EVERGREEN FIBREBOARD BERHAD

Registration No.199101006810 (217120-W)

ANNUAL REPORT 2019

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Ninth Annual General Meeting of Evergreen Fibreboard Berhad will be held on:

Day and Date	:	Tuesday, 28th July 2020
Time	:	9.00 a.m.
Broadcast Venue	:	Forest City Phoenix International Golf Hotel, Jalan Persiaran Golf 5, Forest City Golf Resort, 81550 Gelang Patah, Johor Darul Takzim, Malaysia

A G E N D A

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 and the Reports of the Directors and Auditors thereon.

2. To re-appoint Messrs Baker Tilly Monterio Heng PLT who retire as Auditors of the Company and authorise the Directors to fix their Remuneration. **ORDINARY RESOLUTION 1**

3. To re-elect the following Directors who retire during the year in accordance with Regulation 109 of the Company's Constitution

   a. Ms. Mary Henerietta Lim Kim Neo – Executive Director **ORDINARY RESOLUTION 2**

   b. Mr. Kuan Kai Seng – Independent Director **ORDINARY RESOLUTION 3**

4. To approve the payment of Non-Executive Directors' Fees and Allowances up to an amount of RM450,000 for the financial year ending 31 December 2020. **ORDINARY RESOLUTION 4**

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions: -

5. **AUTHORITY TO ALLOT SHARES - SECTIONS 75(1) & 76(1)** **ORDINARY RESOLUTION 5**

"**THAT** pursuant to Sections 75(1) and 76(1) of the Companies Act, 2016 and subject to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares issued pursuant to this ordinary resolution does not exceed 20% of the total number of issued shares of the Company (excluding treasury shares) for the time being and that the Directors be and also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad **AND THAT** such authority conferred by this ordinary resolution shall commence upon passing this ordinary resolution until:

(a) the conclusion of the annual general meeting held next after the approval was given; or
(b) the expiry of the period within which the next annual general meeting is required to be held after the approval was given,

whichever occurs first."

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

6. **PROPOSED RENEWAL OF AUTHORISATION FOR THE COMPANY TO PURCHASE ITS OWN SHARES OF UP TO TEN PERCENT (10%) OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY ("Proposed Renewal of Share Buy-Back Authority")** **ORDINARY RESOLUTION 6**

"**THAT** subject to the provisions of the Companies Act, 2016 ("the Act"), the Constitution of the Company, Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant authorities, the Company be and is hereby authorised to purchase such number of ordinary shares of the Company ("Proposed Share Buy-Back Authority") 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 maximum aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed ten percent (10%) of the total number of issued shares of the Company at any point in time;
(ii) the funds allocated by the Company for the purpose of purchasing its shares shall not exceed the total retained profits of the Company; and
(iii) the authority conferred by this resolution shall continue to be in force until: -

    (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming AGM, at which time the said authority will lapse, unless the authority is renewed at that meeting, either unconditionally or subject to conditions; or
    (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340 (2) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340 (4) of the Act); or
    (c) revoked or varied by resolution passed by the shareholders in a general meeting,

    whichever occurs first.

THAT the Directors of the Company be and are hereby authorised to deal with the shares purchased at their absolute discretion, either partially or fully, in the following manner:

(i) cancel all the shares so purchased;
(ii) retain all the shares so purchased as treasury shares;
(iii) retain part of the shares so purchased as treasury shares and cancel the remainder of the shares; or
(iv) deal with the treasury shares in the manner as allowed by the Act from time to time.

AND THAT the Directors of the Company be and are hereby authorised to give effect to the Proposed Share Buy-Back Authority with full power to assent for any modifications, variations and/or amendments (if any) as may be required by the relevant authorities."

7. **DESIGNATE AS INDEPENDENT DIRECTOR** **ORDINARY RESOLUTION 7**

"**THAT** authority be and is hereby given to continue to designate Mr. Jonathan Law Ngee Song as an Independent Director of the Company in accordance with Malaysian Code on Corporate Governance."

8. To transact any other business appropriate to an Annual General Meeting, due notice of which shall have been previously given in accordance with the Companies Act, 2016 and the Company's Constitution.

BY ORDER OF THE BOARD

LEONG SIEW FOONG, MAICSA No. 7007572 (CCM PC No.: 202008001117)
SANTHI A/P SAMINATHAN, MAICSA No. 7069709 (CCM PC No.: 201908002933)
Company Secretaries

Johor Bahru
29 June 2020

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

NOTES: -

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. The proxy need not be a Member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of a company shall have the same rights as the member to speak at a meeting.

2. A member shall be entitled to appoint more than one proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting.

3. Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

4. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") 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 accounts it holds. Where a member is an authorised nominee as defined under SICDA, it may appoint one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney.

6. The instrument appointing a proxy must be deposited at Boardroom Share Registrars Sdn. Bhd., 11th Floor, Menara Symphony, No.5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

ORDINARY BUSINESS: -

Audited Financial Statements for financial year ended 31 December 2019

1. The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act, 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

Appointment of Auditors

2. Ordinary Resolution 1, pursuant to Section 273(b) of the Act, the term of office of the present Auditors, Messrs Baker Tilly Monterio Heng PLT, shall lapse at the conclusion of this AGM unless they are re-appointed by the shareholders to continue in office.

   Messrs Baker Tilly Monterio Heng PLT. have indicated their willingness to continue their service until the conclusion of the 30th AGM. The re-appointment of Messrs Baker Tilly Monterio Heng PLT. as Auditors has been considered against the relevant criteria prescribed by Paragraph 15.21 of the MMLR. This proposed Ordinary Resolution 1, if passed, will also give the Directors of the Company, the authority to determine the remuneration of the Auditors.

Re-election of Directors who retire in accordance with Regulation 109 of the Company's Constitution ("Constitution")

3. Ordinary Resolutions 2 & 3, Regulation 109 of the Company's Constitution provides that one-third (1/3) of the Directors of the Company for the time being shall retire by rotation at an AGM of the Company. With the current Board size of seven (7), two (2) Directors are to retire in accordance with Regulation 109 of the Constitution.

   The Nomination Committee has assessed the performance of these Directors seeking for re-election based on salient criteria of their contribution to the Board's decision making and their individual performance in their roles and responsibilities to the Company/Group.

   The satisfactory outcome of the assessment was reported to the Board of Directors and the Board recommends these Directors to be re-elected according to the resolutions put forth in the forthcoming AGM.

   These Directors had abstained from deliberation and participation of their own agenda in both the Nomination Committee meeting as well as the Board of Directors' meeting.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

Directors' Fees and Allowance

4. Ordinary Resolution 4, pursuant to Section 230(1) of the Companies Act, 2016, the fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries shall have prior approval at a general meeting.

   The Directors' Benefits payable to the Non-Executive Directors up to an amount of RM450,000 is for the period of 1 January 2020 to 31 December 2020. The Directors' Benefits which are estimated not to exceed RM450,000 is basically the fees and meeting allowances for Board and Board Committee meetings to be held during the financial year 2020.

   The Board will seek shareholders' approval at the next AGM in the event the remuneration amount is insufficient due to an increase in Board/Board Committee meetings and/or increase in board size. Details of the Directors' fees and benefits paid are disclosed on page 31 in this Annual Report 2019.

SPECIAL BUSINESS: -

Authority to Allot Shares - Sections 75(1) & 76(1)

5. Ordinary Resolution 5, if passed, is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion without convening a general meeting. This is a renewal of a general mandate. The Company did not utilise the mandate granted in the preceding year's Annual General Meeting.

   This authority, unless revoked or varied by the Company in a general meeting, will expire at the next Annual General Meeting.

   The authority will provide flexibility to the Company for allotment of shares for any possible fund-raising activities, including but not limiting to further placing of shares, for the purpose of funding future investment(s), acquisition(s) and/or working capital.

   Bursa Malaysia Securities Berhad ("Bursa Securities") has issued letters to listed issuers on 17, 24 and 26 March 2020 on their assistance and support in these trying and challenging times due to Covid -19 pandemic.

   Amongst the relief measures introduced by Bursa Securities, Bursa Securities reckoned listed issuers' need to raise funds quickly to ensure the long-term sustainability and the interest of the listed issuers and shareholders. Hence, Bursa Securities, as an interim measure, allow listed issuers to seek higher mandate of 20% (twenty percent) of the total number of issued shares (excluding treasury shares) for issue of new securities until 31 December 2021.

   Hence, the Company is renewing this mandate for 20% (twenty percent) of the total number of issued shares (excluding treasury shares) at the forthcoming AGM.

Proposed Renewal of Share Buy-Back Authority

6. Ordinary Resolution 6, if passed, will empower the Directors to purchase the Company's shares of up to 10% (ten percent) of the total number of issued shares of the Company at any point of time, by utilising the funds allocated which shall not exceed the total retained profits of the Company.

   The audited retained profits of the Company stood at RM339,107,393 million as at 31 December 2019. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting.

   Please refer to Statement of Share Buy-Back dated 29 June 2020.

Designation as Independent Director

7. Ordinary Resolution 7, if passed, will allow Mr Jonathan Law Ngee Song to remain as an Independent Director in the Company. Mr. Jonathan Law Ngee Song is an Independent Director of the Company who has served the Company for more than nine years. In line with the Malaysian Code on Corporate Governance, the Nomination Committee has assessed his independence as defined in Bursa Securities Listing Requirements. Mr Jonathan Law has exercised his judgment in an independent and unfettered manner, discharge his duty with reasonable care, skill and diligent whilst; bringing independent thought and experience to the Board's deliberations and decision-making process all these while. In that respect, the Board recommends Mr. Jonathan Law Ngee Song to continue to be designated as an Independent Director according to the resolution put forth in the forthcoming Annual General Meeting and to be voted via the 2 tier voting system.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

Personal Data Protection Measures

Please refer to the Company's Compliance with the Personal Data Protection Act 2010 statement as found on Page 50 of the Annual Report 2019.

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company:

(i) consents to the processing of the member's personal data by the Company (or its agents) for the AGM and matters related thereto, including but not limited to:

  (a) for processing and administration of proxies and representatives appointed for the AGM;
  (b) for preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (which includes any adjournments thereto); and
  (c) for the Company's (or its agents') compliance with any applicable laws, listing rules, regulations, codes and/or guidelines (collectively, the "Purposes").

(ii) undertakes and warrants that he or she has obtained such proxy(ies)' and/or representative(s)' prior consent for the Company's (or its agents') processing of such proxy(ies)' and/or representative(s)' personal data for the purposes, and

(iii) agrees that he or she will fully indemnify the Company for any penalties, liabilities, legal suits, claims, demands, losses and damages as a result of the member's failure to provide accurate and correct information of the personal data or breach of the member's undertaking and/or warranty as set out herein.

NOTE: the term "processing" and "personal data" shall have the same meaning as defined in the Personal Data Protection Act 2010.

CORPORATE INFORMATION

Total Number of Issued Shares and Market Capitalization

The total number of issued shares of Evergreen Fibreboard Berhad as at 31 December 2019 was 846,423,985 (Including 622,000 number of shares purchased and kept by the Company as treasury shares) and the ordinary share price (Stock Code 5101) at the close of business was 0.275 sen giving a market capitalization of RM232,766,596 on the Main Market of Bursa Malaysia Securities.

Our Website

Our website, www.evergreengroup.com.my contains up-to-date information on the Group and its operations, together with all the key historical financial and regulatory information. Updates pertaining to the Company's announcements, other relevant changes and developments in the Group are carried out periodically.

Company Secretaries

Ms. Leong Siew Foong (MAICSA NO. 7007572) (CCM PC No.: 202008001117)
Ms. Santhi A/P Saminathan (MAICSA NO. 7069709) (CCM PC No.: 201908002933)

Registered Address

Boardroom Corporate Services Sdn. Bhd. (Registration No: 196001000110(3775-X))
Suite 9D, Level 9, Menara Ansar,
65, Jalan Trus, 80000 Johor Bahru, Johor.
Tel: +607-2226536
Fax: +607-2210890

Share Registrar

Boardroom Share Registrars Sdn. Bhd. (Registration No: 199601006647(378993-D))
11th Floor, Menara Symphony,
No. 5, Jalan Professor Khoo Kay Kim,
Seksyen 13, 46200 Petaling Jaya, Selangor.
Tel : +603-78904700
Fax : +603-78904670

External Auditors

Baker Tilly Monteiro Heng PLT (Registration No: 201906000600 (LLP0019411-LCA) (AF 0117))
Chartered Accountants,
Baker Tilly Tower, Level 10, Tower 1,
Avenue 5, Bangsar South City, 59200 Kuala Lumpur.
Tel: +603-22971000
Fax: +603-22829980

Internal Auditors

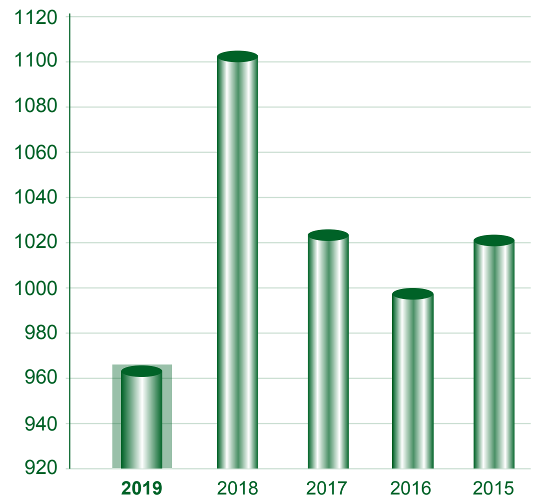
BDO Governance Advisory Sdn. Bhd. (Registration No: 199701018781(434278-K))
Level 8, BDO@ Menara Centara,
360 Jalan Tunku Abdul Rahman,
50100 Kuala Lumpur.
Tel : +603-26162888
Fax : +603-26162829

GROUP'S FINANCIAL HIGHLIGHTS

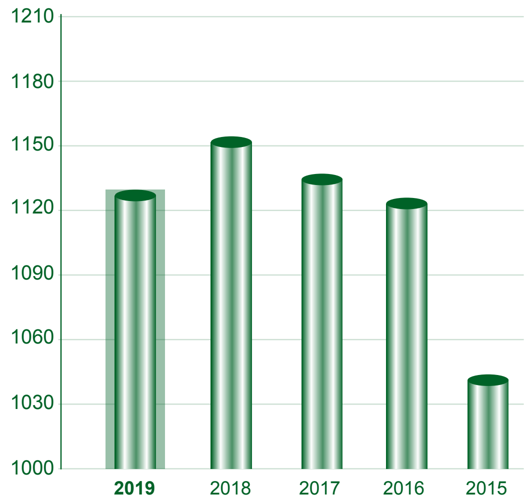
RM' MILLION	2019	2018	2017	2016	2015
FINANCIAL RESULTS					
Revenue	968	1,106	1,024	998	1,012
Gross Profit Margin (%)	12.4%	17.2%	22.0%	26.8%	28.4%
(Loss) / Profit Before Tax	(42)	26	68	93	109
(Loss) / Profit After Tax	(42)	16	47	68	94
(Loss) / Profit Attributable to owners of the Company	(42)	16	45	72	91
EBIT	(35)	32	74	100	119
EBITDA	43	106	137	164	184
FINANCIAL POSITION					
Total Assets	1,578	1,589	1,591	1,561	1,447
Total Liabilities	414	403	422	409	377
Total Net Assets	1,164	1,186	1,169	1,152	1,070
Share Capital	345	345	345	212	141
Total Equity Attributable to Owners of the Company	1,135	1,156	1,139	1,124	1,038
BANK BORROWINGS					
Total Borrowings	241	209	217	205	199
Cash and Bank balances and Short-Term Fund	105	107	121	160	117
Total Net Borrowings	136	102	96	45	82
SHARE CAPITAL (no. of shares '000)					
Weighted Average No. of Shares	845,802	845,885	846,002	827,152	517,356
Share Capital	846,424	846,424	846,424	846,424	564,290
Treasury Shares	622	622	422	422	22
FINANCIAL RATIOS					
EPS (sen)	(4.96)	1.93	5.31	8.66	17.57
Return on Shareholders' Funds (%)	(3.7%)	1.4%	3.9%	6.4%	8.8%
Return on Total Assets (%)	(3.0%)	2.7%	6.3%	8.7%	11.1%
Share Price at Year End (RM)	0.28	0.35	0.65	0.96	2.36
PE Ratio (X)	(5.5)	18.1	12.2	11.1	13.4
DPS (sen)	-	0.48	1.38	2.00	1.00
Net Assets per Share (RM)	1.38	1.40	1.38	1.39	2.07
Net Gearing Ratio (%)	12.0	8.10	7.80	3.80	7.30
Market Capitalization	232,767	296,248	550,176	812,567	1,331,724

GROUP'S FINANCIAL HIGHLIGHTS (Cont'd)

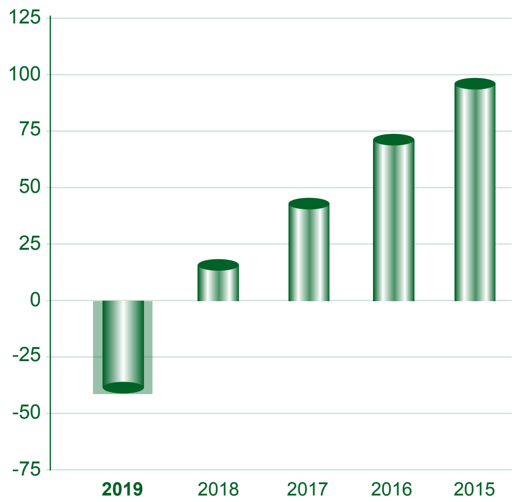
REVENUE (RM MILLION)



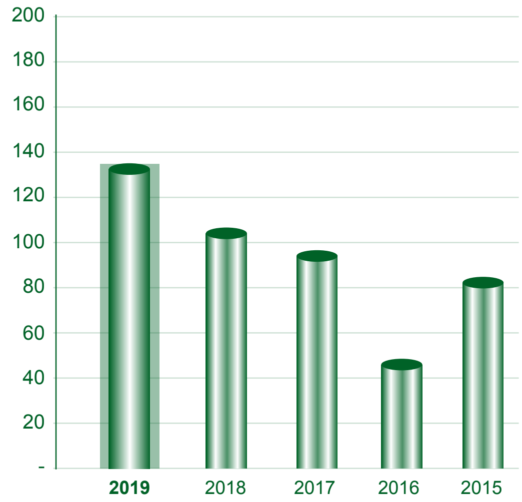
TOTAL EQUITY (RM MILLION)



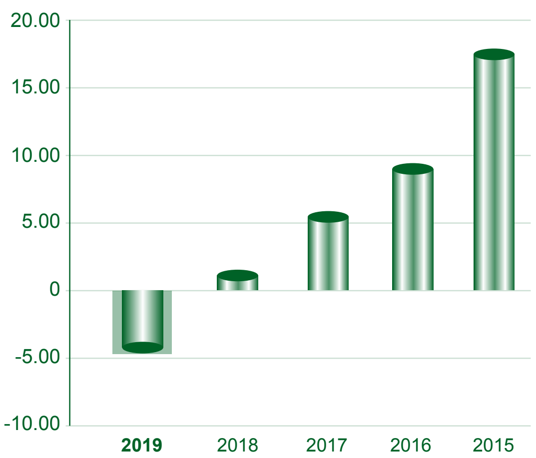
(LOSS) / PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM MILLION)



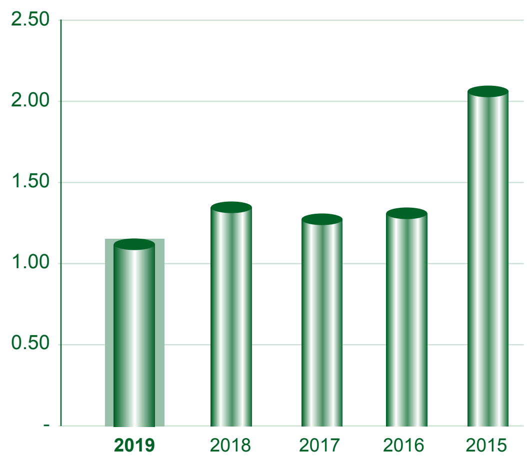
TOTAL NET BORROWINGS (RM MILLION)



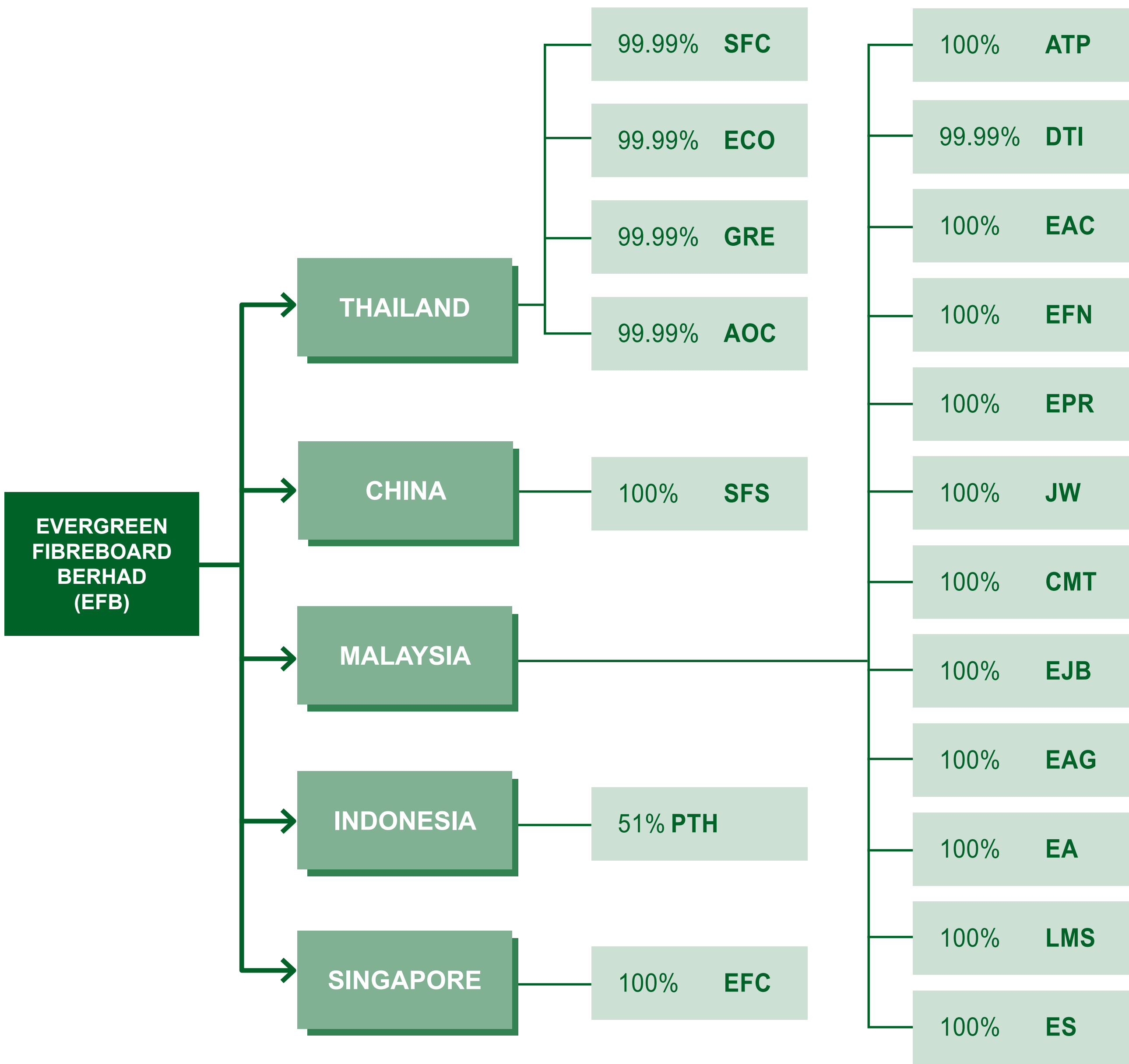
EARNINGS / (LOSS) PER SHARE (SEN)



NET ASSETS PER SHARE (RM)



GROUP'S STRUCTURE



MALAYSIA ABBREVIATIONS :-

ATP AllGreen Timber Products Sdn. Bhd.
CMT Craft Master Timber Products Sdn. Bhd.
DTI Dawa Timber Industries (M) Sdn. Bhd.
EFB Evergreen Fibreboard Berhad
EJB Evergreen Fibreboard (JB) Sdn. Bhd.
EAC Evergreen Adhesive & Chemicals Sdn. Bhd.
EAG Evergreen Adhesive & Chemicals (Gurun) Sdn. Bhd.
EFN Evergreen Fibreboard (Nilai) Sdn. Bhd.
EA Evergreen Agro Sdn. Bhd.
EPR Evergreen Plantation Resources Sdn. Bhd.
LMS Locomotion Services Sdn. Bhd.
JW Jasa Wibawa Sdn. Bhd.
ES Everlatt Sourcing Sdn. Bhd.

THAILAND ABBREVIATIONS :-

AOC Asian Oak Co., Ltd.
ECO ECO Generation Co., Ltd.
GRE GRE Energy Co., Ltd.
SFC Siam Fibreboard Co., Ltd.

INDONESIA ABBREVIATIONS :-

PTH PT Hijau Lestari Raya Fibreboard

CHINA ABBREVIATIONS :-

SFS – Siam Furniture (Shanghai) Co. Ltd.

SINGAPORE ABBREVIATIONS:-

EFC – Evergreen Furniture Co. Pte. Ltd

GROUP'S BUSINESS STRUCTURE

Medium Density Fibreboard

- Evergreen Fibreboard Berhad - Parit Raja, Johor
- Evergreen Fibreboard (JB) Sdn. Bhd. - Segamat, Johor
- Evergreen Fibreboard (Nilai) Sdn. Bhd. - Nilai, N.Sembilan
- Siam Fibreboard Co. Ltd. - Hat Yai, Thailand
- PT Hijau Lestari Raya Fibreboard - Palembang, Indonesia

Resin /Adhesive

- Evergreen Adhesive & Chemicals Sdn. Bhd. - Parit Raja, Johor
- Evergreen Adhesive & Chemicals (Gurun) Sdn. Bhd. - Gurun, Kedah

Energy / Biomass

- AllGreen Timber Products Sdn. Bhd. - Segamat, Johor
- Craft Master Timber Products Sdn. Bhd. - Parit Raja, Johor
- Evergreen Fibreboard (JB) Sdn. Bhd. - Segamat, Johor
- ECO Generation Co. Ltd. - Thailand
- GRE Energy Co. Ltd. - Thailand

Logistics/Warehousing

- Locomotion Services Sdn. Bhd. - Butterworth, Penang

Plantation (Rubber)

- Jasa Wibawa Sdn. Bhd. - Kahang, Johor

Laminated Panel Board

- Evergreen Fibreboard (JB) Sdn. Bhd. - Pasir Gudang, Johor
- Evergreen Fibreboard Berhad - Parit Raja, Johor

Particleboard

- AllGreen Timber Products Sdn. Bhd. - Segamat, Johor

Wooden Furniture & Wood Products

- Evergreen Fibreboard Berhad - Parit Raja, Johor
- Asian Oak Co. Ltd. - Thailand

Property Holding

- Dawa Timber Industries (M) Sdn. Bhd. - Pasir Gudang, Johor
- Evergreen Agro Sdn. Bhd. - Parit Raja, Johor

Marketing

- Siam Furniture (Shanghai) Co. Ltd. - China
- Everlatt Sourcing Sdn. Bhd. - Parit Raja, Johor
- Evergreen Furniture Co Pte. Ltd. - Singapore

DIRECTORS' PROFILE

JONATHAN LAW NGEE SONG,
Malaysian, Male, Age 54.
Group Independent Non-Executive Board Chairman,
Chairman of Remuneration Committee, Member of the Audit, Nomination and Risk & Sustainable Management Committee.

Qualification
Bachelor of Commerce and Bachelor of Laws.

Working Experience
Since graduation, he has been practicing as a Legal Assistant in Allen & Gledhill (1991 to 1995) and subsequently promoted as a Partner (1995 to 1996) of the firm. He has been a Partner of Messrs. Nik, Saghir & Ismail up until 31 March 2019 and has joined Azmi & Associates as a Partner for Merger & Acquisition / Corporate Practice on 2nd April 2019.

Date Appointed to the Board
He was appointed as a Non- Executive Director on 8 January 2007 and was re-designated as Independent Non-Executive Chairman and Group Independent Non-Executive Chairman on 22 February 2010 and 15 June 2015 respectively.

Directorship in other Public Listed Companies
He was appointed as an Independent Non-Executive Director of Karex Berhad on 30 Nov 2012 and Anglo Eastern Plantation PLC on 4 July 2013.

Interest in Securities of the Company and its Subsidiaries
He does not hold any shares of the Company.

Family Relationship with any Directors / Major Shareholders
He does not have any family relationship with any directors or major shareholders of the Company.

Conflict of Interest with the Group
He has declared that he has no conflict of interest with the Company / Group.

List of Conviction for Offences within the past 5 years other than traffic offences
None.

Number of Meetings attended in the Financial year 2019
He attended 5 out of 5 Board Meetings, 5 out 5 Audit Committee Meetings, 2 out of 2 Remuneration Committee Meetings, 2 out of 2 Nomination Committee Meetings and 4 out of 4 Risk & Sustainable Management Committee Meetings.

DIRECTORS' PROFILE (Cont'd)

KUO JEN CHANG,
Singaporean, Male, Age 57.
Group Executive Director, Group Chief Executive Officer / President.

Qualification
Bachelor Degree in Electronic Engineering from the University of Wisconsin, United States.

