMENT

Peh Ju Chai

Executive Director, HeveaPac Sdn. Bhd.

Aged 63 | Malaysian | Male

Date of appointment to present position:

2 January 2001

Qualification

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

Working experience

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

Directorship in public listed companies

None

Directorship in public companies

None

Family relationship with any director and/or major shareholder of the Company

No

Conflict of interest with the Company

No

Other than traffic offences, any convictions for offences within the past 5 years and other particulars of any public section or penalty imposed by the relevant regulatory bodies during the financial year.

No

Elaine Hew

Chief Financial Officer

Aged 64 | Malaysian | Female

Date of appointment to present position:

16 September 2003

Qualification

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

Working experience

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

Directorship in public listed companies

Presently, an Independent Non-Executive Director of Eksons Corporation Berhad.

Directorship in public companies

None

Family relationship with any director and/or major shareholder of the Company

No

Conflict of interest with the Company

No

Other than traffic offences, any convictions for offences within the past 5 years and other particulars of any public section or penalty imposed by the relevant regulatory bodies during the financial year.

No

Profile of Key Senior Management
(Continued)

S.Ganasen Moorthi

General Manager – Plant Operations
Aged 65 | Malaysian | Male

Date of appointment to present position:
1 January 2000

Qualification
- Higher National Diploma-UK.

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

Directorship in public listed companies
None

Directorship in public companies
None

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

Conflict of interest with the Company
No

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

Yoong Li Mian

General Manager – Corporate Services
Aged 45 | Malaysian | Female

Date of appointment to present position:
1 January 2018

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

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

Directorship in public listed companies
None

Directorship in public companies
None

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

Conflict of interest with the Company
No

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

Profile of Key Senior Management

(Continued)

Tee Chin Lung

General Manager, HeveaGro Sdn. Bhd.
Aged 47 | Malaysian | Male

Date of appointment to present position:
1 June 2017

Qualification
- Bachelor of Mechanical Engineering, Sussex University, UK

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

Directorship in public listed companies
None

Directorship in public companies
None

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

Conflict of interest with the Company
No

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

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

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

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

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

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

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

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

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

This statement is presented in compliance with paragraph 15.25(1) of Bursa Malaysia Securities Berhad's ("Bursa Securities") Main Market Listing Requirements, and it is to be read together with the Corporate Governance Report 2022 ("CG Report") of the Company which discloses the details of the Company's application of each practice set out in the MCCG 2021. The CG Report is available on **HeveaBoard**'s website at www.heveaboard.com.my and announcement on the website of Bursa Securities.

PRINCIPLE A
BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Responsibilities

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

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

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

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

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

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

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

(iv) Integrity Committee
- Assist the Board in establishing an oversight body to undertake primarily anti-bribery and corruption measures and responses.

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

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

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

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

PRINCIPLE A (CONT'D)
BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1. Board Responsibilities (Cont'd)

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

There is a demarcation of responsibilities between the Board and Board Committees. Besides being governed by the Company's Constitution and provisions of the Companies Act 2016, in discharging the duties and fiduciary obligation, the Board is guided by the Board Charter while the Board Committees are guided by their Terms of Reference. The Board in its effort to raise the bar of its corporate governance standard had regularly reviewed and enhanced the Board Charter and Terms of Reference of each of the Board Committees to align with the MCCG 2021's Practices and the changes in Bursa Securities' Listing Requirements. These corporate governance documents were last updated on 25 November 2021.

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

Director	No. of Meetings Attended/No. of Meetings Held in 2022 (between 1/1/2022 and 31/12/2022)				
	Board meeting	AC meeting	NC meeting	RC meeting	Integrity Committee meeting
Mr Sundra Moorthi A/L V.M. Krishnasamy	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	–	–	–	1/1
Mr Lim Kah Poon	5/5	5/5	2/2	1/1	1/1
Mr Bailey Policarpio	5/5	–	2/2	1/1	–
Mr Yoong Yan Pin	5/5	5/5	2/2	–	–
Mr Thye Heng Ong @ Teh Heng Ong	5/5	5/5	–	–	–
Ms Chin Pik Yuen	1/5*	–	–	–	–
Mr Loo Chin Meng	5/5	–	–	–	–

** Ms Chin Pik Yuen was appointed to the Board on 1 November 2022.*

PRINCIPLE A (CONT'D)
BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1. Board Responsibilities (Cont'd)

Director	No. of Meetings Attended/No. of Meetings Held (between 1/1/2023 and up to the date of approving this statement)				
	Board meeting	AC meeting	NC meeting	RC meeting	Integrity Committee meeting
Mr Sundra Moorthi A/L V.M. Krishnasamy	2/2	–	–	–	–
Mr Yoong Hau Chun (Alternate Director, Mr Yoong Tein Seng @ Yong Kian Seng)	2/2	–	–	–	–
Ms Yoong Li Yen	2/2	–	–	–	–
Mr Lim Kah Poon	2/2	2/2	–	–	–
Mr Bailey Policarpio	2/2	–	–	–	–
Mr Yoong Yan Pin	2/2	2/2	–	–	–
Mr Thye Heng Ong @ Teh Heng Ong	2/2	2/2	–	–	–
Ms Chin Pik Yuen	2/2	–	–	–	–
Mr Loo Chin Meng	2/2	–	–	–	–

In ensuring good corporate governance culture and business conduct and code of ethics within the Group, the Board is always mindful to set the right tone at the top through its conduct. The Board fosters a healthy culture of internal reporting to ensure that employees, customers, suppliers, contractors, sub-contractors and other stakeholders who have dealings with the Group have a safe and effective way to report concerns about unethical or fraudulent practices within the Group, in order to promote compliance and facilitate early detection and remedial solution. The Whistleblowing Policy has been put in place since August 2015. The Board had in 2021 put in place an Anti-Bribery and Corruption Policy ("Policy") for the Group and the Company in accordance with subsection (5) of Section 17A under the Malaysian Anti-Corruption Commission Act 2009 and the Malaysian Anti-Corruption Commission (Amendment) Act 2018. The Policy is supplemental to the Company's internal policies and procedures, Whistleblowing Policy and Code of Ethics and Conduct. An Integrity Committee was set up on 2 November 2020 to assist the Board in reviewing matters relating to anti-corruption measures and programs of the Group.

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

The Board had reviewed the Group and the Company's 2022 corporate governance practices based on MCCG 2021, and is satisfied that the corporate governance practices of the Group and the Company continue to be in line with most of the practices of the MCCG 2021, except Practice 1.4 as the Board still requires Mr Sundra Moorthi A/L V.M. Krishnasamy who is the Board Chairman to lead and guide the Remuneration Committee; Practice 5.9 on 30% woman directors; Practice 5.10 on policies on gender diversity for the Board and Senior Management; and Practice 8.2 on disclosure on name basis the top five (5) senior management's remuneration in the band of RM50,000.

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

Although the gender diversity policy has not been formalised, the Board had continued with its effort and various measures to achieve sufficient gender diversity for Board and Management. At present, there are two (2) female Directors on the Board, representing 22% of the Board, whilst the Key Senior Management consists of two (2) female personnel. There is no gender discrimination on Board and workplace.

PRINCIPLE A (CONT'D)
BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1. Board Responsibilities (Cont'd)

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

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

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

2. Board Composition

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

In recognition of the spirit and intention of the MCCG 2021 to strengthen board composition, independence, accountability and transparency, the Board has applied Practice 5.2 of the MCCG 2021 that at least half of the Board comprises Independent Directors. During the financial year under review, the Board has appointed an additional female Independent Director making the Board consists of nine (9) members and one (1) alternate director, and majority of them are Independent Directors. The Board size is optimal to meet the Group and the Company's strategic goals and objectives for expansion in business operation while ensuring good corporate governance. The profile of each Director is presented in the Annual Report under the section of Profile of Directors. Such information is also published on **HeveaBoard**'s corporate website at www.heveaboard.com.my.

Activities of the Nomination Committee

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

PRINCIPLE A (CONT'D)
BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2. Board Composition (Cont'd)

Activities of the Nomination Committee (Cont'd)

i. Review of Board Composition and New Appointment

The Nomination Committee reviewed the Board composition annually and refreshed when the need arises to continue strengthening the Board quality, diversity and independence.

The length of service of Independent Director is increasingly recognised as a key element in the review of a director's independence. In observing the impending changing Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") which amongst others, impose a 12-Year Tenure Limit for Independent Directors effective 1 June 2023, Mr Lim Kah who has served the Board as an Independent Non-Executive Director of the Company since 1 October 2004 has indicated that he would not be seeking for retention as an Independent Director at the Company's forthcoming Annual General Meeting to be held in June 2023. Arising from the need to replace the vacancy of Independent Director, the Nomination Committee had recommended to identify a suitable candidate to fill the vacancy. The Board and Nomination Committee had decided that the vacancy be filled by a female Director to meet the Board gender diversity as currently advocated by Bursa Securities and the Malaysian Code on Corporate Governance.

On 1 November 2022, the Board had appointed an additional woman Independent Non-Executive Director, namely Ms Chin Pik Yuen to join the Board. During the selection process, the Nomination Committee and the Board were guided by the Company's Directors' Fit and Proper Policy in identifying candidates, initial screening of resumes, shortlisting and assessment. In assessing whether the candidates are fit and proper to hold a director position, review was performed on documents which include resume, self-declaration checklist on directors' fit and proper criteria completed by the shortlisted candidate, and publicly available profiles and documents. Documents and information were verified against independent sources.

The fit and proper criteria cover the following areas:

i. Character and integrity;
ii. Experience and competence; and
iii. Time and commitment.

For the position of Independent Director, assessment will also be carried out to determine the independence of the candidate and the candidate's ability to discharge such responsibilities/functions as are expected from an Independent Director.

Nomination Committee meetings were held to discuss the profile of the shortlisted candidates. The proposed timeline of appointment, proposed changes in composition of the affected Board Committees and handover process were also discussed before making recommendations to the Board for consideration. The Nomination Committee's recommendation was arrived at on the basis that the candidate should possess a recognised accounting qualification, required competency, and commercial working experience relevant to audit, control, risk management, and corporate governance. The Nomination Committee also reviewed the candidate's character integrity in terms of probity, personal integrity, and reputation and independence of the candidate. Due consideration had also been given on the candidate's ability to spare the time commitment to fulfill the role as a Director.

PRINCIPLE A (CONT'D)
BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2. Board Composition (Cont'd)

Activities of the Nomination Committee (Cont'd)

i. Review of Board Composition and New Appointment (Cont'd)

The Nomination Committee and Board have considered the current Board comprising nine (9) Board members and one (1) alternate director is sizable enough at present. Although the Board had not formalised the Gender Diversity Policy for the Board and Senior Management, the Board acknowledges the benefits of boardroom diversity which includes gender equality for a good mix of Board composition. The current composition of the Board comprises high calibre individuals from diverse backgrounds, experiences and knowledge, which range from industry-specific knowledge, engineering, finance, legal, management and marketing, has functioned adequately. The Board composition is well-balanced and independent with a majority of them being independent Directors. With the appointment of the additional woman Independent Non-Executive Director, namely Ms Chin Pik Yuen during the financial year ended 31 December 2022, the Board has increased the percentage of woman Director on Board to 22%. Currently, the Board comprises two (2) woman Director, namely Ms Yoong Li Yen, who is an Executive Director of the Group, and Ms Chin Pik Yuen who is an Independent Non-Executive Director. The Company does not practise any form of gender discrimination or restricting the number of woman director sitting on the Board and grooming up female talents within the Group as part of its succession planning process.

ii. Performance Evaluation

The performance of the Board, Board Committees and each Director are assessed annually to determine the effectiveness of the Board and identify areas which require improvement. The Nomination Committee assists the Board in conducting the annual assessment. The assessment is internally facilitated. The process and criteria of assessment is disclosed in the CG Report under Practice 6.1. Based on the assessment conducted on 17 November 2022, the Nomination Committee concluded that the Board had discharged its fiduciary duties and leadership functions effectively in managing the various challenges faced by the Group and the Company during the financial year. The Independent Directors have continuously fulfilled the independence criteria as set out in Practice 13 of the Main Market Listing Requirements. The Board Committees, i.e., Audit Committee, Nomination Committee and Remuneration Committee had discharged their duties effectively and efficiently. Each of the Directors had sufficiently contributed his/her skills, experience, business and industry knowledge and time in discharging his/her duties and responsibilities.

iii. Nomination and Election process of Directors

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

Mr Yoong Hau Chun, Mr Bailey Policarpio and Mr Thye Heng Ong @ Teh Heng Ong shall retire and stand for re-election at the forthcoming AGM.

The recommendation to the shareholders for re-election of the retiring Directors at Annual General Meeting should be justified with valid reasons. The Nomination Committee had assessed the performance of the retiring Directors based on a pre-set criteria and had rated their performance as "Good/Competent" in discharging their duties and responsibilities as Directors. The shelf-declaration checklist containing the fit and proper criteria as set out in the Directors' Fit and Proper Policy of the Company is used as a base to determine whether the Directors continue to be fit and proper.

Pursuant to Clause 104 of the Company's Constitution which provides that a newly appointed Director shall hold office only until the next following AGM and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that AGM.

PRINCIPLE A (CONT'D)
BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2. Board Composition (Cont'd)

Activities of the Nomination Committee (Cont'd)

iii. Nomination and Election process of Directors (Cont'd)

Ms Chin Pik Yuen is the new Director appointed on 1 November 2022. Hence, she shall retire at the forthcoming AGM pursuant to Clause 104 of the Constitution, being eligible, she has offered herself for re-election.

The Nomination Committee had assessed her suitability and fit and proper during the appointment process. It was concluded that Ms Chin Pik Yuen's vast experience in the areas of controls, risk management, governance and regulatory compliance would blend well with the current Board structure, which is very diversified, and would further strengthen the Group's corporate governance.

iv. Directors' Continuous Professional Development

In ensuring Directors' continuous professional development, the Nomination Committee reviewed the training and development needs of each of the Directors based on the results of the annual assessments. The Nomination Committee acknowledged that all the Board members are corporate persons who had already have sufficient management skills and vast experience. However, the Board members, especially the Non-Executive Directors, who were not involved in the Company's operation, would need regular updates on industry knowledge relating to the Company. The Non-Executive Board members were encouraged to participate in the in-house briefings organised by the Company or enroll for the courses relevant to the Group's industry which were regularly shared by Management. The training programme attended by the Directors during the financial year is set out below. It is also disclosed in the CG Report under Practice 6.1.

Director	Event/Session/Training Programme Attended
Mr Sundra Moorthi A/L V.M. Krishnasamy	▪ Risk Management Workshop
Mr Yoong Hau Chun	▪ Risk Management Workshop ▪ Understanding the Fundamentals Corporate Sustainability, ESG & GHG
Ms Yoong Li Yen	▪ Risk Management Workshop ▪ Understanding the Fundamentals Corporate Sustainability, ESG & GHG
Mr Lim Kah Poon	▪ Risk Management Workshop ▪ Understanding the Fundamentals Corporate Sustainability, ESG & GHG
Mr Bailey Policarpio	▪ Risk Management Workshop
Mr Yoong Yan Pin	▪ Risk Management Workshop ▪ The Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees
Mr Thye Heng Ong @ Teh Heng Ong	▪ Risk Management Workshop ▪ The Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees ▪ Understanding the Fundamentals Corporate Sustainability, ESG & GHG
Ms Chin Pik Yuen	▪ Bursa Malaysia Mandatory Accreditation Programme (MAP) ▪ Understanding the Fundamentals Corporate Sustainability, ESG & GHG ▪ Malaysian Institute of Accountants Audit Committee Conference 2022 – Beyond Effectiveness: Governance, Sustainability and Agility
Mr Loo Chin Meng	▪ Risk Management Workshop ▪ Understanding the Fundamentals Corporate Sustainability, ESG & GHG

PRINCIPLE A (CONT'D)
BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3. Remuneration

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

Activities of the Remuneration Committee

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

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

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

During the financial year, the activities of the Remuneration Committee included the annual review of the remuneration packages of the Directors and Senior Management before recommending the remuneration packages for 2023 to the Board for its approval for implementation. During the review, the Remuneration Committee received performance reports from the Managing Director on the Group and the Company's performance and his proposals on remuneration. The Remuneration Committee ensured that the remuneration packages to be recommended to the Board were in line with the performance and contribution of the Directors and its Senior Management taking into consideration the Group and the Company's performance. None of the individuals or the Chairman participated in any discussion and decision relating to their own remuneration. The Board approved the 2023 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 of the Company pursuant to Sections 230(1) and 340(1)(c) of the Companies Act 2016.