Working Experience
His career started in 1987 when he joined Evergreen Timber Products Pte Ltd (ETP) in Singapore as Procurement Manager responsible for sourcing and negotiation of machinery for the upgrading and expansion of the company. In 1989, he was appointed Director of Evergreen Décor Products (M) Sdn. Bhd. (EDP) which became a subsidiary of the Group and was overseeing the entire operations of the Company up until 1992. In the capacity of Group Chief Executive Officer / President, he is responsible for the Group's entire business directions and operations.

Date Appointed to the Board
He became a member of the Board of Directors on 15 May 1991. Thereon, he was appointed as Managing Director on 15 April 2004. Subsequently, he was re-designated as Group Chief Executive Officer / President on 15 June 2015.

Directorship in other Public Listed Companies
He does not hold any directorship in other public listed companies.

Interest in Securities of the Company and its Subsidiaries
Please refer to page 158 of this Annual Report.

Family Relationship with any Directors / Major Shareholders
He is the son of Kuo Wen Chi and Hsu Mei Lan, brother of Kuo Huei Chen and Kuo Jen Chiu, and uncle to Henry, Justin and Jeffrey Kuo.

Conflict of Interest with the Group
He has declared that he has no conflict of interest with the Company / Group.

List of Conviction for Offences within the past 5 years other than traffic offences
None.

Number of Meetings attended in the Financial year 2019.
He attended 5 out of 5 Board Meetings.

DIRECTORS' PROFILE (Cont'd)

KUO JEN CHIU,
Singaporean, Male, Age 54.
Group Executive Director, Group Chief Operating Officer / Vice President.

Qualification
Degree in Computer Science from the University of Wisconsin, United States.

Working Experience & Occupation
His career started in 1990 as a Marketing Manager with Evergreen Timber Products Pte Ltd (ETP) in Singapore. In the capacity of Group Chief Operating Officer / Vice President, he oversees the Finance, Marketing and Operations of the Group and his responsibilities includes identifying opportunities and overseeing the development of new markets and products for the Group.

Date Appointed to the Board
He became a member of the Board of Directors on 15 May 1991. Thereon, he was appointed as Executive Director on 15 April 2004 and was re-designated as Group Chief Operating Officer / Vice President on 15 June 2015.

Directorship in other Public Listed Companies
He does not hold any directorship in other public listed companies.

Interest in Securities of the Company and its Subsidiaries
Please refer to page 158 of this Annual Report.

Family Relationship with any Directors / Major Shareholders
He is the son of Kuo Wen Chi and Hsu Mei Lan, brother of Kuo Jen Chang and Kuo Huei Chen and uncle to Henry, Justin and Jeffrey Kuo.

Conflict of Interest with the Group
He has declared that he has no conflict of interest with the Company / Group.

List of Conviction for Offences within the past 5 years other than traffic offences
None.

Number of Meetings attended for the Financial year 2019
He attended 5 out of 5 Board Meetings.

DIRECTORS' PROFILE (Cont'd)

MARY HENERIETTA LIM KIM NEO,
Malaysian, Female, Age 56.
Group Executive Director.

Qualification
Master in Business Administration from the University of Preston, United States.

Working Experience & Occupation
Her career started in 1984 as a Human Resources / Administrative Officer with a local Consulting Firm. In 1992, she left for the manufacturing industry and joined the Company as a Human Resources / Administrative Executive to oversee the Human Resource and Administration Department. Subsequently in 1995 she was promoted to Human Resources and Administration Manager and was also appointed as a Director in the Company. In her current capacity, she is responsible for the Administrative, Corporate Affairs and Compliance matters of the Group.

Date Appointed to the Board
She was appointed as a member of the Board of Directors on 15 December 1995 and was re-designated as Group Executive Director on 15 June 2015.

Directorship in other Public Listed Companies
She does not hold any directorship in other public listed companies.

Interest in Securities of the Company and its Subsidiaries
She holds insignificant shares in the Company.

Family Relationship with any Directors / Major Shareholders
She does not have any family relationship with any directors or major shareholders of the Company.

Conflict of Interest with the Group
She has declared that she has no conflict of interest with the Company / Group.

List of Conviction for Offences within the past 5 years other than traffic Offences
None.

Number of Meetings attended in the Financial year 2019
She attended 5 out of 5 Board Meetings.

DIRECTORS' PROFILE (Cont'd)

KUAN KAI SENG,
Malaysian, Male, Age 46.
Independent Non-Executive Director,
Chairman of the Audit Committee and Member of the Nomination and Remuneration Committee.

Qualification
Bachelor Degree in Accountancy, New Zealand. Member of Institute of Chartered Accountants of New Zealand and a member of the Malaysian Institute of Accountants (MIA) and Chartered Tax Institute of Malaysia.

Working Experience
He joined Ernst & Young from March 1999 to September 2002, carrying out statutory audit on private and public listed companies. Subsequently, he became the Group Accountant in a local Group of companies. His employment with the Group of companies included a three-year overseas posting as an Assistant General Manager cum Head of Finance for the Group's subsidiary in China. After that, he was in public practice as a Chartered Accountant in a member firm of MIA. On 3 April 2012, he joined Xian Leng Holdings Berhad, a company listed on Bursa Malaysia Securities Berhad as an Executive Director.

Date Appointed to the Board
He was appointed as the Group Independent Non-Executive Director on 5 June 2014.

Directorship in other Public Listed Companies
He was appointed as Executive Director in Xian Leng Holdings Berhad on 3 April 2012.

Interest in Securities of the Company and its Subsidiaries
He does not hold any shares of the Company.

Family Relationship with any Directors / Major Shareholders
He does not have any family relationship with any directors or major shareholders of the Company.

Conflict of Interest with the Group
He has declared that he has no conflict of interest with the Company / Group.

List of Conviction for Offences within the past 5 years other than traffic offences
None.

Number of Meeting attended in the Financial year 2019
He attended 5 out of 5 Board Meetings, 5 out of 5 Audit Committee Meetings, 2 out of 2 Nomination Committee Meetings and 2 out of 2 Remuneration Committee Meetings.

DIRECTORS' PROFILE (Cont'd)

HENRY S KUO, Ph.D.
American, Male, Age 36.
Non-Independent Non-Executive Director and Member of the Risk & Sustainable Management Committee.

Qualification
Bachelor of Science in Economics and Mathematics (Wheaton College, USA)
Master of Arts in Economics (University of Illinois – Chicago, USA)
Master of Philosophy (Princeton, USA)
Doctor of Philosophy (University of California – Berkeley, USA)

Working Experience
After finishing his doctorate at the University of California in Berkeley, California, he joined a New Jersey private equity firm as research analyst. He continued to conduct research on business and economic ethics, political philosophy, and international business.

Date Appointed to the Board
He was appointed as Non-Independent-Non-Executive Director on 4 March 2016.

Directorship in other Public Listed Companies
He does not hold any directorship in other public listed companies.

Interest in Securities of the Company and its Subsidiaries
Please refer to page 158 of this Annual Report.

Family Relationship with any Directors / Major Shareholders
He is the grandson of Kuo Wen Chi and Hsu Mei Lan, nephew of Kuo Jen Chang, Kuo Huei Chen, and Kuo Jen Chiu and brother to Justin and Jeffrey Kuo.

Conflict of Interest with the Group
He has declared that he has no conflict of interest with the Company / Group.

List of Conviction for Offences within the past 5 years other than traffic offences
None.

Number of Meeting attended in the Financial year 2019
He attended 5 out of 5 Board Meetings and 1 out of 4 Risk & Sustainable Management Committee Meeting. (Appointed to Risk & Sustainable Management Committee on 15 November 2019.)

DIRECTORS' PROFILE (Cont'd)

NIRMALA A/P DORAISAMY
Malaysian, Female, Age 54.
Senior Independent Non-Executive Director,
Chairman of the Risk & Sustainable Management Committee, Chairman of Nomination Committee and Member of the Audit Committee.

Qualification
Bachelor of Economics (Hons) (University Malaya), Chartered Accountant (M), Chartered Global Management Accountant and Fellow of the Chartered Institute of Management Accountants, UK MBA (International Islamic University, KL).

Working Experience
She has 30 years of experience in banking & finance, risk management, advisory and project management. She started her career with a local bank. She has substantial experience in credit management where she was involved in credit appraisal and approval of loans, remedial management, credit audit and developing internal risk rating.

After spending many years with local banks, she joined Credit Guarantee Corporation Bhd. (subsidiary of Central Bank, Malaysia) where she headed the risk management department. She was responsible for setting up the department and the Enterprise Risk Management framework. Her main function was to provide regular updates and recommendation to the Management and Board Risk on all risk matters and to spearhead the department to achieve KPIs set for credit, operational and investment risks. She led the project team and vendor in the development of internal risk-rating model. The rating model was successfully rolled out in 2010 and integrated with the Loan Origination system. She also spearheaded her team that was involved in the development of Integrated Risk Management System and Solutions.

Date Appointed to the Board
She was appointed as an Independent Non-Executive Director 1 January 2018.

Directorship in other Public Listed Companies
She was an Independent Director of Ecobuilt Holdings Bhd. from 19 August 2013 till 15 November 2019 and appointed as Independent Director of Petronas Dagangan Bhd on 15 October 2019.

Interest in Securities of the Company and its Subsidiaries
She does not hold any shares of the Company.

Family Relationship with any Directors / Major Shareholders
She has no family relationship with any Director or Major Shareholder of the Company.

Conflict of Interest with the Group
She has declared that she has no conflict of interest with the Company / Group.

List of Conviction for Offences within the past 5 years other than traffic offences
None.

Number of Meeting attended in the Financial year 2019
She attended 5 out of 5 Board Meetings, 5 out of 5 Audit Committee Meetings, 2 out of 2 Nomination Committee Meetings and 4 out of 4 Risk & Sustainable Management Committee Meetings.

KEY OFFICERS' PROFILE

TEE KIM FOOM
Malaysian, Female, Age 53.
Group Financial Controller.

Qualification & Memberships
Master of Business Administration major in Finance from Multimedia University, Malaysia. Fellow of Association of Chartered Certified Accountants, United Kingdom and member of the Malaysian Institute of Accountants (MIA).

Working Experience
She has over 25 years of experience holding various positions in a number of companies whose business activities spanned over professional services, manufacturing, construction, trading and agriculture. She started her career in an audit firm from 1991 and thereafter held various management positions as Accountant, Cost Accountant and Finance & Administration Manager before joining Evergreen Group in 1997. She was promoted in 2005 and served as Financial Controller (re-designated as Group Financial Controller) to oversee the finance and accounting functions in the Group.

Date of Employment
1 October 1997.

Directorship in other Public Listed Companies
She does not hold any directorship in any public listed companies.

Interest in Securities of the Company and its Subsidiaries
She holds insignificant shares in the Company.

Family Relationship with any Directors / Major Shareholders
She does not have any family relationship with any directors or major shareholder of the Company.

Conflict of interest with the Group
She has declared that she has no conflict of interest with the Company / Group.

List of Conviction for Offences within the past 5 years other than traffic offence
None.

KEY OFFICERS' PROFILE (Cont'd)

PHILIP WONG HWEE LIH,
Malaysian, Male, Age 52.
Group General Manager.

Qualification
Bachelor of Laws from the University of East London, United Kingdom.

Working Experience
His career started in 1994 as Sales Officer with Mieco Chipboard Sdn. Bhd. He then joined Mitsui Co Ltd. as a Sales Executive in 1995 and was promoted to Sales Assistant Manager in 1999. He joined the Company on 16 June 2000 as Sales and Marketing Manager and subsequently in January 2005 he was promoted to General Manager. Thereafter in January 2014, he was promoted to Group General Manager.

Date of Employment
16 June 2000.

Directorship in other Public Listed Companies
He does not hold any directorship in any public listed companies.

Interest in Securities of the Company and its Subsidiaries
He does not hold any shares in the Company / Subsidiaries.

Family Relationship with any Directors / Major Shareholders
He does not have any family relationship with any directors or major shareholder of the Company.

Conflict of Interest with the Group
He has declared that he has no conflict of interest with the Company / Group.

List of Conviction for Offences within the past 5 years other than traffic offences
None.

KEY OFFICERS' PROFILE (Cont'd)

LEONG TING SIONG @ MARTIN LEONG,
Malaysian, Male, Age 43.
Group Corporate Controller / Investor Relation Officer.

Qualification & Membership
Degree with double major in Accounting and Management from the University of Technology Sydney, Australia.

Working Experience & Occupation
His career started in 1999 as an Auditor with KPMG. Subsequently, he became the Group Accountant of a local Group of companies listed on Bursa Malaysia Securities Berhad in 2004. He joined the Company as a Finance Manager in 2009 before being promoted to his current position in 2016. In his present capacity, he analyses the performance of the Group, develops the Group's finance capabilities and implementation of special projects. His responsibilities include identifying business development and strategic financing opportunities, develop relationships with the investment community and working with operations.

Date of Employment
16 October 2009.

Directorship in other Public Listed Companies
He does not hold any directorship in other public listed companies.

Interest in Securities of the Company and its Subsidiaries
He does not hold any shares in the Company / Subsidiaries.

Family Relationship with any Directors / Major Shareholders
He does not have any family relationship with any directors or major shareholder of the Company.

Conflict of Interest with the Group
He has declared that he has no conflict of interest with the Company / Group.

List of Conviction for Offences within the past 5 years other than traffic offences
None.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Group's Business & Operations

The Company was incorporated in 1992 and commenced its operations in July 1993 with a single production line manufacturing Medium Density Fibreboard in Johor, Malaysia. The Group's operations have since expanded to have 8 (eight) manufacturing sites located in Johor, Negeri Sembilan, Kedah, Thailand and Indonesia. The Group has a total workforce of approximately 2370 employees.

The Group's main operation activities are in manufacturing and our Core Products are Medium Density Fibreboard ("MDF") & Particle Board ("PB") with and without Overlay (Downstream process), Ready-to-Assemble Indoor Furniture ("RTA"), Wood Products (Furniture Parts), Resin / Adhesive and Energy. As for our rubber plantation, it generated insignificant revenue in the financial year 2019 as rubber tapping is in the initial stage.

During the current financial year 2019, our Malaysia subsidiaries contributed approximately 58% of the Group's revenue while Thailand and Indonesia contributed 34% and 8% respectively.

The principal business activities of the Group remained in manufacturing of Panel Boards which contributed 80% of our revenues while the downstream processes (Value Added MDF) contributed 8%, and the RTA Indoor Furniture and Wood Products contributed the remaining 12%. Manufacturing and Sale of Adhesive products are mainly within the Group where an insignificant amount is being sold to third parties.

The Group's geographical market presence remains throughout the 5 continents consisting over 40 countries mainly of furniture makers and building material suppliers.

Group's Market Share

South & East Asia	–	54%
Middle East	–	31%
United States	–	6%
Europe	–	4%
Others	–	5%

Group's Business Objectives

Our Group's Business Objective remains to be a one stop recognized Panel Board producer for a wide range of products with various specifications that meets the needs of every Customer.

Group's Business Strategies

The Group's Business Strategy is to focus and derive the maximum value from each of its manufacturing facilities based on individual plant's capabilities and thereon increase its secondary processes to utilize additional raw boards to compete in a slightly different market segment for a better profit margin.

Group's Financial Review

The Group's Financial Statements for the year ended 31 December 2019, has been prepared in compliance to the requirements of the Companies Act, 2016 and the Malaysian Financial Reporting Standards.

Group's Revenue

For the financial year ended 31 December 2019, the Group achieved a revenue of RM968million, approximately 12% lower compared to RM1,106million reported in the financial year ended 2018. The dip in the Group's overall revenue was due to the lower sales volume couple with the lower average selling price compared to the previous financial year 2018.

The lower sales volume was due to the weak demand for the Group's products as a result of oversupply in the market caused by additional volume from startups of newly installed MDF and PB production lines in neighboring countries.

As a result of the weak market demand, the Group's capacity utilisation rate in the financial year 2019 was forced to drop by 11% compared to the utilisation rate in the financial year 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)

Group's Gross Profit / Loss & Profit / Loss before Tax

The Group's gross profit for the financial year 2019 is at RM120million compared to RM191million in the previous financial year, showing a decrease of approximately 37%. The lower average selling price, lower volume of sales and higher operation cost resulted a drop in the gross profit margin by approximately 5%.

The Group's loss before tax for the financial year 2019 is RM42million compared to a profit before tax of RM26million in the previous financial year 2018. The huge losses are mainly due to the lower production volume which translated to higher cost of production and couple with the lower average selling price resulted in a negative profit margin. Additionally, due to the higher cost of production against the net realisable value had caused impairment to certain products of our inventories of approximately RM5million which had contributed to the Group's losses.

The Group's Selling and Administrative expenses for the financial year 2019 was RM164million compared to RM197million in the financial year 2018, showing a decrease in expenses of approximately 17%. The decrease in the absolute amount of RM33million is in line with the drop in the volume of sales and our strategy, which is to focus on Asia markets instead of farther destination markets that incur higher freight cost.

The Group's finance cost for the financial year 2019 was RM8million showing an increase of 14% compared to RM7million in the financial year 2018. The increase in the finance cost was mainly due to the increased in borrowings to finance the capital expenditure particularly for enhancing the productivity and capacity of our downstream operations.

Group's Profit / Loss after Tax

The Group's loss after tax for the financial year 2019 is at RM42million compared to a profit of RM16million in the previous financial year 2018. The losses are mainly due to higher cost of production as a result of reduction in the overall production output of our manufacturing plants due to the weak demand of our products. This had also resulted in a lower sales volume and a lower average selling price. Losses was also due to the impairment made to certain of our finish goods inventory value based on the difference of inventory value which is higher compared to the average selling price.

Shareholders' Equity

The Group's total equity decreased by 2% to RM1,164million at the end of the current financial year 2019 compared to RM1,186million at the end of the previous financial year 2018. The decrease was a result of the losses suffered by the group in the current financial year.

Total Assets

The Group's total assets decreased by 1% from RM1,589million in the previous financial year 2018 to RM1,578million in the current financial year 2019. This is mainly due to the lower trade receivables and inventories of our finish goods.

The trade and other receivables of the Group decreased by 15% to RM96million in the current financial year 2019 compared to RM113million in the previous financial year 2018 is due to the Group's lower value of sales.

The Group's Inventories reduced by 2% from RM253million at the financial year end 2018 to RM248million in the current financial year end 2019. The decrease was due to the control in purchases and the effort in reducing stock holdings within the Group.

The Group's bank balances remained strong as previous financial year end 2018 at RM105million from the positive EBITDA of RM43million even with the loan drawn down during the financial year 2019 to finance certain capital expenditures in the Group.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)

Total Liabilities

The Group's total liabilities increased by 3% from RM403million in the financial year 2018 to RM414million in the current financial year due to the increase in bank borrowings to finance capital expenditure during the current financial year 2019.

The Group's trade and other payables in the current financial year 2019 decreased by 17% from RM129million in the previous financial year 2018 to RM107million was due to settlement of payments to machines suppliers for the completion of capital expenditure projects and measures taken to control the Group's purchases.

Borrowings

Borrowings in the Group increased by approximately 15% from RM209million at the end of the previous financial year 2018 to RM241million in the current financial year end 2019. This is due to additional term loan and trade facilities drawn down to finance capital expenditures and the effects on the adoption of MFRS 16.

Gearing Ratio (%)

The Group's gross gearing ratio for current financial year 2019 showed an increase of 3% to 21% compared to 18% in previous financial year 2018.

The Group's net gearing ratio showed an increase of 3% from the previous financial year 2018 of 9% to 12% in the current financial year due to the increase in the Group's borrowings and the effects on the adoption of MFRS 16.

Earnings per share

The Group's net earnings per share for the current financial year 2019 was a loss of 4.96 sen compared to earnings of 1.93 sen in the previous financial year 2018 is due to the Group's profit after tax losses in the current financial year 2019.

Group's Net Assets Per Share

The Group's net assets per share for the current financial year 2019 was RM1.38 compared to RM1.40 in the previous financial year. The slight decrease in the net assets per share was from the lower value of net assets.

Financial Position

The Group's balance sheet remains strong as at 31 December 2019 with a total net worth of RM1,164million. The Group's cash and cash equivalents of RM105million against its borrowings of RM241million gives a net debt of RM136million in financial year 2019 compared to RM102million in financial year 2018.

The Group remains confident in maintaining a sound financial position and the Board believes that the Group will be able to continue its operations and meet its liabilities for a foreseeable future.

Key Results Areas (KRA)/Key Performance Indicators (KPI)

Our KRAs / KPIs based on Financial and Non-Financial Targets set for the Group in 2019 was merely to have a breakeven financial performance, as the Group had anticipated a lower production volume and drop in selling price due to the weak demand in the overall market / industry. Unfortunately, the demand coupled with the selling price was weaker than anticipated to a point where the Group had to reduce its production output volume lower and this caused a higher overall cost of production.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)

Review of our Operating Activities

During the financial year 2019, the Group continued to place its focus on individual manufacturing plant's strength and capabilities for cost efficiency and higher productivity.

However, due to the oversupply and weak demand of Panel Boards from the market, the Group experience a sharp decline in the sales of panel board and this eventually forced a reduction in production output in most of our manufacturing plants and this lead to a higher cost of production.

Nevertheless, majority of our plants have tune up their cost of production for a breakeven or a marginal profit and the effect of all these efforts will only be reflected towards the end of 2Q2020 financial performance barring any unforeseen impact from Covid-19.

The Capital expenditures in the current financial year 2019 for the Group is RM65million and these was mainly to enhance the machineries operation of Malaysian plants caused by the wear and tear from the aged machineries and the normal maintenance for the whole Group.

Risks

Competition Risk

The Risk of a continued Low Average Selling Price is anticipated due to start-ups of newly installed MDF Production lines in neighboring countries such as Thailand and Vietnam, causing over supply in the market and this will last until the market is able to absorb the additional supply capacity and / or equalize the demand and supply of panel boards.

To mitigate this risk, the Group will increase the utilization of its raw boards by increasing the production output for its Secondary Processes to enable the Group to compete in a slightly different market for a better profit margin. Modification and adding on machineries to increase the productivity and enhance the current production volume of the Secondary Process has been carried out. The project works on additional and enhancement to machines was completed towards the end of financial year 2019 for production run. The additional volume on added value products being produced will increase the utilisation of raw boards and compete in a slightly different market with an objective of having a better profit margin.

Additionally, we have also work on the increase of production and sales volume of our RTA Furniture and this in turn will also increase the consumption of raw MDF / Particle board and laminated MDF / Particle boards.

Operational Risk

The Operational Risk is in the supply of raw materials for all plants particularly on the supply of wood as the Group's main raw material is rubber wood & mixed tropical. The supply of wood can also be affected due to prolonged monsoon season or a change in government policies for wood industry. However, a change in government policies such as prohibiting or a control in the harvesting of mix tropical wood or rubber wood can seriously affect the Operations. However, likeliness of this occurring is very low.

As for the prolong monsoon season, this happens yearly where plantations areas are flooded and this prevents the works on land clearing and felling of trees being delayed. The effect of the prolong monsoon will be shortage of wood supply to all similar industries and thereon lead to higher cost of raw materials and a lower production output due to insufficient wood supply during this period. This however is an inherent risk faced by the Group and all wood industry players.

In normal circumstances to ensure and maintain the quality level of our products, rubber wood is processed within 2-3 weeks from being harvested and therefore our stock pile for rubber wood are only stored to last for about a period of one month. Any break in the supply chain exceeding 2 (two) weeks will cause disruption to our production line and delivery of our products of which will eventually affect the financial performance of the Group.

In mitigating this risk, increased in the intake of wood supply at each mill starts as early as month of September yearly before rainy season. However, by doing this, the quality of our products will have to be compromise due to the wood being kept for a longer period and looses its natural contents for quality. Additionally, product cost will increase due to the increase in the consumption of glue (higher cost involved) due to old wood being used. Hence, this risk is unable to be eliminated but can only be minimized.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)

Financial Risk

The Financial Risk of the Group remains mainly on the fluctuation of the Malaysia Ringgit, Thai Baht and Indonesian Rupiah against the US Dollar and the Euro. Our Group's export sales proceeds are mainly derived in US dollar and therefore the weakening or strengthening of the US Dollar against the Malaysian Ringgit, Indonesian Rupiah and the Thai Baht can affect the Group's financial performance.

Additionally, the Group's foreign currency borrowings consist of US and Euro dollars and any fluctuation of US dollar against the Euro dollar will lead to foreign exchange impact either positively or negatively.

The currency translation losses can and may be realized should the US dollar weaken and this can have a negative impact to the Group's financial performance or vice versa. In the current financial year 2019, the foreign exchange gains were RM5million compared to a gain of RM7million in the financial year 2018.

In mitigating this Risk, fluctuation of currencies is constantly being monitored at the Group level. The Group does not practice any hedging and it is a policy to have a natural hedge between the Group's foreseeable payments and collections. However, any form of hedging will be given due consideration by the Management if the need arises.

Forward Looking Statement – Prospect

The panel board market is expected to remain competitive due to the oversupply in the market from the start-up of newly installed production lines in the surrounding regions.

We are anticipating a weak market condition especially after the declaration of the Coronavirus ("COVID-19") outbreak as a pandemic and the Malaysian Government imposing the Movement Control Order ("MCO") from 18 March 2020 to curb the spread of the Covid-19 outbreak in Malaysia.

The travel restriction, lockdown and other precautionary measures imposed in various countries due to the emergence of the Covid-19 outbreak has brought significant economic uncertainties in Malaysia and markets in which the Group operates in.

At this juncture, the Board is unable to foresee the financial impact of Covid-19 to the Group's financial performance in the financial year 2020 as the situation is still evolving and the uncertainty of the outcome of all the precautionary measures taken in Malaysia and around the world.

However, it is quite certain that the local and worldwide measures against the spread of the Covid-19 will definitely have adverse effects on the Group's sales, operations and supply chains.

Nevertheless, the Board will continuously monitor the impact of Covid-19 on the Group's operations and its financial performance and will take appropriate and timely measures to minimise the impact.

Dividend Policy

Due to the Group's non-profitable financial year 2019, the Board of Directors will not be proposing any dividends in the forthcoming AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

ON BOARD LEADERSHIP & EFFECTIVENESS

The Board of Directors ("BOD") acknowledges its obligations to its stakeholders to ensure the Sustainability of the Group's businesses and in discharging their fiduciary duties and leadership functions, the Group's Strategic Objectives are set and Management's performance is monitored by the BOD as to ensure sufficient resources is provided to achieve the set objective.

I. BOARD RESPONSIBILITIES

1.1 In determining the Group's Strategic Objectives, the BOD together with Management deliberates on Key Operational matters and thereon: -

a) approved the Group's annual Corporate Management Plans that are linked to the strategic financial and non-financial objectives for the financial year presented to the Board by Management;

b) oversees the performance of the Group's Businesses through regular updates (other than BOD meetings) by Management on the financial and non-financial performance of individual company / business units and thereon advises management accordingly;

c) reviewed and approved the ethical standards in the Code of Conduct for appropriate behavior and obtained Management's assurance for any non-adherence during Board Meetings;

d) reviewed and approved the revised Risk Management Framework in November 2019 in view of the change in Standards used by the Group;

e) reviewed findings by Internal Auditors on each audit review for any inadequacy of Internal Controls (Policies and Procedures) and thereon obtain Management's commitment on improvements to be carried out as recommended by Internal Auditors;

f) reviewed succession plans for Key Officers, Executive Directors and Board Members in November 2019 board meeting which included the specific trainings to be carried out for personnel in succession line; and

g) reviewed and approved the revised Stakeholders' Communication Policy to ensure that it is being put in practice by management.

1.2 Our Board Chairman, Mr. Jonathan Law Ngee Song is the Independent Non-Executive Chairman and his main role and responsibilities are strictly on matters of the Board.

He possesses the required Leadership Skills and is able to provide the Board with the needed directions and strategic insights. He fosters good corporate governance by ensuring the Company's adoption of required policies and practices in compliance to the Malaysian Code on Corporate Governance ("MCCG") at all times. He together with the Company Secretary reviews the compliance level of the Company on corporate governance matters including the step-ups on a periodic basis and thereon discuss amongst the Board Members. Mr. Jonathan Law assumes a leadership figure in the boardroom and he is also able to represent the same to our Stakeholders.

1.3 The position and function of our Board Chairman is entirely different and is totally a separate role from the President / Chief Executive Officer.

1.4 The Company is presently supported by 2 (two) qualified and competent company secretaries, Madam Leong Siew Foong (MAICSA NO. 7007572) (CCM PC NO. 202008001117) and Santhi A/P Saminathan (MAICSA NO. 7069709) (CCM PC NO. 201908002933) and they are capable of carrying out their duties attached to the post.

1.5 All Board Members receives their meeting papers containing minutes of previous meeting, agenda of the coming meeting together with all relevant reports based on the agenda in advance of 6 (six) days prior to actual meeting date.

Minutes of Meeting are prepared and circulated via electronic mail to all directors in draft form within 14 (fourteen) days from date of meeting held. The amended draft minutes are circulated again via electronic mail for final confirmation in readiness for signing at subsequent meeting.

1.6 Our Board Charter was reviewed and approved in November 2019, clearly designated the respective roles and responsibilities of the Board, its Committees and Directors of the Company including issues and decisions that are reserved for the BOD's discussion and approval.

1.7 The established Code of Conduct & Business Ethics ("the Code") reviewed in November 2019, formalizes the ethical standards set for Employees and Directors of the Group. The established Code is also to enhance Corporate Governance practices towards achieving a culture of Integrity, Accountability and Transparency in the Group.

For accessibility to the Code and its revision, the Code is made available to the general public on the Company's website www.evergreengroup.com.my and it is also made available in the Company's Policies & Procedures of which is accessible to all Head of Departments in the Group at any point in time.

1.8 Our Whistleblowing Policy was reviewed by the Board together with Management in November 2019. The Policy and Whistle Blowing Form is made available on the Company's website at www.evergreengroup.com.my.

II. BOARD COMPOSITION

2.1 There were 5 (five) Board Meetings carried out during the financial year 2019 and Board's decisions in all meetings were made objectively, in the best interest of the Company / Group whilst taking into consideration the business perspectives and the current industry economic situations.

2.2 Our current board's composition of 7 (seven) members are made out of three (3) Independent Directors, three (3) Executive Directors and 1 (one) Non-Independent Non-Executive Director. All of our Directors have wide expertise in the field of Audit, Accounting, Economics, Legal, Risk, Manufacturing and Administration and they objectively & independently deliberate for views and decision making on each matter.

2.3 In enhancing the oversight of Management, the BOD as a whole reviewed its size and composition and all members of the board are satisfied with the current board size. The BOD had targeted to achieve 50% independent directors on board by the end of financial year 2019 but due to the resignation of 1(one) of our Independent Director in financial year 2019, the Board has re-targeted to achieve the same, by the end of financial year 2020.

2.4 The Company's current practice in retaining an independent director beyond the cumulative term of nine years is by obtaining shareholders' approval in general meetings yearly commencing the tenth year onwards together with justification on any impairment to the independence of said director.

2.5 In line with Practice 4.2 of the MCCG, the Company obtained shareholders' approval through the two-tier voting process in retaining Mr. Jonathan Law as an Independent Director with effect from the 12th year onwards.

2.6 The recruitment and appointment of Board Members is the responsibility of the Nomination Committee ("NC") and the guidelines to selection of Board Members has been pre-determined in the Terms of Reference of the NC.

2.7 The Group's Policy on diversity: -

a. On gender diversity - Board shall ensure composition of a minimum of 30% of the overall board's composition are female;

b. On the independence of Independent Directors, retaining an Independent Director beyond the 12th year - Board shall ensure the use of the two-tier voting process to seek annual shareholders' approval;

c. On having an active and dynamic board - Board shall ensure that the minimum age for recruitment of directors to be above 30 (thirty) years and no older than 60 (sixty) years of age; and

d. On mix of skill of Board and Senior Management- Board shall ensure that recruitment be source from a diverse pool of candidates and not just recommendation by other directors or shareholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

2.8 The recruitment and appointment of Senior Management / Key Officers is the responsibility of the Executive Directors using the same diversity policy and with similar practice to recruitment of board members, however appointment will still be based on the required suitability on the job scope.

2.9 Our Board currently consists of 2 (two) women Directors and the BOD is committed in maintaining the required number of female representations on board. The NC is tasked to ensure gender diversity criteria is being prioritized when making recommendation for Board appointments. The BOD targets to meet the MCCG recommendation of 50% by the end of financial year 2021.

2.10 On gender diversity for Senior Management, it is a practice and is known within the Group that there are no barriers for women succeeding at the highest levels and currently the percentage of females in executive positions have outnumbered the males in the Group.

2.11 For sourcing and identifying candidates for the Board, the NC seeks recommendation of potential candidates from existing board members, management, stakeholders and at the same time potential female candidates are being sourced from Lead Women Directors Registry and male candidates from the Institute of Corporate Directors Malaysia (ICDM).

2.12 Our NC comprises of 3 (three) members all of whom are Independent Non- Executive Directors and is being chaired by our Senior Independent Non- Executive Director, Ms. Nirmala A/P Doraisamy during the financial year 2019. Executive Directors attend NC meetings on invitation only for clarification on matters in discussion.

2.13 Succession Plans for the Group Chairman, Group Chief Executive Officer, Group Chief Operating Officer, Group Executive Director and Independent Directors are the responsibilities of the NC while the Key Officers and Senior Management are the responsibility of the Executive Directors.

2.14 As required under Paragraph 15.08A(3)(b) of Bursa Securities Listing Requirements on the activities of the NC in discharging its duties for the financial year 2019 is reported on page 41 and 42 of this Annual Report.

The NC's written Terms of Reference deals with its authority and duties which are made available on our Company's website at www.evergreengroup.com.my.

TRAININGS / FAIRS ATTENDED BY DIRECTORS

JONATHAN LAW NGEE SONG

"Let's Get Real" on Anti-Bribery Raising Defenses: Sec.17A, MACC Act.

KUO JEN CHANG

The 38th International Dragon Furniture Fair 2019 – Foshan, China
The 25th China International Furniture Expo 2019 – Shanghai, China
The 42th International Famous Furniture Fair 2019 – Dongguan, China
The Guangzhou Jiabo Fair 2019 – Guangzhou, China
The Malaysia International Furniture Fair 2019 – Kuala Lumpur, Malaysia

KUO JEN CHIU

Argus Biomass Asia 2019 – Singapore
The Malaysia International Furniture Fair 2019 – Kuala Lumpur, Malaysia

KUAN KAI SENG

MIA International Accountants Conference 2019

MARY HENERIETTA LIM KIM NEO

Business Continuity Plan
Related Party Transaction
Analysis of Sustainability Practices and Disclosures in Annual Report
Risk Appetite Statements and ERM Reporting
Corporate Liability under Section 17A of the MACC Act

NIRMALA A/P DORAISAMY

Audit Committee Conference 2019
Advanced in Merger & Acquisition
Updates on MFRS15 and MFRS 16
Forensic Investigation and Fraud Analytics Conference
Bursa Malaysia Diversity Experience in the Board
Corporate Liability under Section 17A of the MACC Act

III. REMUNERATION

3.1 Our Remuneration Committee ("RC") comprises of 3 (three) members all of whom are Independent Non-Executive Directors and is chaired by Mr. Jonathan Law Ngee Song. Executive Directors attend meetings on invitation only for clarification on matters related to the remuneration of Key Officers.

3.2 The main responsibility of the RC is to review the Independent Non-Executive Directors' Fees, Allowances and the Remuneration of Executive Directors including Key Officers of the Company as to ensure their retention and they are being appropriately remunerated for their contributions.

The Remuneration Committee's written Terms of Reference deals with its authority and duties and are made available on our Company's website at www.evergreengroup.com.my.

3.3 The Remuneration policy on fees and allowances structure for Non-Executive Directors ("NED") reviewed and approved by the Board is being used to reward NEDs. The framework on fees structure and allowances takes into consideration the responsibilities of each individual director their roles and their contribution to the Board as well as the Board Committees they sit in.

3.4 A formal remuneration framework and salary structure for Executive Directors and Key Officer / Senior Management was reviewed and revised in February 2019 based on the current economic situation including the anticipated performance of the Group.

The framework and salary structure are based on the Financial Performance and Key Results Area set for each subsidiary or business units. It takes into account the performance of individual Executive Directors and Key Officers and their contribution towards the financial and non- financial performance of the Group as a whole.

The Remuneration Policy for NEDs, Key Officers as well as Senior Management are made available on the Company's website at www.evergreengroup.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

3.5 The Fees and Allowances for financial years 2018 and 2019 approved by shareholders on 24th May 2019 and paid to our Non-Executive Directors in the financial years 2019 are as follows: -

Type of Fee	By Company	Allowance/ Benefits	By Subsidiary
For the Board			
Jonathan Law Ngee Song	RM172,200	RM17,305	NIL
Kuan Kai Seng	RM98,700	RM7,975	NIL
Henry S Kuo	RM98,700	RM5,875	NIL
Nirmala A/P Doraisamy	RM98,700	RM8,865	NIL
Yap Peng Leong	RM49,350	RM4,725	NIL
For the Audit Committee			
Kuan Kai Seng	RM31,500	NIL	NIL
Nirmala A/P Doraisamy	RM21,000	NIL	NIL
Jonathan Law Ngee Song	RM10,500	NIL	NIL
Yap Peng Leong	RM21,000	NIL	NIL
For the Nomination Committee			
Nirmala A/P Doraisamy	RM7,160	NIL	NIL
Kuan Kai Seng	RM9,030	NIL	NIL
Jonathan Law Ngee Song	RM7,560	NIL	NIL
For the Remuneration Committee			
Jonathan Law Ngee Song	RM10,500	NIL	NIL
Kuan Kai Seng	RM6,670	NIL	NIL
Yap Peng Leong	RM3,780	NIL	NIL
For the Risk Management Committee			
Nirmala A/P Doraisamy	RM10,500	NIL	NIL
Jonathan Law Ngee Song	RM7,560	NIL	NIL
Henry S Kuo	RM1,260	NIL	NIL
Yap Peng Leong	RM3,780	NIL	NIL

Components of remuneration and benefits paid to each individual Executive Director for the current financial year 2019 are as stated below:-

Directors	By Company	By Subsidiary
Kuo Jen Chang	RM1,280,607	RM679,810
Kuo Wen Chi	RM716,904	Nil
Kuo Jen Chiu	RM1,895,925	RM92,160
Mary Henerietta Lim Kim Neo	RM478,317	NIL

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

3.6 The remuneration and benefits package of our top five (5) Senior Management & Key Officers for the current financial year is not declared in bands of RM50,000 as recommended due to sensitivity reasons in the Group as well as to safeguard our key staffs being recruited by others. Nevertheless, the Board gives its assurance that their remuneration and benefit package is comparable against the same industry and the Company is able to retain the needed talents.

The Board and the Remuneration Committee are of the opinion that since the disclosure of Executive Director's remuneration have already included 3 (three) of its Key Officer/Senior Management, of which have already been stated in the audited financial statements of which is considered adequate (which is in compliance with requirements of Paragraph 17 of MFRS 124 indicated in page 129 of this Annual Report"), The information to stakeholders on how well the key management personnel are remunerated is in tandem with the Group's performance and the Board's quest in attracting, motivating and retaining talents.

IV. EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

4.1 The Chairman of our Audit Committee in the current financial year is Mr. Kuan Kai Seng who was appointed on 15th February 2019 taking over from Mr. Yap Peng Leong who resigned from the Company on the 2nd January 2019. Mr. Kuan does not hold the Board Chairman position.

4.2 Our Audit Committee comprises solely of Independent Directors and all of whom are Non-Executive Directors ("NED") and this satisfy the test of independence under Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR"); Paragraph 15.09(1) (a) and (b).

4.3 Members of the Audit Committee possess a wide range of skills from legal, accounting, finance, audit and similar business experience. All members are financially literate and understands their roles, responsibilities and functions as a Member of the Audit Committee. They continuously keep themselves abreast on all relevant developments and changes in the accounting and audit standards.

4.4 Our Audit Committee objectively reviews the independence and effectiveness of the External Auditor's on an annual basis. A policy on the appointment of former key audit partners or former employees of the External Auditor's firm has been put in place. In this policy the external auditor's key audit partners cannot be offered employment or be appointed as a member of the audit committee by the Company within 2 (two) years of undertaking any role in the audit work of the Company or its subsidiaries.

Additionally, any offer of employment to a former employee of the audit firm in respect of a senior management position must be pre-approved by the Audit Committee.

4.5 Policies and Procedures for evaluating the External Auditors are in place and being practiced by the Audit Committee together with the Nomination Committee in terms of accessing the suitability and the independence of External Auditors. The annual evaluation process on External Auditors is led by the Nomination Committee Chairman in discussion with the Audit Committee.

V. RISK MANAGEMENT & INTERNAL CONTROL FRAMEWORK

5.1 Our Risk & Sustainable Management Committee comprises of 3 (three) members all of whom are Independent Non-Executive Directors and is chaired by Ms. Nirmala A/P Doraisamy. Executive Directors are invited to attend meetings to present updates on Group's risk profile, mitigations, actions, policies and framework. Committee Members provides advice and directions on matters presented at each meeting.

5.2 The Enterprise Risk Management Framework was reviewed by the Committee and approved by the Board in November 2019. Our Risk Management Principles are based on the guideline of ISO 31000 Standards that links Risks to the Company's Business Strategies & Objectives.

5.3 Activities of the Risk & Sustainable Management Committee for the financial year are reported in the Statement of Risk Management & Internal Control on pages 34 to 36 of this Annual Report 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

5.4 The Internal Audit functions for the financial year 2019 was outsourced to BDO Governance Advisory Sdn. Bhd ("BDO") to carry out review and assess the adequacy and integrity of the Group's internal control system. The Internal Audit Functions carried out by BDO are in accordance with the International Professional Practice Framework ("IPPF") of the Institute of Internal Auditors.

5.5 BDO and their Personnel(s) have confirmed in writing that they are free from any relationships or conflict of interest with the Group's Directors and Senior Management Staffs and therefore there is no impairment to their independence.

5.6 BDO's function team is headed by its Executive Director who possess the required relevant qualification and experience and is assisted by three (3) other staff including a Manager.

5.7 BDO assists the Audit Committee of the Board in discharging their responsibilities by reviewing the adequacy and integrity of the internal control system in place for the Group including the level of compliance with applicable laws, regulations, rules, directives and guidelines.

5.8 BDO reports directly to the Audit Committee and takes instructions from the Audit Committee Chairman on areas to be audited for each period. BDO then reports on the findings together with their recommendations on any weaknesses to the Audit Committee and subsequently the Chairman of the Audit Committee reports to the Board.

5.9 Activities carried out by BDO in the current financial year 2019 are reported in the Audit Committee Report on pages 37 to 40 of this Annual Report.

VI. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with Stakeholders

6.1 A policy on communication with our Stakeholders is in practice and policy was reviewed in November 2019. Any feedback from Stakeholders are made known to the Board for their advice and necessary action to be taken by Management.

6.2 Regular communication with certain principal shareholders are carried by our Group's Investor Relation Officer to understand their concerns and views on the Company's performance and plans ahead. Any feedbacks or concerns raised by shareholders are communicated to the Board to ensure that the Board and Management are mindful of shareholders' concerns.

6.3 As to ensure that information is fairly communicated to all shareholders, the Company maintains its corporate website at www.evergreengroup.com.my containing information on the Group as well as its financial and non-financial announcements made to the Stock Exchange. Any presentation slides given or communicated to shareholders in general meetings, investors meeting and road shows are being posted on to our website to be accessed by all stakeholders and the general public at any point in time.

Through our website, stakeholders and the general public can send in their feedbacks or concerns on any matter(s) through this feedback column.

Conduct of General Meetings

6.4 Shareholders are notified of our Annual General Meetings through our website and they are provided with a softcopy of the Company's Annual Report twenty-eight (28) days prior to the date of general meeting.

6.5 Annual General Meeting is the principal forum for dialogue with our shareholders/stakeholders and it is where our Directors demonstrate their accountability by being available to respond to shareholders' queries to provide sufficient explanation and clarification on issues and concerns raised.

6.6 The Annual General Meeting voting process is carried out through the manual balloting and the Board is in the process of understanding the technologies available for implementation of electronic balloting by Financial Year 2021.

The Board of Directors has approved this statement on 22 May 2020.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROLS

Board's Responsibility

In compliance to the requirements under Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors ("the BOD") acknowledges its responsibility in ensuring a sound Risk Management & Internal Control System in place for the Group and that the system in place has been reviewed on its adequacy and integrity.

In line with the Malaysian Code on Corporate Governance ("MCCG"), the Board has established a Risk & Sustainable Management Committee ("RSMC") comprising a majority of Independent Directors with written Terms of Reference. The RSMC is assisted by a Risk & Sustainable Management Working Group ("RSMWG") made up of Operation Directors / Managers from each operation sites and is lead by the Executive Directors.

Our Enterprise Risk Management System

Our Enterprise Risk Management Framework reviewed and approved by the Board in November 2019 is guided by the Principles of ISO 31000 Standards. It is an Objective-centric based approach that enables the Group to leverage on Value Creation and ties Risks to the Group's Business Strategies & Objectives to keep it within its risk appetite.

Risks are identified by RSMWG in each location and thereon appropriate internal controls to mitigate identified risks are proposed and discussed with Management for approval prior to controls being put in place. Risks identified are compiled into individual subsidiary risk register and thereon compiled into a Group Risk Register.

Risk Registers are reviewed twice a year in view of updating of controls to the risk and new risk encountered due to the changes in the regulatory, business, market or external factors.

The Roles and Responsibilities of the Risk & Sustainable Management Committee includes: -

i) Review and make recommendations to the Board with regard to all possible and current risks in the Group that is presented by the Management;

ii) Ensure resources needed for Management of Risk is sufficient and the internal controls systems in place is effective to manage risk within the Group;

(iii) Ensure that the Management and RSMWG carry out their duties on managing the risk that are identified and controls and mitigations are put in place and are updated into the Risk Register;

(iv) Attend risk management meetings timely to deliberate on identified risks and make known to RSMWG through Management on action or steps that needs to be implemented to address risk or to strengthen controls that are weak or for further improvement to be made; and

(v) Ensure that RSMWG are functioning and that the RSMC is being constantly updated on risks action plans and controls being implemented on identified risk within the Group.

Risk Management Activities

The activities carried out by RSMC during the financial year 2019 is as follows: -

1. There were 4 (four) RSMC Meetings carried out on 19 February, 23 May, 23 August and 15 November during the financial year 2019.

2. In meeting on 19 February 2019, RSMC reviewed the corporate heat map presented by the Management. Risks that was highlighted were on Market Competition in view of new players in the industry from surrounding regions, Capital Investment requirements by Subsidiaries, Foreign Exchange, Transfer Pricing, Succession Plans and Obsolete Enterprise Resource Planning System in Thailand and Indonesia Operations. The Committee took note of the highlighted risks including the Management's actions to these risk areas and the continuous monitoring on certain risk highlighted.

RSMC was also briefed on the additional changes proposed to be made to the existing Risk Management Framework in compliance to the Standards of ISO 31000.

Management walked through RSMC on the newly established Business Continuity Plan (BCP) and the Crisis Management Plan (CMP) in detail as to how it works in practice and RSMC advised Management on the improvements needed for both the BCP and CMP and requested it being put in place immediately by the Group.

3. In meeting on 23 May 2019, RSMC revisited the matters discussed and presented on 19 February 2019 mainly on Capital Investment by subsidiaries which required continuous monitoring and updates to the RSMC.

   RSMC was presented on the possible Emerging Risks in the Group on Anti-Dumping imposed by Vietnam, Volatile Foreign Exchange Rates and the Implementation of Minimum Wages. Committee requested Management to update risk register with all the possible emerging risk and mitigation plans to the emerging risk identified.

   The approved Group's Risk Appetite and Tolerance Limit was presented and made known by Management that there were no event on breach of any limits that was set.

4. In meeting on 23 August 2019, RSMC revisited the outstanding matters presented on 23 May 2019.

   RSMC was updated on the monitoring of Capital Investment in Subsidiaries and took note on action plans in place which was to be updated in next meeting.

   The Group Risk Register was reviewed for year 2019 by the RSMWG and RSMC was presented with the finalized version for their comments which was taken by Management.

   RSMC reviewed with Management on the emerging risk presented in previous meeting to confirm the updates in Risks Register and additionally on the Risk of Anti-Corruption.

5. In Meeting on 15 November 2019, RSMC was presented with the new emerging risk on:

   1.) Possible Law Suits from our JV Partner; and

   2.) Changes in Employment Act; and

   3.) Updated on the completion of Transfer Pricing documents and the revision to ERM Framework.

   During this meeting, RSMC was also introduced to the new personnel who will take charge of reporting to the Committee /Board on Risk Management matters effective year 2020. RSMC took note of changes and requested Management to ensure sufficient guidance and trainings were given.

System of Internal Control

The Internal Control System in place for the Group consists of policies, operating procedures and limit of authority in all operation processes and these were reviewed and updated into the Group's Document Management System.

The Group's Enterprise Resource Planning, Payroll System and the Document Management System operates on servers which is situated and controlled in the Head Quarters premises. Backups for data in these system are carried out in the Group IT Department on a daily basis and store in the backup hardware server.

During the financial year 2019, Audit Committee had requested Internal Auditors to carry out an audit on the general controls of the information technology (IT) of the Group.

Based on the findings including the recommendations by the Internal Auditors, several changes were made to the Standard Operating Procedures in the IT Department and new internal controls were put in place. In addition to these controls, additional hardware (Server) was recommended to be purchased to overcome the risk of hardware failures.

The internal auditors, in the course of executing their works based on the pre-approved review plans had highlighted their findings and recommendations for addressing the deficiencies and lapses in controls noted during their works. On the basis of the works conducted, they did not note any significant deficiencies in internal controls.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL (Cont'd)

Internal Control Activities

Internal Control activities in the current financial year were mainly on the review of the Standard Operating Procedures including updating into the document management software system. In addition to these, the Group established and put in place its Business Continuity Plans and the Crisis Management Plans.

Internal Audit

During the financial year 2019, internal audit was carried out on as follows:

On 23 August 2019 BDO presented the findings on the internal audit carried out in Evergreen Fibreboard (Nilai) Sdn. Bhd., on the control system in the production, finished goods management ,delivery and Invoicing.

The Internal Audit carried out included interviews, tests and appraisals on policies, procedures, systems and processes and based on the results of the audit tests and review, BDO identified weaknesses and areas for further improvement to the processes and controls.

Management agreed to Internal Auditor's recommendations where relevant actions to be taken in view of improving the internal control system.

On 15 November 2019 BDO presented the findings on the internal audit carried out on the Information Technology System and the Enterprise Resource Planning System of the Group.

The Internal Audit carried out included interviews, tests and appraisals on policies, procedures, systems and processes and based on the results of the audit tests and review, BDO identified several weaknesses and areas for further improvement to the processes and controls.

Management agreed to Internal Auditor's recommendations where relevant actions to be taken including additional hardware to be immediately purchase in view of improving the internal control system of the Group's ERP and IT System.

Review by the Board

The Board reviewed the Audit Committee's report on the findings by the Internal Auditors including the additional controls to be put in place and thereby given the assurance by Management, that the necessary actions will be carried out within the timeline indicated.

The Board have also received assurance from the Group Chief Executive Officer / President and the Group Financial Controller during the board meeting, that the Group's Risk Management and Internal Control System is in line with the Group's policies and practices in all material aspects.

The Board having reviewed the Group's Risk Management Framework, the Internal Control System, the reports on internal audits by Internal Auditors and together with the assurance from the Group Chief Executive Officer / President and the Group Financial Controller is assured on the adequacy and integrity of the Internal Control System for the Group.

Weaknesses in the Internal Controls that resulted in Material Losses

During the financial year 2019, there was no failure in our System of Internal Control that had resulted in any material losses or omission within the Group. Nevertheless, the BOD together with Management will continuously take additional measures to further enhance the Group's System of Internal Control.

Review by External Auditors

External Auditor has reviewed this Statement on Risk Management & Internal Control. The review was performed in accordance with the Audit and Assurance Practice Guide 3 ("AAPG 3") issued by the Malaysian Institute of Accountants where the AAPG 3 does not require the external auditor to form an opinion on the adequacy and effectiveness of the Group's risk management and system of internal controls.

The Board of Directors has approved this Statement on 22 May 2020.

AUDIT COMMITTEE'S REPORT

The Board presents the Audit Committee's Report which provides insights into the manner in which the Audit Committee (AC) discharged its functions for the Group in current financial year.

ROLE OF THE AUDIT COMMITTEE

The formal role of the Audit Committee is set out in its Terms of Reference which is made available on our website at www.evergreengroup.com.my.

CHANGES IN THE AUDIT COMMITTEE

On 2 January 2019, Mr. Yap Peng Leong resigned as AC Chairman and was replaced by Mr. Kuan Kai Seng while Mr. Jonathan Law Ngee Song was reappointed as a member of the AC on 15 February 2019.

COMPOSITION AND ATTENDENCE

The AC comprises of three (3) members, all are Independent Non-Executive Directors. This satisfies the test of independence under Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("MMLR"); Paragraph 15.09(1) (a) and (b) and in compliance with the Malaysian Corporate Governance Guideline ("MCGG").

The AC Chairman for the current financial year is Mr. Kuan Kai Seng, having a Bachelor Degree in Accountancy from New Zealand, he is a member of the Institute of Chartered Accountants of New Zealand, a member of the Malaysian Institute of Accountants (MIA) and Chartered Tax Institute of Malaysia. Accordingly the Company complies with Paragraph 15.15(3) a of the MMLR.

Other members of the AC are Ms. Nirmala A/P Doraisamy and Mr. Jonathan Law Ngee Song. The profiles and attendance records of the AC members are set out in the Directors' profile section of this Annual Report.

The Board reviewed the terms of office of the AC members and assessed the performance of the AC and its members through an annual Board Committee effectiveness evaluation under the Nomination Committee. The Board is satisfied that the AC and its members discharged their functions, duties and responsibilities in accordance with the AC's Terms of Reference, and supported the Board in ensuring the Group upholds appropriate Corporate Governance ("CG") standards.

Based on the assessment of its AC members by the Board, members were encouraged to attend seminars and training programs to upgrade their respective professional development and to keep abreast of recent development. The seminars and training programs attended by AC members are outlined in the CG Overview Statement section of this Annual Report.

MEETINGS

The AC held five meetings on 18 February 2019, 5 April 2019, 23 May 2019, 23 August 2019 and 15 November 2019 in the current financial year.

The Executive Directors, Group Financial Controller and Group Corporate Controller were invited to all AC meetings to facilitate direct communication as well as to provide clarification on audit issues and the Group's financial and operational matters.

EFB's (the Group's) External Auditor Messrs. Baker Tilly Monteiro Heng PLT (BT) attended 3 (three) out of the 5 (five) AC meetings held on 18 February 2019, 5 April 2019 and 15 November 2019.

EFB's (the Group's) Internal Auditor BDO Governance Advisory Sdn Bhd ("BDO") represented by the partner and key members of staff, a professional service firm that carries out the Group's Internal Audit functions attended three out of the five AC meetings held on 18 February 2019, 23 August 2019 and 15 November 2019 to table the respective Internal Audit ("IA") reports. The relevant responsible Management member of the respective auditee was invited to brief the AC on specific issues arising from the IA reports.

Minutes of each AC meeting were recorded and tabled for confirmation at the following AC meeting by the Company Secretary. On 18 February 2019, 23 May 2019, 23 August 2019 and 15 November 2019, the AC Chairman presented to the Board the AC's recommendation to approve one quarterly Condensed Consolidated Financial Statements 2018 and three quarterly Condensed Consolidated Financial Statements 2019. The AC Chairman also conveyed to the Board matters of significant concern and changes.

AUDIT COMMITTEE'S REPORT (Cont'd)

SUMMARY OF ACTIVITIES

A. EXTERNAL AUDIT

1. From 1 January 2019 to 31 December 2019, the AC reviewed the external audit review memorandum presented by BT for the year ended 31 December 2018, reviewed the final draft account for financial year ended 2018 with BT and management, BT's limited review of the fourth quarterly Condensed Consolidated Financial Statements 2018, BT's limited review of the third quarterly Condensed Consolidated Financial Statements 2019, undertaken an evaluation of the external auditors as prescribed by the MCGG, reviewed the external audit strategy of BT for the 2019 audit and has taken into account the auditor's effectiveness and efficiency. Any decision to open the external auditor to tender is taken on recommendation of the Audit Committee. There are no contractual obligations that restrict the Company's current choice of external auditor.

2. As part of the AC's efforts to ensure the reliability of EFB Group's quarterly Condensed Consolidated Financial Statements 2018 and 2019 and in compliance with applicable Financial Reporting Standards and to keep BT informed of EFB Group's financial performance and operations, AC appointed BT to carry out a limited review of EFB Group's fourth quarterly Condensed Consolidated Financial Statements 2018 and third quarterly Condensed Consolidated Financial Statements 2019 before these were presented to the AC for review and recommendation for the Board's approval and adoption.

3. On 5 April 2019, the AC discussed with BT the outcome of evaluation of the external auditor as prescribed by the MCGG conducted by the AC. Apart from the evaluation the AC assessed the ongoing effectiveness and quality of the external auditor and the audit process on the basis of meetings and internal discussion with Group financial personnel, senior management and other Board members.

4. On 15 November 2019, BT sought the AC's approval for the proposed audit and non-audit fee services to be provided for 2019 based on their Annual Audit Plan. The AC reviewed BT's proposed audit fee, audit related and other services fee to be provided for 2019. The nature and level of all the services provided by BT is a factor taken into account by the Audit Committee when it reviews annually the independence of the external auditor. Fees paid to the auditor for audit, audit related and other services are analyzed in notes to the financial statements. On the confirmation by BT of their independence in conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements, including the By-laws (on Professional Ethics, Conduct and Practice) of the Malaysia Institute of Accountants the AC thereafter recommended BT's fee to the Board for approval.

5. On 15 November 2019, the Group Corporate Controller and the Group Financial Controller sought the AC's approval for the proposed audit, audit related and other services fee to be provided by the External Auditors for the Group's subsidiary companies in Indonesia, Messrs. Purwantono, Suherman and Surja ("PSS") and Thailand, Messrs. INTADIT CPA Office Company Limited ("ICPOCL") that are not audited by the Group's External Auditors, BT for 2019. The AC reviewed PSS's and ICPOCL's the proposed audit, audit related and services fee to be provided for 2019. The nature and level of all the services provided by the PSS and ICPOCL is a factor taken into account by the Audit Committee when it reviews annually the independence of the external auditor. Fees paid to the auditor for audit, audit related and other services fee are analyzed in notes to the financial statements. On the confirmation by PSS and ICPOCL of their independence in the conduct of the audit engagement in accordance with International Ethics Standards Board of Accountants, Code of Ethics of Professional Accountants, the AC thereafter recommended their audit fee to Board for approval.

FINANCIAL STATEMENTS AND REPORTING

1. The quarterly Condensed Consolidated Financial Statements for the fourth quarter of 2018 and the first, second and third quarters of 2019, were prepared in compliance with Malaysian Financial Reporting Standard ("MFRS")134 "Interim Financial Reporting", International Accounting Standards 34 "Interim Financial Reporting" and Paragraph 9.22, including Appendix 9B of the MMLR, was reviewed at the AC meetings on 18 February 2019, 23 May 2019, 23 August 2019 and 15 November 2019 (after a limited review of the fourth quarter Condensed Consolidated Financial Statements ended 31 December 2018 and third quarter Condensed Consolidated Financial Statements ended 30 September 2019 by BT), and thereafter was recommended to the Board for approval.