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

PRINCIPLE A (CONT'D)
BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3. Remuneration (Cont'd)

Activities of the Remuneration Committee (Cont'd)

The remunerations received or receivable by the Non-Executive Directors, Group Managing Director and Executive Director in respect of the financial year ended 31 December 2022 are disclosed below:-

COMPANY

Non-Executive Directors

No.	Name	Directors' Fees RM'000	Other Emoluments RM'000	Total RM'000
1	Mr Sundra Moorthi A/L V.M. Krishnasamy *(Independent Non-Executive Chairman)*	112	nil	112
2.	Lim Kah Poon *(Independent Non-Executive Director)*	91	72	163
3.	Bailey Policarpio *(Non-Independent Non-Executive Director)*	84	nil	84
4.	Mr Yoong Yan Pin *(Independent Non-Executive Director)*	84	nil	84
5.	Mr Thye Heng Ong @ Teh Heng Ong *(Independent Non-Executive Director)*	84	nil	84
6.	Ms Chin Pik Yuen * *(Independent Non-Executive Director)*	15	nil	15
7.	Mr Loo Chin Meng *(Non-Independent Non-Executive Director)*	91	nil	91

* *Ms Chin Pik Yuen was appointed to the Board on 1 November 2022.*

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)*	1,157	48	181	96	28	nil	1,510
2.	Yoong Li Yen *(Executive Director)*	913	83	153	83	nil	72	1,304

PRINCIPLE A (CONT'D)
BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3. Remuneration (Cont'd)

<u>GROUP</u>

Non-Executive Directors

No.	Name	Directors' Fees RM'000	Other Emoluments RM'000	Total RM'000
1	Mr Sundra Moorthi A/L V.M. Krishnasamy *(Independent Non-Executive Chairman)*	112	nil	112
2.	Lim Kah Poon *(Independent Non-Executive Director)*	91	72	163
3.	Bailey Policarpio *(Non-Independent Non-Executive Director)*	84	nil	84
4.	Mr Yoong Yan Pin *(Independent Non-Executive Director)*	84	nil	84
5.	Mr Thye Heng Ong @ Teh Heng Ong *(Independent Non-Executive Director)*	84	nil	84
6.	Ms Chin Pik Yuen * *(Independent Non-Executive Director)*	15	nil	15
7.	Mr Loo Chin Meng *(Non-Independent Non-Executive Director)*	91	nil	91

* *Ms Chin Pik Yuen was appointed to the Board on 1 November 2022.*

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)*	1,157	48	181	96	28	nil	1,510
2.	Yoong Li Yen *(Executive Director)*	913	83	153	83	nil	72	1,304

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

PRINCIPLE B
EFFECTIVE AUDIT AND RISK MANAGEMENT

1. Audit Committee

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

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

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

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

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

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

PRINCIPLE B (CONT'D)
EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

2. Risk Management and Internal Control Framework

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

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

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

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

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

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

PRINCIPLE C
INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

1. Engagement with Stakeholders

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

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

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

PRINCIPLE C (CONT'D)
INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

2. Conduct of General Meeting

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

The Board views AGM as one of the principal forums for dialogue with shareholders. The last AGM of the Company held on 27 June 2022 was conducted on a fully virtual basis via an online meeting platform with remote participation and online remote voting, and all the Directors attended the AGM. Despite the AGM being held in a fully virtual meeting environment, the Chairman had played an effective role to ensure the engagement between the Board, Senior Management and shareholders was managed smoothly and meaningfully.

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

This statement is made in accordance with the approval of the Board of Directors on 24 March 2023.

STATEMENT ON RISK MANGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("the Board") of **HeveaBoard Berhad** ("the Group") is pleased to present its Statement on Risk Management and Internal Control for the Financial Year Ended 31 December 2022. The disclosure in this statement is presented pursuant to paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and is guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

ROLES AND RESPONSIBILITY

(A) Board of Directors

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

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

(B) Audit Committee

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

(C) Nomination Committee and Remuneration Committee

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

RISK MANAGEMENT

The risk management processes in identifying, evaluating and managing significant risks embraced in the operating and business processes. These processes are driven by all Executive Directors and Senior Management team members in their course of work. Key matters covering the financial and operation performances, changes in customers' preference, suppliers, raw material prices, risks and market outlook are reviewed and deliberated in the EXCO meetings. During these EXCO Meetings, causes and reasons for performances are discussed to identify the appropriate measures to effectively manage the risks. Key issues discussed in EXCO meetings are recorded in minutes, summarised and presented in the quarterly Board meetings for all Board members to review and understand the issues impacting 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 and ISO 31000 on risk management which are internationally recognised risk management frameworks. Based on the key risks identified, management then proceeds to develop the necessary measures to minimise the possibility and impact of these risks.

The Risk Assessment process is as follow:

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

Key Risk Focus	Key Mitigation Plan
Continued Sustainability of Business	I. Research and Development initiative on new products and market intelligence. We believe that innovative product design, excellent customer services and strong manufacturing capabilities differentiate us in the marketplace; II. Take proactive action to maintain good relationships with local and global customers. To work closely with customers to take advantage of developing trends within existing markets and explore growth opportunities in new markets with supportive demographics close; and III. Strive to build long-term sustainable relationship with the customers.

RISK MANAGEMENT (CONT'D)

The principal risks and challenges faced by the Group presently and its mitigation plans are summarised as follows: (Cont'd)

Key Risk Focus	Key Mitigation Plan
Impact of Forex Fluctuation -Changes in the value of the US Dollar Vs Ringgit & currencies of our trading partner	I. Adopt a hedging policy to cover the exposure on currency fluctuation for certain amount over a certain period; II. Consider including a tolerance limit on currency fluctuation when quoting or pricing to customer; III. Enhance production planning to enable forecast purchases to be made in advance when prices and exchange rates are favourable; and IV. Keep abreast of world market developments which influence the forex market
Volatile Supply in Raw Materials and Fluctuation in Prices and Cost of Production	I. Negotiate and make arrangements with suppliers to ensure availability of key raw materials at reasonable prices; II. Increase raw materials and finished goods inventory as buffer for supply or shipment interruptions; III. Negotiate with customers for price adjustments and/or value engineering to mitigate rising costs of materials and productions; and IV. Coordinate with customers on production and delivery schedules to manage orders and backlogs, shortage of containers and other logistic disruptions.
Increase in Electricity cost (ICPT tariff increase by 441% effective 1 January 2023)	I. Install rooftop solar PV systems on the premises of RTA facilities, fungi facility, and the carpark rooftop for the particleboard sector; and II. Better management and planning to achieve optimum production capacity in all sectors and more efficient electricity consumption.

INTERNAL CONTROLS

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

i. Quality Management Systems of ISO 9001:2015;
ii. The Environment Management Systems ISO 14001:2015;
iii. Occupational Safety and Health Management System 45001:2018 and MS 1722;
iv. Sustainable Forest and Energy Management Systems under the Programme for the Endorsement of Forest Certification("PEFC");
v. Energy Management System ISO 50001:2011 Certification in efficient and effective energy management system;
vi. Singapore Green Label Certificate, Sirim Eco-Label Scheme Certification and MyHijau Certification for environmentally friendly product; and
vii. Japanese Industrial Standard (JIS) Mark Certification A5908:2015
viii. CARB (California Air Resources Board) Certification on compliance with applicable emission standard.
ix. Japanese Industrial Standard (JIS) Mark Certification S5908:2015

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

HeveaGro Sdn. Bhd., a fully owned subsidiary was also certified with Food Safety Management System ISO 22000:2018.

INTERNAL CONTROLS (CONT'D)

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 Board reviewed the status of the implementation of the adequate procedures in regards to Bribery and Corruption Risk assessment of the Group. Under this exercise, the Board assessed the performance, efficiency and effectiveness of the anti-corruption programme, and ensure the programme is enforced.

THE REVIEW MECHANISM

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

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

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

The internal audit function has organised its work according to the principles of the internal auditing standards covering the conduct of the audit planning, execution, 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 them to the Board for approval;
- Audit findings and reports on the review of systems of internal control provided by the Internal Auditors and status of Management's implementation of the audit recommendations;
- Annual risk assessment exercise to identify and assess risks faced by the Group as well as the action plans needed to manage the identified risks effectively; and
- Management's assurance that the Group's risk management and internal control systems have been operating adequately and effectively, in all material respects.

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

OTHER INTERNAL CONTROL ELEMENTS

a. Policies and Procedures and Compliance Review

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

b. Information and Communication

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

c. Audit Committee

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

d. Whistleblowing Policy

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

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

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

Statement on Risk Management and Internal Control

(Continued)

REVIEW OF STATEMENT ON INTERNAL CONTROL BY EXTERNAL AUDITORS

The External Auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control ("Statement") in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and Audit and Assurance Practice Guide 3 ("AAPG 3") (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report.

They have reported to the Boards that nothing has come to the attention that causes them to believe the Statement intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers nor is the Statement factually inaccurate.

This Statement is made in accordance with the resolution of the Board of Directors on 24 March 2023.

STATEMENT ON DIRECTORS' RESPONSIBILITIES

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

The Directors consider that, in preparing the financial statements of the Group and the Company for the financial year ended 31 December 2022, 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 a going concern basis.

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

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

ADDITIONAL COMPLIANCE INFORMATION

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

1. UTILISATION OF PROCEEDS

There were no corporate proposals undertaken by the Company to raise funds during the financial year ended 31 December 2022.

2. LIST OF PROPERTIES

The properties held by the Group and the Company during the financial year ended 31 December 2022 are stated on page 142 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 2022 between **HeveaBoard** and related parties are disclosed in Note 26 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 2022.

AUDIT COMMITTEE REPORT

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2022.

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

COMPOSITION OF MEMBERS

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

The members of the Audit Committee are as follows:

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

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

3. Mr Thye Heng Ong @ Teh Heng Ong - Member
   Independent Non-Executive Director

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

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

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

AUTHORITY

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

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

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 the Board is satisfied that the Audit Committee has discharged their duties and responsibilities effectively in accordance with its Terms of Reference.

Audit Committee Report

(Continued)

MEETING

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

During the financial year ended 31 December 2022, the Audit Committee held five (5) Audit Committee meetings, and two (2) Audit Committee meetings were held during the period from 1 January 2023 to the date of approving this Report.

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

Name of Committee Member	No. of Meetings Attended/ No. of Meeting Held	
	Year 2022	1/1/2023 and up to the date of approving this report
Mr Lim Kah Poon (Chairman)	5/5	2/2
Mr Yoong Yan Pin (Member)	5/5	2/2
Mr Thye Heng Ong @ Teh Heng Ong (Member)	5/5	2/2

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

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

Each Audit Committee meeting is scheduled in advance and conducted with proper meeting proceedings. Meeting notice is circulated to Audit Committee members via electronic mail at least seven (7) days before the meeting. To ensure efficient and effective review and discussion as well as the smooth flow of the 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 at least five (5) days before the meeting. With a view to encourage a paperless environment, a hard copy of the meeting materials will only be available upon request.

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

During the financial year ended 31 December 2022 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. The Internal Auditors were invited to present their internal audit plan and to report the outcome of their internal audit, including the follow-up audit and annual update of Enterprise Risk Management Report, covering identification of prevailing key risk profiles of the Group and the Company and the relevant control measures. The Executive Directors and Management, when necessary, would be invited to brief and provide further clarifications to the Audit Committee on issues arising from the internal audit, external audit, and other pertinent matters to facilitate better understanding of the subject matter. The External Auditors were invited to present their Audit Plan, Audit Committee Memorandum and draft Audited Financial Statements according to the audit timeline.

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

MEETING (CONT'D)

During the financial year ended 31 December 2022 and during the period from 1 January 2023 to the date of approving this Report, the agendas of the Audit Committee meetings included the following:

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

SUMMARY OF ACTIVITIES

The activities of the Audit Committee in respect of the financial year ended 31 December 2022, and during the period from 1 January 2023 to the date of approving this Report comprised the following:

1. Financial Reporting

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

a. Review of quarterly financial results

Pursuant to Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the Main Market, a public listed company ("PLC") must give Bursa Securities for public release, a quarterly report that is prepared on a quarterly basis, as soon as the figures have been approved by the Board of Directors of the PLC, and in any event not later than 2 months after the end of each quarter of a financial year.

The Audit Committee reviews the unaudited quarterly financial results at its quarterly meetings before recommending to the Board for approval.

The unaudited quarterly financial results for the four (4) quarters of the Company and the Group for the financial year ended 31 December 2022 were reviewed at the four (4) Audit Committee quarterly meetings held on 18 May 2022, 18 August 2022, 17 November 2022 and 23 February 2023.

SUMMARY OF ACTIVITIES (CONT'D)

1. Financial Reporting (Cont'd)

a. Review of quarterly financial results (Cont'd)

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

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

b. Annual Audited Financial Statements

- **Audit Plan 2022**

  On 17 November 2022, the Audit Committee conducted a preliminary meeting with the External Auditors to review and discuss the overall Audit Strategy and Audit Plan for the financial year ended 31 December 2022. The Audit Plan outlined, amongst others, the policies and procedures concerning auditors' independence, the audit scope, areas of emphasis, risk assessment and audit approach, related party transaction disclosures and procedures, audit timeframe, and overall accounting development.

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

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

SUMMARY OF ACTIVITIES (CONT'D)

1. Financial Reporting (Cont'd)

b. Annual Audited Financial Statements (Cont'd)

- **Audit Committee Memorandum**

Based on the audit timeline, the External Auditors presented their Audit Committee Memorandum to the Audit Committee on 23 February 2023, subsequent to the financial year ended 31 December 2022.

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

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 were noted:

i. Inventory Valuation
ii. Impairment review on investment in subsidiaries
iii. Impairment review on property, plant and equipment and rights-of-use assets
iv. Recognition of insurance compensation

❖ Potential Key Audit Matters and the justification identified by the External Auditors.
❖ Internal control weaknesses noted by the External Auditors and Management's comments.
❖ The Audit Committee also took note of the accounting standard developments, its requirements and impact on the Group and Company's financial statements.

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

- **Audited Financial Statements**

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

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

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

On 24 March 2023, a specific meeting was held to review the draft Audited Financial Statements for the financial year ended 31 December 2022.

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

Audit Committee Report

(Continued)

SUMMARY OF ACTIVITIES (CONT'D)

2. External Auditors

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

a. Independence

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

The External Auditors, namely Messrs. Baker Tilly Monteiro Heng PLT confirmed that in relation to their audit of the financial statements of **HeveaBoard** Group ("the Group") for the financial year ended 31 December 2022, the Engagement Partners and its staff engaged in the audit of the Group's financial statements neither hold any direct or indirect financial interest in the Group nor are connected with the Group which would impair their independence, and they have complied with the requirements for independence as stipulated in the International Standards on Auditing ("ISA") 260.

In accordance with the By-laws of the Malaysian Institute of Accountants, Messrs. Baker Tilly Monteiro Heng PLT rotates its engagement partner once every seven (7) years to ensure objectivity, independence and integrity of audit opinions.

b. Audit and Non-Audit Fees

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

The details of the audit and non-audit fees paid/payable to the External Auditors and a firm or corporation affiliated to the External Auditors in relation to the financial year ended 31 December 2022 are set out below:

	Group RM	**Company RM**
Audit Fees	177,000	79,000
Non-Audit Fees		
(i) Review of Internal Control	6,500	6,500
(ii) Review of Other Information	6,500	6,500
Total Non-Audit Fees	**13,000**	**13,000**

On 24 March 2023, the Audit Committee recommended to the Board for approval of the audit fee of RM79,000 and total non-audit fee of RM13,000 in respect of the financial year ended 31 December 2022. The Board approved the audit fees and non-audit fees based on the recommendation of the Audit Committee.