AUDIT COMMITTEE'S REPORT (Cont'd)

In ensuring the Integrity of the information, the Group Financial Controller and the Group Corporate Controller had on 18 February 2019, 23 May 2019, 23 August 2019 and 15 November 2019, through the presentation of the quarterly Condensed Consolidated Financial Statements 2019 to the AC has given their assurance to the AC that:

i. Appropriate accounting policies had been adopted and applied consistently;

ii. The going concern basis applied in the Annual Financial Statements and the quarterly Condensed Consolidated Financial Statements was appropriate;

iii. Prudent judgement and reasonable estimates had been made in accordance with the requirements set out in the MFRSs;

iv. Adequate process and controls were in place for effective and efficient financial reporting and disclosures under MFRSs and MMLR; and

v. The quarterly Condensed Consolidated Financial Statements does not contain material misstatement and gives a true and fair view of the financial position of the Group and the respective companies within the Group.

2. On 18 February 2019, BT presented their interim audit findings to the AC for the Financial Statement ended 31 December 2018 primarily to ensure that the fourth quarter Condensed Consolidated Financial Statements does not vary significantly from the final published Financial Statement ended 31 December 2018 and resolved any outstanding issues arising from the audit.

3. On 15 November 2019, BT presented the Audit Planning Memorandum 2019 on the Group for the financial year ending 31 December 2019. The AC reviewed the Audit Plan 2019 and after highlighting certain areas of concerns where BT has to pay attention to during the course of their audit, the AC thereafter recommended to the Board for approval.

4. The AC met with BT without the presence of any Executive Directors and Management on 5 April 2019 and 15 November 2019. No critical issues were highlighted to the AC in these meetings.

B. INTERNAL AUDIT

INTERNAL AUDITOR APPOINTMENT AND RISK MANAGEMENT COMMITTEE

1. The Board of Directors has set up a Risk & Sustainable Management Committee with the terms of reference distinct from the AC. The Risk & Sustainable Management Committee's report is set out on pages 34 to 36 of this Annual Report.

2. The Company being listed on Bursa Malaysia Securities Berhad, has the obligation to ensure that it has in place a sound and effective system of risk management and internal controls. In fulfilling its obligations, the Group has outsourced its internal audit function to BDO to review and assess the adequacy and integrity of the internal control system of the Group.

   i. BDO was required to carry out 2 (two) audit cycles for 2019 with the option of an additional cycle if the Audit Committee recommends an additional cycle on a need basis.

   ii. The fee per cycle would be RM25,000 per audit cycle (excluding GST and out of pocket expenses).

   iii. The reporting deadline for these 2 audits should be at the AC meeting to be held in August and November 2019.

AUDIT COMMITTEE'S REPORT (Cont'd)

INTERNAL AUDIT ACTIVITIES 2019

During the financial year 2019, internal audits were carried out as follows:

1. On 23 August 2019 BDO presented the findings on the internal audit carried out in Evergreen Fibreboard (Nilai) Sdn. Bhd., on the control system in the production, finished goods management, delivery and Invoicing.

   The Internal Audit carried out included interviews, tests and appraisals on policies, procedures, systems and processes and based on the results of the audit tests and review, BDO identified weaknesses and areas for further improvement to the processes and controls.

   Management agreed to the Internal Auditor's recommendations on relevant actions to be taken in view of improving the internal control system.

2. On 15 November 2019 BDO presented the findings on the internal audit carried out on the Information Technology System and the Enterprise Resource Planning System of the Group.

   The Internal Audit carried out included interviews, tests and appraisals on policies, procedures, systems and processes and based on the results of the audit tests and review, BDO identified several weaknesses and areas for further improvement to the processes and controls.

   Management agreed to Internal Auditor's recommendations on relevant actions to be taken including additional hardware to be immediately purchase in view of improving the internal control system of the Group's ERP & IT System.

C. PLATFORM FOR INTERNAL AUDITOR ("IA") AND EXTERNAL AUDITOR ("EA") COMMUNICATION.

As required by MCCG to establish a platform for communication between IA and EA, the AC has agreed with IA and EA that a formal copy of the IA report shall be forwarded to the EA upon the approval of the report by the AC. Any issues shall be taken up by the EA with IA if necessary. The IA has given consent to the release of the IA report to the EA.

D. RELATED PARTY TRANSACTION

1. The AC has taken note that there was no related party transaction reported or declared during the course of the four AC meetings on 18 February of 2019, 23 May, 23 August and 15 November 2019 except for inter-company transactions undertaken between companies within the Group, compensation of key management personnel, the independent NEDs and the non-independent NED directors fees computation which are reported in the Financial Statements of 2019.

NOMINATION COMMITTEE'S REPORT

The Board presents the Nomination Committee's Report which provides insights into the manner in which the Nomination Committee ("NC") discharged its functions in the financial year 2019.

ROLE OF THE NOMINATION COMMITTEE

The formal role of the Nomination Committee is set out in its Terms of Reference of which is made available on our website at www.evergreengroup.com.my.

COMPOSITION AND ATTENDANCE

The NC comprises of three (3) members, all are Independent Non-Executive Directors which is in compliance with Paragraph 15.08A of the Listing Requirements and the Malaysian Code on Corporate Governance ("MCCG").

The NC Chairman for the financial year 2019 is Ms. Nirmala A/P Doraisamy who is also the Senior Independent Director succeeding Mr. Kuan Kai Seng who was re-designated as a member of NC on 15 February 2019. Other members of the NC are Mr. Jonathan Law and Mr. Kuan Kai Seng. The profiles and attendance records of the NC members are set out in the Directors' profile section of this Annual Report.

The Board reviewed the NC's terms of office and assessed the performance of NC members through the annual Board and Committee effectiveness evaluation. NC carried out the annual evaluation and the Board is satisfied that the NC members have discharged their functions, duties and responsibilities in accordance with NC's Terms of Reference, and they have supported the Board in ensuring that the Group upholds appropriate Corporate Governance ("CG") standards.

MEETINGS

NC held 2 (two) meetings during the financial year 2019, on 18 February and 15 November 2019 and the Executive Directors were invited to these meetings when needed to facilitate direct communication as well as to provide clarification on issues and to present the Group's Succession plan matters.

Minutes of each NC meeting were recorded and tabled for confirmation at the following NC meeting by the Company Secretary and subsequently presented to the Board for notation.

SUMMARY OF ACTIVITIES

As required under Paragraph 15.08A(3) of Bursa Securities Listing Requirements on the activities carried out by the NC in discharging its duties for the financial 2019.

On Succession Planning

Succession Plans were presented by Management to the Nomination Committee for their comments and recommendation for any changes needed on potential candidates being proposed in the Succession Plans as well as trainings being arranged / carried out for the potential candidates in line for succession.

The NC noted the proposed Succession Plans and advised Management to complete the Succession Plans and training required for all levels indicated.

Annual Assessment / Evaluation

1) In December 2019, Nomination Committee undertook Annual Performance Assessment to review and evaluate the effectiveness of the Board as a whole, the Committees, Individual Directors and Key Officers of the Company.

2) Senior Independent Director, Ms. Nirmala A/P Doraisamy, together with the Members of the Nomination Committee lead the annual assessment process.

3) The process began with Annual Assessments Forms being emailed by Nomination Chairman to all individuals to carry out evaluation on the Board as a whole, the Committees, Individual Directors and Key Officers of the Company by giving them timeline for assessments to be completed.

NOMINATION COMMITTEE'S REPORT (Cont'd)

4) Completed evaluation forms were emailed back directly to the Senior Independent Director's designated email address and she tabulated the results on all evaluations received.

5) The performance evaluation results showed a positive outcome with all obtaining satisfactory to good performance for the financial year 2019.

6) NC Chairman thereon forwarded the evaluation results to the Board Chairman and he informed all members on the results including making known the minor improvements and trainings needed to be attended in the following year.

7) Human Resource Department was given a copy on the summary of training needs to take necessary steps to ensure needed trainings indicated are sourced for directors to attend in the coming year.

Re-election of Directors

1) NC reviewed the evaluations of the 2 (two) retiring Directors and recommended to the Board for the re-election of Mr. Kuan Kai Seng and Ms. Mary Henrietta Lim at the forthcoming Annual General Meeting.

2) NC carried out assessment on the independence of Mr. Jonathan Law Ngee Song due to the fact that he has exceeded his ninth-year term. Based on the results of the evaluation, Mr. Jonathan Law has exercised his judgement in an independent and unfettered manner and has discharged his duties with reasonable care, skill and diligence. The NC therefore recommended Mr. Jonathan Law to the Board, to continue his office as an Independent Director and to seek shareholders' approval in the forthcoming Annual General Meeting in compliance to Practice 6.1 of the MCCG.

REMUNERATION COMMITTEE'S REPORT

The Board presents the Remuneration Committee's Report that provides insights into the manner in which the Remuneration Committee ("RC") discharged its functions in the financial year 2019.

ROLE OF THE REMUNERATION COMMITTEE

The formal role of the Remuneration Committee is set out in its Terms of Reference which is available on our website at www.evergreengroup.com.my.

CHANGES IN THE REMUNERATION COMMITTEE

On 2 January 2019, Mr. Yap Peng Leong resigned as a member and Mr. Kuan Kai Seng was appointed as a member on 15 February 2019.

COMPOSITION AND ATTENDANCE

The RC comprises of three (3) members, all whom are Independent Non-Executive Directors which is in compliance with Practice 6.2 of the Malaysian Code on Corporate Governance ("MCCG").

The RC Chairman, is Mr. Jonathan Law Ngee Song and the other members of the RC are Mr. Kuan Kai Seng and Ms. Nirmala A/P Doraisamy. The profiles and attendance records of RC members are set out in the Directors' profile section of this Annual Report.

The Board reviewed the terms of office of the RC and assessed the performance of RC Members through an annual Board and Committee effectiveness evaluation carried out by the Nomination Committee. The Board is satisfied that the RC members had discharged their functions, duties and responsibilities in accordance with the RC's Terms of Reference, and have supported the Board in ensuring that the Group upholds appropriate Corporate Governance ("CG") Standards.

MEETINGS

The RC held two (2) meetings on 18 February and 15 November during the financial year 2019 and the Executive Directors were invited to the meeting to facilitate direct communication as well as to provide clarification pertaining to the remuneration of Key Officers.

Minutes of each RC meeting were recorded and tabled for confirmation at the following RC meeting by the Company Secretary and subsequently presented to the Board for notation.

SUMMARY OF ACTIVITIES

The activities carried out by the Remuneration Committee in discharging its duties in the current financial year are as follows:

Review of Framework

1) A formal framework on fees and allowances for all Non-Executive Directors was established by the Remuneration Committee and approved by the Board in year 2016 and reviewed in February 2018. In November 2019, this framework was reviewed, amended and approved by the Board and thereon was incorporated into the Remuneration Policy. Remuneration Policy is made part of the RC Terms of Reference and is made available on the Company's website at www.evergreengroup.com.my.

2) Framework on Remuneration for Executive Directors and Key Officer / Senior Management was established and put in place in 2016 and was last reviewed and approved by the Board in February 2018.

REMUNERATION COMMITTEE'S REPORT (Cont'd)

Review of Remuneration

1) In February 2019, Management presented RC with the final results on the performance of all companies and business units for the year 2018. RC was made known of the final Bonus quantum and Increment rate for each company/business unit based on their financial performance and KPIs achieved.

   Management went on to present the Groups overall performance and achievement to seek approval from the Board through the RC on the Bonus quantum for senior level employees. Management also made known that due to the weak performance by the Group, salary increment for senior level staffs for 2019 was put to a hold until further notice.

   RC deliberated on the fees and allowance to be paid to Non-Executive Directors and also any revision to the framework in place and it was agreed by the Board that the revision made known in February 2018 shall take effect accordingly. All Directors abstained from participation and deliberation of their own remuneration.

   Based on the final performance results presented, RC Chairman obtained the Board's approval for the increment and bonus package for each Business Units, Executive Directors and Key Officers / Senior Management.

2) In November 2019, based on the remuneration framework approved, Executive Directors reviewed the performance of each Company / Business Unit to determine the approximate financial performance achievement for the year 2019. Management made known the tentative bonus quantum and salary increment to the Board through the RC for pre-approval on the Bonus and Increment which was to be paid in January for each subsidiary. Management shall circulate the final results together with the list on payment to be made for Board's approval in the next meeting.

STATEMENT ON SUSTAINABILITY

The Board of Directors (the" BOD") of Evergreen Fibreboard Berhad ("Evergreen" or the "Company") hereby presents the Sustainability Statement ("Statement") for the Company and its Subsidiaries (the "Group"), which discusses the material economic, environmental and social aspects of the Group's businesses.

This Statement is prepared in accordance with Paragraph 29, Part A of Appendix 9C of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa"), as well as Practice Note 9 of the Listing Requirements regarding the manner of sustainability disclosure as prescribed by Bursa. In the preparation of this Statement, the Company has also considered the Sustainability Reporting Guide – 2nd Edition and its accompanying Toolkits, issued by Bursa.

Governance

The BOD holds ultimate responsibility in ensuring the sustainability, i.e. economic, environmental and social aspects, is considered in the Company's Corporate Strategy.

The established Risk & Sustainable Management Committee ("RSMC"), assists the Board to review the Group's Sustainability Strategies including the material sustainability matters.

The implementation of sustainability strategies and overseeing the management of material sustainability matters are the responsibilities of the Risk & Sustainable Management Working Group ("RSMWG"), which comprises of Senior/Key Officers, Operation Directors/ Managers and is lead by the Executive Directors.

The RSMWG is also responsible for developing sustainable strategies based and guided by the Group's Corporate Strategy, for RSMC's recommendation to the Board for approval.

Executive Directors have been tasked by the BOD to assist the RSMWG in providing management leadership to relevant departments and functions in view of managing the Group's material economic, environmental , social and governance matters.

Materiality Process and Scope

The Group's materiality assessment process was carried out in 2018 by an external consultant that provided the necessary trainings and facilitated a comprehensive materiality assessment process to identify the Group's material sustainability matters, assessment reflected the Group's significant economic, environmental and social impacts and those of which could substantively influence the assessments and decisions of the Group's stakeholders.

The Group undertook the approach towards sustainability and had focused its resources on the key revenue contributors of the Group. Therefore, the scope of this Statement has remained to include the two largest operating segments of the Group, i.e. Malaysia and Thailand and focus solely on the Panel Board manufacturing business in these two (2) locations. The scope of this Statement represents approximately 85% of the contribution to the Group's revenue.

The Group has investment in other businesses such as furniture manufacturing, rubber plantation, adhesive and biomass power generation and Management has considered and deemed the impact, either positive or negative, of these businesses are minimal to the Group as well as to its stakeholders.

Nevertheless, the BOD will continue to evaluate the Group's maturity on sustainability management processes, as well as the resources availability, and may consider expanding the scope for a broader reporting scope of Group's businesses.

During the materiality assessment process carried out, the Group had conducted a stakeholder assessment to identify, assess and prioritize key stakeholders and to understand each stakeholder's influence and dependence on the Group's businesses.

The key stakeholders of the Group include, amongst others, customers, employees, regulators and authorities, community, suppliers and financial institutions. The materiality assessment was performed by senior management of the Group together with the members from RSMWG. Through this materiality assessment carried out, the Group had identified its Material Sustainability Matters ("MSMs") and the following sections has been updated for the current financial year: -

Evergreen Group's Material Sustainability Matters

Products Emission Compliance

Manufacturing of Panel Boards involves the use of adhesive which contains formaldehyde. Formaldehyde is a chemical substance found in adhesive that bonds the wood fibres into panels and gives structural strength to the product. Formaldehyde is emitted from panel boards products that uses formaldehyde-based adhesive, such as Medium-Density Fibreboard ("MDF") or Particleboards ("PB"). High-level of formaldehyde in indoor environment may have adverse health impact on users.

Therefore, the Group must at all times ensure the permittable level of emission in its products according to the Standards required by its customers. Products must meet the Regulations Standards on Formaldehyde Emission in order for products to be able to directly or indirectly be sold to the United States of America ("US") and Europe and therefore the Group's products (MDF & PB) requires to adhere to European Standards and the California Air Resources Board ("CARB") Airborne Toxic Control Measure ("ATCM") Phase II ("CARB P2") Standards.

The Group have obtained certifications from the US-based CARB and Environmental Protection Agency ("EPA") for its products on the emission level. The said product certifications must be sustained in order for the Group to label its products as CARB P2 compliant. This Certification is renewable on an annual basis and the Group must successfully obtain renewals when its due during each financial year.

As at the financial year ended 31 December 2019, approximately 30% of the Group's products ordered and produced based on the request of its customers, met with the required Standards of either E1 or CARB P2 accordingly and there was no incident of product claim or recall for non-compliance.

To ensure that the emission level of the Group's products meets the required Standards, the Group have established Standard Operating Procedures ("SOPs") for the complete process from Receiving of Orders to the Delivery of Products. These SOPs are reviewed yearly for updates or changes in the process to further ensure compliance. Additionally, an in-house lab-testing has been established as part of the Group's internal control. This is to ensure adherence to the emission level for each delivery as the sample of products are only sent to 3rd party lab at every quarter for confirmation that the emission levels are within the permitted emission level.

Occupational Safety and Health

As the Group's business largely involves manufacturing operations, the employees are required to work with machinery and equipment and therefore employees are exposed to hazards such as sharp tools, crush points, fire hazards, exposure to dust and chemicals, etc. on a daily basis. In view of the working environment, it is important for each plant in the Group to ensure risks relating to the Occupational safety and Health are managed to prevent injuries and illnesses, and even loss of lives.

All Plants in the Group has put in place necessary safety and health-related controls as part of their Standard Operating Procedures ("SOPs") to guide the manufacturing processes. These SOPs are reviewed on an annual basis and additionally on the need to basis. The SOPs includes the provision for issuance of personal protection equipment ("PPE") such as safety goggles, safety masks, safety boot and gloves, for all employees to protect them against hazards at work.

The Group's processes utilize automation technology in most parts of its manufacturing operation for productivity as well as to minimize the use of labor and thereby reduce occupational safety and health risks. Additionally, each plant in the Group continuously ensures that Operators for all machinery and equipment has appropriate On-the Job trainings.

All Plants in the Group (Operations in Malaysia) is required by law to establish a Safety Committee internally comprising management and workers-level personnel to monitor and review the safety and health conditions and controls at each operation sites.

In addition to the above, in-house safety audits are performed by the Safety Officer and a Team of Safety Auditors at each location on a monthly basis and the audit results and findings, including action plans to address any weaknesses, are presented to the Safety Committees for relevant remedies to be carried.

Apart from controls in place and in further efforts to prevent any occupational safety and health hazards occurring, each plant in the Group provides safety awareness trainings to employees across all levels.

STATEMENT ON SUSTAINABILITY (Cont'd)

For the financial year 2019 under review, the Group has provided employees with safety and health trainings that includes the following areas:

- firefighting;
- training for Safety Officer;
- training for Safety Committee;
- radiation safety;
- safety management;
- first aid;
- forklift safety;
- electrical safety;
- hot work safety;
- boiler controller;
- handling of chemicals, etc.

The Group-wide safety policy has been targeted for a:
- zero case of lost-time injury of not more than 3 days; and
- zero fatality.

For the financial year ended 31 December 2019, the Group's accident records have been summarized as follows:

No of case	FY2017	FY2018	FY2019
Fatalities	0	1	2
Accidents (> 3 days lost-time)	40	40	47
Accidents (0 – 3 days lost-time)	17	3	10

Despite the continuous efforts and controls implemented in each manufacturing plants in the Group, the occurrence of accident rate during the financial year ended 31 December 2019 remained high and once again the Group was not able to achieve its policy for zero accident.

The fatality case which occurred during the financial year were workmen of Contractor carrying out works in the plant and another was worker of supplier delivering goods and it was due to their workers own negligence but we had it recorded as it occurred in the Company's premises.

As to the penalties or fines on safety during the financial year, the Group incurred a total of RM20,000 for the fatal accident case occurred in 2018 but penalized in 2019.

For improvements in order to reduce the number of industrial accidents, the Group have requested the location which has the highest accident rate especially with cases of fatality, to review their safe working methods and revamp their existing Standard Operating Procedures.

Based on the type of accidents, the Group acknowledged that the level of safety trainings and awareness for Contractor / Supplier needed to be increase in order to ensure similar accidents do not reoccur in future.

Hence, the Group has revised its Standard Operating Procedures for Contractor / Suppliers engaging work in the premises or delivering material to the plant as to ensure the Safety measures are taken to prevent any such accidents. Additionally, related company will be required to review their Safety Audit being conducted and make the changes for an effective audit be carried out.

Further to that, the Company was required to conduct additional safety awareness trainings for all contractors and stricter enforcement on Personal Protection Equipment to be enforce on employees as well as Contractor.

Environmental Matters

On the Management of dust emissions and water discharge, both have been both identified as material environmental matters to the Group. Therefore, Environmental Policies and Procedures which clearly highlights the Group's commitment in preventing pollution to the environment as well as to ensure compliance to local laws and regulations has been established and put in practice by the Group. On an ongoing basis, Environment Officers ("EOs") from various operation sites of the Group, led by the EO at the Group- level and the ED, discuss and set the Group's environmental policies and procedures with the objective of creating a consistent, standardized approach towards environmental management and culture where all employees share the same commitment.

Dust Emission

The process of manufacturing panel boards involves processing of wood branches into wood fibers/ chips/ particles, via processes of chipping, refining and flaking, that generates significant amount of dust which could adversely affect the air quality of the communities surrounding the manufacturing plants.

The Group's panel board processing plants are mostly contained within enclosed systems installed with filter-house to capture and collect dust and particles generated from chipping, refining or flaking processes. Daily monitoring is carried out on the control processes and shut down for maintenance is performed on a monthly basis. Air quality of the surroundings are measured to monitor and ensure emission level do not exceed the regulated levels set by environment authorities.

Aside from extraordinary events such as those disclosed above, the Group's manufacturing plants in Malaysia and Thailand, covered within the scope of this Statement, generally has maintained their emission levels within the regulated levels. The Group did not receive any penalties or fines from authorities for matters pertaining to emissions, particularly on dust emissions, for the financial year under review.

Water Discharge and Management

Water is also used in the manufacturing process such as for washing woodchips prior to the refining of woodchips and Boilers for Steam generation. Wastewater generated from these processes, may contain chemicals or may be acidic and needs to be treated before discharge. The Group has established treatment procedures and facilities for non- hazardous wastewater, such as treatment ponds, before it can be discharged into the public water system. The Group conducts tests to ensure treated wastewater achieves the intended water quality before it is discharged or sent it to be reuse in the production process. Test results carried out by 3rd party laboratory are required to be carried on a periodic basis and then submitted to the Department of Environment of Malaysia for their review.

During the financial year under review, the Group's manufacturing plant at Segamat, Johor had experienced a leakage of green dye from a puncture in the container which was not immediately discovered, resulting in nearby industrial area monsoon drains affected by the coloured water but not harmful. The incident was able to be resolved instantaneously when discovered where the Company used a cleaning company to do the necessary cleanup of drains to the satisfaction of the authorities. However, even though there wasn't any impact to the surrounding environment, this incident attracted a fine of RM4,000 to the company by the Department of Environment of Malaysia. The Company had conducted the necessary engagements with authorities, and had submitted relevant reports on rectification measures and continuous monitoring to the Department of Environment of Malaysia as requested.

The Group's Adhesive manufacturing plant at Parit Raja, Johor had encountered an event on storage of waste oil which is under the schedule waste that was kept and not disposed within the allowable period and this attracted a fine of RM2,000. In this case, the problem was able to be resolved quickly with immediate disposal being carried out as the quantity involved was very small.

STATEMENT ON SUSTAINABILITY (Cont'd)

Supply Chain

The main raw material for the Group's core products is rubber wood, and the availability of rubber wood supply significantly affects the Group's productivity and consequently profitability. During monsoon seasons, plantations or concession areas are commonly flooded, causing clearing works to be delayed or halted and thereby affecting the supply of raw material for manufacturing. As a result, productivity will be impacted due to supply chain disruption.

The Group experience shortage of supply during the monsoon season as usual from November 2019 to March 2020 and this had caused the spike in the cost of material as usually encountered by the Group during this period.

The Group has in place strategies to manage its inventory to address supply shortage due to monsoon seasons to reduce the impact of supply chain disruption and it also has reasonable capacity to manage the inventory during such periods. However, due to the fact that rubber wood quality deteriorates overtime very quickly and therefore the increase in inventory holding are carried very much earlier prior to the monsoon season. Due to the prolonged monsoon seasons experienced almost yearly, the Group's inventory management strategy, mitigates the supply chain disruption by reducing, but cannot fully eliminate the adverse impact on the Group's Supply chain.

Energy Management

Electricity cost is one of the Group's major manufacturing cost and to reduce it, our Thailand subsidiary Eco Generation Co. Ltd. & Gre Energy Co. Ltd is able to generate 18mw electricity to supply to other subsidiaries in the same vicinity and this has been able to reduce the cost on energy consumption for plants in Thailand.

In contributing to the Green Energy Project by the government of Malaysia as well as our plans to reduce our energy cost, the Company in 2019 had embarked on the Solar Energy Project. The installation of Solar Panel on our roof tops have enable us to generate 1 mega watt (mw) electricity for own consumption. We are currently in discussion for the 2nd installation of additional Solar Panels to enable us to generate additional 5mw electricity. Thereon, other subsidiaries in Malaysia will follow through by installation of Solar Panel to reduce their dependency on electricity from National Energy Board (TNB).

Conclusion

The BOD has reviewed the sustainability management process of the Group and has approved this Statement on 22 May 2020. The Group will continue to monitor and manage the material sustainability matters identified, including the management of these matters, to enhance the Group's sustainability performance in creating long-term value for its stakeholders.

ADDITIONAL COMPLIANCE INFORMATION

1) Conflict of Interest

None of the Directors or Major Shareholders of the Company has any personal interest in any business dealings / arrangement involving the Company and/or the Group during the current financial year.

2) Material Contracts

None of the Directors or Major Shareholders of the Company has had any material contract with the Company and /or its subsidiaries during the current financial year.

3) Utilization of Proceeds

There was no corporate proposal in the current financial year.

4) Non-Audit Fees

The amount of non-audit fees for services provided by the external auditors for the current financial year is stated on page ***128*** of this Annual Report.

5) Contracts relating to Loan

There were no contracts relating to loan by the Company or its subsidiaries during the current financial year.

6) Recurrent Related Party Transactions

There were no recurrent related party transactions in the Group during the current financial year except for Inter-Company transactions.

7) Compliance with the Personal Data Protection Act

The Company recognises the importance of protecting and securing shareholders' and customers' personal data, and has taken steps to be fully compliant with the Personal Data Protection Act 2010 ("PDPA 2010").

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR 2019

In compliance to the requirements under Paragraph 15.26(a) of the Main Market Listing Requirement of Bursa Securities, the Directors are to ensure that the financial statements prepared for each financial year give a true and fair view on the state of affairs of the Company and of the Group including the income statement and cash flows of the Company and the Group.

The Board of Directors ("the Board") of EFB are of the view that, in preparing the financial statements of the Company and the Group for the year ended 31 December 2019, the Company and the Group have adopted the recommended accounting policies that are consistently applied and supported by reasonable, prudent judgments and estimates. The Board have also ensured that all applicable accounting standards have been complied during the preparation of the audited financial statements of the Company and the Group.

The Board is also aware of their responsibilities and they are confident that the Company and the Group keeps adequate accounting records which disclose reasonable accuracy of the financial position of the Company and the Group. Hence, this has enabled them to ensure that the financial statements comply to the requirements of the Companies Act, 2016 and the Malaysian Financial Reporting Standards.

The Board have also ensured timely release of the quarterly and annual financial results of the Group for the financial year ended 31 December 2019 to Bursa Securities and the Securities Commission that enable the public and investors to be well informed of the Group's financial position.

The Board is also fully aware of their general responsibilities in taking steps which are reasonably open to them to safeguard the assets of the Group and to detect and prevent any fraud and other irregularities within the Group.

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DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is of manufacture of medium density fibreboard and wooden furniture (knock-down). The principal activities of its subsidiaries are disclosed in Note 12 to the financial statements.

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

RESULTS

	Group RM	Company RM
(Loss)/Profit for the financial year	(42,438,808)	9,960,331
Attributable to:		
Owners of the Company	(41,957,190)	9,960,331
Non-controlling interests	(481,618)	-
	(42,438,808)	9,960,331

DIVIDENDS

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

	RM
Single tier final dividend of 0.48 sen per ordinary share in respect of the financial year ended 31 December 2018	4,059,851

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2019.

RESERVES OR PROVISIONS

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

BAD AND DOUBTFUL DEBTS

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

DIRECTORS' REPORT (Cont'd)

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.

There was no repurchase of the Company's issued ordinary shares, nor any resale, cancellation or distribution of treasury shares during the financial year.

As at 31 December 2019, the Company held 622,000 treasury shares out of its 846,423,985 issued and paid-up ordinary shares. Such treasury shares are held at a carrying amount of RM482,899. Further details are disclosed in Note 21 to the financial statements.