SUMMARY OF ACTIVITIES (CONT'D)

2. External Auditors (Cont'd)

c. Re-appointment of External Auditors

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

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

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

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

Following the completion of the 2022 financial year audit, the Audit Committee was satisfied with the quality of audit, effectiveness and independence of Messrs. Baker Tilly Monteiro Heng PLT as External Auditors of the Group and the Company. The Audit Committee continues to consider Messrs. Baker Tilly Monteiro Heng PLT to be suitable in their role as External Auditors of the Group.

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

i. The External Auditors has confirmed that they comply with the local professional institutions' rules concerning auditors' independence and their firm's requirements;
ii. The Audit Committee is satisfied that the External Auditors has exercised professionalism and performed a quality audit;
iii. The Audit Committee continues to consider the External Auditors to be suitable in their role as External Auditors of the Group and the Company; and
iv. The non-audit services rendered by the External Auditors and its affiliates consist of mainly assurance-related services. It is satisfied that the provision of non-audit services by the External Auditors did not in any way impair their objectivity and independence.

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

SUMMARY OF ACTIVITIES (CONT'D)

3. Internal Audit

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

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

Internal Audit Report

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

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

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

Date of AC Meeting	Internal Audit ("IA") Reports reviewed	Objectives of Audit
23 February 2022	Human Resources and Payroll for HeveaPac Sdn. Bhd. ("HeveaPac")	To evaluate the adequacy and effectiveness of documentary and supervisory controls over key processes within the human resource management and verify the accuracy and integrity of payroll preparation, including statutory deduction, and the salary payment thereafter.
18 May 2022	Procurement Function for HeveaPac	To review the adequacy of the policies and procedures, segregation of duties and controls in the procurement process.
17 November 2022	Annual Update of Enterprise Risk Management (ERM)	A report of the Risk Assessment Workshop (with the participation of Management and Directors) which was conducted in July 2022 to re-assess the key risk areas of **HeveaBoard** Group and evaluate the adequacy and effectiveness of the existing controls.
	Follow Up Audit Report on the issues raised during the previous internal audit review. (Human Resources and Payroll for HeveaPac)	To obtain and verify the status of implementation of the agreed audit recommendations and/or management action plans pertinent to the issues reported in the previous audit review.
23 February 2023	Health, Safety and Environment of HeveaPac	To review and identify the hazards implicated with the working environment; to analyse the job safety related to the operation and working environment; to review the procedures for risk assessment records, the techniques for evaluating, monitoring, and controlling risks in the workforce; and to conduct the generic risk assessments in areas of health and safety.

SUMMARY OF ACTIVITIES (CONT'D)

3. Internal Audit (Cont'd)

Anti-corruption compliance programs of the Group

During the financial year, the Audit Committee reviewed the report from the Integrity Committee on the status of implementation of Adequate Procedures based on the Guidelines on Adequate Procedure ("Guidelines on Adequate Procedure") issued by the Prime Minister's Department pursuant to Section 17A of Malaysian Anti-Corruption Commission ("MACC") Amendment Act 2018. The follow-up review was conducted in August 2022 with the assistance of PKF to assess the level of adherence of the Group to the Guidelines on Adequate Procedure relating to "systematic review, monitoring, and enforcement". The scope of the review encompassed the assessment of the performance, efficiency, and effectiveness of the anti-corruption compliance programs enforced by the Group, which included the following:

i. Dissemination of Whistleblowing and Anti-Bribery and Corruption ("ABC") Policies.
ii. Integrity Committee / Audit Committee meeting.
iii. Whistleblowing and reporting.
iv. Bribery and corruption risk assessment.
v. Employee awareness.
vi. Due diligence to external parties and their compliance to ABC.
vii. Records keeping on gift and entertainment.

Statement on Risk Management and Internal Control

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

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

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

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

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

As such, the Audit Committee must ensure that:

a. Adequate oversight over the controls on the following:

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

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

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

SUMMARY OF ACTIVITIES (CONT'D)

4. Review of related party transaction and conflict of interest situation (Cont'd)

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

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

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

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

INTERNAL AUDIT FUNCTION

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

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

The internal audit's role should be separate and independent from management so that it could carry out its work freely and objectively. Hence, over the years and for the financial year ended 31 December 2022, the entire Internal Audit Function of the Group and the Company has been outsourced to an independent internal audit consulting firm. The Board and Audit Committee are responsible for the effectiveness of the Internal Audit Function although all the Internal Audit Function is outsourced.

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

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

INTERNAL AUDIT FUNCTION (CONT'D)

Internal Audit Plan

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

Activities of the Internal Audit Function

The activities of the Internal Audit Function for the financial year ended 31 December 2022 included the following:

(a) Conducting internal audit reviews based on the Internal Audit Plan approved by the Audit Committee;
(b) Reporting the results of internal audits and making recommendations for improvements to the internal control systems;
(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.
(e) Conducting follow-up review to assess the performance, efficiency, and effectiveness of the anti-corruption compliance programs enforced by the Group.

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

The total cost incurred for the Internal Audit Function of the Group in respect of the financial year ended 31 December 2022 was approximately RM62,000.

This report is made in accordance with the approval of the Board of Director on 24 March 2023.

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 2022.

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 6 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 before tax	16,561	1,744
Income tax expense	(7,228)	(3,074)
Profit/(Loss) for the financial year, net of tax	9,333	(1,330)
Attributable to:		
Owners of the Company	9,333	(1,330)
Non-controlling interests	–	–
	9,333	(1,330)

RESERVES OR PROVISIONS

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

BAD AND DOUBTFUL DEBTS

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

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

DIVIDENDS

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

	RM'000
Single-tier final dividend of 1.00 sen per ordinary share in respect of the financial year ended 31 December 2021, paid on 29 July 2022	5,659

Àt the forthcoming Annual General Meeting, a single tier final dividend of 1.20 sen (2021: 1.00 sen) per ordinary share of, approximately RM6.79 million (2021: RM5.66 million) in respect of the current financial year, based on the number of outstanding ordinary shares in issue (net of treasury shares) as at 31 December 2022, will be proposed for the shareholders' approval.

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.

ISSUE OF SHARES AND DEBENTURES

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

TREASURY SHARES

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

During the financial year, the Company repurchased 1,000 of its issued and paid up ordinary shares from the open market at an average price of RM0.465 per ordinary share. The total consideration paid for the shares repurchased was RM465.

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

As at 31 December 2022, the Company held 1,881,000 treasury shares out of its 567,745,681 issued and paid-up ordinary shares. Such treasury shares are held at a carrying amount of RM1,614,489. Further details are disclosed in Note 16 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

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

Yoong Tein Seng @ Yong Kian Seng*
(Alternate director to Yoong Hau Chun)
Yoong Hau Chun*
Yoong Li Yen*
Lim Kah Poon
Bailey Policarpio
Loo Chin Meng
Yoong Yan Pin
Sundra Moorthi A/L V.M. Krishnasamy
Thye Heng Ong @ Teh Heng Ong
Chin Pik Yuen (Appointed on 1 November 2022)

* Directors of the Company and certain subsidiaries.

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

Peh Ju Chai

Directors' Report

(Continued)

DIRECTORS' INTERESTS

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

Interests in the Company

		Number of ordinary shares			
		At 1 January 2022	**Bought**	**Sold**	**At 31 December 2022**
Direct interests					
Yoong Hau Chun		1,503,850	–	–	1,503,850
Lim Kah Poon		200,000	–	–	200,000
Bailey Policarpio		126,664	–	–	126,664
Yoong Li Yen		1,672,532	–	–	1,672,532
Yoong Tein Seng @ Yong Kian Seng (Alternate director to Yoong Hau Chun)		1,047,000	2,513,100	(3,394,500)	165,600
Loo Chin Meng		370,000	–	–	370,000
Yoong Yan Pin		250,000	–	–	250,000
Sundra Moorthi A/L V. M. Krishnasamy		6,800,000	1,198,300	–	7,998,300
Thye Heng Ong @ Teh Heng Ong		200,000	–	–	200,000
Indirect interests					
Yoong Hau Chun	(1)	185,921,191	2,513,100	(3,394,500)	185,039,791
Lim Kah Poon	(2)	84,000	–	–	84,000
Bailey Policarpio	(3)	1,672,532	–	–	1,672,532
Yoong Li Yen	(4)	184,425,841	2,513,100	(3,394,500)	183,544,441
Yoong Tein Seng @ Yong Kian Seng (Alternate director to Yoong Hau Chun)	(5)	195,830,837	–	–	195,830,837
Loo Chin Meng	(6)	4,292,000	–	–	4,292,000

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

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

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

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

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

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

DIRECTORS' INTERESTS (CONT'D)

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

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in ordinary shares or debentures of the Company and its related corporations during the financial year.

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 shown below) 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.

The directors' benefits of the Group and of the Company were as follows:

	Group RM'000	Company RM'000
Directors		
- salaries, fees, allowances and bonus	6,318	3,266
- defined contribution plan	1,183	515
- other benefits	1,425	28
	8,926	3,809

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

INDEMNITY TO DIRECTORS AND OFFICERS

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

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

The available auditors' reports on the accounts of the subsidiaries did not contain any qualification.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 32 to the financial statements.

AUDITORS

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

The auditors' remuneration of the Group and the Company during the financial year were RM183,500 and RM85,500 respectively.

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia. No payment has been made to indemnify the auditors during the financial year.

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

YOONG HAU CHUN
Director

YOONG LI YEN
Director

Date: 24 March 2023

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2022

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	228,123	235,084	100,331	114,598
Investment in subsidiaries	6	–	–	62,459	61,459
Investment in associate	7	461	441	–	–
Goodwill on consolidation	8	2,946	2,946	–	–
Deferred tax assets	9	1,277	4,077	1,277	4,077
Total non-current assets		232,807	242,548	164,067	180,134
Current assets					
Inventories	10	104,197	122,823	46,762	48,734
Biological asset	11	709	614	-	-
Trade and other receivables	12	38,478	26,673	21,088	20,789
Prepayments		9,478	6,139	6,307	420
Tax recoverable		2,046	6,997	40	-
Other investments	13	2,632	19,178	1,721	3,523
Cash and short-term deposits	14	118,440	101,502	53,950	63,237
Total current assets		275,980	283,926	129,868	136,703
TOTAL ASSETS		508,787	526,474	293,935	316,837
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	15	160,215	160,215	160,215	160,215
Treasury shares	16	(1,614)	(1,614)	(1,614)	(1,614)
Retained earnings	17	267,203	263,529	102,002	108,991
TOTAL EQUITY		425,804	422,130	260,603	267,592
Non-current liabilities					
Loans and borrowings	18	6,088	7,450	170	381
Deferred tax liabilities	9	6,060	6,060	–	–
Total non-current liabilities		12,148	13,510	170	381
Current liabilities					
Trade and other payables	19	67,723	88,224	32,962	48,476
Loans and borrowings	18	3,112	2,595	200	379
Tax payable		–	15	–	9
Total current liabilities		70,835	90,834	33,162	48,864
TOTAL LIABILITIES		82,983	104,344	33,332	49,245
TOTAL EQUITY AND LIABILITIES		508,787	526,474	293,935	316,837

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

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2022

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	20	412,650	370,864	198,677	182,469
Cost of sales		(382,763)	(349,772)	(187,003)	(163,136)
Gross profit		29,887	21,092	11,674	19,333
Other income		17,340	3,933	4,443	1,392
Distribution expenses		(2,444)	(2,254)	(1,385)	(1,635)
Administrative expenses		(26,691)	(21,357)	(12,370)	(11,829)
Net impairment loss on financial assets		–	(86)	–	–
Other expenses		(1,140)	(1,409)	(582)	(2,359)
Operating profit/(loss)		16,952	(81)	1,780	4,902
Finance costs	21	(411)	(592)	(36)	(89)
Share of result of associate, net of tax		20	108	–	–
Profit/(Loss) before tax	22	16,561	(565)	1,744	4,813
Income tax expense	23	(7,228)	(598)	(3,074)	(97)
Profit/(Loss) for the financial year		9,333	(1,163)	(1,330)	4,716
Other comprehensive income		–	–	–	–
Total comprehensive income/(loss) for the financial year		9,333	(1,163)	(1,330)	4,716
Profit/(loss) attributable to:					
Owners of the Company		9,333	(1,163)	(1,330)	4,716
Non-controlling interests		–	–	–	–
		9,333	(1,163)	(1,330)	4,716
Total comprehensive income/(loss) attributable to:					
Owners of the Company		9,333	(1,163)	(1,330)	4,716
Non-controlling interests		–	–	–	–
		9,333	(1,163)	(1,330)	4,716
Earnings/(Loss) per share attributable to owners of the Company (sen)					
- Basic earnings per share	24(a)	1.64	(0.20)		
- Diluted earnings per share	24(b)	1.64	(0.20)		

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2022

	Note	*Attributable to owners of the Company* Share Capital RM'000	Treasury Shares RM'000	Warrant Reserve RM'000	Retained Earnings RM'000	Total Equity RM'000
Group						
At 1 January 2021		160,215	(1,613)	–	271,765	430,367
Total comprehensive loss for the financial year		–	–	–	(1,163)	(1,163)
Transactions with owners:						
Shares repurchased	16	–	(1)	–	–	(1)
Dividends paid on shares	25	–	–	–	(7,073)	(7,073)
Total transaction with owners		–	(1)	–	(7,073)	(7,074)
At 31 December 2021		160,215	(1,614)	–	263,529	422,130
Total comprehensive income for the financial year		–	–	–	9,333	9,333
Transactions with owners:						
Shares repurchased	16	–	*	–	–	–
Dividends paid on shares	25	–	–	–	(5,659)	(5,659)
Total transactions with owners		–	–	–	(5,659)	(5,659)
At 31 December 2022		160,215	(1,614)	–	267,203	425,804

* Represent amount less than RM1,000.

Statements of Changes in Equity
for the financial year ended 31 December 2022

(Continued)

	Note	Share Capital RM'000	Treasury Shares RM'000	Warrant Reserve RM'000	Retained Earnings RM'000	Total Equity RM'000
		Attributable to owners of the Company				
Company						
At 1 January 2021		160,215	(1,613)	–	111,348	269,950
Total comprehensive income for the financial year		–	–	–	4,716	4,716
Transactions with owners:						
Shares repurchased	16	–	(1)	–	–	(1)
Dividends paid on shares	25	–	–	–	(7,073)	(7,073)
Total transactions with owners		–	(1)	–	(7,073)	(7,074)
At 31 December 2021		160,215	(1,614)	-	108,991	267,592
Total comprehensive loss for the financial year		–	–	–	(1,330)	(1,330)
Transactions with owners:						
Shares repurchased	16	–	*	–	–	–
Dividends paid on shares	25	–	–	–	(5,659)	(5,659)
Total transactions with owners		–	–	–	(5,659)	(5,659)
At 31 December 2022		160,215	(1,614)	–	102,002	260,603

* Represent amount less than RM1,000.

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

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash flows from operating activities					
(Loss)/Profit before tax		16,561	(565)	1,744	4,813
Adjustments for:					
Bad debts recovered		–	(23)	–	–
Bad debts written off		3	–	*	–
Depreciation for property, plant and equipment and right-of-use assets		29,102	29,223	16,975	17,281
Dividend income		(97)	(13)	(1,068)	(13)
Fair value (gain)/loss on other investments		(17)	40	(6)	7
Finance costs		411	592	36	89
Gain on disposal of property, plant and equipment		(300)	–	(284)	–
Insurance compensation		(11,906)	–	(692)	–
Interest income		(2,109)	(1,822)	(1,079)	(721)
Impairment loss on:					
- investment in subsidiaries		–	–	–	1,521
- trade receivables		–	86	–	–
Inventories written off		398	2,240	–	2,015
Net unrealised foreign exchange (gain)/loss		(361)	(282)	103	(92)
Property, plant and equipment written off		1,197	7	*	*
Share of result of associate, net of tax		(20)	(108)	–	–
Operating profit before changes in working capital		32,862	29,375	15,729	24,900
Changes in working capital:					
Biological asset		(95)	(30)	–	–
Inventories		18,228	(30,433)	1,972	(14,692)
Trade and other receivables		(6,413)	3,684	(3,305)	947
Trade and other payables		(20,501)	14,144	(15,442)	9,727
Net cash generated from/(used in) operations		24,081	16,740	(1,046)	20,882
Income tax paid		(1,087)	(1,728)	(323)	(95)
Income tax refunded		1,595	–	–	–
Net cash from/(used in) operating activities		24,589	15,012	(1,369)	20,787

Statements of Cash Flows
for the financial year ended 31 December 2022

(Continued)

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Cash flows from investing activities					
Change in fixed deposits		(5,000)	–	–	–
Dividend received		97	13	1,068	13
Proceeds from insurance claim		3,172	–	692	–
Interest received		2,109	1,822	1,079	721
Investment in associate		–	(83)	–	–
Net change in other investments		16,563	56,590	1,808	32,710
Proceeds from disposal of property, plant and equipment		518	–	284	–
Purchase of property, plant and equipment right-of-use assets	(a)	(21,699)	(10,015)	(2,708)	(1,802)
Advances to subsidiaries		–	–	(3,881)	4,114
Net cash (used in)/from investing activities		(4,240)	48,327	(1,658)	35,756
Cash flows from financing activities					
Dividend paid		(5,659)	(9,902)	(5,659)	(9,902)
Interest paid		(411)	(592)	(36)	(89)
Net repayment to subsidiary		–	–	(72)	–
Net repayment of hire purchase	(b)	(631)	(1,651)	(390)	(497)
Net repayment of lease liabilities	(b)	(23)	(23)	–	–
Net repayment of term loan	(b)	(2,048)	(2,047)	–	–
Purchase of treasury shares		*	(1)	*	(1)
Net cash used in financing activities		(8,772)	(14,216)	(6,157)	(10,489)
Net change in cash and cash equivalents		11,577	49,123	(9,184)	46,054
Cash and cash equivalents at the beginning of the financial year		101,502	52,097	63,237	17,091
Effects of exchange rate changes on cash and cash equivalents		361	282	(103)	92
Cash and cash equivalents at the end of the financial year	14	113,440	101,502	53,950	63,237

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

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Purchase of property, plant and equipment and right-of-use assets	23,556	10,296	2,708	2,083
Financed by way of lease arrangements	(1,857)	(281)	–	(281)
Cash payments on purchase of property, plant and equipment and right-of-use assets	21,699	10,015	2,708	1,802

During the financial year, the Group had total cash outflows for leases of RM1,036,629 (2021: RM2,153,029).

(b) Reconciliation of liabilities arising from financing activities:

	At 1 January 2022 RM'000	**Cash flows RM'000**	**Non-cash acquisition RM'000**	**At 31 December 2022 RM'000**
Group				
Term loans	5,433	(2,048)	–	3,385
Lease liabilities	3,465	(23)	–	3,442
Hire purchase payables	1,147	(631)	1,857	2,373
	10,045	(2,702)	1,857	9,200
Company				
Hire purchase payables	760	(390)	–	370

	At 1 January 2021 RM'000	**Cash flows RM'000**	**Non-cash acquisition RM'000**	**At 31 December 2021 RM'000**
Group				
Term loans	7,480	(2,047)	–	5,433
Lease liabilities	3,488	(23)	–	3,465
Hire purchase payables	2,517	(1,651)	281	1,147
	13,485	(3,721)	281	10,045
Company				
Hire purchase payables	976	(497)	281	760

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 5, Tower 8, Avenue 5, Horizon 2, 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 6 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 24 March 2023.

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 for the current financial year:

<u>Amendments/Improvements to MFRSs</u>

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 3	Business Combinations
MFRS 9	Financial Instruments
MFRS 116	Property, Plant and Equipment
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 141	Agriculture

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.

2. BASIS OF PREPARATION (CONT'D)

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

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

		Effective for financial periods beginning on or after
<u>New MFRS</u>		
MFRS 17	Insurance Contracts	1 January 2023
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2023#
MFRS 3	Business Combinations	1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2023#
MFRS 9	Financial Instruments	1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 January 2024
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023#
MFRS 107	Statement of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 112	Income Taxes	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial Instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 140	Investment Property	1 January 2023#

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

2. BASIS OF PREPARATION (CONT'D)

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

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

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

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

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

Amendments to MFRS 16 Leases

The amendments clarify how an entity should subsequently measure the leaseback liability that arise in a sale and leaseback transaction. Although MFRS 16 includes requirements on how to account for a sale and leaseback at the date the transaction takes place, it has not specified how to measure the sale and leaseback transaction when reporting after that date.

The amendments add subsequent measurement requirements for the right-of-use assets and lease liability arising from a sale and leaseback transaction by clarifying that a sellerlessee in a sale and leaseback transaction shall apply paragraphs 29 to 35 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 to the lease liability arising from the leaseback. The amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction.

Amendments to MFRS 101 Presentation of Financial Statements

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

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

The latest amendments to MFRS 101 clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability. As such, the amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require an entity to disclose information about these covenants in the notes to the financial statements.

2. BASIS OF PREPARATION (CONT'D)

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

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

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

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

Amendments to MFRS 112 Income Taxes

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

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

2.4 Functional and presentation currency

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

2.5 Basis of measurement

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

3. SUMMARY OF ACCOUNTING POLICIES

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

3.1 Basis of consolidation

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

(a) Subsidiaries and business combination

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

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

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

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

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

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

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

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

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have 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. SUMMARY OF ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (Cont'd)

(a) Subsidiaries and business combination (Cont'd)

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) Associates

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

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

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

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

When the Group cease to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group's interest in an associate decrease but does not result in a loss of significant influence, any related interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

3. SUMMARY OF ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (Cont'd)

(c) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

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

3.2 Separate financial statements

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

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

3.3 Translation of foreign currency transactions

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

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

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

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

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

3. SUMMARY OF ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments

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

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

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

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

(a) Subsequent measurement

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

(i) Financial assets

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

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

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

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

3. SUMMARY OF ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (Cont'd)

(a) Subsequent measurement (Cont'd)

The Group and the Company categorise the financial instruments as follows (Cont'd):

(i) Financial assets (Cont'd)

Debt instruments

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

- Amortised cost

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

- Fair value through other comprehensive income (FVOCI)

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

- Fair value through profit or loss (FVPL)

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

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

3. SUMMARY OF ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (Cont'd)

(a) Subsequent measurement (Cont'd)

The Group and the Company categorise the financial instruments as follows (Cont'd):

(i) Financial assets (Cont'd)

<u>Equity instruments</u>

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

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

(ii) Financial liabilities

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

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

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

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

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

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

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

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

3. SUMMARY OF ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (Cont'd)

(b) Financial guarantee contracts

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

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

(c) Regular way purchase or sale of financial assets

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

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

Trade date accounting refers to:

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

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

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

(d) Derecognition

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

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

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

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

3. SUMMARY OF ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (Cont'd)

(d) Derecognition (Cont'd)

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

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

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

(e) Offsetting of financial instruments

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

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

3.5 Property, plant and equipment

(a) Recognition and measurement

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

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(b) Subsequent cost

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

3. SUMMARY OF ACCOUNTING POLICIES (CONT'D)

3.5 Property, plant and equipment (Cont'd)

(c) Depreciation

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

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

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

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

(d) Derecognition

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

3.6 Leases

(a) Definition of lease

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

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

(b) Lessee accounting

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

<u>Right-of-use asset</u>

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

3. SUMMARY OF ACCOUNTING POLICIES (CONT'D)

3.6 Leases (Cont'd)

(b) Lessee accounting (Cont'd)

Right-of-use asset (Cont'd)

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

Lease liability

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases (Cont'd)

(b) Lessee accounting (Cont'd)

Short-term leases and leases of low value assets

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

(c) Lessor accounting

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

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

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

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

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

3.7 Goodwill

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

3.8 Biological asset

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Inventories

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

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

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

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

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

Produce stocks

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

3.10 Cash and cash equivalents

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

3.11 Impairment of assets

(a) Impairment of financial assets

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Impairment of assets (Cont'd)

(a) Impairment of financial assets (Cont'd)

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

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

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

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

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

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

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

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

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

The amount of expected credit losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Impairment of assets (Cont'd)

(b) Impairment of non-financial assets

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

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

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

Impairment losses are recognised in profit or loss.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Share capital

(a) Ordinary shares

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

(b) Treasury shares

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

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

3.13 Employee benefits

(a) Short-term employee benefits

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

(b) Defined contribution plans

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

3.14 Revenue and other income

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Revenue and other income (Cont'd)

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

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

Financing components

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

(a) Sale of goods

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

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

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

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

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Borrowing costs

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

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

3.16 Income tax

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

(a) Current tax

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

(b) Deferred tax

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Income tax (Cont'd)

(b) Deferred tax (Cont'd)

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

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

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

(c) Sales and service tax

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

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

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

3.17 Operating segments

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

3.18 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

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

3.19 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Fair value measurements (Cont'd)

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

(a) Inventories

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

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

The carrying amount of the Group's and the Company's inventories are disclosed in Note 10 to the financial statements.

(b) Investment in a subsidiary

As at the reporting date, the Company determines whether there is any indication of impairment on its investment in a subsidiary. Where there is indication of impairment, the Company carries out the impairment test based on value-in-use of the cash generating unit.

Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiary, which involve uncertainties and are significantly affected by the assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Company's test for impairment of investment in a subsidiary.

The carrying amount of investment in subsidiaries are disclosed in Note 6 to the financial statements.

5. PROPERTY, PLANT AND EQUIPMENT

Group 2022	Freehold Land RM'000	Buildings RM'000	Plant, Machineries and Equipment RM'000	Furniture, Fittings and Renovation RM'000	Motor Vehicles RM'000	Capital Work-In-Progress RM'000	Right-Of-Use Assets RM'000	Total RM'000
Cost								
At 1 January 2022	7,462	108,081	499,085	6,491	7,730	17	28,723	657,589
Additions	–	7,472	12,043	168	1,362	515	1,996	23,556
Disposals	–	–	(10,060)	(5)	(683)	–	–	(10,748)
Written off	–	(1,219)	(4,590)	–	–	–	–	(5,809)
At 31 December 2022	7,462	114,334	496,478	6,654	8,409	532	30,719	664,588
Accumulated depreciation								
At 1 January 2022	–	30,963	375,048	4,164	6,591	–	5,739	422,505
Depreciation charge for the financial year	–	3,651	23,676	415	573	–	787	29,102
Disposals	–	–	(9,843)	(4)	(683)	–	–	(10,530)
Written off	–	(445)	(4,167)	–	–	–	–	(4,612)
At 31 December 2022	–	34,169	384,714	4,575	6,481	–	6,526	436,465
Carrying amounts								
At 1 January 2022	7,462	77,118	124,037	2,327	1,139	17	22,984	235,084
At 31 December 2022	7,462	80,165	111,764	2,079	1,928	532	24,193	228,123

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group 2021	Freehold Land RM'000	Buildings RM'000	Plant, Machineries and Equipment RM'000	Furniture, Fittings and Renovation RM'000	Motor Vehicles RM'000	Capital Work-In-Progress RM'000	Right-Of-Use Assets RM'000	Total RM'000
Cost								
At 1 January 2021	7,462	104,487	497,840	5,376	8,055	970	28,723	652,913
Additions	–	2,955	5,850	1,131	315	45	–	10,296
Disposals	–	–	–	–	(640)	–	–	(640)
Written off	–	–	(4,964)	(16)	–	–	–	(4,980)
Reclassification	–	639	359	–	–	(998)	–	–
At 31 December 2021	7,462	108,081	499,085	6,491	7,730	17	28,723	657,589
Accumulated depreciation								
At 1 January 2021	–	27,900	355,742	3,840	6,423	–	4,990	398,895
Depreciation charge for the financial year	–	3,063	24,263	340	808	–	749	29,223
Disposals	–	–	–	–	(640)	–	–	(640)
Written off	–	–	(4,957)	(16)	–	–	–	(4,973)
At 31 December 2021	–	30,963	375,048	4,164	6,591	–	5,739	422,505
Carrying amounts								
At 1 January 2021	7,462	76,587	142,098	1,536	1,632	970	23,733	254,018
At 31 December 2021	7,462	77,118	124,037	2,327	1,139	17	22,984	235,084

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company 2022	Freehold Land RM'000	Buildings RM'000	Plant, Machineries and Equipment RM'000	Furniture, Fittings and Renovation RM'000	Motor Vehicles RM'000	Capital Work-In-Progress RM'000	Right-Of-Use Assets RM'000	Total RM'000
Cost								
At 1 January 2022	6,034	35,612	369,859	1,105	4,295	17	4,061	420,983
Additions	–	29	2,160	4	–	515	–	2,708
Disposal	–	–	(8,377)	–	–	–	–	(8,377)
Written off	–	–	(9)	–	–	–	–	(9)
At 31 December 2022	6,034	35,641	363,633	1,109	4,295	532	4,061	415,305
Accumulated depreciation								
At 1 January 2022	–	12,740	288,270	933	3,648	–	794	306,385
Depreciation charge for the financial year	–	1,008	15,609	37	277	–	44	16,975
Disposal	–	–	(8,377)	–	–	–	–	(8,377)
Written off	–	–	(9)	–	–	–	–	(9)
At 31 December 2022	–	13,748	295,493	970	3,925	–	838	314,974
Carrying amounts								
At 1 January 2022	6,034	22,872	81,589	172	647	17	3,267	114,598
At 31 December 2022	6,034	21,893	68,140	139	370	532	3,223	100,331

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company 2021	Freehold Land RM'000	Buildings RM'000	Plant, Machineries and Equipment RM'000	Furniture, Fittings and Renovation RM'000	Motor Vehicles RM'000	Capital Work-In-Progress RM'000	Right-Of-Use Assets RM'000	Total RM'000
Cost								
At 1 January 2021	6,034	34,970	368,064	1,075	4,620	728	4,061	419,552
Additions	–	245	1,448	30	315	45	–	2,083
Disposal	–	–	–	–	(640)	–	–	(640)
Written off	–	–	(12)	–	–	–	–	(12)
Reclassification	–	397	359	–	–	(756)	–	–
At 31 December 2021	6,034	35,612	369,859	1,105	4,295	17	4,061	420,983
Accumulated depreciation								
At 1 January 2021	–	11,784	272,566	885	3,771	–	750	289,756
Depreciation charge for the financial year	–	956	15,716	48	517	–	44	17,281
Disposal	–	–	–	–	(640)	–	–	(640)
Written off	–	–	(12)	–	–	–	–	(12)
At 31 December 2021	–	12,740	288,270	933	3,648	–	794	306,385
Carrying amounts								
At 1 January 2021	6,034	23,186	95,498	190	849	728	3,311	129,796
At 31 December 2021	6,034	22,872	81,589	172	647	17	3,267	114,598

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) Buildings in relation to the leasehold land

The buildings in the Group and the Company with carrying amount of RM64,771,051 and RM14,287,793 respectively are buildings situated on the leasehold land classified as right-of-use assets.

(b) Assets pledged as security

Included in property, plant and equipment of the Group and the Company are assets pledged to the licensed financial institutions to secure credit facilities granted to the Group and the Company as disclosed in the Note 18 to the financial statements with carrying amounts as follows:

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Freehold land	6,034	6,034	6,034	6,034
Buildings	70,069	58,860	19,586	21,067
	76,103	64,894	25,620	27,101

Leased assets are pledged as security for the related lease liabilities as disclosed in Note 18(b).