DIRECTORS

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

Henry S Kuo
Kuan Kai Seng
Kuo Jen Chang *
Kuo Jen Chiu *
Kuo Wen Chi *
Law Ngee Song
Mary Henerietta Lim Kim Neo *
Nirmala A/P Doraisamy

* 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:

Chieng Heng Nang
Erik Setiawan
Jeffrey S Kuo
Justin S Kuo
Zuhairi Bin Ozir
Lee Kwok Choy (Resigned on 15 April 2019)

DIRECTORS' REPORT (Cont'd)

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:

		Number of Ordinary Shares			
		At 1.1.2019	Additions	Transferred	At 31.12.2019
Direct interests:					
Kuo Jen Chang		142,355,865	-	-	142,355,865
Kuo Jen Chiu		124,120,141	-	-	124,120,141
Mary Henerietta Lim Kim Neo		6	-	-	6
Henry S Kuo		-	17,320,864	-	17,320,864
Indirect interests:					
Kuo Jen Chang	*	159,173,720	-	-	159,173,720
Kuo Jen Chiu	*	177,409,444	-	-	177,409,444
Kuo Wen Chi	**	301,529,585	-	-	301,529,585
Henry S Kuo	*	34,641,730	-	-	34,641,730

* Deemed interested by virtue of the interests to parent(s) and/or siblings.
** Deemed interested by virtue of the shareholdings in a corporation and children.

By virtue of their interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Kuo Jen Chang, Kuo Jen Chiu and Kuo Wen Chi are deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

The other directors in office at the end of the financial year did not have 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 any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 33 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors and certain officers of the Company were RM10,000,000 and RM28,500 respectively.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 12 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 32 to the financial statements.

INDEMNITY TO AUDITORS

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

AUDITORS

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

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

……………………………………………
KUO JEN CHIU
Director

……………………………………………
MARY HENERIETTA LIM KIM NEO
Director

Date: 22 May 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	1,022,144,571	1,014,247,006	144,801,039	151,378,081
Right-of-use assets	6	39,636,405	-	8,949,997	-
Land use rights	7	-	34,495,136	-	6,951,149
Biological assets	8	36,700,000	34,300,000	-	-
Goodwill on consolidation	9	9,584,046	9,584,046	-	-
Other intangible assets	10	82,675	111,137	-	-
Investment properties	11	-	-	4,007,964	4,162,497
Investment in subsidiaries	12	-	-	437,462,704	401,158,704
Deferred tax assets	13	1,803,422	1,803,422	-	-
Amounts owing by subsidiaries	15	-	-	55,784,598	87,204,706
Total non-current assets		1,109,951,119	1,094,540,747	651,006,302	650,855,137
Current assets					
Inventories	14	248,105,695	252,845,274	39,084,622	40,127,242
Trade and other receivables	15	96,474,451	112,779,587	51,057,217	45,647,741
Other current assets	16	15,759,233	19,564,919	2,320,163	3,038,063
Tax assets		2,857,172	2,758,859	135,362	138,113
Deposits, cash and bank balances	17	95,720,816	106,921,908	29,709,342	24,537,449
Short-term fund	18	9,028,760	-	9,028,760	-
		467,946,127	494,870,547	131,335,466	113,488,608
Non-current asset classified as held for sale	19	-	-	-	-
Total curent assets		467,946,127	494,870,547	131,335,466	113,488,608
TOTAL ASSETS		1,577,897,246	1,589,411,294	782,341,768	764,343,745
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	20	344,749,212	344,749,212	344,749,212	344,749,212
Treasury shares	21	(482,899)	(482,899)	(482,899)	(482,899)
Other reserves	22	105,347,803	81,143,382	-	-
Retained earnings		685,064,758	730,881,446	339,107,393	333,206,913
		1,134,678,874	1,156,291,141	683,373,706	677,473,226
Non-controlling interests		29,683,307	30,011,056	-	-
TOTAL EQUITY		1,164,362,181	1,186,302,197	683,373,706	677,473,226

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019 (Cont'd)

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Non-current liabilities					
Loans and borrowings	23	77,583,819	86,094,158	22,104,157	14,510,334
Lease liabilities/Finance lease liabilities	24	3,675,931	668,419	339,528	343,693
Deferred tax liabilities	13	37,449,455	42,202,900	-	2,980,234
Retirement benefits obligation	25	11,952,986	11,489,445	4,199,798	4,219,513
Total non-current liabilities		130,662,191	140,454,922	26,643,483	22,053,774
Current liabilities					
Loans and borrowings	23	157,875,414	122,156,953	47,465,866	38,847,100
Lease liabilities/Finance lease liabilities	24	1,850,528	390,344	122,815	56,170
Trade and other payables	26	106,983,850	128,908,747	23,538,204	25,318,581
Contract liabilities	27	15,077,518	9,394,535	1,197,694	594,894
Tax liabilities		1,085,564	1,803,596	-	-
Total current liabilities		282,872,874	262,654,175	72,324,579	64,816,745
TOTAL LIABILITIES		413,535,065	403,109,097	98,968,062	86,870,519
TOTAL EQUITY AND LIABILITIES		1,577,897,246	1,589,411,294	782,341,768	764,343,745

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Revenue	28	967,920,317	1,105,543,484	210,402,655	249,755,406
Cost of sales	29	(847,537,258)	(914,912,122)	(208,763,293)	(231,687,038)
Gross profit		120,383,059	190,631,362	1,639,362	18,068,368
Other income	30	15,291,489	47,979,817	31,657,217	36,341,687
Selling and administrative expenses		(163,511,548)	(197,271,822)	(19,219,966)	(27,103,631)
Net impairment losses on financial assets		(2,819,241)	(501,707)	-	-
Other expenses	31	(3,972,620)	(8,408,984)	(4,184,539)	(896,935)
		(170,303,409)	(206,182,513)	(23,404,505)	(28,000,566)
(Loss)/Profit from operations		(34,628,861)	32,428,666	9,892,074	26,409,489
Finance costs		(7,581,697)	(6,674,573)	(2,692,563)	(2,322,988)
(Loss)/Profit before tax	32	(42,210,558)	25,754,093	7,199,511	24,086,501
Tax (expense)/credit	34	(228,250)	(9,575,596)	2,760,820	1,683,536
(Loss)/Profit for the financial year		(42,438,808)	16,178,497	9,960,331	25,770,037
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		24,204,421	12,900,677	-	-
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefits obligation		354,222	161,538	-	-
Other comprehensive income for the financial year		24,558,643	13,062,215	-	-
Total comprehensive (loss)/ income for the financial year		(17,880,165)	29,240,712	9,960,331	25,770,037

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
(Loss)/Profit attributable to:					
Owners of the Company		(41,957,190)	16,353,691	9,960,331	25,770,037
Non-controlling interests		(481,618)	(175,194)	-	-
		(42,438,808)	16,178,497	9,960,331	25,770,037
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(17,552,416)	29,224,206	9,960,331	25,770,037
Non-controlling interests		(327,749)	16,506	-	-
		(17,880,165)	29,240,712	9,960,331	25,770,037
Basic and diluted (loss)/earnings per share (sen)	35	(4.96)	1.93	-	-

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Group	Note	← Attributable to owners of the Company					→		
		Share capital RM	Equity transaction reserve RM	Foreign exchange reserve RM	Treasury shares RM	Retained earnings RM	Sub-total RM	Non-controlling interests RM	Total equity RM
At 31 December 2018		344,749,212	383,083	80,760,299	(482,899)	730,881,446	1,156,291,141	30,011,056	1,186,302,197
Total comprehensive loss for the financial year									
Loss for the financial year		-	-	-	-	(41,957,190)	(41,957,190)	(481,618)	(42,438,808)
Other comprehensive income for the financial year		-	-	24,204,421	-	200,353	24,404,774	153,869	24,558,643
Total comprehensive loss		-	-	24,204,421	-	(41,756,837)	(17,552,416)	(327,749)	(17,880,165)
Transactions with owners									
Dividend paid on shares, representing total transactions with owners	36	-	-	-	-	(4,059,851)	(4,059,851)	-	(4,059,851)
At 31 December 2019		344,749,212	383,083	104,964,720	(482,899)	685,064,758	1,134,678,874	29,683,307	1,164,362,181

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

Group	Note	Share capital RM	Equity transaction reserve RM	Foreign exchange reserve RM	Treasury shares RM	Retained earnings RM	Sub-total RM	Non-controlling interests RM	Total equity RM
		Attributable to owners of the Company							
At 1 January 2018		344,749,212	383,083	67,859,622	(393,305)	726,229,984	1,138,828,596	29,994,550	1,168,823,146
Total comprehensive income for the financial year									
Profit for the financial year		-	-	-	-	16,353,691	16,353,691	(175,194)	16,178,497
Other comprehensive income for the financial year		-	-	12,900,677	-	(30,162)	12,870,515	191,700	13,062,215
Total comprehensive income		-	-	12,900,677	-	16,323,529	29,224,206	16,506	29,240,712
Transactions with owners									
Share repurchased	22	-	-	-	(89,594)	-	(89,594)	-	(89,594)
Dividend paid on shares	36	-	-	-	-	(11,672,067)	(11,672,067)	-	(11,672,067)
Total transactions with owners		-	-	-	(89,594)	(11,672,067)	(11,761,661)	-	(11,761,661)
At 31 December 2018		344,749,212	383,083	80,760,299	(482,899)	730,881,446	1,156,291,141	30,011,056	1,186,302,197

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

Company	Note	Share capital RM	Treasury shares RM	Retained earnings RM	Total equity RM
At 1 January 2018		344,749,212	(393,305)	319,108,943	663,464,850
Total comprehensive income for the financial year					
Profit for the financial year, representing total comprehensive income		-	-	25,770,037	25,770,037
Transaction with owners					
Share repurchased	22	-	(89,594)	-	(89,594)
Dividend paid on shares	36	-	-	(11,672,067)	(11,672,067)
Total transactions with owners		-	(89,594)	(11,672,067)	(11,672,067)
At 31 December 2018		344,749,212	(482,899)	333,206,913	677,473,226
Total comprehensive income for the financial year					
Profit for the financial year, representing total comprehensive income		-	-	9,960,331	9,960,331
Transactions with owners					
Dividend paid on shares, representing total transactions with owners	36	-	-	(4,059,851)	(4,059,851)
At 31 December 2019		344,749,212	(482,899)	339,107,393	683,373,706

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash flows from operating activities				
(Loss)/Profit before tax	(42,210,558)	25,754,093	7,199,511	24,086,501
Adjustments for:				
Amortisation of:				
- land use rights	-	840,721	-	185,594
- intangible assets	37,307	34,776	-	-
Bad debts written off	130,000	-	-	-
Depreciation of:				
- Property, plant and equipment	75,256,160	72,555,473	13,614,019	14,314,675
- right-of-use assets	2,622,693	-	401,075	-
- investment property	-	-	154,533	154,533
Interest expense	7,581,697	6,674,573	2,692,563	2,322,988
Interest income	(1,642,604)	(1,691,890)	(3,213,460)	(3,348,046)
Dividend income from subsidiaries	-	-	(22,000,000)	(30,383,203)
Gain arising from fair value adjustment on biological assets	(2,400,000)	(1,000,000)	-	-
Impairment loss on:				
- goodwill	-	8,000,000	-	-
- investment in subsidiaries	-	-	46,000	389,696
- trade receivables, net	2,819,241	501,707	-	-
Inventories written down	5,080,299	3,074,178	-	86,326
Gain on disposal of non-current asset held for sale	-	(10,821,499)	-	-
Gain on disposal of property, plant and equipment	(388,640)	(362,477)	(564)	(180,352)
Property, plant and equipment written off	208,439	408,984	-	246,933
Provision for retirement benefits obligation	1,395,158	1,791,382	456,200	437,696
Unrealised loss/(gain) on foreign exchange	3,711,558	(2,634,951)	4,138,539	(1,230,920)
	94,411,308	77,370,977	(3,711,095)	(17,004,080)
Operating cash flows before changes in working capital, carried down	52,200,750	103,125,070	3,488,416	7,082,421

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash flows from operating activities (cont'd)					
Operating cash flows before changes in working capital, brought down		52,200,750	103,125,070	3,488,416	7,082,421
Changes in working capital					
Inventories		(340,720)	(31,601,741)	1,042,620	3,398,093
Trade and other receivables		12,055,185	(7,628,203)	47,441	29,747,831
Trade and other payables		(15,738,348)	(3,311,357)	(1,021,165)	(7,433,806)
		(4,023,883)	(42,541,301)	68,896	25,712,118
Net cash generated from operations		48,176,867	60,583,769	3,557,312	32,794,539
Payment of retirement benefits obligation		(788,893)	(642,926)	(475,915)	(89,293)
Interest paid		(7,581,697)	(6,674,573)	(2,692,563)	(2,322,988)
Tax paid		(5,768,932)	(8,368,505)	(216,663)	(341,119)
Net cash from operating activities		34,037,345	44,897,765	172,171	30,041,139
Cash flows from investing activities					
Advances to subsidiaries		-	-	(13,853,742)	(34,674,820)
Dividend income received from subsidiaries		-	-	22,000,000	30,383,203
Interest received		1,642,604	1,691,890	3,213,460	3,348,046
Purchase of right-of-use assets	6	-	-	(1,592,244)	-
Purchase of property, plant and equipment	5(a)	(64,732,327)	(64,481,075)	(7,803,497)	(11,443,357)
Purchase of other intangible assets		(2,211)	(59,317)	-	-
Placement of short-term fund	(b)	(9,028,760)	-	(9,028,760)	-
Proceeds from disposal of non-current asset held for sale		-	19,602,000	-	-
Proceeds from disposal of property, plant and equipment		388,645	748,767	135,565	441,095
Placement of time deposits		(23,499)	(21,061)	-	-
Net cash flows used in investing activities		(71,755,548)	(42,518,796)	(6,929,218)	(11,945,833)
Cash flows from financing activities	(a)				
Advances from subsidiaries		-	-	12,460	4,600
Drawdown of term loans and trade facilities		127,074,413	79,550,618	55,055,515	52,654,600
Dividend paid to owners of the Company		(4,059,851)	(11,672,067)	(4,059,851)	(11,672,067)
Purchase of treasury shares		-	(89,594)	-	(89,594)
Payment of lease liabilities/ finance lease liabilities		(1,845,723)	(376,153)	(113,680)	(43,190)
Repayments of term loans and trade facilities		(98,561,997)	(86,885,900)	(38,772,115)	(54,842,027)
Net cash from/(used in) financing activities		22,606,842	(19,473,096)	12,122,329	(13,987,678)
Net (decrease)/increase in cash and cash equivalents		(15,111,361)	(17,094,127)	5,365,282	4,107,628
Cash and cash equivalents at the beginning of the financial year		106,067,294	120,040,209	24,337,449	20,238,875
Effects of foreign exchange rate changes		3,886,770	3,121,212	(193,389)	(9,054)
Cash and cash equivalents at the end of the financial year	17	94,842,703	106,067,294	29,509,342	24,337,449

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

(a) Changes in liabilities arising from financing activities:

Group	Note	1.1.2019 RM	Effect of adoption of MFRS 16 RM	Cash flows RM	Non-cash: Acquisition RM	Non-cash: Foreign exchange movement RM	31.12.2019 RM
Trade facilities	23	95,603,119	-	31,251,368	-	219,926	127,074,413
Term loans	23	112,647,992	-	(2,738,952)	-	(1,524,220)	108,384,820
Lease liabilities	24	1,058,763	3,690,049	(1,845,723)	2,623,370	-	5,526,459
		209,309,874	3,690,049	26,666,693	2,623,370	(1,304,294)	240,985,692
Company							
Trade facilities	23	27,843,100	-	3,577,800	-	-	31,420,900
Term loans	23	25,514,334	-	12,705,600	-	(70,811)	38,149,123
Lease liabilities	24	399,863	176,160	(113,680)	-	-	462,343
Amounts owing to subsidiaries	26	4,600	-	12,460	-	-	17,060
		53,761,897	176,160	16,182,180	-	(70,811)	70,049,426

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

(a) Changes in liabilities arising from financing activities (cont'd):

				Non-cash		
Group	**Note**	**1.1.2018 RM**	**Cash flows RM**	**Acquisition RM**	**Foreign exchange movement RM**	**31.12.2018 RM**
Trade facilities	23	66,800,987	27,436,632	-	1,365,500	95,603,119
Term loans	23	149,540,352	(34,771,914)	-	(2,120,446)	112,647,992
Finance lease liabilities	24	967,604	(376,153)	444,104	23,208	1,058,763
		217,308,943	(7,711,435)	444,104	(731,738)	209,309,874
Company						
Trade facilities	23	8,000,000	19,957,600	-	(114,500)	27,843,100
Term loans	23	47,659,361	(22,145,027)	-	-	25,514,334
Finance lease liabilities	24	-	(43,190)	444,104	(1,051)	399,863
Amounts owing to subsidiaries	26	-	4,600	-	-	4,600
		55,659,361	(2,226,017)	444,104	(115,551)	53,761,897

(b) The short-term fund is an integral part of the Group's and the Company's capital management as disclosed in Note 42.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

1. CORPORATE INFORMATION

Evergreen Fibreboard Berhad ("the Company") is a public limited 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 Suite 9D, Level 9, Menara Ansar, 65 Jalan Trus, 80000 Johor Bahru, Johor Darul Ta'zim.

The principal place of business is located at PLO 22, Parit Raja Industrial Estate, 86400 Batu Pahat, Johor Darul Ta'zim.

The principal activity of the Company is of manufacture of medium density fibreboard and wooden furniture (knock-down). The principal activities of the subsidiaries are as disclosed in Note 12. There have been no significant changes in the nature of these 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 22 May 2020.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

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

New MFRS

MFRS 16	Leases

Amendments/Improvements to MFRSs

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

New IC Int

IC Int 23	Uncertainty over Income Tax Treatments

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

MFRS 16 Leases

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (Cont'd)

2. BASIS OF PREPARATION (cont'd)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (cont'd)

MFRS 16 Leases (cont'd)

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

The Group and the Company have applied MFRS 16 using the modified retrospective approach with an amount equal to the lease liability, adjusted by the amount of, any prepaid or accrued lease payments relating to that lease recognised in the statements of financial position immediately before the date of initial application (i.e. 1 January 2019). As such, the comparative information was not restated and continues to be reported under MFRS 117 and IC Int 4.

Definition of a lease

MFRS 16 changes the definition of a lease mainly to the concept of control. MFRS 16 defines that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

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

Impact of the adoption of MFRS 16

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

(i) Classification and measurement

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

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

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

2. BASIS OF PREPARATION (cont'd)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (cont'd)

MFRS 16 Leases (cont'd)

Impact of the adoption of MFRS 16 (cont'd)

(i) Classification and measurement (cont'd)

For leases that were classified as operating lease under MFRS 117

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

The right-of-use assets were measured at an amount equal to the lease liability. The Group and the Company applied this approach to all other leases.

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

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

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

For land use rights that were classified as intangible assets under MFRS 138

The Group and the Company recognised the carrying amount of the land use rights under MFRS 138 immediately before transition as the carrying amount of the right-of-use assets at the date of initial application. The measurement requirements of MFRS 16 are applied after that date.

(ii) Short-term lease and low value assets

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery and hostel that have a lease term of 12 months or less and leases of low value assets based on the value of the underlying asset when new, such as photocopier machines. The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (Cont'd)

2. BASIS OF PREPARATION (cont'd)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (cont'd)

MFRS 16 Leases (cont'd)

Impact of the adoption of MFRS 16 (cont'd)

The effects of adoption of MFRS 16 as at 1 January 2019 increase/(decrease) are as follows:

	Adjustment	Group Increase/ (Decrease) RM	Company Increase/ (Decrease) RM
Assets			
Non-current assets			
Property, plant and equipment	(i)	(1,457,189)	(631,519)
Right-of-use assets	(i)	39,642,374	7,758,828
Land use rights	(i)	(34,495,136)	(6,951,149)
Total non-current assets		3,690,049	176,160
Non-current liabilities			
Loans and borrowings	(i)	(668,419)	(343,693)
Lease liabilities	(i)	3,115,060	462,343
Current liabilities			
Loans and borrowings	(i)	(390,344)	(56,170)
Lease liabilities	(i)	1,633,752	113,680
Total liabilities		3,690,049	176,160

The incremental borrowing rate applied to lease liabilities recognised in the statements of financial position on 1 January 2019 is 4.35%.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments disclosed applying MFRS 117 as of 31 December 2018, as follows:

	Group RM	Company RM
Assets		
Operating lease commitments as at 31 December 2018	4,034,132	189,000
Incremental borrowing rate as at 1 January 2019	4.35%	4.35%
Discounted operating lease commitments as at 1 January 2019	3,690,049	176,160
Add:		
Commitments relating to lease previously classified as finance lease	1,058,763	399,863
Lease liabilities as at 1 January 2019	4,748,812	576,023

2. BASIS OF PREPARATION (cont'd)

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

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

		Effective for financial periods beginning on or after
New MFRS		
MFRS 17	Insurance Contracts	1 January 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2023#
MFRS 3	Business Combinations	1 January 2020/ 1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2020/ 1 January 2023#
MFRS 9	Financial Instruments	1 January 2020/ 1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 101	Presentation of Financial Statements	1 January 2020/ 1 January 2023#/ 1 January 2022
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020
MFRS 116	Property, Plant and Equipment	1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2020
MFRS 140	Investment Property	1 January 2023#

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

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)

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

Amendments to MFRS 3 Business Combinations

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

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

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

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

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

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.

2.5 Basis of measurement

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

2.6 Use of estimates and judgement

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

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

(a) Subsidiaries and business combination

Subsidiaries are entities (including structured 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 3.8(a).

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 would be required if the acquirer had disposed directly of the previously held equity interest.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (Cont'd)

3. SUMMARY OF SIGNIFICANT 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 a 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, a joint venture or a 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) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

(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.

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 3.13(b).

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Foreign currency transactions and operations

(a) Translation of foreign currency transactions

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

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

Non-monetary items denominated in foreign currencies that are 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 items that are designated as hedging instruments 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).

(b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

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 contractual provisions of the financial instrument.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial instruments (cont'd)

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; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured 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 two categories:

- Financial assets at amortised cost
- 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 their business models for managing those assets change.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. The measurement category into which the Group and the Company classify 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 3.13(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

- **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, 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 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial instruments (cont'd)

(a) Subsequent measurement (cont'd)

(ii) Financial liabilities

The Group and the Company classify their financial at amortised cost.

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

(b) Financial guarantee contracts

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

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

(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 is recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company commit themselves to 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 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial instruments (cont'd)

(d) Derecognition (cont'd)

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

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

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

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 and measurement of impairment losses is in accordance with Note 3.13(b).

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 3.19.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Property, plant and equipment (cont'd)

(b) Subsequent costs

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 profit or loss as incurred.

(c) Depreciation

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

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

	Useful lives (years)
Freehold land improvement and buildings	20-60
Plant and machinery	5-25
Factory and office equipment, furniture and fittings	8
Motor vehicles	5
Computer and communication system	8

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 profit or loss.

3.6 Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both.

Investment properties are initially measured at cost, including transaction costs. The Company uses the cost model to measure its investment properties after initial recognition. Accordingly, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(b).

Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property.

All properties are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Terrace house	50
Leasehold land and factory building	50 - 60

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Leases

(a) Definition of lease

Accounting policies applied from 1 January 2019

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

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

Accounting policies applied until 31 December 2018

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

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

(b) Lessee accounting

Accounting policies applied from 1 January 2019

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

The Group and the Company present right-of-use assets that do not meet the definition of investment property in Note 11 and lease liabilities in Note 24.

Right-of-use asset

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

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If expects 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 3.13(b).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Leases (cont'd)

(b) Lessee accounting (cont'd)

Accounting policies applied from 1 January 2019 (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Leases (cont'd)

(b) Lessee accounting (cont'd)

Accounting policies applied until 31 December 2018

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

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

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

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

(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.

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 statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

3.8 Goodwill and other intangible assets

(a) 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 3.13(b).

In respect of equity-accounted associates and joint venture, goodwill is included in the carrying amount of the investment and is not tested for impairment individually. Instead, the entire carrying amount of the investment is tested for impairment as a single asset when there is objective evidence of impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.8 Goodwill and other intangible assets (cont'd)

(b) Computer software

Computer software that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortization and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(b).

(c) Amortisation

The amortisation methods used and the estimated useful lives are as follows:

	Method	**Useful lives (years)**
Computer software	Straight-line	10

The residual values, useful lives and amortisation methods are reviewed at the end of each reporting period.

3.9 Land use rights

Accounting policies applied until 31 December 2018

Any upfront lease payments under operating lease that are classified as land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

3.10 Biological assets

Biological assets include mature plantations, immature plantations and nurseries that are established or acquired by the Group.

Plantations are stated on initial recognition and at the end of each reporting period, at fair value less estimated point-of-sale costs. Any resultant gains or losses arising from changes in fair value are recognised in profit or loss.

Nurseries are recognised at fair value which is normally the costs incurred in the preparation of the nursery, purchase of seedlings and their maintenance. The accumulated costs will be transferred to immature plantations at the time of planting.

3.11 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.
- consumables and spare parts: purchase costs 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.12 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.

3.13 Impairment of assets

(a) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.13 Impairment of assets (cont'd)

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

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost 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 counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories, deferred tax assets, biological assets and non-current asset classified as held for sale) 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 or a 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.13 Impairment of assets (cont'd)

(b) Impairment of non-financial assets (cont'd)

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. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.14 Non-current assets or disposal groups held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The criteria for held for sale classification is regarded as met only when:

- the asset or disposal group is available for immediate sale in its present condition;
- the management is committed to a plan to sell the asset and the asset or disposal group is actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- the sale is expected to be completed within one year from the date of classification and actions required to complete the plan indicates that it is unlikely that significant changes to the plan will be made or that the sale will be withdrawn.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets or disposal groups are measured at the lower of carrying amount and fair value less costs to sell.

Any impairment loss on the disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro-rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property that is measured at fair value, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. A gain for any subsequent increase in fair value less costs to sell of an asset is recognised but not in excess of the cumulative impairment loss that has been recognised.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted associates and joint venture ceases once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statements of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.15 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.

3.16 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 plan

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

(c) Defined benefit plans

The Group and the Company operate an unfunded post-employment benefit plan to employees as provided in the employment agreements between the companies in the Group and the Company and their employees.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related defined benefit obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in other comprehensive income. Remeasurements are not reclassified to profit or loss in subsequent periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.16 Employee benefits (cont'd)

(c) Defined benefit plans (cont'd)

The net interest is calculated by applying the discount to the net balance of the defined benefit obligation.

The Group and the Company recognise the following costs in profit or loss:

- service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements; and
- net interest expense or income.

3.17 Provisions

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

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

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

3.18 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 in the property development business 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.

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.

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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.18 Revenue and other income (cont'd)

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand-alone selling price is not directly observable, the Group and the Company estimate it by using the costs plus margin approach.

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) Sale of goods – manufacturing

The Group and the Company manufactures and sells a range of medium density fiberboards, particleboards and ready to assemble furniture to local and foreign customers. Revenue from sale of manufactured goods are recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

Sales are made with a credit term of 15 to 90 days, which is consistent with market practice, therefore, no element of financing is deemed present. A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

Revenue is recognised based on the price specified in the contract, net of the estimated volume discounts where applicable. The Group and the company use the expected value method because it is the method that the Group and the Company expects to better predict the estimated volume discounts to which it will be provided to the customers.

The estimated volume discounts recognised is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

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

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

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

(d) Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.19 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.

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

3.20 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, unutilised 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 differences arise 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 is able to control the reversal timing 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.20 Income tax (cont'd)

(b) Deferred tax (cont'd)

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

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

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

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend 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 services tax

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

- where the sales and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales and services 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 services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.21 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.

3.22 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Executive Officer 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (Cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.23 Fair value measurements

Fair value of an asset or a liability, except for share-based payment and 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 a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

3.24 Contract liabilities

Contract liability is the obligation to transfer goods or services to customers for which the Group and the Company have received the consideration or have billed the customers.

3.25 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

(a) Fair value of biological assets

Significant judgement is required in determining the estimated remaining acres of forest land with an estimated hoppus tons of tropical wood trees to be harvested as at each reporting period end. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

The fair value of the rubber trees has been determined based on valuations by an independent professional valuer using discounted cash flows of the trees.

The carrying amount of the Group's biological assets and the key assumptions used to determine the fair value less costs to sell are disclosed in Note 8.

(b) Write-down of obsolete or slow-moving inventories

The Group and the Company write down their obsolete or slow-moving inventories based on the assessment of the saleability of the inventories. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write-down of obsolete or slow-moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amounts of inventories.

The carrying amounts of the Group's and the Company's inventories are disclosed in Note 14.

(c) Impairment of property, plant and equipment

The Group assesses impairment of property, plant and equipment whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less costs of disposal for that asset and its value-in-use.

The Group estimated the fair value of the plant and equipment based on the market valuation performed by an external independent valuer. We focused on this area because the valuation requires significant judgement in determining the appropriate valuation methods and the key assumptions used in the valuations

The carrying amounts of the non-financial assets are disclosed in Note 5.

(d) Impairment of investment in subsidiaries

The Company assesses impairment of investment in subsidiaries whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount.