(i) 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	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Plant, machineries and equipments	1,028	311	229	311
Motor vehicles	1,887	1,091	407	682
	2,915	1,402	636	993

(c) Right-of-use assets

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

Group	**Leasehold Land RM'000**	**Factory Building RM'000**	**Total RM'000**
Carrying amount			
At 1 January 2021	20,351	3,382	23,733
Depreciation	(676)	(73)	(749)
At 31 December 2021	19,675	3,309	22,984
Additions	1,996	–	1,996
Depreciation	(714)	(73)	(787)
At 31 December 2022	20,957	3,236	24,193

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(c) Right-of-use assets (Cont'd)

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

Company	Leasehold Land RM'000
Carrying amount	
At 1 January 2021	3,311
Depreciation	(44)
At 31 December 2021	3,267
Additions	–
Depreciation	(44)
At 31 December 2022	3,223

(i) Lease terms

The leasehold land generally has lease terms between 22 to 91 years.

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

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2022 RM'000	2021 RM'000
At cost		
Unquoted shares	41,960	41,960
Loans that are part of net investment	22,020	21,020
	63,980	62,980
Less: Accumulated impairment loss	(1,521)	(1,521)
	62,459	61,459

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

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows:

Name of Company	Principal place of business/ country of incorporation	Effective ownership interest/ voting rights 2022 %	2021 %	Principal activities
HeveaPac Sdn. Bhd.	Malaysia	100	100	Manufacturing and trading of ready-to-assemble furniture.
HeveaMart Sdn. Bhd.	Malaysia	100	100	Trading of particleboards and other panel boards.
BocoWood Sdn. Bhd.	Malaysia	100	100	Distribution and marketing of ready-to-assemble furniture.
HeveaGro Sdn. Bhd.	Malaysia	100	100	Cultivation and trading of gourmet fungi.
Hevea OSB Sdn. Bhd.	Malaysia	100	100	Dormant.

7. INVESTMENT IN ASSOCIATE

	Group 2022 RM'000	2021 RM'000
Unquoted shares, at cost		
At 1 January	332	249
Additions	–	83
At 31 December	332	332
Share of results		
At 1 January	109	1
Additions	20	108
At 31 December	129	109
	461	441

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

Details of associate are as follows:

Name of Company	Principal place of business/ country of incorporation	Ownership interest 2022 %	2021 %	Principal activity
Satria Megajuta Sdn. Bhd. *	Malaysia	33	33	Operation of generation facilities that produce electric energy

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

7. INVESTMENT IN ASSOCIATE (CONT'D)

2021

On 5 January 2021, the issued and paid up capital of Satria Megajuta Sdn. Bhd. was increased from RM1,000,000 to RM1,250,000 and HeveaPac Sdn. Bhd. acquired an additional 82,500 ordinary shares for a cash consideration of RM82,500. The effective equity interest in Satria Megajuta Sdn. Bhd. is 33%.

The Group's share of the results of associate was based on the unaudited management accounts of this associate as at 31 December 2022. The Group has considered the effect of significant transactions or events that occurred between the latest available financial statements and the unaudited management accounts of this associate as at 31 December 2022.

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

	2022 RM'000	2021 RM'000
Group		
Assets and liabilities		
Non-current assets	3,753	4,006
Current assets	996	749
Non-current liabilities	(2,971)	(3,331)
Current liabilities	(377)	(84)
Net assets	1,401	1,340
Results:		
Profit for the financial year	61	326
Reconciliation of net assets to carrying amount:		
Group's share of net assets	461	441
Group's share of results:		
Group's share of profit for the financial year	20	108
Group's share of other comprehensive income	–	–
Group's share of total comprehensive income	20	108

8. GOODWILL ON CONSOLIDATION

	Group	
	2022 **RM'000**	**2021** **RM'000**
At cost		
At 1 January/ 31 December	2,946	2,946

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

	Group	
	2022 **RM'000**	**2021** **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 year 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 16% to 17% was used in determining the value-in-used.

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

- In the first year of the 5 year business plan, revenue was projected at approximately RM247,075,379 and RM9,803,287 for the manufacturing and trading segment respectively. The expected revenue growth in the cash flow projection is 5% to 10% for the two segments respectively per annum for year 2023 to 2027.

- 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 margins used are 7% to 8% and 24% for the manufacturing segment and trading segment respectively.

- The discount rate used is pre-tax and reflect specific risk relating to the industry.

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

Sensitivity to changes in assumptions

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

9. DEFERRED TAX ASSETS/(LIABILITIES)

Presented after appropriate offsetting as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deferred tax assets	1,277	4,077	1,277	4,077
Deferred tax liabilities	(6,060)	(6,060)	–	–
	(4,783)	(1,983)	1,277	4,077

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January	(1,983)	(1,987)	4,077	4,077
Recognised in profit or loss (Note 23)	(2,800)	4	(2,800)	–
At 31 December	(4,783)	(1,983)	1,277	4,077

(i) *Recognised deferred tax liabilities*

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

	Group	
	2022 RM'000	2021 RM'000
Deferred tax liabilities		
Property, plant and equipment	(6,060)	(6,060)

(ii) *Recognised deferred tax assets*

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

	Group and Company	
	2022 RM'000	2021 RM'000
Deferred tax assets		
Investment tax allowance	1,277	4,077

9. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

(iii) Unrecognised deferred tax assets

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

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Taxable temporary difference				
Excess of carrying amount over corresponding tax written down value	(47,494)	(42,698)	(9,648)	(9,052)
Unabsorbed allowances on:				
- investment tax allowances	138,915	138,959	138,915	138,959
- reinvestment allowance	10,767	10,767	5,265	5,265
Unused tax losses	5,977	5,381	1,327	1,327
Unused capital allowance	11,318	15,863	–	–
	119,483	128,272	135,859	136,499
Potential deferred tax assets not recognised at 24% (2021: 24%)	28,676	30,785	32,606	32,760

The unused tax losses are available indefinitely for offset against future taxable profits of the Group except for certain unused tax losses which are available for utilisation up to the following financial years:

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Year of assessment				
2028	2,389	2,389	1,327	1,327
2029	1,348	1,348	–	–
2030	1,067	1,067	–	–
2031	577	577	–	–
2032	596	–	–	–
	5,977	5,381	1,327	1,327

10. INVENTORIES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At cost				
Consumables and spare parts	14,276	13,550	14,276	13,550
Raw materials	47,578	47,055	6,649	3,252
Work-in-progress	5,716	6,598	17	17
Finished goods	36,627	55,620	25,820	31,915
	104,197	122,823	46,762	48,734

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Recognised in profit and loss:				
Inventories recognised as cost of sales	194,001	157,288	101,992	99,748
Inventories written off	398	2,240	–	2,015

11. BIOLOGICAL ASSET

The biological asset of the Group consists of gourmet fungi.

	Group	
	2022 RM'000	2021 RM'000
Gourmet fungi		
Carrying amounts		
At 1 January	614	584
Fair value changes	95	30
At 31 December	709	614

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

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

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

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

11. BIOLOGICAL ASSET (CONT'D)

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

	Group	
	2022	**2021**
Gourmet fungi		
Selling price per kg (RM/kg)	12 to 15	12 to 15
Yield per bag (gram)	240 to 255	240 to 255

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

	Group	
	2022 RM'000	**2021 RM'000**
Sensitivity analysis:		
Increase by 10%	136	126
Decrease by 10%	(136)	(126)

Highest and best use

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

12. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Current					
Trade					
Trade receivables		26,000	23,665	10,638	13,181
Amount owing by subsidiaries		–	–	9,161	6,206
		26,000	23,665	19,799	19,387
Less: Impairment loss		(86)	(86)	–	–
Trade receivables, net	(i)	25,914	23,579	19,799	19,387
Non-trade					
Other receivables	(ii)	12,144	2,530	1,114	1,152
Refundable deposits		420	564	116	117
Amount owing by subsidiaries	(iii)	–	–	59	133
Other receivables, net		12,564	3,094	1,289	1,402
Total trade and other receivables		38,478	26,673	21,088	20,789

12. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade Receivables

Trade receivables are non-interest bearing and normal trade credit terms offered by the Group and the Company ranging from 30 to 90 days (2021: 30 to 90 days) from the date of invoices. Other credit terms are assessed and approved on a case-by-case basis.

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

	Group	
	2022 RM'000	2021 RM'000
At 1 January	86	–
Charge for the financial year		
- Individually assessed	–	86
At 31 December	86	86

The information about the credit exposures are disclosed in Note 30(b)(i) to the financial statements.

Included in the trade receivables of the Group are amounts totalling RM17,764,266 (2021: RM10,664,064) due from 3 (2021: 3) of its significant receivables.

(b) Other Receivables

Included in the Group's other receivables is the insurance claim receivable which represents the second interim insurance compensation payment of RM8,733,718 for the damage of the Group's assets which has been approved by the insurer as disclosed in Note 32 to the financial statements.

(c) Amount owing by subsidiaries

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

13. OTHER INVESTMENTS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current:				
Financial assets at fair value through profit or loss ("FVPL")				
- Quoted investment in shares	1,689	–	1,254	–
- Unquoted money market fund	–	18,025	–	2,988
- Unquoted securities in equity and income trust funds	943	1,153	467	535
	2,632	19,178	1,721	3,523

13. OTHER INVESTMENTS (CONT'D)

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

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

14. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deposits placed with licensed banks	93,577	75,892	36,225	45,000
Cash and bank balances	24,863	25,610	17,725	18,237
Cash and short-term deposits as presented in statements of financial position	118,440	101,502	53,950	63,237
Less: Fixed deposits with maturity more than 3 months	(5,000)	–	–	–
Cash and short-term deposits as presented in statements of cash flows	113,440	101,502	53,950	63,237

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	
	2022	2021
Interest rate (%) (per annum)	0.75 - 3.65	1.08 - 2.11
Average maturities (months)	1 to 6	1 to 3

15. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		← Amount →	
	2022 '000 unit	2021 '000 unit	2022 RM'000	2021 RM'000
Issued and fully paid up (no par value):				
Ordinary shares:				
At 1 January/31 December	567,746	567,746	160,215	160,215

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

16. TREASURY SHARES

	Group and Company			
	Number of ordinary shares		Amount	
	2022	2021	2022	2021
	'000 unit	'000 unit	RM'000	RM'000
At 1 January	1,880	1,878	1,614	1,613
Shares repurchased during the financial year	1	2	*	1
At 31 December	1,881	1,880	1,614	1,614

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

Shares repurchased	**Number of shares repurchased '000 unit**	**Total consideration RM'000**
March 2022	1	*
	1	*

* *Represent amount less than RM1,000.*

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

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

For the financial year ended 31 December 2022, the Company repurchased 1,000 shares from its issued shares from the open market. The average price paid for the shares repurchased was RM0.465.

At 31 December 2022, the Company's treasury shares are held at a carrying amount of RM1,614,489 (2021:RM1,613,983).

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

17. RETAINED EARNINGS

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

18. LOANS AND BORROWINGS

		Group		Company	
	Note	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Current:					
Term loans	(a)	2,047	2,047	–	–
Lease liabilities	(b)	25	24	–	–
Hire purchase payables	(c)	1,040	524	200	379
		3,112	2,595	200	379
Non-current:					
Term loans	(a)	1,338	3,386	–	–
Lease liabilities	(b)	3,417	3,441	–	–
Hire purchase payables	(c)	1,333	623	170	381
		6,088	7,450	170	381
		9,200	10,045	370	760
Total loans and borrowings					
Term loans	(a)	3,385	5,433	–	–
Lease liabilities	(b)	3,442	3,465	–	–
Hire purchase payables	(c)	2,373	1,147	370	760
		9,200	10,045	370	760

(a) Term loans

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

	Group	
	2022 %	**2021 %**
Term loan	3.21 - 4.52	3.46 - 3.54

(ii) The term loan is secured by:

- Fixed charges over certain property, plant and equipment and right-of-use assets of the Group, as disclosed in Note 5 to the financial statements;
- fixed charges over certain properties of a substantial corporate shareholder; and
- corporate guarantees by the Company given to the financial institutions for credit facilities granted to a subsidiary company.

18. LOANS AND BORROWINGS (CONT'D)

(b) Lease liabilities

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

	Group	
	2022 RM'000	2021 RM'000
Future minimum lease payments		
- not later than one year	180	180
- later than one year and not later than five years	900	900
- later than five years	6,900	7,080
Total minimum lease payments	7,980	8,160
Less: Future finance charges	(4,538)	(4,695)
Present value of minimum lease liabilities	3,442	3,465
Analysis of present value lease liabilities:		
Current		
- not later than one year	25	24
Non-current		
- later than one year and not later than five years	141	135
- later than five years	3,276	3,306
	3,442	3,465

(i) The lease liabilities of the Group bear interest at rates of 4.55% (2021: 4.55%) per annum respectively.

18. LOANS AND BORROWINGS (CONT'D)

(c) Hire purchase payables

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

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Future minimum hire purchase payments:				
- not later than one year	1,133	572	216	412
- later than one year and not later than five years	1,385	659	179	404
Total minimum hire purchase payments	2,518	1,231	395	816
Less: Future finance charges	(145)	(84)	(25)	(56)
Present value of minimum hire purchase liabilities	2,373	1,147	370	760
Analysis of present value hire purchase liabilities:				
Current				
- not later than one year	1,040	524	200	379
Non-current				
- later than one year and not later than five years	1,333	623	170	381
	2,373	1,147	370	760

Hire purchase payables of the Group and of the Company of bears interest ranging from 2.11% to 3.50% and 2.11% to 2.52% (31.12.2021: 2.19% to 3.50% and 2.15% to 3%) respectively per annum.

19. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Current					
Trade					
Trade payables	(i)	33,439	45,252	18,681	25,913
Non-trade					
Other payables		15,035	24,021	3,313	8,752
Accrued operating expenses		19,249	18,951	4,816	7,587
Amount owing to subsidiaries	(ii)	–	–	6,152	6,224
		34,284	42,972	14,281	22,563
Total trade and other payables		67,723	88,224	32,962	48,476

19. TRADE AND OTHER PAYABLES (CONT'D)

(i) The normal trade credit terms granted to the Group and the Company range from 30 to 90 days (2021: 30 to 90 days).

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

20. REVENUE

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Revenue from contract customers:				
Sale of goods	412,650	370,864	198,677	182,469
Timing of revenue recognition:				
At a point in time	412,650	370,864	198,677	182,469

(a) Disaggregation of revenue

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

The information on disaggregation of revenue into primary geographical markets is disclosed in Note 29 to the financial statements.

21. FINANCE COSTS

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Interest expenses on:				
- term loan	170	238	–	–
- lease liabilities	157	158	–	–
- hire purchase	79	154	31	47
- financing without recourse	–	37	–	37
- other	5	5	5	5
	411	592	36	89

22. PROFIT/(LOSS) BEFORE TAX

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
After charging:				
Auditors' remuneration:				
- Statutory audit:				
- current year	183	149	85	66
- under provision in prior year	(10)	1	(8)	1
- Non-statutory audit	66	75	66	75
Bad debts written off	3	–	*	–
Depreciation for:				
- Property, plant and equipment and right-of-use assets	29,102	29,223	16,975	17,281
Directors' remunerations:				
• Directors of the Company				
- Directors' allowances	144	177	144	177
- Directors' fees	921	906	921	906
- Directors' emoluments:				
- salaries and bonus	2,201	2,140	2,201	2,140
- defined contribution plan	515	492	515	492
- other benefits	28	28	28	28
• Directors of the subsidiaries				
- Directors' emoluments:				
- salaries and bonus	3,052	1,765	–	–
- defined contribution plan	668	413	–	–
- other benefits	1,397	145	–	–
Expenses relating to short-term leases	382	479	350	340
Fair value (gain)/loss on other investments	(17)	40	(6)	7
Impairment loss on:				
- investment in subsidiaries	–	–	–	1,521
- trade receivables	–	86	–	–
Inventories written off	398	2,240	–	2,015
Net realised foreign exchange loss/(gain)	1,121	(423)	1,324	285
Net unrealised foreign exchange (gain)/loss	(361)	(282)	103	(92)
Property, plant and equipment written off	1,197	7	*	*
Staff costs:				
- salaries, wages and bonuses	68,117	75,339	16,235	16,753
- defined contribution plan	3,641	3,107	1,696	1,606
- other staff related expenses	7,685	7,751	2,203	1,496
After crediting:				
Bad debts recovered	–	(23)	–	–
Dividend income	(97)	(13)	(1,068)	(13)
Gain on disposal of property, plant and equipment	(300)	–	(284)	–
Insurance claim compensation	(11,906)	–	(692)	–
Interest income	(2,109)	(1,822)	(1,079)	(721)

* Represent amount less than RM1,000.

The estimated monetary value of benefits-in-kind received and receivable by a director other than cash from the Company amounted to RM28,000 (2021: RM28,000).

23. INCOME TAX EXPENSE

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Statements of comprehensive income				
Income tax				
- Current income tax charge	(4,380)	(404)	(291)	(93)
- Adjustment in respect of prior years	(48)	(198)	17	(4)
	(4,428)	(602)	(274)	(97)
Deferred tax (Note 9)				
- Origination and reversal of temporary differences	(2,800)	–	–	–
- Adjustment in respect of prior years	–	4	(2,800)	–
	(2,800)	4	(2,800)	–
Income tax expense recognised in profit or loss	(7,228)	(598)	(3,074)	(97)

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2021: 24%) of the estimated assessable profit for the financial year.

The reconciliations from the tax amount at the statutory income tax rate to the Group's and the Company's tax expense are as follows:

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Profit/(Loss) before tax	16,561	(565)	1,744	4,813
Tax at Malaysian statutory income tax rate of 24% (2021: 24%)	(3,975)	136	(419)	(1,155)
Tax effects arising from:				
- non-deductible expenses	(5,628)	(3,832)	(3,229)	(3,528)
- non-taxable income	308	198	403	3
- utilisation of previously unrecognised tax losses and capital allowances	2,109	3,068	154	4,587
- share of results of associate	5	26	–	–
- adjustment in respect of prior years income tax of prior years				
- income tax	(47)	(198)	17	(4)
- deferred tax	–	4	–	–
Income tax expense	(7,228)	(598)	(3,074)	(97)

24. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per ordinary share

Basic earnings/(loss) per share are based on the profit/(loss) for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

	Group	
	2022	**2021**
Profit/(Loss) for the financial year attributable to owners of the Company (RM'000)	9,333	(1,163)
Weighted average number of ordinary shares for basic earnings per share ('000 units)	567,746	567,746
Basic earnings/(loss) per ordinary share (sen)	1.64	(0.20)

(b) Diluted earnings/(loss) per ordinary share

The diluted earnings/(loss) of the Group is equivalent to the earnings/(loss) basic per ordinary shares of the Group as the Company has no dilutive potential ordinary shares.

25. DIVIDENDS

	Company	
	2022 RM'000	**2021 RM'000**
Recognised during the financial year:		
Single-tier final dividend of 1.00 sen per ordinary share in respect of the financial year ended 31 December 2021, paid on 29 July 2022	5,659	–
Single-tier third interim dividend of 0.50 sen per ordinary share in respect of the financial year ended 31 December 2020, paid on 9 April 2021	–	2,829
Single-tier final dividend of 0.75 sen per ordinary share in respect of the financial year ended 31 December 2020, paid on 29 July 2021	–	4,244
	5,659	7,073

At the forthcoming Annual General Meeting, a single tier final dividend of 1.20 sen (2021: 1.00 sen) per ordinary share of, approximately RM6.79 million (2021: RM5.66 million) in respect of the current financial year, based on the number of outstanding ordinary shares in issue (net of treasury shares) as at 31 December 2022, will be proposed for the shareholders' approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2023.

26. RELATED PARTIES

(a) Identification of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

(i) subsidiaries;
(ii) associate;
(iii) the key management personnel of the Group's and the Company's holding company, comprise person (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly; and
(iv) entities controlled by certain key management personnel, directors and/or substantial shareholders, namely HeveaWood Industries Sdn. Bhd. and Gemas Ria Sdn. Bhd..

(b) Significant related party transactions

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

	Company	
	2022 RM'000	**2021 RM'000**
Dividend income from subsidiaries		
- BocoWood Sdn. Bhd.	1,000	–
Sales to subsidiaries		
- HeveaPac Sdn. Bhd.	39,218	36,209
Purchase from a subsidiary		
- HeveaPac Sdn. Bhd.	(122)	(164)
Contract manufacturing income		
- HeveaPac Sdn. Bhd.	156	192
Rental expense		
- HeveaWood Industries Sdn. Bhd.	(180)	(180)

26. RELATED PARTIES (CONT'D)

(c) Compensation of key management personnel

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

	Group and Company	
	2022 RM'000	2021 RM'000
Short term employees benefits payable to key management personnel:		
- salaries and bonus	3,565	3,529
- defined contribution plans	813	787
- other benefits	28	28
	4,406	4,344

27. DIRECTORS' REMUNERATION

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Directors				
- salaries and bonus	6,318	4,988	3,266	3,223
- defined contribution plan	1,183	905	515	492
- other benefits	1,425	173	28	28
	8,926	6,066	3,809	3,743

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Retirement benefits for Executive Directors	296	273	179	179

28. CAPITAL COMMITMENT

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

	Group	
	2022 RM'000	2021 RM'000
In respect of capital expenditure:		
- approved and contracted for	20,930	23,545

29. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 *Operating Segments*. Operating segments are prepared in a manner consistent with the internal reporting provided to the Board of directors/respective Executive Committee as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

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

Particleboards segment	:	Involved in the business of manufacturing and trading of particleboards and other panel boards;
Ready-to-assemble product segment	:	Involved in the business of manufacturing and trading of ready-to-assemble furniture;
Cultivation and trading of gourmet fungi segment	:	Involved in the business of cultivation and trading of gourmet fungi; and
Others	:	Investment holding.

The Board of directors/respective Executive Committee assess the performance of the operating segments based on operating profit or loss which is measured differently from those disclosed in the consolidated financial statements.

Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly tax refundable, tax payable and deferred tax assets/(liabilities).

Segment profit

Segment performance is used to measure performance as Board of directors/respective Executive Committee believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements.

Segment assets

The total segment asset is measured based on all assets of a segment, as included in the internal reports that are reviewed by the Board of directors/respective Executive Committee.

Segment liabilities

Segment liabilities are not included in the internal reports that are reviewed by the Board of directors/respective Executive Committee, hence no disclosures are made on segment liabilities.

29. SEGMENT INFORMATION (CONT'D)

Group 2022	Particle-boards RM'000	Ready-to-assemble products RM'000	Cultivation and trading of gourmet fungi RM'000	Others RM'000	Eliminations RM'000		Total RM'000
REVENUE							
External revenue	159,458	249,795	3,397	–	–		412,650
Inter-segment revenue	39,219	6,620	–	–	(45,839)	A	–
Total revenue	198,677	256,415	3,397	–	(45,839)		412,650
RESULTS							
Segment results	1,779	17,221	(1,446)	(22)	(580)	B	16,952
Finance costs	(36)	(218)	(157)	–	–		(411)
Share of result associate, net of tax	–	–	–	–	20		20
Segment profit/(loss)	1,743	17,003	(1,603)	(22)	(560)		16,561
Income tax expense	(3,074)	(4,154)	–	–	–		(7,228)
Profit/(Loss) after tax	(1,331)	12,849	(1,603)	(22)	(560)		9,333
Non-controlling interests	–	–	–	–	–		–
Profit/(Loss) attributable to owners of the Company	(1,331)	12,849	(1,603)	(22)	(560)		9,333
CONSOLIDATED STATEMENT OF FINANCIAL POSITION							
Segment assets #	292,617	264,663	17,425	5,980	(75,221)	C	505,464
Unallocated corporate assets							3,323
Total assets							508,787
OTHER INFORMATION							
Capital expenditure	2,708	20,693	155	–	–		23,556
Depreciation and amortisation	16,974	11,338	790	–	–		29,102
Non-cash items other than	–	–	–	–	–		
depreciation and amortisation	(879)	(10,100)	(7)	–	–	D	(10,986)

29. SEGMENT INFORMATION (CONT'D)

Group 2021	Particle-boards RM'000	Ready-to-assemble products RM'000	Cultivation and trading of gourmet fungi RM'000	Others RM'000	Eliminations RM'000		Total RM'000
REVENUE							
External revenue	146,260	221,209	3,395	–	–		370,864
Inter-segment revenue	36,209	8,734	–	–	(44,943)	A	–
Total revenue	182,469	229,943	3,395	–	(44,943)		370,864
RESULTS							
Segment results	4,902	(5,117)	(1,236)	(16)	1,386	B	(81)
Finance costs	(89)	(343)	(160)	–	–		(592)
Share of result associate, net of tax	–	–	–	–	108		108
Segment profit/(loss)	4,813	(5,460)	(1,396)	(16)	1,494		(565)
Income tax expense	(97)	(501)	–	–	–		(598)
Profit/(Loss) after tax	4,716	(5,961)	(1,396)	(16)	1,494		(1,163)
Non-controlling interests	–	–	–	–	–		–
Profit/(Loss) attributable to owners of the Company	4,716	(5,961)	(1,396)	(16)	1,494		(1,163)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION							
Segment assets #	312,760	250,535	18,109	6,001	(72,005)	C	515,400
Unallocated corporate assets							11,074
Total assets							526,474
OTHER INFORMATION							
Capital expenditure	2,083	8,063	150	–	–		10,296
Depreciation and amortisation	17,281	11,171	771	–	–		29,223
Non-cash items other than depreciation and amortisation	1,930	144	(6)	–	–	D	2,068

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

29. SEGMENT INFORMATION (CONT'D)

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

A Inter-segment revenue are eliminated on consolidation.

B Reconciliation of profit or loss

	2022 RM'000	2021 RM'000
Dividend income	(1,000)	–
Unrealised loss/(profits) on inventories	420	(135)
Impairment loss on investment in subsidiaries	–	1,521
	(580)	1,386

C Reconciliation of assets

	2022 RM'000	2021 RM'000
Investment in subsidiaries	(62,459)	(61,459)
Inter-segment assets	(12,762)	(10,546)
	(75,221)	(72,005)

D Non-cash items consist of:

	2022 RM'000	2021 RM'000
Bad debts recovered	–	(23)
Bad debts written off	3	–
Fair value (gain)/loss on other investments	(17)	40
Gain on disposal of property, plant and equipment	(300)	–
Impairment losses on trade receivables	–	86
Insurance claim compensation	(11,906)	–
Inventories written off	398	2,240
Net unrealised foreign exchange (gain)/loss	(361)	(282)
Property, plant and equipment written off	1,197	7
	(10,986)	2,068

29. SEGMENT INFORMATION (CONT'D)

Geographical information

In presenting the information on the basis of geographical segments, segment revenue and non-current assets are based on the geographical location of customers.

	Revenue RM'000	Non-current assets* RM'000
31 December 2022		
Japan	250,195	–
China	35,978	–
Philiphines	26,989	–
Korea	21,545	–
Malaysia	23,950	231,530
India	7,851	–
United States of America	3,389	–
France	1,739	–
Hong Kong	12,094	–
Australia	5,043	–
United Arab Emirates	5,386	–
Singapore	6,836	–
Others	11,655	–
	412,650	231,530
31 December 2021		
Japan	183,276	–
China	35,922	–
Philiphines	30,018	–
Korea	29,563	–
Malaysia	24,854	238,471
India	12,129	–
United States of America	8,902	–
France	8,240	–
Hong Kong	7,711	–
Australia	4,796	–
United Arab Emirates	4,303	–
Singapore	3,772	–
Others	17,378	–
	370,864	238,471

* Excluded financial instruments and deferred tax assets.

Major customers

Two major customers with revenue equal to or more than 10% of Group's revenue, amounted to approximately RM182,467,402 (2021: RM135,262,303) arising from particleboards and ready-to-assemble furniture segments.

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

(i) Fair value through profit or loss ("FVPL")
(ii) Amortised cost ("AC")

	Carrying amount RM'000	AC RM'000	FVPL RM'000
At 31 December 2022			
Financial assets			
Group			
Trade and other receivables	38,478	38,478	–
Other investments	2,632	–	2,632
Cash and short-term deposits	118,440	118,440	–
	159,550	156,918	2,632
Company			
Trade and other receivables	21,088	21,088	–
Other investments	1,721	–	1,721
Cash and short-term deposits	53,950	53,950	–
	76,759	75,038	1,721
Financial liabilities			
Group			
Trade and other payables	67,723	67,723	–
Term loans	3,385	3,385	–
Hire purchase payables	2,373	2,373	–
	73,481	73,481	–
Company			
Trade and other payables	32,962	32,962	–
Hire purchase payables	370	370	–
	33,332	33,332	–

30. FINANCIAL INSTRUMENTS (CONT'D)

(a) Categories of financial instruments (Cont'd)

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned (Cont'd):

	Carrying amount RM'000	AC RM'000	FVPL RM'000
At 31 December 2021			
Financial assets			
Group			
Trade and other receivables	26,673	26,673	–
Other investments	19,178	–	19,178
Cash and short-term deposits	101,502	101,502	–
	147,353	128,175	19,178
Company			
Trade and other receivables	20,789	20,789	–
Other investments	3,523	–	3,523
Cash and short-term deposits	63,237	63,237	–
	87,549	84,026	3,523
Financial liabilities			
Group			
Trade and other payables	88,224	88,224	–
Term loans	5,433	5,433	–
Hire purchase payables	1,147	1,147	–
	94,804	94,804	–
Company			
Trade and other payables	48,476	48,476	–
Hire purchase payables	760	760	–
	49,236	49,236	–

(b) Financial risk management

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders. The Group and the Company do not trade in financial instruments.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's senior management. The audit committee provides independent oversight to the effectiveness of the risk management process.

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(i) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

Trade receivables

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

The carrying amount of trade receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group and the Company consider any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group and the Company have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk concentration profile

The information on credit risk concentration is disclosed in Note 12 to the financial statements.

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

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

	Current RM'000	1-30 days past due RM'000	> 30 days past due RM'000	Total RM'000
Group				
At 31 December 2022				
Gross carrying amount	20,886	3,607	1,507	26,000
Impairment losses	–	–	(86)	(86)
At 31 December 2021				
Gross carrying amount	16,738	4,029	2,898	23,665
Impairment losses	–	–	(86)	(86)
Company				
At 31 December 2022				
Gross carrying amount	6,460	3,127	1,051	10,638
At 31 December 2021				
Gross carrying amount	7,830	2,800	2,551	13,181

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(i) Credit risk (Cont'd)

Credit risk concentration profile (Cont'd)

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

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Australia	410	–	227	–
China	7,015	6,025	7,015	5,351
Europe	–	211	–	–
India	1,048	4,194	1,048	4,194
Japan	13,412	5,994	975	–
Korea	652	2,001	652	2,001
Malaysia	2,181	3,403	317	479
United Arab Emirates	232	363	231	774
United State of America	1	775	–	–
Others	963	613	173	382
	25,914	23,579	10,638	13,181

Other receivables and other financial assets

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

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

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

The Group and the Company consider the other receivables and financial assets to have low credit risk. At the end of the reporting date, the Group and the Company did not recognize any loss allowance for impairment for other receivables and other financial assets.

Refer to Note 3.11(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(i) Credit risk (Cont'd)

Financial guarantee contracts

The Company is exposed to credit risk in relation to financial guarantees given to banks for credit facilities granted to certain subsidiaries and borrowings granted to an associate. The amount related to the corporate guarantee provided by the Group are as follows:

	Group	
	2022 RM'000	**2021 RM'000**
Corporate guarantee given to:		
- Bank for banking facilities granted to subsidiaries	3,385	5,433
- Bank for borrowings granted to an associate	1,037	1,099
	4,422	6,532

The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risks amounts to RM4,422,529 (2021: RM6,531,901) representing the maximum amount the Group could pay if the guarantees are called.

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

(ii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's and the Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's and the Company's operating activities (when sales and purchases that are denominated in a foreign currency).

Management has set up a policy that requires all companies within the Group and the Company to manage their treasury activities and exposures. In addition, the Group and the Company also take advantage of any natural effects of its foreign currencies revenues and expenses by maintaining current accounts in foreign currencies.