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

The carrying amount of the Company's investment in subsidiaries are disclosed in Note 12.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (Cont'd)

5. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land RM	Freehold land RM	Freehold land improvement and buildings RM	Plant and machinery RM	Factory and office equipment, furniture and fittings RM	Motor vehicles RM	Computers and communication system RM	Construction in progress RM	Total RM
2019									
Cost									
At 1 January 2019									
As previously reported	875,911	26,063,658	229,442,616	1,504,215,263	27,181,138	29,782,341	4,697,023	42,165,567	1,864,423,517
- Effect of adoption of MFRS 16 (Note 2.2)	(875,911)	-	-	-	-	(912,484)	-	-	(1,788,395)
Adjusted balance at 1 January 2019	-	26,063,658	229,442,616	1,504,215,263	27,181,138	28,869,857	4,697,023	42,165,567	1,862,635,122
Additions	-	-	139,793	22,623,406	105,843	263,014	27,471	41,572,800	64,732,327
Disposals	-	-	-	(237,401)	-	(1,296,432)	-	-	(1,533,833)
Written off	-	-	-	(1,848,731)	(1,205)	(12,312)	-	-	(1,862,248)
Reclassification	-	-	55,213	15,365,010	748,330	-	-	(16,168,553)	-
Exchange differences	-	1,360,032	5,830,849	31,282,717	701,932	1,176,111	14,392	988,967	41,355,000
At 31 December 2019	-	27,423,690	235,468,471	1,571,400,264	28,736,038	29,000,238	4,738,886	68,558,781	1,965,326,368

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group (cont'd)	Leasehold land RM	Freehold land RM	Freehold land improvement and buildings RM	Plant and machinery RM	Factory and office equipment, furniture and fittings RM	Motor vehicles RM	Computers and communication system RM	Construction in progress RM	Total RM
2019									
Accumulated depreciation									
At 1 January 2019									
As previously reported	103,922	-	80,534,136	720,300,864	17,970,234	26,076,147	2,347,762	-	847,333,065
- Effect of adoption of MFRS 16 (Note 2.2)	(103,922)	-	-	-	-	(227,284)	-	-	(331,206)
Adjusted balance at 1 January 2019	-	-	80,534,136	720,300,864	17,970,234	25,848,863	2,347,762	-	847,001,859
Depreciation charge for the year (Note 32)	-	-	7,028,973	65,633,537	869,974	1,261,351	462,325	-	75,256,160
Disposals	-	-	-	(237,398)	-	(1,296,430)	-	-	(1,533,828)
Written off	-	-	-	(1,649,115)	(720)	(3,974)	-	-	(1,653,809)
Exchange differences	-	-	3,020,192	16,570,803	569,708	1,094,484	12,782	-	21,267,969
At 31 December 2019	-	-	90,583,301	800,618,691	19,409,196	26,904,294	2,822,869	-	940,338,351
Accumulated impairment loss									
At 1 January 2019/ 31 December 2019	-	-	-	2,843,446	-	-	-	-	2,843,446
Carrying amount									
At 31 December 2019	-	27,423,690	144,885,170	767,938,127	9,326,842	2,095,944	1,916,017	68,558,781	1,022,144,571

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (Cont'd)

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Leasehold land RM	Freehold land RM	Freehold land improvement and buildings RM	Plant and machinery RM	Factory and office equipment, furniture and fittings RM	Motor vehicles RM	Computers and communication system RM	Construction in progress RM	Total RM
2018									
Cost									
At 1 January 2018	875,911	25,449,985	222,622,073	1,399,387,545	26,401,169	30,148,969	4,465,215	75,629,929	1,784,980,796
Additions	-	-	686,955	29,959,820	378,307	1,334,576	225,314	32,340,207	64,925,179
Disposals	-	-	-	(4,153,997)	-	(2,337,962)	-	(317,595)	(6,809,554)
Written off	-	-	-	(628,324)	(2,128)	-	-	(17,991)	(648,443)
Reclassification	-	-	3,402,501	63,735,104	42,568	-	-	(67,180,173)	-
Exchange differences	-	613,673	2,731,087	15,915,115	361,222	636,758	6,494	1,711,190	21,975,539
At 31 December 2018	875,911	26,063,658	229,442,616	1,504,215,263	27,181,138	29,782,341	4,697,023	42,165,567	1,864,423,517
Accumulated depreciation									
At 1 January 2018	89,076	-	72,570,547	652,406,690	16,872,189	26,349,344	1,898,833	-	770,186,679
Depreciation charge for the year (Note 32)	14,846	-	6,620,415	63,187,847	804,543	1,484,523	443,299	-	72,555,473
Disposals	-	-	-	(4,085,304)	-	(2,337,960)	-	-	(6,423,264)
Written off	-	-	-	(237,331)	(2,128)	-	-	-	(239,459)
Exchange differences	-	-	1,343,174	9,028,962	295,630	580,240	5,630	-	11,253,636
At 31 December 2018	103,922	-	80,534,136	720,300,864	17,970,234	26,076,147	2,347,762	-	847,333,065
Accumulated impairment loss									
At 1 January 2018/ 31 December 2018	-	-	-	2,843,446	-	-	-	-	2,843,446
Carrying amount									
At 31 December 2018	771,989	26,063,658	148,908,480	781,070,953	9,210,904	3,706,194	2,349,261	42,165,567	1,014,247,006

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Freehold land RM	Buildings RM	Plant and machinery RM	Factory and office equipment, furniture and fittings RM	Motor vehicles RM	Computer and communication system RM	Construction in progress RM	Total RM
2019								
Cost								
At 1 January 2019								
- As previously reported	4,883,644	32,001,145	289,490,247	1,799,315	4,074,630	3,545,033	7,645,534	343,439,548
- Effect of adoption of MFRS 16 (Note 2.2)	-	-	-	-	(742,963)	-	-	(742,963)
Adjusted balance at 1 January 2019	4,883,644	32,001,145	289,490,247	1,799,315	3,331,667	3,545,033	7,645,534	342,696,585
Additions	-	3,037,483	4,307,454	2,350	-	14,357	441,853	7,803,497
Disposals	-	-	(266,101)	-	(157,000)	-	-	(423,101)
Reclassification	-	20,525	7,617,342	-	-	-	(7,637,867)	-
At 31 December 2019	4,883,644	35,059,153	301,148,942	1,801,665	3,174,667	3,559,390	449,520	350,076,981
Accumulated depreciation								
At 1 January 2019								
- As previously reported	-	10,083,436	176,076,056	1,713,213	2,783,534	1,405,228	-	192,061,467
- Effect of adoption of MFRS 16 (Note 2.2)	-	-	-	-	(111,444)	-	-	(111,444)
Adjusted balance at 1 January 2019	-	10,083,436	176,076,056	1,713,213	2,672,090	1,405,228	-	191,950,023
Depreciation charge for the financial year (Note 32)	-	560,998	12,488,752	14,117	172,504	377,648		13,614,019
Disposals	-	-	(131,100)	-	(157,000)	-	-	(288,100)
At 31 December 2019	-	10,644,434	188,433,708	1,727,330	2,687,594	1,782,876	-	205,275,942
Net carrying amount								
At 31 December 2019	4,883,644	24,414,719	112,715,234	74,335	487,073	1,776,514	449,520	144,801,039

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Freehold land RM	Buildings RM	Plant and machinery RM	Factory and office equipment, furniture and fittings RM	Motor vehicles RM	Computer and communication system RM	Construction in progress RM	Total RM
2018								
Cost								
At 1 January 2018	4,883,644	32,001,145	286,706,008	1,793,523	3,562,957	3,379,309	2,007,847	334,334,433
Additions	-	-	3,241,881	5,792	1,263,627	165,724	7,210,437	11,887,461
Disposals	-	-	(1,627,010)	-	(751,954)	-	-	(2,378,964)
Written off	-	-	(403,382)	-	-	-	-	(403,382)
Reclassification	-	-	1,572,750	-	-	-	(1,572,750)	-
At 31 December 2018	4,883,644	32,001,145	289,490,247	1,799,315	4,074,630	3,545,033	7,645,534	343,439,548
Accumulated depreciation								
At 1 January 2018	-	9,534,548	164,458,487	1,699,390	3,294,930	1,034,107	-	180,021,462
Depreciation charge for the financial year (Note 32)	-	548,888	13,140,285	13,823	240,558	371,121	-	14,314,675
Disposals	-	-	(1,366,267)	-	(751,954)	-	-	(2,118,221)
Written off	-	-	(156,449)	-	-	-	-	(156,449)
At 31 December 2018	-	10,083,436	176,076,056	1,713,213	2,783,534	1,405,228	-	192,061,467
Net carrying amount								
At 31 December 2018	4,883,644	21,917,709	113,414,191	86,102	1,291,096	2,139,805	7,645,534	151,378,081

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM64,732,327 (2018: RM64,925,179) and RM7,803,497 (2018: RM11,887,461) respectively which are satisfied by the following:

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Financed by finance lease arrangements	-	444,104	-	444,104
Cash payments	64,732,327	64,481,075	7,803,497	11,443,357
	64,732,327	64,925,179	7,803,497	11,887,461

(b) The carrying amount of property, plant and equipment pledged as security for banking facilities as disclosed in Note 23 are as follows:

	Group	
	2019 RM	**2018 RM**
Freehold land	20,732,576	19,481,605
Freehold buildings	26,879,122	21,200,395
Plant and machinery and other assets	316,411,575	318,485,546
	364,023,273	359,167,546

(c) Included in property, plant and equipment are borrowing cost capitalised during the financial year as follows:

	Group	
	2019 RM	**2018 RM**
Construction in progress	-	204,359

(d) The carrying amount of property, plant and equipment held in trust by one of the directors as at end of the financial year are as follows:

	Company	
	2019 RM	**2018 RM**
Motor vehicle	482,926	631,519

(e) The carrying amount of property, plant and equipment acquired under finance lease arrangements as at end of the financial year are as follows:

	Group 2018 RM	**Company 2018 RM**
Motor vehicle	1,944,389	631,519

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (Cont'd)

6. RIGHT-OF-USE ASSETS

2019	Group RM	Company RM
Cost		
At 1 January 2019	-	-
Effects of adoption of MFRS 16 (Note 2.2)	49,152,899	11,250,361
Adjusted balance at 1 January 2019	49,152,899	11,250,361
Additions	2,623,370	1,592,244
Exchange differences	(6,646)	-
At 31 December 2019	51,769,623	12,842,605
Accumulated depreciation		
At 1 January 2019	-	-
Effects of adoption of MFRS 16 (Note 2.2)	9,510,525	3,491,533
Adjusted balance at 1 January 2019	9,510,525	3,491,533
Depreciation charge for the financial year (Note 32)	2,622,693	401,075
At 31 December 2019	12,133,218	3,892,608
Carrying amount		
At 31 December 2019	39,636,405	8,949,997

The Group and the Company lease several assets including leasehold land, warehouse, hostel and motor vehicles.

Information about leases for which the Group and the Company are lessees is presented below:

	Group				
	Leasehold land RM	Warehouse/ Equipment RM	Hostels RM	Motor vehicles RM	Total RM
Carrying amount					
At 1 January 2019	-	-	-	-	-
Effects of adoption of MFRS 16	35,267,125	2,960,342	729,707	685,200	39,642,374
Adjusted balance at 1 January 2019	35,267,125	2,960,342	729,707	685,200	39,642,374
Addition	-	2,431,287	192,083	-	2,623,370
Depreciation	(849,076)	(1,267,316)	(323,804)	(182,497)	(2,622,693)
Exchange differences	(6,646)	-	-	-	(6,646)
At 31 December 2019	34,411,403	4,124,313	597,986	502,703	39,636,405

6. RIGHT-OF-USE ASSETS (cont'd)

	Company			
	Leasehold land RM	Hostels RM	Motor vehicles RM	Total RM
Carrying amount				
At 1 January 2019	-	-	-	-
Effects of adoption of MFRS 16	6,951,149	176,160	631,519	7,758,828
Adjusted balance at 1 January 2019	6,951,149	176,160	631,519	7,758,828
Additions	1,592,244	-	-	1,592,244
Depreciation	(192,084)	(60,398)	(148,593)	(401,075)
At 31 December 2019	8,351,309	15,762	482,926	8,949,997

The Group and the Company lease land and warehouse for their office space and operation site over a few plots of stated-owned land in Malaysia and Indonesia. The lease term is ranges from 50 to 60 years.

The Group and the Company also lease hotels for their worker welfare. The lease term is ranges from 2 to 6 years.

The Group and the Company also lease motor vehicle with lease term of remaining 6 years.

Extension and termination options

The Group and the Company have several lease contracts that include extension and termination options. These options are negotiated by the Group and the Company to provide flexibility in managing the leased-asset portfolio and align with the Group's and the Company's business needs.

The undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term are as follows:

	Group		
	Within five years RM	More than five years RM	Total RM
Extension options expected not to be exercised	768,000	-	768,000

7. LAND USE RIGHTS

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Cost				
At 1 January	43,674,455	43,659,617	10,331,238	10,331,238
Effects of adoption of MFRS 16 (Note 2.2)	(43,674,455)	-	(10,331,238)	-
Adjusted balance at 1 January 2019	-	43,659,617	-	10,331,238
Exchange differences	-	14,838	-	-
At 31 December	-	43,674,455	-	10,331,238
Accumulated amortisation				
At 1 January	9,179,319	8,338,598	3,380,089	3,194,495
Effects of adoption of MFRS 16 (Note 2.2)	(9,179,319)	-	(3,380,089)	-
Adjusted balance at 1 January 2019	-	8,338,598	-	3,194,495
Amortisation charge for the financial year (Note 32)	-	840,721	-	185,594
At 31 December	-	9,179,319	-	3,380,089
Carrying amount				
At 31 December	-	34,495,136	-	6,951,149

The Group has land use rights over a few plots of stated-owned land in Malaysia and Indonesia. The lease term ranges from 50 to 60 years.

8. BIOLOGICAL ASSETS

The Group has two categories of biological assets, namely immature rubber trees and tropical wood trees of various species. The tropical wood trees will be felled as and when the Group clears the land for planting of rubber trees. The matured rubber trees will subsequently be used for the manufacturing of medium density fiberboard.

	Group	
	2019 RM	**2018 RM**
At fair value:		
Immature rubber trees	31,800,000	30,400,000
Tropical wood trees	4,900,000	3,900,000
At 31 December	36,700,000	34,300,000

Fair value information

The fair value measurements for the produce growing on bearer plants have been categorised as Level 3 fair value based on the inputs to the valuation techniques used.

8. BIOLOGICAL ASSETS (cont'd)

Level 3 fair value

The following table shows a reconciliation of Level 3 fair value:

	Group	
	2019 RM	**2018 RM**
Immature rubber trees		
At 1 January	30,400,000	30,100,000
Gain recognised in profit or loss (Note 30)	1,400,000	300,000
At 31 December	31,800,000	30,400,000
Tropical wood trees		
At 1 January	3,900,000	3,200,000
Gain recognised in profit or loss (Note 30)	1,000,000	700,000
At 31 December	4,900,000	3,900,000

(a) The biological assets of the Group consist of immature rubber trees and tropical wood trees of various species. Immature rubber trees and tropical wood trees are measured using the discounted cash flows of the trees.

(b) During the financial year, no tropical wood trees were felled.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Tropical wood trees	Discounted cash flows	Estimate of future cash flows (20 hoppus tons of tropical wood of various species with an average sale value of RM900 (2018: RM800 per hoppus ton)	The higher the average sale value, the higher the fair value

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (Cont'd)

8. BIOLOGICAL ASSETS (cont'd)

Level 3 fair value (cont'd)

(c) The Group had planted on 2,956 (2018: 2,719) acres of land with rubber trees as at the end of financial year. The rubber trees planted on 470 (2018: Nil) acres of land were mature at the end of financial year while the remaining planted rubber trees will attain maturity upon the sixth to seventh year of planting.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Rubber plantations and rubber seedlings	Discounted cash flows	Estimated yield of rubber latex per acre (2019: 800 - 1,300kg; 2018: 800 - 1,300kg);	The higher the estimated yield of rubber latex per acre, the higher the fair value
		Estimated latex selling price (2019: RM4.65/kg; 2018: RM4.85/kg); and	The higher the latex selling price , the higher the fair value
		Estimated harvesting and collection cost (2019: RM1.30/kg; 2018: RM1.30/kg)	The lower the harvesting and collection cost, the higher the fair value

Valuation processes applied by the Group

The fair value of biological assets is determined by external independent valuers, Messrs Raine & Horne International Zaki + Partners Sdn. Bhd., a member of the Board of Valuers, Appraisers and Estate Agents Malaysia with appropriate recognised professional qualifications. The valuation company provides the fair value of the Group's biological assets on a yearly basis. Changes in Level 3 fair values are analysed by the team every year after obtaining the valuation report from the valuation company. There has been no change to the valuation technique during the financial year.

Highest and best use

In estimating the fair value of the biological assets, the highest and best use of the biological assets is their current use.

9. GOODWILL ON CONSOLIDATION

	Group 2019 RM	Group 2018 RM
Cost		
At 1 January/31 December	19,590,250	19,590,250
Accumulated impairment loss		
At 1 January	(10,006,204)	(2,006,204)
Charge for the financial year (Note 31)	-	(8,000,000)
At 31 December	(10,006,204)	(10,006,204)
Carrying amount		
At 31 December	9,584,046	9,584,046

Impairment of goodwill

Goodwill arising from business combination has been allocated to the Group's CGUs identified according to the country of operation for impairment testing as follows:

	Group 2019 RM	Group 2018 RM
Thailand operations	4,893,263	4,893,263
Malaysia operations	4,690,783	4,690,783
	9,584,046	9,584,046

Key assumptions used in value-in-use calculations

The recoverable amount of CGU of Malaysia and Thailand operations as at 31 December 2019 and 31 December 2018 are determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are based on the cash flows forecasted in the preceding years. The key assumptions used for value-in-use calculations are as follows:

Group	Malaysia operations	Thailand operations
31.12.2019		
Key assumptions used in value-in-use calculations		
Growth rate	0.00%	0.00%
Gross margin	13.00%	25.00%
Discount rate	11.88%	11.98%

9. GOODWILL ON CONSOLIDATION (cont'd)

Key assumptions used in value-in-use calculations (cont'd)

Group	Malaysia operations	Thailand operations
31.12.2018		
Key assumptions used in value-in-use calculations		
Growth rate	2.29%	1.50%
Gross margin	21.00%	30.00%
Discount rate	14.35%	14.17%

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(a) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margin is the gross margin achieved in five years preceding the start of the budget period, adjusted for projected market conditions and machine capability.

(b) Discount rate

The discount rate used is based on the pre-tax weighted average cost of capital and an appropriate risk premium.

(c) Growth rate

There is no growth rate projected in the value-in-use calculations.

Sensitivity to change in assumptions

With regard to the assessment of value-in-use calculation, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value to materially exceed its recoverable amount.

Impairment loss recognised

The Group recognised an impairment loss of Nil (2018: RM8,000,000) of a CGU in which the recoverable amount of the CGU is lower than the carrying amount of its CGU during the financial year.

10. OTHER INTANGIBLE ASSETS

	Group	
	2019 RM	2018 RM
Cost		
At 1 January	384,975	316,222
Addition	2,211	59,317
Exchange differences	24,751	9,436
At 31 December	411,937	384,975
Accumulated amortisation		
At 1 January	273,838	231,434
Amortisation charge for the financial year (Note 32)	37,307	34,776
Exchange differences	18,117	7,628
At 31 December	329,262	273,838
Carrying amount		
At 31 December	82,675	111,137

11. INVESTMENT PROPERTIES

	Company	
	2019 RM	2018 RM
At cost		
At 1 January/31 December	5,636,660	5,636,660
Accumulated depreciation		
At 1 January	(1,474,163)	(1,319,630)
Depreciation charge during the financial year (Note 32)	(154,533)	(154,533)
At 31 December	(1,628,696)	(1,474,163)
Carrying amount	4,007,964	4,162,497

(a) The Company's investment properties comprise a number of commercial properties that are leased to its subsidiaries.

(b) The following are recognised in the profit or loss in respect of investment properties:

	2019 RM	2018 RM
Rental income	799,704	798,150
Direct operating expenses	100,034	100,034

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (Cont'd)

11. INVESTMENT PROPERTIES (cont'd)

Fair value information

The fair value of investment properties of the Company is categorised as follows:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2019				
Terrace house	-	-	500,000	500,000
Leasehold land and factory building	-	-	19,825,454	19,825,454
	-	-	20,325,454	20,325,454
2018				
Terrace house	-	-	474,353	474,353
Leasehold land and factory building	-	-	13,068,107	13,068,107
	-	-	13,542,460	13,542,460

The valuation of Level 3 investment properties as at 31 December 2019 and 2018 were determined by directors' estimation based on the indicative market price of similar properties in the vicinity.

There were no transfers between Level 1 and Level 2 during the financial years ended 31 December 2019 and 31 December 2018.

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019 RM	20187 RM
At cost		
Unquoted shares, at cost		
At 1 January	445,582,838	445,582,838
Add: Additions during the financial year	36,350,000	-
At 31 December	481,932,838	445,582,838
Less: Accumulated impairment losses		
At 1 January	(44,424,134)	(44,034,438)
Impairment loss during the financial year (Note 31)	(46,000)	(389,696)
	(44,470,134)	(44,424,134)
At 31 December	437,462,704	401,158,704

12. INVESTMENT IN SUBSIDIARIES (cont'd)

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Principal activities	Effective equity interest 2019	Effective equity interest 2018
Allgreen Timber Products Sdn. Bhd.	Malaysia	Manufacture of particleboard	100%	100%
Siam Fibreboard Co., Ltd.*	Thailand	Manufacture of medium density fibreboard	99.99%	99.99%
GRE Energy Co., Ltd.*	Thailand	Cogeneration of electricity	99.99%	99.99%
ECO Generation Co., Ltd.*	Thailand	Cogeneration of electricity	99.99%	99.99%
PT Hijau Lestari RayaFibreboard*	Indonesia	Manufacture of medium density fibreboard, glue and resin	51%	51%
Evergreen Fibreboard (JB) Sdn. Bhd.	Malaysia	Manufacture of medium density fibreboard with & without lamination	100%	100%
Evergreen Adhesive & Chemicals Sdn. Bhd.	Malaysia	Manufacture of urea formaldehyde concentrate and adhesive products	100%	100%
Evergreen Fibreboard (Nilai) Sdn. Bhd.	Malaysia	Manufacture of medium density fibreboard	100%	100%
Evergreen Adhesive & Chemicals (Gurun) Sdn. Bhd.	Malaysia	Manufacture of urea formaldehyde concentrate and adhesive products	100%	100%
Dawa Timber Industries Sdn. Bhd.	Malaysia	Manufacturing of fancy plywood	99.99%	99.99%
Evergreen Agro Sdn. Bhd.	Malaysia	Planters, cultivators and buyers of rubber and every kind of produce of the soil	100%	100%
Locomotion Services Sdn. Bhd.	Malaysia	Provide warehouse and logistics services	100%	100%
Evergreen Plantation Resources Sdn. Bhd.	Malaysia	Managing of plantation	100%	100%
Craft Master Timber Products Sdn. Bhd.	Malaysia	Manufacture of wood pellets	100%	100%
Everlatt Sourcing Sdn. Bhd.	Malaysia	Wholesale and trading of furniture	100%	100%

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (Cont'd)

12. INVESTMENT IN SUBSIDIARIES (cont'd)

Details of the subsidiaries are as follows: (cont'd)

Name of company	Country of incorporation	Principal activities	Effective equity interest 2019	Effective equity interest 2018
Subsidiary of Craft Master Timber Products Sdn. Bhd.				
Asian Oak Co., Ltd.*	Thailand	Producing and distributing wood products	99.99%	99.99%
Subsidiary of Siam Fibreboard Co., Ltd.				
Siam Furniture (Shanghai) Co., Ltd.*	The People's Republic of China	Distributing the household products made of rubber wood	100%	100%
Subsidiary of Evergreen Plantation Resources Sdn. Bhd.				
Jasa Wibawa Sdn. Bhd.	Malaysia	Dealing in sawn-logs and cultivation of rubber trees	100%	100%

* Audited by auditors other than Baker Tilly Monteiro Heng PLT.

(a) Subscription for additional interests in subsidiaries

(i) On 30 December 2019, the Company had further subscribed for 8,000,000 ordinary shares of Evergreen Plantation Resources Sdn. Bhd. by way of capitalising amount owing from its subsidiary, Jasa Wibawa Sdn. Bhd. to the Company of RM8,000,000.

(ii) On 30 December 2019, the Company had further subscribed for 27,000,000 ordinary shares in the share capital of Allgreen Timber Products Sdn. Bhd. by way of capitalising the amount owing to the Company of RM27,000,000.

(iii) On 30 December 2019, the Company had further subscribed for 1,350,000 ordinary shares in the share capital of Craft Master Timber Sdn. Bhd. by way of capitalising the amount owing to the Company of RM1,350,000.

(b) Non-controlling interests in a subsidiary

The financial information of the subsidiary of the Group that has a material non-controlling interests is as follows:

Equity interest held by non-controlling interests are as follows:

Name of company	Country of incorporation	Equity interest 2019 %	Equity interest 2018 %
PT Hijau Lestari Raya Fibreboard	Indonesia	49	49

Carrying amount of non-controlling interests:

Name of company	2019 RM	2018 RM
PT Hijau Lestari Raya Fibreboard	29,683,307	30,011,056

12. INVESTMENT IN SUBSIDIARIES (cont'd)

(b) Non-controlling interests in a subsidiary (cont'd)

Profit or loss allocated to non-controlling interests:

Name of company	2019 RM	2018 RM
PT Hijau Lestari Raya Fibreboard	(327,749)	16,506

The summarised financial information before intra-group elimination of the subsidiary that has a material non-controlling interests is as follows:

	PT Hijau Lestari Raya Fibreboard RM
Summarised statement of financial position	
As at 31 December 2019	
Non-current assets	72,691,557
Current assets	50,572,551
Non-current liabilities	(4,604,674)
Current liabilities	(45,204,282)
Net assets	73,455,152
Summarised statement of comprehensive income	
Financial year ended 31 December 2019	
Revenue	82,762,814
Loss for the financial year	(982,894)
Total comprehensive income	(628,672)
Summarised cash flow information	
Financial year ended 31 December 2019	
Net cash flows from operating activities	18,235,335
Net cash flows used in investing activities	(8,894,032)
Net cash flows used in financing activities	(17,113,799)
Net decrease in cash and cash equivalents	(7,772,496)
Dividends paid to non-controlling interests	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (Cont'd)

12. INVESTMENT IN SUBSIDIARIES (cont'd)

(b) Non-controlling interests in a subsidiary (cont'd)

The summarised financial information before intra-group elimination of the subsidiary that has a material non-controlling interests is as follows: (cont'd)

	PT Hijau Lestari Raya Fibreboard RM
Summarised statement of financial position	
As at 31 December 2018	
Non-current assets	72,907,642
Current assets	70,379,893
Non-current liabilities	(4,465,407)
Current liabilities	(63,967,890)
Net assets	74,854,238
Summarised statement of comprehensive income	
Financial year ended 31 December 2018	
Revenue	75,466,326
Loss for the financial year	(357,538)
Total comprehensive income	33,680
Summarised cash flow information	
Financial year ended 31 December 2018	
Net cash flows from operating activities	2,972,635
Net cash flows used in investing activities	(5,153,388)
Net cash flows used in financing activities	(1,272,389)
Net decrease in cash and cash equivalents	(3,453,141)
Dividends paid to non-controlling interests	-

13. DEFERRED TAX

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Deferred tax liabilities				
At 1 January	(40,399,478)	(40,467,458)	(2,980,234)	(5,391,250)
Recognised in profit or loss (Note 34)	4,724,337	226,732	2,980,234	2,411,016
Exchange differences	29,108	(158,752)	-	-
At 31 December	(35,646,033)	(40,399,478)	-	(2,980,234)

13. DEFERRED TAX (cont'd)

(a) Presented after appropriate off-setting as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Deferred tax assets	1,803,422	1,803,422	21,321,615	16,399,866
Deferred tax liabilities	(37,449,455)	(42,202,900)	(21,321,615)	(19,380,100)
	(35,646,033)	(40,399,478)	-	(2,980,234)

(b) The components of deferred tax assets/(liabilities) prior to offsetting are as follows:

	Group	
	2019 RM	2018 RM
Deferred tax assets		
Unabsorbed capital allowances	10,647,018	7,075,465
Unutilised tax losses	11,446,862	12,040,309
Unabsorbed reinvestment allowances	26,232,332	21,176,394
Unrealised loss foreign exchange	1,020,336	178,478
Provision for retirement benefits obligation	1,830,102	1,596,352
Others	154,594	419,052
	51,331,244	42,486,050
Deferred tax liabilities		
Differences between the carrying amount of property, plant and equipment and their tax bases	(75,263,968)	(74,203,848)
Changes in fair value of biological assets	(8,808,000)	(8,300,300)
Unrealised gain on foreign exchange	(2,905,309)	(381,380)
	(86,977,277)	(82,885,528)
	(35,646,033)	(40,399,478)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (Cont'd)

13. DEFERRED TAX (cont'd)

(b) The components of deferred tax assets/(liabilities) prior to offsetting are as follows: (cont'd)

	Company	
	2019 RM	**208 RM**
Deferred tax assets		
Provision for retirement benefits obligation	1,007,951	1,012,683
Unabsorbed capital allowance	8,157,720	4,145,288
Unabsorbed reinvestment allowances	11,162,694	11,241,895
Unrealised loss on foreign exchange	993,250	-
	21,321,615	16,399,866
Deferred tax liabilities		
Differences between the carrying amount of property, plant and equipment and its tax base	(21,321,615)	(19,084,679)
Unrealised gain on foreign exchange	-	(295,421)
	(21,321,615)	(19,380,100)
	-	(2,980,234)

The deferred tax assets and liabilities are not available for set-off as they arise from different taxable entities within the Group.

(c) The estimated amounts of temporary differences for which no deferred tax assets are recognised in the financial statements are as follows:

	Group	
	2019 RM	**2018 RM**
Unabsorbed capital allowances	166,927,960	148,616,925
Unutilised tax losses	14,789,667	14,959,829
Unabsorbed investment tax allowances	76,051,303	76,051,303
Unabsorbed reinvestment allowances	45,475,458	64,388,727
Others	141,528	-
	303,385,916	304,016,784
Potential deferred tax assets not recognised at 24% (2018: 24%)	72,812,620	72,964,028

	Company	
	2019 RM	**2018 RM**
Unabsorbed reinvestment allowances	1,041,110	-
Potential deferred tax assets not recognised at 24% (2018: 24%)	249,866	-

13. DEFERRED TAX (cont'd)

(c) The estimated amounts of temporary differences for which no deferred tax assets are recognised in the financial statements are as follows: (cont'd)

The availability of unutilised tax losses offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to requirements under Income tax Act, 1967 and guidelines issued by the tax authority.