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(ii) Foreign currency risk (Cont'd)

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

	Chinese Yuan RM'000	Indian Rupee RM'000	Euro Dollar RM'000	Japanese Yen RM'000	United States Dollar RM'000	Swiss France RM'000
Group						
2022						
Trade and other receivables	4,223	–	–	–	19,657	10
Cash and short-term deposits	19	1	–	433	7,626	–
Trade and other payables	(372)	–	(273)	(257)	(5,187)	(89)
	3,870	1	(273)	176	22,096	(79)
2021						
Trade and other receivables	–	–	–	–	20,527	–
Cash and short-term deposits	30	1	–	9	8,780	–
Trade and other payables	–	–	(606)	–	(12,139)	–
	30	1	(606)	9	17,168	–
Company						
2022						
Trade and other receivables	4,223	–	–	–	6,239	10
Cash and short-term deposits	18	1	*	433	886	-
Trade and other payables	–	–	(258)	(257)	(945)	(89)
	4,241	1	(258)	176	6,180	(79)
2021						
Trade and other receivables	–	–	–	-	13,140	–
Cash and short-term deposits	28	1	–	9	1,899	–
Trade and other payables	–	–	(122)	-	(2,535)	–
	28	1	(122)	9	12,504	–

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(ii) Foreign currency risk (Cont'd)

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	
	2022 Increase/ (Decrease) RM'000	2021 Increase/ (Decrease) RM'000	2022 Increase/ (Decrease) RM'000	2021 Increase/ (Decrease) RM'000
Effects on profit or loss and equity				
Chinese Yuan:				
- strengthened by 10%	294	2	322	2
- weakened by 10%	(294)	(2)	(322)	(2)
Euro Dollar:				
- strengthened by 10%	(21)	(46)	(20)	(9)
- weakened by 10%	21	46	20	9
Japanese Yen:				
- strengthened by 10%	13	1	13	1
- weakened by 10%	(13)	(1)	(13)	(1)
United States Dollar:				
- strengthened by 10%	1,657	1,288	470	950
- weakened by 10%	(1,657)	(1,288)	(470)	(950)

(iii) Liquidity risk

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

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group and the Company maintain sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group and the Company use a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds. The Group's and the Company's finance department also ensure that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(iii) Liquidity risk (Cont'd)

Maturity analysis

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date based on contractual undiscounted repayment obligations are as follows:

		Contractual cash flows			
	Carrying amount RM'000	**On demand or within 1 year RM'000**	**Between 1 and 5 years RM'000**	**After 5 years RM'000**	**Total RM'000**
Group					
Financial liabilities					
2022					
Trade and other payables	67,723	67,723	–	–	67,723
Term loans	3,385	2,157	1,361	–	3,518
Lease liabilities	3,442	180	900	6,900	7,980
Hire purchase payables	2,373	1,133	1,385	–	2,518
	76,923	71,193	3,646	6,900	81,739
2021					
Trade and other payables	88,224	88,224	–	–	88,224
Term loans	5,433	2,196	3,483	–	5,679
Lease liabilities	3,465	180	900	7,080	8,160
Hire purchase payables	1,147	572	659	–	1,231
	98,269	91,172	5,042	7,080	103,294
Company					
Financial liabilities					
2022					
Trade and other payables	32,962	32,962	–	–	32,962
Hire purchase payables	370	216	179	–	395
Financial guarantee contracts	–	4,422	–	–	4,422
	33,332	37,600	179	-	37,779
2021					
Trade and other payables	48,476	48,476	–	–	48,476
Hire purchase payables	760	412	404	–	816
Financial guarantee contracts	–	6,532	–	–	6,532
	49,236	55,420	404	–	55,824

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(iv) Interest rate risk

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

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

Exposure to interest rate risk

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

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the reporting period are as follows:

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Fixed rate instruments				
Financial asset				
Short-term deposits placed with licensed banks	93,577	75,892	36,225	45,000
Floating rate instruments				
Financial liability				
Loans and borrowings	3,385	5,433	–	–

Financial instruments at fixed rates are fixed until the maturity of the instruments.

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

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

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(iv) Interest rate risk (Cont'd)

Sensitivity analysis for interest rate risk (Cont'd)

	Profit or loss and Equity			
	2022		2021	
	Increase 1% RM'000	Decrease 1% RM'000	Increase 1% RM'000	Decrease 1% RM'000
Group				
Variable rate instruments	(26)	26	(41)	41

(c) Fair value measurement

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowing are reasonably approximate to their fair values due to the relatively short-term nature of these financial instruments.

As at 31 December 2022, the fair value of other investments as disclosed in Note 13 to the financial statements is measured under Level 1, of which is determined directly by reference to prices provided by investment banks.

There have been no transfers between Level 1 and Level 2 during the financial year (31.12.2021: no transfer in either directions).

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

		Fair value of financial instrument not carried at fair value			
		Fair Value			
	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 December 2022					
Financial liability					
Term loan	1,338	–	–	1,361	1,361
At 31 December 2021					
Financial liability					
Term loan	3,386	–	–	3,483	3,483

31. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a strong credit rating and healthy capital ratio in order to support their business and maximise shareholder value.

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To achieve this objective, the Group and the Company may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares. No changes were made in the objectives, policies and processes during the financial year ended 31 December 2022 and 31 December 2021.

The Group and the Company monitor capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as total loan and borrowings divided by total equity.

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

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Total loan and borrowings	9,200	10,045	370	760
Equity attributable to owners of the Company	425,804	422,130	260,603	267,592
Debt-to-equity ratio (times)	0.02	0.02	–	–

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

32. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Included in the Group's insurance compensation income are windstorm occurred on 13 June 2022 that resulted in certain property, plant and equipment and inventories of a subsidiary, HeveaPac Sdn Bhd being damaged. Consequently, a total carrying value of property, plant and equipment and inventories amounting to RM1,087,382 and RM398,080 respectively were written off during the financial year.

The Group has taken up insurance policies to cover for the property, plant and equipment and inventories losses. During the financial year, the Group had recognised an insurance compensation income of RM11.21 million. The first interim insurance compensation payment of RM2.48 million was received on 25 November 2022 and the second interim insurance compensation payment of RM8.73 million was received from the insurer subsequent to the financial year end.

STATEMENT BY DIRECTORS

(Pursuant to Section 251(2) of the Companies Act 2016)

We, **YOONG HAU CHUN** and **YOONG LI YEN**, being two of the directors of **HEVEABOARD BERHAD**, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 65 to 135 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 2022 and of their financial performance and cash flows for the financial year then ended.

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

YOONG HAU CHUN
Director

YOONG LI YEN
Director

Date: 24 March 2023

STATUTORY DECLARATION

(Pursuant to Section 251(1) of the Companies Act 2016)

I, **HEW MEI YING**, being the officer primarily responsible for the financial management of **HEVEABOARD BERHAD**, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 65 to 135 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

HEW MEI YING
MIA membership no.: 5039

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on date 24 March 2023.

Before me,

HADINUR MOHD SYARIF
License no.: W761
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

to the members of **Heveaboard Berhad** (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of **HeveaBoard Berhad**, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 65 to 135.

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 2022, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Independent Auditors' Report

(Continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

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.

Group

Inventories (Note 4(a) and 10 to the financial statements)

As at 31 December 2022, the carrying amount of inventories held by the Group and the Company amounted to RM104,197,000 and RM46,762,000 respectively. We focused on this area because the computation and cost allocation process involve multiple inputs and significant judgement by directors are required to estimate the cost of finished goods and work-in-progress which comprise of the cost of raw materials, direct labour, other direct costs and the appropriate allocation of overheads based on normal operating capacity. The valuation of these inventories at the lower of cost and net realisable value by the Group and the Company are an area of significant estimate made by the directors.

Our response:

Our audit procedures included, among others:

- obtaining an understanding of the inventories valuation policy and its related processes in allocating, recording and computing the cost of inventories;
- understanding the computation of inventory costing which includes costs of raw materials, direct labour, other direct costs and other incidental costs incurred in bringing the inventories to their present location and condition;
- observing year end physical inventory count to examine physical existence; and
- checking subsequent sales and understanding the Group's and the Company's assessment in estimating the net realisable values on selected inventory items.

Company

Investment in a subsidiary (Note 4(b) and 6 to the financial statements)

The Company has significant balance of investment in a subsidiary, namely HeveaGro Sdn. Bhd..

At the end of the financial year, the Company determined whether there is any indication of impairment in investment in a subsidiary.

We focused on this area because the Company's assessment of the recoverable amount involved significant judgement. The recoverable amount of investment in the subsidiary was determined based on value-in-use which includes the discount rate applied in the recoverable amount calculation and the assumption supporting the underlying cash flow projections which include future sales, gross profit margins and operation expenses.

Our response:

Our audit procedures included, among others:

- comparing the actual results with previous budgets to assess the performance of the business and reliability of the forecasting process;
- comparing the Company's assumptions to our assessments in relation to key assumptions to assess their reasonableness and achievability of the projections;
- testing the mathematical accuracy of the cash flow forecast calculation; and
- performing a sensitivity analysis around the key assumptions.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Other Matters

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

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Heng Fu Joe
No. 02966/11/2024 J
Chartered Accountant

Kuala Lumpur

Date: 24 March 2023

LIST OF PROPERTIES

Registered Owner	Location	Description/ existing use	Tenure of Land	Land Area	Net Book Value as at 31st December 2022 (RM'000)
HeveaBoard	Lot 1941 & 1942, Batu Tiga, Jalan Tampin, 73400 Gemas Negeri Sembilan Darul Khusus	Factory, Office and Warehouse	Freehold	31,580 sq. m	**7,429**
	Lot 4577/8, Batu Tiga, Jalan Tampin, 73400 Gemas Negeri Sembilan Darul Khusus	Factory and Warehouse	Leasehold (Expires on 13-8-2095)	81,824 sq. m	**17,510**
	19A-10-2, Level 10, UOA Centre, No 19 Jalan Pinang 50450 Kuala Lumpur	Office	Freehold	173 sq. m	**1,765**
	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	**469**
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	**11,396**
	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	**15,520**
	PT 403, Kawasan Perindustrian Sg. Gadut KM 11, Jalan Tampin, 71450 Seremban, Negeri Sembilan Darul Khusus	Warehouse Hostel	Leasehold (Expires on 21-3-2045)	21,044 sq. m	**4,669**
	PT 405, Kawasan Perindustrian Sg. Gadut KM 11, Jalan Tampin, 71450 Seremban, Negeri Sembilan Darul Khusus	Factory Buildings and Office Blocks	Leasehold (Expires on 7-3-2046)	31,270 sq. m	**29,441**
	PT 74, Kawasan Perindustrian Sg. Gadut KM 11, Jalan Tampin, 71450 Seremban, Negeri Sembilan Darul Khusus	Hostel	Leasehold (Expires on 12-11-2044)	5,895 sq. m	**1,958**

ANALYSIS OF SHAREHOLDINGS

as at 3 April 2023

A. SHARE CAPITAL

Total Number of Issued Shares	:	565,864,681 shares*
Class of Shares	:	Ordinary shares
Voting Rights	:	Every member of the Company, present in person or by proxy or by duly authorised representative, shall have on a show of hands, one (1) vote or on a poll, one (1) vote for each share held
No. of Treasury Shares Held	:	1,881,000 shares

* *Excluding a total of 1,881,000 shares bought back by the Company and retained as treasury shares.*

B. DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Holders	%	No. of Shares	%
Less than 100	42	0.498	1,080	*0.000
100 – 1,000	1,225	14.525	734,155	0.130
1,001 – 10,000	3,768	44.676	21,406,357	3.783
10,001 – 100,000	2,848	33.768	97,849,960	17.292
100,001 – 28,293,233 (less than 5% of issued holdings)	549	6.509	300,452,054	53.096
28,293,234 (5% of issued holdings) and above	2	0.024	145,421,075	25.699
Total	**8,434**	**100.000**	**565,864,681**	**100.000**

* *Negligible*

Analysis of Shareholdings
as at 3 April 2023

(Continued)

C. SUBSTANTIAL SHAREHOLDERS

(as per Register of Substantial Shareholders)

		Direct		Indirect		
	Name	**No. of Shares**	**%**	**No. of Shares**	**%**	
1.	HeveaWood Industries Sdn. Bhd.	116,740,290	20.630	4,049,600	0.716	@
2.	Firama Holdings Sdn. Bhd.	30,294,785	5.354	135,221,890	23.897	*
3.	Tenson Holdings Sdn. Bhd.	16,231,652	2.868	165,516,675	29.250	**
4.	Mah Fah Victor Group Sdn. Bhd.	–	–	165,516,675	29.250	**
5.	Yoong Hau Chun	1,503,850	0.266	185,438,791	32.771	#
6.	Yoong Li Yen	1,672,532	0.296	183,943,441	32.507	****
7.	Yoong Tein Seng @ Yong Kian Seng	564,600	0.100	195,830,837	34.607	***
8.	Dato' Loo Swee Chew	4,292,000	0.758	121,159,890	21.411	❖
9.	Liang Chong Wai	10,400	0.0018	120,789,890	21.346	~

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

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

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

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

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

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

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

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

D. DIRECTORS' SHAREHOLDINGS

(as per Register of Directors' Shareholdings)

		Direct		Indirect	
	Name	**No. of Shares**	**%**	**No. of Shares**	**%**
1.	Sundra Moorthi A/L V.M. Krishnasamy	7,998,300	1.413	–	–
2.	Yoong Hau Chun	1,503,850	0.266	185,438,791 [1]	32.771
3.	Yoong Li Yen	1,672,532	0.296	183,943,441 [2]	32.507
4.	Lim Kah Poon	200,000	0.035	84,000 [3]	0.015
5.	Bailey Policarpio	126,664	0.022	1,672,532 [4]	0.296
6.	Yoong Yan Pin	250,000	0.044	–	–
7.	Thye Heng Ong @ Teh Heng Ong	200,000	0.035	–	–
8.	Chin Pik Yuen	–	–	–	–
9.	Loo Chin Meng	370,000	0.065	4,292,000 [5]	0.758
10.	Yoong Tein Seng @ Yong Kian Seng (Alternate Director to Yoong Hau Chun)	564,600	0.100	195,830,837 [6]	34.607

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

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

[3] *Deemed interested by virtue of his family relationship with Chua Sew Yin @ Chuah Chai Ean, his spouse.*

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

[5] *Deemed interested by virtue of his family relationship with Dato' Loo Swee Chew, his father.*

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

Analysis of Shareholdings
as at 3 April 2023

(Continued)

E. LIST OF THIRTY (30) LARGEST SHAREHOLDERS

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

	Name	No. of Shares Held	%
1.	HeveaWood Industries Sdn. Bhd.	116,440,290	20.577
2.	Firama Holdings Sdn. Bhd.	28,980,785	5.122
3.	Tenson Holdings Sdn. Bhd.	16,231,652	2.868
4.	Firama Engineering Berhad	14,450,000	2.554
5.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Yap Kiew @ Yap Chin Fook (M07)	10,569,200	1.868
6.	Chong Kwee Hiong	8,264,700	1.461
7.	Sundra Moorthi A/L V.M. Krishnasamy	7,998,300	1.413
8.	Lee Ka Yong	7,794,200	1.377
9.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Chua Hock Gee	7,385,400	1.305
10.	Yoong Kee Sin	4,620,000	0.816
11.	Dato' Loo Swee Chew	4,292,000	0.758
12.	RHB Capital Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Wong Yee Hui	4,200,000	0.742
13.	Gemas Ria Sdn. Bhd.	4,049,600	0.716
14.	Mak Chee Weng	4,000,000	0.707
15.	Yoong Li Bing	4,000,000	0.707
16.	Yoong Li Xian	4,000,000	0.707
17.	Yoong Li Mian	3,906,128	0.690
18.	Citigroup Nominees (Tempatan) Sdn. Bhd. - Employees Provident Fund Board (PHEIM)	3,901,800	0.690
19.	Maybank Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Sia Boon Huat	3,205,900	0.567
20.	Liau Choon Hwa & Sons Sdn. Bhd.	2,921,332	0.516
21.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Teh Shiou Cherng (J D B Tunggal BR-CL)	2,870,000	0.507
22.	Chua Kwee Nam	2,440,000	0.431
23.	Cheah Yaw Song	2,416,500	0.427
24.	Liau Keen Yee	2,200,000	0.389
25.	Liau Chern Yee	2,189,364	0.387
26.	Citigroup Nominees (Asing) Sdn. Bhd. - CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	2,169,800	0.383
27.	Loh Kok Wai	2,162,000	0.382
28.	Salud Uy Policarpio	2,137,900	0.378
29.	Teh Bee Gaik	2,004,800	0.354
30.	Public Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Kejutaan Holdings Sdn Bhd (E – IMO)	2,000,000	0.353
		283,801,651	50.152