The unutilised tax losses are available for offset against future taxable profits of the Group which will expire in the following financial years:

	Group 2019 RM
2025	59,548,215
2026	2,936,710
	62,484,925

14. INVENTORIES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
At lower of cost and net realisable value				
Raw materials	37,101,743	34,830,111	5,799,399	7,041,156
Work-in-progress	64,712,189	64,155,526	914,135	883,627
Finished goods	50,029,555	62,018,671	12,069,942	13,882,714
Factory supplies	3,331,327	3,401,196	1,394,223	1,036,255
Fertilizer, chemicals and consumables	190,161	137,726	-	-
Packing materials	2,995,570	3,555,570	1,475,995	1,526,394
Spare parts	89,745,150	84,746,474	17,430,928	15,757,096
	248,105,695	252,845,274	39,084,622	40,127,242

(a) The cost of inventories of the Group and of the Company recognised as an expense in cost of sales during the financial year was RM842,456,959 (2018: RM911,837,914) and RM208,763,293 (2018: RM231,600,712) respectively.

(b) The cost of inventories of the Group and of the Company recognised as an expense in cost of sales during the financial year include the following:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Inventories written down	5,080,299	3,074,178	-	86,326

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (Cont'd)

15. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Non current:					
Non-trade					
Amounts owing by subsidiaries	(a)	-	-	55,784,598	87,204,706
Current:					
Trade					
External parties	(c)	86,975,611	95,812,524	5,853,482	8,334,205
Subsidiaries		-	-	16,105,386	18,425,012
		86,975,611	95,812,524	21,958,868	26,759,217
Less: Impairment loss on trade receivables	(c)	(3,395,760)	(560,825)	-	-
		83,579,851	95,251,699	21,958,868	26,759,217
Other receivables					
Amounts owing by subsidiaries	(b)	-	-	26,912,020	15,668,544
Other receivables		2,700,785	3,273,404	1,304,727	1,339,433
Deposits		1,999,059	1,813,317	413,022	357,561
Goods and services/value added tax refundable		8,194,756	12,441,167	468,580	1,522,986
		12,894,600	17,527,888	29,098,349	18,888,524
Total trade and other receivables (current)		96,474,451	112,779,587	51,057,217	45,647,741
Total trade and other receivables (non-current and current)		96,474,451	112,779,587	106,841,815	132,852,447

(a) Amounts owing by subsidiaries represent advances which are unsecured, which bear interest at rates ranging from 1.75% to 4.9% (2018: 1.75% to 7.72%) and is expected to be settled in cash. However, this amount is not expected to be settled within the twelve months after the reporting date.

(b) Amounts owing by subsidiaries represent advances to subsidiaries which are unsecured, which bear interest at rates ranging from 3.90% to 4.60% (2018: 4.30% to 4.70%) and is expected to be settled in cash.

15. TRADE AND OTHER RECEIVABLES (cont'd)

(c) Trade receivables

The Group's and the Company's trading terms with their customers are mainly on credit for local customers and payment in advance for overseas customers. The normal credit terms granted ranging from 15 to 90 days (2018: 15 to 90 days) from date of invoices. Other credit terms are assessed and approved on a case-by-case basis.

Receivables that are impaired

The Group's and the Company's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables are as follows:

	Group	
	2019 RM	2018 RM
At 1 January	560,825	49,251
Charge for financial year		
- Individually assessed	2,819,241	503,294
Reversal of impairment loss	-	(1,587)
Exchange difference	15,694	9,867
At 31 December	3,395,760	560,825

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The information about the credit exposures are disclosed in Note 39(b)(iv).

16. OTHER CURRENT ASSETS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current				
Prepayments	2,446,585	2,062,240	516,628	350,191
Advance payments to suppliers	13,312,648	17,502,679	1,803,535	2,687,872
	15,759,233	19,564,919	2,320,163	3,038,063

17. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Cash and bank balances	80,194,836	89,438,887	14,861,475	10,182,216
Deposits placed with licensed banks (Note (a))	14,647,867	16,628,407	14,647,867	14,155,233
Time deposits (Note (b))	878,113	854,614	200,000	200,000
Deposits, cash and bank balances as reported in the statements of financial position	95,720,816	106,921,908	29,709,342	24,537,449
Less: Time deposits	(878,113)	(854,614)	(200,000)	(200,000)
Cash and cash equivalents as reported in the statements of cash flows	94,842,703	106,067,294	29,509,342	24,337,449

(a) The deposits placed with licensed banks are placements with periods of less than 3 months and bear interests at rate ranging from 3.15% to 3.45% (2018: 1.22% to 3.8%) and mature within 3 months.

(b) Time deposits are deposits placed with licensed bank for periods of more than 3 months and bear interests at rates ranging from 1.05% to 4.30% (2018: 1.05% to 4.30%) per annum and mature within one year.

18. SHORT-TERM FUND

	Group and Company 2019
Current:	**RM**
Financial assets at fair value through profit or loss ("FVPL")	
- Unquoted money market fund	9,028,760

Short-term fund is a fund invested in money market which is managed by investment bank and it is redeemable at any point in time.

It is an integral part of the Group's and the Company's capital management as disclosed in Note 42.

19. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

	Group	
	2019 RM	**2018 RM**
At 1 January	-	8,551,701
Disposal	-	(8,551,701)
At 31 December	-	-

On 12 September 2017, a subsidiary of the Company entered into a sale and purchase agreement ("SAP") with a third party to dispose of a piece of land for a total cash consideration of RM19,602,000. The sale was completed in previous financial year.

20. SHARE CAPITAL

	Group/Company			
	Number of ordinary shares		Amounts	
	2019 UNIT	2018 UNIT	2019 RM	2018 RM
Issued and fully paid				
At 1 January/31 December	846,423,985	846,423,985	344,749,212	344,749,212

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

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

21. TREASURY SHARES

	Group/Company			
	Number of treasury shares		Amount	
	2019 UNIT	2018 UNIT	2019 RM	2018 RM
At 1 January	622,000	422,000	482,899	393,305
Share repurchased	-	200,000	-	89,594
At 31 December	622,000	622,000	482,899	482,899

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company. The Company's share buyback scheme was approved by the Company's shareholders in the Annual General Meeting held on 24 May 2019 for the Company to repurchase up to 10% of its issued ordinary shares. 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.

In the previous financial year, the Company repurchased 200,000 shares of its issued shares from the open market. The average price paid for the shares repurchased was RM0.445 per share.

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

		Price per share			
	No. of shares repurchased	Highest RM	Lowest RM	Average RM	Total RM
2018					
Month					
May 2018	200,000	0.445	0.445	0.445	89,594

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (Cont'd)

22. OTHER RESERVES

(a) Equity transaction reserve

The equity transaction reserve comprises the differences between the share of non-controlling interests in subsidiaries acquired/disposed and the consideration paid/received.

(b) Foreign exchange reserve

The foreign exchange reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(c) Fair value reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-**for-**sale financial assets until they are disposed of or impaired.

23. LOANS AND BORROWINGS

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Non-current				
Secured:				
Term loans	41,064,693	36,895,380	17,793,450	5,199,801
Unsecured:				
Term loans	36,519,126	49,198,778	4,310,707	9,310,533
	77,583,819	86,094,158	22,104,157	14,510,334
Current				
Secured:				
Trade facilities	42,129,000	44,311,900	-	-
Term loans	19,355,318	14,258,215	11,040,966	6,000,000
Unsecured:				
Trade facilities	84,945,413	51,291,219	31,420,900	27,843,100
Term loans	11,445,683	12,295,619	5,004,000	5,004,000
	157,875,414	122,156,953	47,465,866	38,847,100
Total loans and borrowings				
Trade facilities	127,074,413	95,603,119	31,420,900	27,843,100
Term loans	108,384,820	112,647,992	38,149,123	25,514,334
	235,459,233	208,251,111	69,570,023	53,357,434

23. LOANS AND BORROWINGS (cont'd)

(a) The loans and borrowings of the Group and of the Company are secured by the following:

(i) Debentures over fixed and floating charges over the present and future assets of certain subsidiaries;
(ii) Legal charge over the freehold land, buildings and plant and machinery of certain subsidiaries as disclosed in Note 5;
(iii) Priority and security sharing agreement; and
(iv) Corporate guarantee by the Company.

(b) The interest rates of the loans and borrowings at the reporting date are as follows:

	Group		Company	
	2019 %	**2018 %**	**2019 %**	**2018 %**
Trade facilities	1.68 - 4.75	2.60 - 4.75	2.25 - 4.62	2.60 - 4.70
Term loans	0.9 - 5.09	0.90 - 5.30	3.91 - 5.09	4.40 - 5.30

24. LEASE LIABILITIES/FINANCE LEASE LIABILITIES

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Non-current				
Unsecured:				
Lease liabilities	3,348,675	-	55,365	-
Secured:				
Lease liabilities	327,256	-	284,163	-
Finance lease liabilities	-	668,419	-	343,693
Current				
Unsecured:				
Lease liabilities	1,492,766	-	63,285	-
Secured:				
Lease liabilities	357,762	-	59,530	-
Finance lease liabilities	-	390,344	-	56,170
Total lease liabilities/ finance lease liabilities	5,526,459	1,058,763	462,343	399,863

Vehicles of the Group and the Company as disclosed in Note 6 are pledged for leases. The interest rate implicit in the finance lease liabilities ranging from 2.52% - 3.57% (2018: 2.52 - 3.57%).

The incremental borrowing rate applied to lease liabilities is 4.35% (2018: Nil).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (Cont'd)

24. LEASE LIABILITIES/FINANCE LEASE LIABILITIES (cont'd)

Future minimum lease payments together with the present value of the net minimum lease payments are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Minimum lease payments				
Not later than 1 year	2,049,186	434,133	140,153	75,353
Later than 1 year and not later than 2 years	2,254,531	365,356	134,753	75,353
Later than 2 years and not later than 5 years	1,671,801	270,893	226,060	226,060
Later than 5 years	12,503	87,858	12,503	87,858
	5,988,021	1,158,240	513,469	464,624
Less: Future finance charges	(461,562)	(99,477)	(51,126)	(64,761)
Present value of minimum lease payments	5,526,459	1,058,763	462,343	399,863
Present value of minimum lease payments				
Not later than 1 year	1,850,528	390,344	122,815	56,170
Later than 1 year and not later than 2 years	2,076,383	341,165	118,257	59,531
Later than 2 years and not later than 5 years	1,587,114	241,847	208,837	198,755
Later than 5 years	12,434	85,407	12,434	85,407
	5,526,459	1,058,763	462,343	399,863
Less: Amount due within 12 months	(1,850,528)	(390,344)	(122,815)	(56,170)
Amount due after 12 months	3,675,931	668,419	339,528	343,693

25. RETIREMENT BENEFITS OBLIGATION

The movements in the defined benefit obligation in the statements of financial position are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
At 1 January	11,489,445	10,534,022	4,219,513	3,871,110
Current service costs and interest expense (Note 33)	1,395,158	1,791,382	456,200	437,696
Remeasurement of actuarial gain from financial assumption	(354,222)	(161,538)	-	-
Benefits paid	(788,893)	(642,926)	(475,915)	(89,293)
Exchange differences	211,498	(31,495)	-	-
At 31 December	11,952,986	11,489,445	4,199,798	4,219,513

25. RETIREMENT BENEFITS OBLIGATION (cont'd)

Significant actuarial assumptions

The significant actuarial assumptions applied in the measurement of defined benefit pension plan are as follows:

	Group		Company	
	2019 %	2018 %	2019 %	2018 %
Discount rate	2.99 – 8.00	5,40 - 8.50	5.40	5.40
Salary increase rate	3.00 – 7.00	3.00 – 10.00	3.00 – 5.00	3.00 – 5.00

Sensitivity analysis

The sensitivity of the defined benefit obligation to the significant actuarial assumptions at the end of reporting period are shown below:

	Reasonably possible change in assumption	Group		Company	
		Effect on defined benefit obligation			
		Increase RM	Decrease RM	Increase RM	Decrease RM
2019					
Discount rate	1%	(2,370,618)	2,854,935	(385,085)	442,905
Salary increase rate	1%	3,049,388	(2,520,776)	562,040	(489,527)
2018					
Discount rate	1%	(2,208,588)	2,666,111	(378,957)	437,625
Salary increase rate	1%	2,775,573	(2,292,578)	505,089	(441,022)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (Cont'd)

26. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Trade payables					
Third parties	(a)	54,800,143	67,833,302	10,385,779	9,497,692
Amounts owing to subsidiaries	(a)	-	-	2,814,268	2,262,692
		54,800,143	67,833,302	13,200,047	11,760,384
Other payables					
Amounts owing to subsidiaries	(b)	-	-	17,060	4,600
Other payables		18,366,497	25,580,826	4,599,905	6,620,402
Amounts owing to non-controlling interests	(c)	5,319,304	4,806,826	-	-
Goods and services/value added tax payable		2,798,899	2,105,266	-	-
Deposits		829,082	907,734	-	-
Accruals		24,869,925	27,674,793	5,721,192	6,933,195
		52,183,707	61,075,445	10,338,157	13,558,197
Total trade and other payables		106,983,850	128,908,747	23,538,204	25,318,581

(a) Trade payables are non-interest bearing and the normal credit terms granted to the Group and the Company ranging from 7 to 90 days (2018: 7 to 90 days).

(b) The amounts owing to subsidiaries represent non-trade in nature and repayable on demand in cash and cash equivalents.

(c) The amounts owing to non-controlling interests represents amounts arising from loan and advances which are unsecured, non-interest bearing, repayable on demand in cash and cash equivalents.

For explanations on the Group's and the Company's liquidity risk management processes, refer to Note 39(b)(iii).

27. CONTRACT LIABILITIES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Contract liabilities relating to sales of goods	15,077,518	9,394,535	1,197,694	594,894

(a) Significant changes in contract balances

	Contract liabilities (Increase)/decrease	
	2019 RM	2018 RM
Group		
Revenue recognised that was included in contract liability at the beginning of the financial year	9,394,535	7,915,681
Increases due to advances received from customers, but revenue not recognised	(15,077,518)	(9,394,535)
Company		
Revenue recognised that was included in contract liability at the beginning of the financial year	594,894	2,242,275
Increases due to advances received from customers, but revenue not recognised	(1,197,694)	(594,894)

28. REVENUE

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
At a point in time:				
Sales of fibreboard and furniture parts	930,447,278	1,075,234,554	210,402,655	249,755,406
Sales of urea formaldehyde concentrate and adhesive products	17,974,593	24,967,652	-	-
Others	19,498,446	5,341,278	-	-
	967,920,317	1,105,543,484	210,402,655	249,755,406

29. COST OF SALES

Cost of sales represents cost of inventories sold.

30. OTHER INCOME

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Dividend income from subsidiaries	-	-	22,000,000	30,383,203
Gain on foreign exchange				
- realised	8,296,502	4,370,860	4,127,690	-
- unrealised	-	2,634,951	-	1,230,920
Gain on disposal of property, plant and equipment	388,640	11,183,976	564	180,352
Gain arising from fair value adjustment of biological assets	2,400,000	1,000,000	-	-
Interest income	1,642,604	1,691,890	3,213,460	3,348,046
Insurance compensation	1,033,143	24,952,186	982,190	-
Others	1,273,348	1,981,628	49,536	110,694
Rental income	257,252	164,326	1,283,777	1,088,472
	15,291,489	47,979,817	31,657,217	36,341,687

31. OTHER EXPENSES

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Impairment loss on:				
- investment in subsidiaries	-	-	46,000	389,696
- goodwill	-	8,000,000	-	-
Loss on foreign exchange				
- realised	-	-	-	260,306
- unrealised	3,711,558	-	4,138,539	-
Property, plant and equipment written off	208,439	408,984	-	246,933
Others	52,623	-	-	-
	3,972,620	8,408,984	4,184,539	896,935

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32. (LOSS)/PROFIT BEFORE TAX

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

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Amortisation of:					
- land use rights	7	-	840,721	-	185,594
- intangible assets	10	37,307	34,776	-	-
Auditors' remuneration					
- auditors of the Company					
- statutory audit					
- current year		315,500	338,300	134,000	131,000
- over provision in prior year		(2,885)	(3,000)	-	(3,000)
- non-statutory audit		13,000	23,000	13,000	23,000
- component auditors of the Group					
- statutory audit					
- current year		267,515	238,284	-	-
Bad debts written off		130,000	-	-	-
Depreciation of:					
- property, plant and equipment	5	75,256,160	72,555,473	13,614,019	14,314,675
- investment properties	11	-	-	154,533	154,533
- right-of-use assets	6	2,622,693	-	401,075	-
Employee benefits expense	33	108,389,596	108,365,425	26,746,536 -	28,065,566
Impairment loss on trade receivables, net		2,819,241	501,707	-	-
Interest expense:					
- lease liabilities		254,404	-	25,550	-
- finance lease liabilities		-	59,643	-	18,626
- trade facilities		4,183,991	4,377,835	1,348,425	727,908
- term loans		3,143,302	2,237,095	1,318,588	1,576,454
Inventories written down		5,080,299	3,074,178	-	86,326
Rental expense:					
- equipment		-	7,331,619	-	1,138,918
- hostel		-	565,934	-	130,800
- land		-	1,473,587	-	466,804
Expense relating to low value assets and short-term leases		7,051,580	-	1,667,821	-

33. EMPLOYEE BENEFITS EXPENSE

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Wages and salaries		97,604,103	95,397,136	22,985,570	24,194,347
Defined contribution plan		4,784,145	4,920,403	2,307,830	2,358,206
Social security contribution		1,706,399	1,596,737	341,524	300,551
Other staff related expenses		2,899,791	4,659,767	655,412	774,766
Retirement benefit obligations	25	1,395,158	1,791,382	456,200	437,696
		108,389,596	108,365,425	26,746,536	28,065,566

33. EMPLOYEE BENEFITS EXPENSE (cont'd)

Included in employee benefits expenses are:

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Directors of the Company				
Executive:				
Salaries and emoluments	5,008,307	5,097,339	4,236,337	4,417,984
Bonus	69,216	163,061	69,216	163,061
Benefits-in-kind	66,200	55,542	66,200	55,542
	5,143,723	5,315,942	4,371,753	4,636,587
Non-executive:				
Fee	305,520	363,930	304,540	363,930
Allowances	14,415	26,730	15,395	26,730
Benefits-in-kind	3,600	-	3,600	-
	323,535	390,660	323,535	390,660
Directors of subsidiaries				
Executive:				
Salaries and emoluments	125,912	70,986	-	-
	5,593,170	5,777,588	4,695,288	5,027,247

34. TAX EXPENSE/(CREDIT)

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Current income tax:				
Current income tax charge	5,676,818	8,290,016	460,469	661,888
(Over)/Under provision in prior financial years	(724,231)	1,512,312	(241,055)	65,592
	4,952,587	9,802,328	219,414	727,480
Deferred tax (Note 13):				
Reversal of temporary differences	(5,979,882)	(1,708,173)	(4,045,220)	(1,349,490)
Under/(Over) provision in prior financial years	1,255,545	1,481,441	1,064,986	(1,061,526)
	(4,724,337)	(226,732)	(2,980,234)	(2,411,016)
Tax expense/(credit) recognised in profit or loss	228,250	9,575,596	(2,760,820)	(1,683,536)

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31 DECEMBER 2019 (Cont'd)

34. TAX EXPENSE/(CREDIT) (cont'd)

The reconciliations from the tax amount at statutory income tax rate to the Group's and the Company's tax expense/(credit) are as follows:

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
(Loss)/Profit before tax	(42,210,558)	25,754,093	7,199,511	24,086,501
Tax at Malaysian statutory income tax rate of 24%	(10,130,534)	6,180,982	1,727,883	5,780,760
Effect of different tax rates in other countries	3,004,389	(298,658)	-	-
Income not subject to tax	(1,617,400)	(3,666,489)	(6,335,137)	(7,581,418)
Expenses not deductible for tax purposes	8,591,889	3,195,043	772,637	1,192,256
Utilisation of previously unrecognised deferred tax assets	(151,408)	-	-	-
Deferred tax assets not recognised during the financial year	-	1,250,165	249,866	-
Deferred tax assets recognised on reinvestment allowances	-	(79,200)	-	(79,200)
Under/(Over) provision in prior financial years				
- income tax	(724,231)	1,512,312	(241,055)	65,592
- deferred tax	1,255,545	1,481,441	1,064,986	(1,061,526)
Tax expense/(credit)	228,250	9,575,596	(2,760,820)	(1,683,536)

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

35. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share amounts are based on (loss)/profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the financial year, calculated as follows:

	Group	
	2019 RM	**2018 RM**
(Loss)/Profit attributable to the owners of the Company	(41,957,190)	16,353,691
Weighted average number of ordinary shares for basic earnings per share	854,884,725	845,884,725
Basic (loss)/earnings per share (sen)	(4.96)	1.93

(b) The diluted loss per share is equal to the basic loss per share as there were no potential dilutive ordinary shares outstanding at the end of the reporting period.

36. DIVIDENDS

	Company	
	2019	2018
Single tier final dividend of 0.48 sen per ordinary share in respect of the financial year ended 31 December 2018	4,059,850	-
Single tier final dividend of 1.38 sen per ordinary share in respect of the financial year ended 31 December 2017	-	11,672,067
	4,059,850	11,672,067

37. COMMITMENTS

(a) Commitments

The Group and the Company have made commitments for the following capital expenditures:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
In respect of capital expenditure property, plant and equipment:				
- Approved and contracted for	3,561,600	3,196,321	468,811	1,069,133
- Approved but not contracted for	130,000	160,000	130,000	160,000
	3,691,170	3,356,321	598,811	1,229,133

(b) Operating lease commitments – as lessee

The Group and Company lease several of its hostels and warehouses which have remaining lease term between 2 to 5 years with a renewal option included in the contract. There are no restrictions placed upon the Group and the Company by entering into these leases.

The future lease payments for these non-cancellable lease contracts are as follows:

	Group 2018 RM	Company 2018 RM
Future lease payments:		
Not later than 1 year	1,293,552	64,800
Later than 1 year and not later than 5 years	2,740,580	124,200
	4,034,132	189,000

38. RELATED PARTIES

(a) Identity of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

(i) Subsidiaries; and
(ii) Key management personnel of the Group's and the Company's holding company, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

(b) Significant related party transactions

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

	Company	
	2019	**2018**
	RM	**RM**
Transactions with subsidiaries are as follows:		
- Sale of products and rendering of service	(54,095,135)	(53,072,789)
- Dividend income	(22,000,000)	(30,383,203)
- Rental income	(1,283,778)	(1,088,472)
- Interest income	(2,359,281)	(2,550,969)
- Sale of spare parts	(561,241)	(725,779)
- Sales of property, plant and equipment	(133,515)	(253,450)
- Management fees	(8,606,856)	(8,521,690)
- Purchase of products	45,315,696	65,007,945
- Purchase of property, plant and equipment	4,828,069	84,985
- Purchase of spare parts	72,627	299,357
- Rental expense	-	470,000
- Expense relating to short-term leases	336,830	-

(c) Compensation of key management personnel

Key management personnel include personnel having authority and responsibility for planning, directing and controlling the activities of the entities, directly or indirectly, including any director of the Group and of the Company.

The remuneration of the key management personnel is as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Short term employees benefits	5,521,600	5,695,316	4,623,718	4,944,975
Benefits-in-kind	71,570	82,272	71,570	82,272
	5,593,170	5,777,588	4,695,288	5,027,247

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

(i) Amortised cost
(ii) Fair value through profit or loss ("FVPL")

	Carrying amount RM	Amortised cost RM	FVPL RM
At 31 December 2019			
Financial assets			
Group			
Trade and other receivables, excluding goods and services value added tax refundable	88,279,695	88,279,695	-
Deposits, cash and bank balances	95,720,816	95,720,816	-
Short-term fund	9,028,760	-	9,028,760
	193,029,271	184,000,511	9,028,760
Company			
Trade and other receivables, excluding goods and services value added tax refundable	106,373,235	106,373,235	-
Deposits, cash and bank balances	29,709,342	29,709,342	-
Short-term fund	9,028,760	-	9,028,760
	145,111,337	136,082,577	9,028,760

	Carrying amount RM	Amortised cost RM
At 31 December 2019		
Financial liabilities		
Group		
Trade and other payables, excluding goods and services/value added payable	104,184,951	104,184,951
Loans and borrowings	235,459,233	235,459,233
Lease liabilities	5,526,459	5,526,459
	345,170,643	345,170,643
Company		
Trade and other payables, excluding goods and services/value added payable	23,538,204	23,538,204
Loans and borrowings	69,570,023	69,570,023
Lease liabilities	462,343	462,343
	93,570,570	93,570,570

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (Cont'd)

39. 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	Amortised cost RM
At 31 December 2018		
Financial assets		
Group		
Trade and other receivables, excluding goods and services/value added tax refundable	100,338,420	100,338,420
Deposits, cash and bank balances	106,921,908	106,921,908
	207,260,328	207,260,328
Company		
Trade and other receivables, excluding goods and services/value added tax refundable	131,329,461	131,329,461
Deposits, cash and bank balances	24,537,449	24,537,449
	155,866,910	155,866,910
Financial liabilities		
Group		
Trade and other payables, excluding goods and services/value added payable	126,803,481	126,803,481
Loans and borrowings	208,251,111	208,251,111
Finance lease liabilities	1,058,763	1,058,763
	336,113,355	336,113,355
Company		
Trade and other payables, excluding goods and services/value added payable	25,318,581	25,318,581
Loans and borrowings	53,357,434	53,357,434
Finance lease liabilities	399,863	399,863
	79,075,878	79,075,878

39. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management

The Group's and the Company's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's and of the Company's businesses whilst managing their interest rate risk, foreign exchange risk, liquidity risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

(i) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group and the Company have no significant interest-bearing financial assets, the Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Group's and the Company's interest-bearing financial assets are mainly short-term in nature and have been mostly placed in deposits with licensed banks.

The Group's and the Company's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group and the Company to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group and the Company to fair value interest rate risk. The Group and the Company manage their interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

Sensitivity analysis

As at the reporting date, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's and the Company's loss net of tax would have been RM1,831,491 (2018: profit net of tax RM1,590,755) and RM532,246 (2018: profit net of tax 408,555) lower/higher (2018: higher/lower) respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the current observable market environment.

(ii) Foreign exchange risk

The Group and the Company are exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk are primarily United States Dollar ("USD") and Euro. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

The Group and the Company maintain a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

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31 DECEMBER 2019 (Cont'd)

39. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(ii) Foreign exchange risk (cont'd)

The net unhedged financial assets and financial liabilities of the Group and the Company that are not denominated in their functional currencies are as follows:

	USD RM	Euro RM	Total RM
Functional Currency of Group			
At 31 December 2019			
Ringgit Malaysia	20,932,810	(42,242,183)	(21,309,373)
Thai Baht	11,570,526	(28,604)	11,541,922
Indonesian Rupiah	5,291,901	(818,357)	4,473,544
	37,795,237	(43,089,144)	(5,293,907)
At 31 December 2018			
Ringgit Malaysia	46,227,434	(47,378,684)	(1,151,250)
Thai Baht	29,329,142	(59,208)	29,269,934
Indonesian Rupiah	(16,602,141)	(1,048,062)	(17,650,203)
	58,954,435	(48,485,954)	10,468,481
Functional Currency of Company			
At 31 December 2019			
Ringgit Malaysia	7,862,964	501,336	8,364,300
At 31 December 2018			
Ringgit Malaysia	39,356,353	(1,003,120)	38,353,233

Sensitivity analysis

The following table demonstrates the sensitivity of the Group's loss net of tax to reasonably possible change in the USD and EUR exchange rates against the respective functional currency of the Group entities, with all other variables held constant:

		Effect on (loss)/profit after tax for the financial year			
		Group		Company	
	Change in rate	2019 RM	2018 RM	2019 RM	2018 RM
- USD	+ 3%	(861,731)	1,344,161	179,276	897,325
	- 3%	861,731	(1,344,161)	(179,276)	(897,325)
- EUR	+ 3%	982,432	(1,105,480)	11,430	(22,871)
	- 3%	(982,432)	1,105,480	(11,430)	22,871

39. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(iii) Liquidity risk

The Group and the Company manage their debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group and the Company maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group and the Company strive to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group and the Company are committed to funding from both capital markets and financial institutions and balance their portfolios with some short-term funding so as to achieve overall cost effectiveness.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	Carrying amount RM	On demand within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	Total RM
Group					
2019					
Financial liabilities:					
Trade and other payables	104,184,951	104,184,951	-	-	104,184,951
Loans and borrowings	235,459,233	162,100,450	74,302,455	6,485,169	242,888,074
Lease liabilities	5,526,459	2,049,186	3,926,332	12,503	5,988,021
	345,170,643	268,334,587	78,228,787	6,497,672	353,061,046
2018					
Financial liabilities:					
Trade and other payables	126,803,481	126,803,481	-	-	126,803,481
Loans and borrowings	208,251,111	128,194,398	74,909,993	16,457,972	219,562,363
Finance lease liabilities	1,058,763	434,133	636,249	87,858	1,158,240
	336,113,355	255,432,012	75,546,242	16,545,830	347,524,084
Company					
2019					
Financial liabilities:					
Trade and other payables	23,538,204	23,538,204	-	-	23,538,204
Loans and borrowings	69,570,023	48,528,866	22,842,054		71,370,920
Lease liabilities	462,343	140,153	360,813	12,503	513,469
Financial guarantee contracts	-	157,522,514	-	-	157,522,514
	93,570,570	229,729,737	23,202,867	12,503	252,945,107
2018					
Financial liabilities:					
Trade and other payables	25,318,581	25,318,581	-	-	25,318,581
Loans and borrowings	53,357,434	40,860,677	15,057,314	-	55,917,991
Finance lease liabilities	399,863	75,353	301,413	87,858	464,624
Financial guarantee contracts	-	154,893,675	-	-	154,893,675
	79,075,878	221,148,286	15,358,727	87,858	236,594,871

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31 DECEMBER 2019 (Cont'd)

39. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(iv) Credit risk

The Group's and the Company's credit risk is primarily attributable to trade receivables. The Group and the Company trade only with recognised and creditworthy third parties. It is the Group's and the Company's policies that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's and the Company's exposure to bad debts is not significant.

The credit risk of the Group's and of the Company's other financial assets, which comprise deposit, cash and bank balances arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Group and the Company do not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

Trade receivables

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statement of financial position; and
- An amount of RM157,522,514 (2018: RM154,893,675) relating to a corporate guarantee provided by the Company to bank for subsidiaries' bank borrowings.

The financial guarantee has not been recognised as the fair value on initial recognition was immaterial since the financial guarantees provided by the Company did not contribute towards credit enhancement of the subsidiaries' borrowings in view of the security pledged by the subsidiaries and it is unlikely that the subsidiaries will default within the guarantee provided.

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	Group			
	2019 RM	%	2018 RM	%
By country:				
Malaysia	51,204,335	61%	51,567,333	54%
Thailand	18,881,374	23%	29,253,804	31%
Other countries	13,494,142	16%	14,430,562	15%
	83,579,851	100%	95,251,699	100%

39. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(iv) Credit risk (cont'd)

Trade receivables (cont'd)

	Company			
	2019 RM	**%**	**2018 RM**	**%**
By country:				
Malaysia	20,961,222	95%	22,117,265	54%
Other countries	997,646	5%	4,641,952	15%
	21,958,868	100%	26,759,217	100%

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

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

	Gross carrying amount at default RM
Group	
At 31 December 2019	
Current	53,414,750
1-30 days past due	21,835,855
31-60 days past due	4,160,981
61-90 days past due	1,225,418
91-120 days past due	857,970
>120 days past due	2,084,877
Individually impaired	3,395,760
	86,975,611
Company	
At 31 December 2019	
Current	13,713,728
1-30 days past due	3,365,074
31-60 days past due	372,106
61-90 days past due	599,572
91-120 days past due	701,889
>120 days past due	3,206,499
	21,958,868

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (Cont'd)

39. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(iv) Credit risk (cont'd)

Trade receivables (cont'd)

The information about the credit risk exposure on the Group's and the Company's trade receivables using the provision matrix are as follows: (cont'd)

	Gross carrying amount at default RM
Group	
At 31 December 2018	
Current	48,787,275
1-30 days past due	39,409,901
31-60 days past due	2,701,520
61-90 days past due	3,224,640
91-120 days past due	16,364
>120 days past due	1,111,999
Individually impaired	560,825
	95,812,524
Company	
At 31 December 2018	
Current	12,313,563
1-30 days past due	4,737,571
31-60 days past due	360,560
61-90 days past due	1,116,446
91-120 days past due	250,012
>120 days past due	7,981,065
	26,759,217

Other receivables and other financial assets

For other receivables and other financial assets (including other investment 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.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

39. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(iv) Credit risk (cont'd)

Other receivables and other financial assets (cont'd)

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 Company will consider the expected manner of recovery and recovery period of the intercompany loan.

As at the end of the reporting date, the Group and the Company consider the other receivables and other financial assets as low risk and did not recognise any loss allowance for impairment for other receivables and other financial assets. Refer to Note 3.13(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

Financial guarantee contracts

The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of loans granted to certain subsidiaries. The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risks amounts to RM 157,522,514 (2018: RM154,893,675) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 39(b)(iii). As at reporting date, there was no loss allowance for expected credit losses as determined by the Company for the financial guarantee.

(c) Fair value measurement

The carrying amounts of deposits, cash and bank balances, short-term receivables and payables and short-term borrowings reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

The fair value of the short-term fund is determined by reference to redemption price at the end of the reporting period.

The carrying amounts of long-term floating rate term loan is reasonable approximation of fair values as the loans will be re-priced to market interest rate on or near reporting date.

There have been no transfers between Level 1 and Level 2 during the financial year (2018: no transfer in either directions).

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

	Carrying amount RM	Fair value of financial instruments carried at fair value Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group					
31 December 2019					
Financial assets					
Fair value through profit or loss					
- short-term fund	9,028,760	9,028,760	-	-	9,028,760
Company					
31 December 2019					
Financial assets					
Fair value through profit or loss					
- short-term fund	9,028,760	9,028,760	-	-	9,028,760

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (Cont'd)

39. FINANCIAL INSTRUMENTS (cont'd)

(c) Fair value measurement (cont'd)

The following table provides the fair value measurement hierarchy of the Group's and the Company's financial instruments: (cont'd)

	Carrying amount RM	Fair value of financial instruments not carried at fair value Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group					
31 December 2018					
Financial liabilities					
Amortised cost					
- finance lease liabilities	1,058,763	-	1,082,533	-	1,082,533
Company					
31 December 2018					
Financial liabilities					
Amortised cost					
- finance lease liabilities	399,863	-	385,869	-	385,869

Level 2 fair value

Fair value of financial instruments not carried at fair value

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

40. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 Operating Segments based on the internal reports of the Group's strategic business units which are regularly reviewed by the Group's Chief Executive Officer for the purpose of making decisions about resource allocation and performance assessment.

The primary segment reporting format is determined to be geographical segments as the Group's risks and rates of return are affected predominantly by the local economic environment in which it operates. Segmental reporting by business has not been presented as the Group's operations are within similar activities.

The Group is organised into three major geographical segments:

Malaysia	manufacture of medium density fibreboard, wooden furniture part and furniture, particleboard, glue, resin, as well as trading and managing of plantation.
Thailand	production and distribution of medium density fibreboard and wood products.
Indonesia	manufacture of medium density fibreboard, glue and resin.
Others	distributing the household products made of rubber wood.

The directors are of the opinion that all inter-segment transactions have been entered in the normal course of business and have been established on terms and conditions that are mutually agreed upon.

Segment profit

Segment performance is used to measure performance as Group's Chief Executive Officer 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 and liabilities

The total of segment assets and liabilities are measured based on all assets and liabilities of a segment, as included in the internal reports that are reviewed by the Group's Chief Executive Officer.

40. SEGMENT INFORMATION (cont'd)

2019	Note	Malaysia RM	Thailand RM	Indonesia RM	Others RM	Adjustments and Elimination RM	Total RM
Revenue							
Revenue from external customers		557,380,770	327,776,733	82,762,814	-	-	967,920,317
Inter-segment revenue	(a)	214,810,186	60,514,883	-	-	(275,325,069)	-
Total revenue	(b)	772,190,956	388,291,616	82,762,814	-	(275,325,069)	967,920,317
Results							
Segment profit/(loss)		20,200,079	(70,276,859)	204,919	(86,160)	15,329,160	(34,628,861)
Finance costs		(7,990,918)	(3,942,874)	(444,721)	-	4,796,816	(7,581,697)
Profit/(Loss) before tax		12,209,161	(74,219,733)	(239,802)	(86,160)	20,125,976	(42,210,558)
Tax expense		1,528,279	(1,013,437)	(743,092)	-	-	(228,250)
Profit/(Loss) for the financial year		13,737,440	(75,233,170)	(982,894)	(86,160)	20,125,976	(42,438,808)
Assets:							
Segment assets		1,596,333,255	557,612,989	123,264,108	67,649	(699,380,755)	1,577,897,246
Liabilities:							
Segment liabilities		415,124,506	237,939,381	49,808,956	155,195	(289,492,973)	413,535,065

40. SEGMENT INFORMATION (cont'd)

2019	Note	Malaysia RM	Thailand RM	Indonesia RM	Others RM	Adjustments and Elimination RM	Total RM
Other Information:							
Amortisation of intangible assets		-	37,307	-	-	-	37,307
Capital expenditures	(c)	51,005,541	5,615,155	8,113,842	-	-	64,734,538
Bad debts written off		130,000	-	-	-	-	130,000
Depreciation of:							
- property,plant and equipment		39,046,268	28,755,851	7,454,041	-	-	75,256,160
- right-of-use assets		2,571,008	-	-	-	51,685	2,622,693
Gain arising from fair value adjustment of biological assets		(2,400,000)	-	-	-	-	(2,400,000)
Interest income		(1,527,923)	(2,458,275)	(97,097)	(72)	2,440,763	(1,642,604)
Interest expense:							
- lease liabilities		229,412	21,764	-	-	3,228	254,404
- trade facilities		3,492,257	1,618,071	444,721	-	(1,371,058)	4,183,991
- term loans		4,269,249	2,303,039	-	-	(3,428,986)	3,143,302
Impairment loss on							
- trade receivables		744,523	13,132,115	1,195,448	-	(12,252,845)	2,819,241
Inventories written down		-	5,080,299	-	-	-	5,080,299
Insurance compensation		(1,033,143)	-	-	-	-	(1,033,143)
Property, plant and equipment written off		142	-	208,297	-	-	208,439
Expense relating to low value assets and short-term leases		4,823,315	1,240,059	988,206	-	-	7,051,580

40. SEGMENT INFORMATION (cont'd)

2018	Note	Malaysia RM	Thailand RM	Indonesia RM	Others RM	Adjustments and Elimination RM	Total RM
Revenue							
Revenue from external customers		637,288,845	392,788,312	75,466,327	-	-	1,105,543,484
Inter-segment revenue	(a)	254,659,754	65,049,483	-	-	(319,709,237)	-
Total revenue	(b)	891,948,599	457,837,795	75,466,327	-	(319,709,237)	1,105,543,484
Results							
Segment profit/(loss)		38,017,524	12,115,328	4,941,965	(157,076)	(22,489,075)	32,428,666
Finance costs		(6,217,797)	(3,574,407)	(1,272,389)	-	4,390,020	(6,674,573)
Profit/(Loss) before tax		31,799,727	8,540,921	3,669,576	(157,076)	(18,099,055)	25,754,093
Tax expense		(4,408,290)	(1,140,192)	(4,027,114)	-	-	(9,575,596)
Profit/(Loss) for the financial year		27,391,437	7,400,729	(357,538)	(157,076)	(18,099,055)	16,178,497
Assets:							
Segment assets		1,537,164,498	580,037,396	143,287,534	156,149	(671,234,283)	1,589,411,294
Liabilities:							
Segment liabilities		387,983,350	207,936,523	68,433,301	159,359	(261,403,436)	403,109,097

40. SEGMENT INFORMATION (cont'd)

2018	Note	Malaysia RM	Thailand RM	Indonesia RM	Others RM	Adjustments and Elimination RM	Total RM
Other Information:							
Amortisation of intangible assets		-	34,776	-	-	-	34,776
Amortisation of land use rights		840,721	-	-	-	-	840,721
Capital expenditures	(c)	39,142,691	22,396,029	4,301,262	-	(855,486)	64,984,496
Depreciation of property, plant and equipment		39,250,444	26,391,777	6,905,882	-	7,370	72,555,473
Gain arising from fair value adjustment of biological assets		(1,000,000)	-	-	-	-	(1,000,000)
Interest income		(4,088,463)	(2,274,507)	(122,698)	(11,639)	4,805,417	(1,691,890)
Interest expense:							
- financial lease liabilities		25,362	34,281	-	-	-	59,643
- trade facilities		4,170,571	1,485,844	1,272,389	-	(2,550,969)	4,377,835
- term loans		2,437,260	2,054,283	-	-	(2,254,448)	2,237,095
Impairment loss on							
- goodwill on consolidation		8,000,000	-	-	-	-	8,000,000
- trade receivables		157,873	-	343,834	-	-	501,707
Inventories written down		277,882	2,796,296	-	-	-	3,074,178
Insurance compensation		(42,682)	(24,909,504)	-	-	-	(24,952,186)
Property, plant and equipment written off		347,283	-	61,701	-	-	408,984
Rental expense:							
- equipment		4,920,805	1,491,101	919,713	-	-	7,331,619
- hostel		494,764	18,861	52,309	-	-	565,934
- land		1,357,165	116,422	-	-	-	1,473,587

40. SEGMENT INFORMATION (cont'd)

(a) Inter-segment revenue are eliminated on consolidation.

(b) The following table provides an analysis of the Group's revenue by products:

	Malaysia RM	Thailand RM	Indonesia RM	Total RM
2019				
Sales of fibreboard and furniture parts	519,907,731	327,776,733	82,762,814	930,447,278
Sales of urea formaldehyde concentrate and adhesive products	17,974,593	-	-	17,974,593
Others	19,498,446	-	-	19,498,446
	557,380,770	327,776,733	82,762,814	967,920,317
2018				
Sales of fibreboard and furniture parts	606,979,916	392,788,312	75,466,326	1,075,234,554
Sales of urea formaldehyde concentrate and adhesive products	24,967,652	-	-	24,967,652
Others	5,341,278	-	-	5,341,278
	637,288,846	392,788,312	75,466,326	1,105,543,484

(c) Additions to non-current assets consist of:

	2019 RM	2018 RM
Intangible assets	2,211	59,317
Property, plant and equipment	64,732,327	64,925,179
	64,734,538	64,984,496

(d) Geographical Information

(i) The following table provides an analysis of the Group's revenue by geographical segment:

	2019 RM	2018 RM
Revenue from sales to external customers by location of the customers		
United States	58,806,130	46,141,790
Africa	53,342,801	44,332,830
Europe	34,894,720	28,652,449
Far East Asia	61,596,932	116,895,922
Middle East	297,282,591	436,458,604
South Asia	12,121,508	10,488,196
South East Asia	449,875,635	422,573,693
	967,920,317	1,105,543,484

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (Cont'd)

40. SEGMENT INFORMATION (cont'd)

(d) Geographical Information (cont'd)

(ii) The following is the analysis of non-current assets other than financial instruments, deferred tax assets and goodwill on consolidation, which is analysed by the Group's geographical location:

	Malaysia RM	**Thailand RM**	**Indonesia RM**	**Total RM**
2019				
Property, plant and equipment	622,338,386	72,058,947	327,747,238	1,022,144,571
Right-of-use assets	39,003,795	632,610	-	39,636,405
Biological assets	36,700,000	-	-	36,700,000
Intangible assets	-	82,675	-	82,675
Total non-current assets	698,042,181	72,774,232	327,747,238	1,098,563,651
2018				
Property, plant and equipment	612,551,647	329,426,982	72,268,377	1,014,247,006
Land use right	33,855,880	-	639,256	34,495,136
Biological assets	34,300,000	-	-	34,300,000
Intangible assets	-	111,137	-	111,137
Total non-current assets	680,707,527	329,538,119	72,907,633	1,083,153,279

41. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Coronavirus outbreak

On 11 March 2020, the World Health Organisation declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the Covid-19 outbreak in Malaysia. The Covid-19 outbreak also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the Covid-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group operates.

For the Group's and the Company's financial statements for the financial year ended 31 December 2019, the Covid-19 outbreak and the related impacts are considered non adjusting events in accordance with MFRS 110 Events after the Reporting Period. Consequently, there is no impact on the recognition and measurement of assets and liabilities as at 31 December 2019.

The Group is unable to reasonably estimate the financial impact of Covid-19 for the financial year ending 31 December 2020 to be disclosed in the financial statements as the situation is still evolving and the uncertainty of the outcome of the current events. It is however certain that the local and worldwide measures against the spread of the Covid-19 will have adverse effects on the Group's and the Company's sales, operations and supply chains. The Group will continuously monitor the impact of Covid-19 on its operations and its financial performance. The Group will also be taking appropriate and timely measures to minimise the impact of the outbreak on the Group's operations.

42. 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 maintain or adjust the capital structure, the Group and the Company may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2019 and 31 December 2018.

The Group and the Company monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt comprises borrowings, lease liabilities/finance lease liabilities and trade and other payables, less short-term fund, deposits, cash and bank balances whereas total capital comprises the equity attributable to equity holders of the Group and the Company.

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Loans and borrowings	235,459,233	208,251,111	69,570,023	53,357,434
Lease liabilities	5,526,459	-	462,343	-
Finance lease liabilities	-	1,058,763	-	399,863
Trade and other payables	106,983,850	128,908,747	23,538,204	25,318,581
Deposits, cash and bank balances	(95,720,816)	(106,921,908)	(29,709,342)	(24,537,449)
Short-term fund	(9,028,760)	-	(9,028,760)	-
Net debt	252,248,726	231,296,713	63,861,228	54,538,429
Equity attributable to the owners of the Company Total capital	1,134,678,874	1,156,291,141	683,373,706	677,473,226
Capital and net debt	1,386,927,600	1,387,587,854	747,234,934	732,011,655
Gearing ratio	18%	17%	9%	7%

STATEMENT BY DIRECTORS

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

We, **KUO JEN CHIU** and **MARY HENERIETTA LIM KIM NEO**, being two of the directors of Evergreen Fibreboard Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 58 to 149 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

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

KUO JEN CHIU
Director

MARY HENERIETTA LIM KIM NEO
Director

Batu Pahat

Date: 22 May 2020

STATUTORY DECLARATION

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

I, **TEE KIM FOOM**, , being the officer primarily responsible for the financial management of Evergreen Fibreboard Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 58 to 149 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.

TEE KIM FOOM
MIA Membership No. : 19204

Subscribed and solemnly declared by the abovenamed at Batu Pahat in the State of Johor Darul Ta'zim on 22 May 2020.

Before me,

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

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Evergreen Fibreboard Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 58 to 149.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Key Audit Matters

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

Group

Biological assets (Notes 4(a) and 8 to the financial statements)

The Group has a significant balance of biological assets amounting to RM36,700,000 as at 31 December 2019. The biological assets comprise of tropical wood trees and rubber trees. The biological assets of the Group are required to be measured at fair value less costs to sell in accordance with MFRS 141 *Biological Assets*.

Significant judgement is required in determining the estimated remaining acres of forest land with an estimated hoppus tons of tropical wood trees to be harvested as at each reporting period end. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

The fair value of the rubber trees has been determined based on valuations by an independent professional valuer using discounted cash flows of the trees.

Our audit response:

Our audit procedures included, among others:

- evaluating the competence, capabilities and objectivity of the independent professional valuer, including consideration of their qualifications and experience;
- reviewing the discounted cash flow calculations and the underlying valuation model by comparing to available market data;
- corroborating the key inputs to the model, including commodity prices and yield and to market data;
- performing a sensitivity analysis around the key inputs that are expected to be most sensitive to the recoverable amount of the biological assets;
- checking the mathematical accuracy of the discounted cash flow calculations; and
- reviewing the disclosure requirements in accordance with MFRS 141 *Biological Assets*.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF EVERGREEN FIBREBOARD BERHAD
(INCORPORATED IN MALAYSIA) (Cont'd)

Key Audit Matters (cont'd)

Group (cont'd)

Inventories (Notes 4(b) and 14 to the financial statements)

The Group has significant inventories amounting to RM248,105,695 as at 31 December 2019. The valuation of the Group's inventories is stated at the lower of cost or net realisable value. The review of saleability and valuation of inventories at the lower of cost and net realisable value are an area of significant judgement and estimate. The Group specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write-down of obsolete or slow-moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amounts of inventories.

We focused on the valuation of inventories due to the significance of the value of inventories as part of the total assets and the multiple locations in which the inventories are located.

Our audit response:

Our audit procedures included, among others:

- understanding the design and implementation of controls associated with the monitoring and detection and write down/off of slow-moving inventories as at 31 December 2019;
- observing year end physical inventory count to examine the physical existence and condition of the inventories;
- reviewing of the significant component auditor's working papers on the valuation of the inventories;
- reviewing subsequent sales and evaluating the Group's assessment on estimated net realisable values on selected inventory items; and
- evaluating whether the inventories have been written down to their net realisable values for inventory items with net realisable values lower than their costs.

Plant and equipment (Notes 4(c) and 5 to the financial statements)

Certain plant and equipment of the Group relating to the manufacturing operations in Thailand have been making continuous gross loss since previous financial years. The Group assesses impairment of plant and equipment whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less costs of disposal for that asset and its value-in-use. The Group estimated the fair value of the plant and equipment based on the market valuation performed by an external independent valuer. We focused on this area because the valuation requires significant judgement in determining the appropriate valuation methods and the key assumptions used in the valuations.

Our audit response:

Our audit procedures included, among others:

- evaluating the competence, capabilities and objectivity of the external valuers which included consideration of their qualifications and experience;
- understanding the scope and purpose of the valuation by reading the terms of engagement to assess whether any matters that might have affected their objectivity or limited the scope of their work;
- reading the valuation reports for all significant plant and equipment and discussed with external valuers on their valuation approach and the significant judgements they made, including the selection of comparable plant and equipment and adjustments for differences in key attributes made to the transacted value of comparable plant and equipment;
- assessing the valuation approach used and appropriateness of the key assumptions; and
- testing, on sample basis, the accuracy and relevance of the key input data used by the external valuers.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF EVERGREEN FIBREBOARD BERHAD
(INCORPORATED IN MALAYSIA) (Cont'd)

Key Audit Matters (cont'd)

Company

Investment in subsidiaries (Notes 4(d) and 12 to the financial statements)

The Company assesses impairment of investment in subsidiaries whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount.

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

Our audit response:

Our audit procedures focused on evaluating the cash flow projections and the Company's forecasting procedures which included, among others:

- comparing the actual results with previous budgets to assess the performance of the business;
- comparing the Company's assumptions to externally derived data as well as our review of key assumptions to assess their reasonableness and achievability of the projections;
- testing the mathematical accuracy of the impairment assessment; and
- performing a sensitivity analysis around the key assumptions.

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 the 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF EVERGREEN FIBREBOARD BERHAD
(INCORPORATED IN MALAYSIA) (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, related safeguards.

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 12 to the financial statements.

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. 02966/11/2020 J
Chartered Accountant

Kuala Lumpur

Date: 22 May 2020

STATEMENT OF SHAREHOLDINGS

AS AT 1 JUNE 2020

Total Number of Issued Shares	:	846,423,985 ordinary shares
Voting rights	:	One vote per share

ANALYSIS OF SHAREHOLDINGS

Holdings	Number of Holders	Number of Shares	Percentage of Shares
Less than 100	96	4,409	0.00
100 - 1,000	471	307,437	0.04
1,001 - 10,000	4,092	23,302,259	2.75
10,001- 100,000	3,368	121,717,087	14.39
100,001 to less than 5% of issued shares	605	433,994,787	51.31
5% and above of issued shares	2	266,476,006	31.51
	8,634	845,801,985	100.00

* *excluding a total of 622,000 ordinary shares bought back and retained as treasury shares.*

THIRTY LARGEST SHAREHOLDERS

	Shareholders	Number of Shares	Percentage of Shares
1.	KUO JEN CHANG	142,355,865	16.83
2.	KUO JEN CHIU	124,120,141	14.67
3.	KUO HUEI CHEN	32,526,790	3.85
4.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	22,662,300	2.68
5.	YEO KOON LIAN	22,580,300	2.67
6.	KUO JEFFREY S	17,320,865	2.05
7.	KUO JUSTIN S	17,320,865	2.05
8.	KUO HENRY S	17,320,864	2.05
9.	YOONG HAU CHUN	12,929,300	1.53
10.	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD	7,862,500	0.93
11.	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR MGF CAPITAL LIMITED	7,780,000	0.92
12.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR NG PAIK PHENG	7,264,200	0.86
13.	EVAWORLD SDN. BHD.	7,079,290	0.84

STATEMENT OF SHAREHOLDINGS (Cont'd)
AS AT 1 JUNE 2020

THIRTY LARGEST SHAREHOLDERS (cont'd)

Shareholders	Number of Shares	Percentage of Shares
14. MAYBANK SECURITIES NOMINEES (ASING) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR LOH YIH	5,516,400	0.65
15. LOH KOK WAI	4,770,000	0.56
16. CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SUSY DING	4,623,350	0.55
17. CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD PRINCIPAL ISLAMIC ASSET MANAGEMENT SDN BHD FOR LEMBAGA TABUNG HAJI	3,897,400	0.46
18. LIM PEI TIAM @ LIAM AHAT KIAT	3,690,000	0.44
19. CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEO AIK GEE	3,317,000	0.39
20. CESFIELD DEVELOPMENT SDN BHD	3,255,740	0.38
21. YEAT SIAW PING	3,227,700	0.38
22. KEE PHEK SEE	3,053,000	0.36
23. HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG YEE HUI	3,021,950	0.36
24. WANG SHU LAN	2,925,200	0.35
25. NEOH CHOO EE & COMPANY, SDN. BERHAD	2,648,000	0.31
26. HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEE SAI MUN	2,625,000	0.31
27. CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR NG PAIK PHENG	2,533,500	0.30
28. KUO HUEI CHEN	2,526,789	0.30
29. CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	2,525,650	0.30
30. LIM KIANG CHANG	2,845,000	0.29

STATEMENT OF SHAREHOLDINGS (Cont'd)

AS AT 1 JUNE 2020

SUBSTANTIAL SHAREHOLDERS

According to the Register required to be kept under Section 144 of the Companies Act, 2016, the following are the substantial shareholders of the Company: -

	Substantial Shareholders	Direct Interest Number of Shares	Direct Interest % of Shares	Deemed Interest Number of Shares	Deemed Interest % of Shares
1.	KUO WEN CHI	0	0.00	301,529,585 (1)	35.65
2.	KUO JEN CHANG	142,355,865	16.83	159,173,720 (2)	18.82
3.	KUO JEN CHIU	124,120,141	14.67	177,409,444 (2)	20.98
4.	KUO HUEI CHEN	35,053,579	4.15	266,476,006 (2)	31.51
5.	HSU MEI LAN	0	0.00	301,529,585 (1)	35.65
6.	KUO-TING YER PING	0	0.00	301,529,585 (1)	35.65

Notes:
(1) Deemed interested by virtue of the family interest.
(2) Deemed interested by virtue of the interest of his or her siblings.

LIST OF DIRECTORS' SHAREHOLDINGS

	Directors	Direct Interest Number of Shares	Direct Interest % of Shares	Deemed Interest Number of Shares	Deemed Interest % of Shares
1.	KUO JEN CHANG	142,355,865	16.83	159,173,720 (1)	18.82
2.	KUO JEN CHIU	124,120,141	14.67	177,409,444 (1)	20.98
3.	MARY HENERIETTA LIM KIM NEO	6	0.00	0	0.00
4.	LAW NGEE SONG	0	0.00	0	0.00
5.	KUAN KAI SENG	0	0.00	0	0.00
6.	HENRY S KUO	17,320,864	2.05	34,641,730 (1)	4.10
7.	NIRMALA A/P DORAISAMY	0	0.00	0	0.00

Notes:
(1) Deemed interested by virtue of the interest of his or her siblings.

FORM OF PROXY

CDS ACCOUNT NO.	NO. OF SHARES HELD

I/We ____

being a member/members of Evergreen Fibreboard Berhad, hereby appoint (1) Mr/Ms ____________________

____ (NRIC No. ____________________) of

____ or

failing whom, ____ (NRIC No. ____________________) of

* (2) Mr/Ms ____ (NRIC No. ____________________) of

____ or

failing whom, ____ (NRIC No. ____________________) of

____

as my/our proxy to vote for *me/us and on *my/our behalf at the **Twenty-Ninth Annual General Meeting** of the Company to be held at **Forest City Phoenix International Golf Hotel, Jalan Persiaran Golf 5, Forest City Golf Resort, 81550 Gelang Patah, Johor Darul Takzim, Malaysia** on **Tuesday, 28th July 2020 2020 at 9.00 a.m**. and, at every adjournment thereof *for/against the resolutions to be proposed thereat.

The proportion of *my/our proxies are as follows:
(This paragraph should be completed only when two proxies are appointed)
First Proxy (1) _______________)%   First Proxy (2) _______________)%

*My/Our proxy is to vote as indicated below: -

AGENDA		ORDINARY BUSINESS	FOR	AGAINST
1.	Re-appoint Messrs. Baker Tilly Monterio Heng PLT. who retire as Auditors of the Company and authorize the Directors to fix their remuneration.	RESOLUTION 1		
2.	Re-elect the following Directors who retire during the year in accordance with Regulation 109 of the Company's Constitution:			
	a. Ms. Mary Henerietta Lim Kim Neo – Executive Director	RESOLUTION 2		
	b. Mr. Kuan Kai Seng – Non-Executive Director	RESOLUTION 3		
3.	Approve the payment of Non- Executive Directors' Fees and Allowance up to an amount of RM450,000 for the financial year ending 31 December 2020.	RESOLUTION 4		
4.	Authority to Allot Shares - Section 75(1) & 76(1)	RESOLUTION 5		
5.	Proposed Renewal of Authorisation for the Company to Purchase its own Shares of up to Ten Percent (10%) of the total number of issues Shares of the Company ("Proposed Renewal of Share Buy-Back Authority")	RESOLUTION 6		
6.	Designate as Independent Director	RESOLUTION 7		

Please indicate with a cross (X) in the space whether you wish your votes to be cast for or against the resolution. In the absence of such specific directions, your proxy will vote or abstain as he thinks fit

As witness my hand this _____________ day of _____ 2020

____
Signature of Member(s)

NOTES: -

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. The proxy may but need not be a Member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of a company shall have the same rights as the member to speak at the meeting.
2. A member shall be entitled to appoint more than one proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting.
3. Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. Where a member of the Company is an exempt authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") 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 authorized nominee may appoint in respect of each omnibus accounts it holds. Where a member is an authorized nominee as defined under SICDA, it may appoint one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing or if such appointer is a corporation under its common seal or the hand of its attorney.
6. The instrument appointing a proxy must be deposited at 11th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment.

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Affix Stamp

The Secretary
EVERGREEN FIBREBOARD BERHAD (Reg No: 199101006810) (217120-W)
11th Floor, Menara Symphony,
No: 5, Jalan Professor Khoo Kay Kim,
Seksyen 13, 46200 Petaling Jaya, Selangor.

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Evergreen Fibreboard Berhad
Registration No.199101006810 (217120-W)

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