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Ninth (29th) Annual General Meeting ("AGM") of **HeveaBoard Berhad** will be conducted on a fully virtual basis through live streaming and online remote voting from the Broadcast Venue at PT 405, Kawasan Perindustrian Sg. Gadut, KM 11, Jalan Tampin, 71450 Seremban, Negeri Sembilan Darul Khusus on Tuesday, 20 June 2023 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 2022 together with the Reports of the Directors and Auditors thereon. *[Please refer to Explanatory Note 5(i)]*

2. To approve a first and final single-tier dividend of 1.2 sen per ordinary share in respect of the financial year ended 31 December 2022. *Ordinary Resolution 1*

3. To approve the payment of Directors' fees payable up to an amount of RM943,391 per annum for the financial year ending 31 December 2023. *Ordinary Resolution 2*

4. To re-elect the following Directors who retire by rotation pursuant to Clause 97 of the Company's Constitution, and being eligible, offered themselves for re-election:

   i. Mr Yoong Hau Chun *Ordinary Resolution 3*
   ii. Mr Bailey Policarpio *Ordinary Resolution 4*
   iii. Mr Thye Heng Ong @ Teh Heng Ong *Ordinary Resolution 5*

5. To re-elect the following Director who retires pursuant to Clause 104 of the Company's Constitution, and being eligible, offered herself for re-election:

   i. Ms Chin Pik Yuen *Ordinary Resolution 6*

6. To re-appoint Messrs Baker Tilly Monteiro Heng PLT as Auditors of the Company for the ensuing financial year and to authorise the Directors to fix their remuneration. *Ordinary Resolution 7*

Special Business

To consider and if thought fit, to pass the following Resolutions, with or without modifications:

7. **Renewal of Authority for Directors to Issue Shares** *Ordinary Resolution 8*

   "THAT subject always to the Companies Act 2016 (the "Act"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approvals of the relevant governmental/regulatory authorities, where such approval is necessary, approval be and is hereby given to the Directors pursuant to Sections 75 and 76 of the Act 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.

   FURTHER THAT pursuant to Section 85 of the Act read together with Clause 54 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the existing shareholders of the Company to be offered with new shares ranking equally to the existing issued shares arising from the issuance and allotment of the new shares in the Company pursuant to Sections 75 and 76 of the Act AND THAT the Board of Directors of the Company is exempted from the obligation to offer such new shares first to the existing shareholders of the Company."

8. **Proposed Renewal of Authority for Purchase of Own Shares by the Company ("Proposed Renewal of Authority")** *Ordinary Resolution 9*

"THAT subject to the Companies Act 2016 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Constitution and the requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

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

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

(iii) the Directors of the Company may resolve to retain the shares so purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder, where such shares are held as treasury shares, the Directors may resell the treasury shares or transfer the treasury shares or cancel the treasury shares or distribute the treasury shares as dividends to shareholders.

AND THAT the authority conferred by this resolution will commence after the passing of this ordinary resolution and will continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM after that date is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement or to effect the purchase(s) of the shares with full power to assent to any condition, modification, variation and/or amendment as may be imposed by the relevant authorities and to take all such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto."

Any Other Business

9. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the Twenty-Ninth (29th) AGM, a first and final single-tier dividend of 1.2 sen per ordinary share in respect of the financial year ended 31 December 2022 will be payable on 20 July 2023 to holders of ordinary shares registered in the Record of Depositors at the close of business on 6 July 2023.

A depositor shall qualify for entitlement only in respect of:

a. Shares transferred into the Depositor's Securities Account on or before 4.30 p.m. on 6 July 2023 in respect of ordinary transfers; and

b. Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Securities.

BY ORDER OF THE BOARD

WONG YOUN KIM
SSM Practising Certificate No. 201908000410
(MAICSA 7018778)
Company Secretary

Kuala Lumpur
28 April 2023

Notes:

1. REMOTE PARTICIPATION AND VOTING

The Broadcast Venue of the AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be physically present at the main venue in Malaysia. No shareholders/proxies/corporate representatives shall be physically present at the Broadcast Venue on the meeting day. Members are advised to refer to the Administrative Guide which is available on the Company's corporate website at www.heveaboard.com.my, for the remote participation and voting at the AGM using the Virtual Meeting Facilities.

2. PROXY

(i) A member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint any person as his/her proxy to attend and vote instead of the member at the meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.

(ii) The instrument appointing a proxy shall be in writing executed by or on behalf of the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.

(iii) A member entitled to attend and vote at the Meeting is entitled to appoint one (1) or more proxies to attend and vote instead of him/her. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless the member specifies the proportion of his/her holdings to be represented by each proxy.

Notes: (Cont'd)

2. PROXY (CONT'D)

(iv) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(v) The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur not less than twenty-four (24) hours before the time appointed for the taking of poll at the meeting or any adjournment thereof.

3. POLL VOTING

The Company has put all the Resolutions as set out in the Notice of AGM to be voted by poll pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

4. GENERAL MEETING RECORD OF DEPOSITORS

For the purposes of determining a member who shall be entitled to attend this Twenty-Ninth (29th) AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Clause 62 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 9 June 2023. Only a depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting or appoint proxies to attend and/or vote on his/her behalf.

5. EXPLANATORY NOTES ON ORDINARY/SPECIAL BUSINESS

(i) Item 1 of the Agenda – Audited Financial Statements for the financial year ended 31 December 2022.

The Audited Financial Statements are laid pursuant to Section 340(1)(a) of the Companies Act 2016 for discussion only, a formal approval of the shareholders for the Audited Financial Statements is not required. Hence, this Agenda item is not put forward for voting.

(ii) Ordinary Resolution 1 – First and Final dividend

With reference to Section 131 of the Companies Act 2016 (the "Act"), a company may only make a distribution to the shareholders out of profits of the company available if the company is solvent. The Directors of the Company are satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within twelve (12) months immediately after the distribution is made in accordance with the requirements under Section 132(2) and (3) of the Act.

(iii) Ordinary Resolution 2 – Directors' fees

Section 230(1) of the Companies Act 2016 provides amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved by shareholders at a general meeting. Hence, the Board seeks the shareholders' approval at this AGM on the payment of Directors' fees.

There is no increment proposed for the Directors' fees for the financial year ending 31 December 2023. It had been reviewed by the Remuneration Committee and the Board of Directors of the Company, which recognise that the Directors' fees payable is in the best interest of the Company.

The Board is of the view that it is just and equitable for the Directors to be paid the Directors' fees, particularly after they have discharged their responsibilities and rendered their services to the Company throughout the year.

5. EXPLANATORY NOTES ON ORDINARY/SPECIAL BUSINESS (CONT'D)

(iv) Ordinary Resolutions 3, 4 and 5 – Re-election of Directors pursuant to Clause 97 of the Company's Constitution

Clause 97 of the Company's Constitution provides that election of Directors shall take place each year at the AGM of the Company where one-third (1/3) of the Directors for the time being, or if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall retire and be eligible for re-election provided that each Director must retire from office at least once in every three (3) years.

The profiles of the retiring Mr Yoong Hau Chun, Mr Bailey Policarpio and Mr Thye Heng Ong @ Teh Heng Ong who stand for re-election and their interest in the securities of the Company are set out in the section of Profile of Directors and Analysis of Shareholdings of the Annual Report.

The Nomination Committee had assessed the performance of the above Directors based on a pre-set criteria and had rated their performance as "Good/Competent" in discharging their duties and responsibilities as Directors. All of them meet the Directors' fit and proper criteria as set out in the Directors' Fit and Proper Policy of the Company. The Board values the role and contributions of Mr Yoong Hau Chun in driving the business continuity and progress of the Group in the challenging business environment. Whilst Mr Bailey Policarpio and Mr Thye Heng Ong @ Teh Heng Ong as the Non-Independent Non-Executive Director and Independent Non-Executive Director respectively have provided check and balance on the Board, focusing on shareholders and stakeholders' interest, are equally important for the Board to function effectively. Based on the above, the Board supports the recommendation for re-election of all of them as Directors and seeks the shareholders to vote in favour of these resolutions.

(v) Ordinary Resolution 6 – Re-election of Director pursuant to Clause 104 of the Company's Constitution

Clause 104 of the Company's Constitution provides that a newly appointed Director shall hold office only until the next following AGM and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that AGM.

Ms Chin Pik Yuen is the new Director appointed on 1 November 2022. Hence, she shall retire at this AGM pursuant to Clause 104 of the Constitution, being eligible, she has offered herself for re-election. Her profile and interest in the securities of the Company are set out in the section of Profile of Directors and Analysis of Shareholdings of the Annual Report.

The Nomination Committee had assessed her suitability and fit and proper during the appointment process. Ms Chin Pik Yuen's vast experience in the areas of controls, risk management, governance and regulatory compliance would blend well with the current Board structure, which is very diversified, and would further strengthen the Group's corporate governance. Hence, the Board seeks the shareholders to vote in favour of this resolution.

(vi) Ordinary Resolution 8 – Renewal of Authority for Directors to Issue Shares

The proposed Ordinary Resolution 8, 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 ("General Mandate"). The purpose of this General Mandate sought will provide flexibility to the Company for any possible fund-raising activities but not limited for further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions. 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 general mandate obtained from the shareholders at the last AGM held on 27 June 2022. As at the date of the Notice of Meeting, no new shares have been issued pursuant to the general mandate granted at the last AGM of the Company and this general mandate will lapse at the conclusion of this 29th AGM.

5. EXPLANATORY NOTES ON ORDINARY/SPECIAL BUSINESS (CONT'D)

(vi) Ordinary Resolution 8 – Renewal of Authority for Directors to Issue Shares (Cont'd)

Shareholders are advised to take note that the approval given to the Directors in this resolution for the issuance and allotment of the new shares pursuant to Sections 75 and 76 of the Companies Act 2016 shall have the effect of the shareholders having agreed to waive and deemed to have waived their statutory pre-emptive rights pursuant to Section 85 of the Companies Act 2016 and Clause 54 of the Constitution of the Company and will allow the Directors of the Company to issue new shares of the Company which rank equally to existing issued shares of the Company, to any person without having to offer the new shares to all existing shareholders of the Company prior to issuance of new shares in the Company under the General Mandate which this will result in a dilution to their shareholding percentage in the Company.

(vii) Ordinary Resolution 9 - Proposed Renewal of Authority for Purchase of Own Shares by the Company

The proposed Ordinary Resolution 9, 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 28 April 2023, which is available on the Company's corporate website at www.heveaboard.com.my, for further information.

6. STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of individual who is standing for election as Director

No individual is seeking for election as Director at the Twenty-Ninth (29th) AGM of the Company other than the following retiring Directors who are seeking for re-election:

(1) Mr Yoong Hau Chun
(2) Mr Bailey Policarpio
(3) Mr Thye Heng Ong @ Teh Heng Ong
(4) Ms Chin Pik Yuen

The profiles of Mr Yoong Hau Chun, Mr Bailey Policarpio, Mr Thye Heng Ong @ Teh Heng Ong and Ms Chin Pik Yuen and their interest in the securities of the Company are set out in the section of Profile of Directors and Analysis of Shareholdings of the Annual Report.

PROXY FORM

No. of shares held	
CDS Account No.	

HeveaBoard Berhad

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

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

of *(full address, telephone no. and e-mail address)* ....

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

(full name of Proxy 1) ....NRIC No./Passport No.* ....

of *(full address, telephone no. and e-mail address)* ....

....

and/or failing him/her*, *(full name of Proxy 2)*.. NRIC No./Passport No.* ....

of *(full address, telephone no. and e-mail address)* ....

....

or failing which, the Chairman of the Meeting** as my/our proxy to attend and vote for me/us on my/our behalf at the Twenty-Ninth (29th) Annual General Meeting of the Company to be conducted on a fully virtual basis through live streaming and online remote voting from the Broadcast Venue at PT 405, Kawasan Perindustrian Sg. Gadut, KM 11, Jalan Tampin, 71450 Seremban, Negeri Sembilan Darul Khusus on Tuesday, 20 June 2023 at 10.00 a.m. or at any adjournment thereof and to vote as indicated below:

	Resolutions	FOR	AGAINST
	Ordinary Resolutions		
1	Approval of First and Final Single –Tier Dividend of 1.2 sen per ordinary share in respect of the financial year ended 31 December 2022.		
2	To approve the payment of Directors' fees payable up to an amount of RM943,391 per annum for the financial year ending 31 December 2023.		
3	Re-election of Mr Yoong Hau Chun as Director		
4	Re-election of Mr Bailey Policarpio as Director		
5	Re-election of Mr Thye Heng Ong @ Teh Heng Ong as Director		
6	Re-election of Ms Chin Pik Yuen as Director		
7	Re-appointment of Messrs Baker Tilly Monteiro Heng PLT as Auditors		
8	Renewal of Authority for Directors to Issue Shares		
9	Proposed Renewal of Authority for Purchase of Own Shares by the Company		

* *strike out whichever is not applicable.*
** *if you wish to appoint any person other than the Chairman of the Meeting to be your proxy, kindly delete the words "the Chairman of the Meeting" and insert the name of the person desired.*

Please indicate with a cross (X) in the space provided, how you wish your vote to be casted in respect of the above resolutions. If you do not do so, the proxy may vote or abstain at his/her discretion.

Signed this ………….. day of ……………………….., 2023

....………………
Signature/Common Seal of Shareholder^

For appointment of more than one (1) proxy, percentage (%) of shareholdings to be represented by the proxies.

	Name of proxy	No. of shares held	%
Proxy 1			
Proxy 2			
	TOTAL		100

^ *Manner of execution:*
a) *If you are an individual member, please sign where indicated.*
b) *If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.*
c) *If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:*
i. *at least two (2) authorised officers, of whom one shall be a director; or*
ii. *any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.*

Notes:

1. A member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint any person as his/her proxy to attend and vote instead of the member at the meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
2. The instrument appointing a proxy shall be in writing executed by or on behalf of the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
3. A member entitled to attend and vote at the Meeting is entitled to appoint one (1) or more proxies to attend and vote instead of him/her. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless the member specifies the proportion of his/her shareholdings to be represented by each proxy.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur at least twenty-four (24) hours before the time appointed for the taking of poll at the meeting or any adjournment thereof.
6. **POLL VOTING**

   The Company has put all the Resolutions as set out in the Notice of AGM to be voted by poll pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
7. **GENERAL MEETING RECORD OF DEPOSITORS**

   For the purposes of determining a member who shall be entitled to attend this Twenty-Ninth (29th) AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Clause 62 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 9 June 2023. Only a depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting or appoint proxies to attend and/or vote on his/her behalf.

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AFFIX
STAMP

HeveaBoard Berhad
[Registration No. 199301020774 (275512-A)]
Level 5, Tower 8, Avenue 5, Horizon 2
Bangsar South City
59200 Kuala Lumpur
Wilayah Persekutuan Kuala Lumpur
Malaysia

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HeveaBoard Berhad
Registration No: 199301020774 (275512-A)

Registered Office
Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City,
59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia
T : 603-2280 6388 F : 603-2280 6399

KL Office
Business Suite 19A-10-2,
Level 10, UOA Centre, No. 19 Jalan Pinang,
50450 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia
T : 603-2166 1393 F : 603-2166 3390

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

www.heveaboard.com.my