EVERGREEN FIBREBOARD BERHAD

Registration No.199101006810 (217120-W)

ANNUAL REPORT 2021

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Evergreen Fibreboard Berhad
Registration No. 199101006810 (217120-W)

PLO 22 Parit Raja Industrial Estate,
86400 Parit Raja,
Batu Pahat, Johor,
Malaysia.

Tel : 607-454 1933
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Our website:
www.evergreengroup.com.my

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-First Annual General Meeting ("AGM") of Evergreen Fibreboard Berhad will be held on:

Day and Date	:	**Monday, 30th May 2022**
Time	:	**9.00 a.m.**
Broadcast Venue	:	**Virtual Annual General Meeting ("AGM")**
Event Link	:	**Online Meeting Platform via Boardroom Share Registrars Sdn. Bhd. at https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC - D6A357657)**

A G E N D A

ON ORDINARY BUSINESS

1. **On Audited Financial Statements for the Financial Year Ended 31 December 2021**
   To receive the Audited Financial Statements for the financial year ended 31 December 2021 and the Reports of the Directors and Auditors thereon.

2. **ORDINARY RESOLUTION 1 – On Payment of Final Dividend**
   To approve the payment of a final single tier dividend of 1.5 sen per ordinary share for the financial year ended 31 December 2021.

3. **ORDINARY RESOLUTION 2- On Re-Appointment of External Auditor**
   To re-appoint Messrs. Baker Tilly Monteiro Heng PLT who retire as Auditors of the Company and authorise the Directors to fix their Remuneration.

4. **On Re-Election of Retiring Directors**
   To re-elect the following Directors who retire during the year in accordance with Regulation 109 of the Company's Constitution:-

   ORDINARY RESOLUTION 3
   a. Re-election of Mr. Kuo Jen Chang

   ORDINARY RESOLUTION 4
   b. Re-election of Mr. Jonathan Law Ngee Song

   ORDINARY RESOLUTION 5
   c. Re-election of Dr. Henry S Kuo

5. **On Approval of Non-Executive Directors' Fees and Allowance**
   To approve the payment of Non-Executive Directors' Fees and Allowances totaling RM365,000 for the financial year ending 31 December 2022 in the following manner:-

   ORDINARY RESOLUTION 6
   a. To approve the payment of RM130,000 to Mr. Jonathan Law Ngee Song.

   ORDINARY RESOLUTION 7
   b. To approve the payment of RM85,000 to Mr. Kuan Kai Seng.

   ORDINARY RESOLUTION 8
   c. To approve the payment of RM65,000 to Dr. Henry S Kuo.

   ORDINARY RESOLUTION 9
   d. To approve the payment of RM85,000 to Ms. Nirmala A/P Doraisamy.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

ON SPECIAL BUSINESS

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

6. ORDINARY RESOLUTION 10
ON AUTHORITY TO ALLOT SHARES - SECTION 75(1) & 76(1)

"**THAT** pursuant to Section 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% or 10% of the total number of issued shares of the Company (excluding treasury shares), whichever is applicable, 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,

and that the Directors are exempted from the obligation to offer such New Shares first to existing shareholders pursuant to Section 85 of the Companies Act, 2016 in respect of the issuances of the New Shares pursuant to this mandate;

THAT the New Shares to be issued shall, upon allotment and issuance, rank equally in all respects with the existing shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that which may be declared, made or paid before the date of allotment of such New Shares."

7. ORDINARY RESOLUTION 11
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")

"**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.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

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 manners 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."

8. **ORDINARY RESOLUTION 12**
   DESIGNATION AS INDEPENDENT DIRECTOR

   "**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 the Malaysian Code on Corporate Governance."

9. 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.

NOTICE OF DIVIDEND ENTITLEMENT
FINAL SINGLE TIER DIVIDEND OF 1.5 SEN PER ORDINARY SHARE

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at the Thirty-First Annual General Meeting, the final single tier dividend of 1.5 sen per ordinary share in respect of the financial year ended 31 December 2021 will be payable on 18 August 2022 to Depositors registered in the Record of Depositors at the close of business on 1 August 2022.

A Depositor shall qualify for entitlement only in respect of:

a) Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 1 August 2022 in respect of transfer; and

b) Securities bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

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
28 April 2022

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 the 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 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 Darul Ehsan, Malaysia 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 the financial year ended 31 December 2021

1. The audited financial statements for the financial year ended 31 December 2021 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.

Final Single Tier Dividend

2. Ordinary Resolution 1, with reference to Section 131 of the CA 2016, a company may only make a distribution to the shareholders out of profits of the company available if the company is solvent. On 31 March 2022, the Board had considered the amount of dividend and decided to recommend the same for the shareholders' approval.

   The Directors of the Company are satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within twelve (12) months immediately after the distribution is made on 18 August 2022 in accordance with the requirements under Section 132(2) and (3) of the CA 2016.

Re-Appointment of External Auditors

3. Ordinary Resolution 2, pursuant to Section 273(b) of the Act, the term of office of the present Auditors, Messrs. Baker Tilly Monteiro 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 Monteiro Heng PLT, have indicated their willingness to continue their service until the conclusion of the 32nd AGM. The re-appointment of Messrs. Baker Tilly Monteiro Heng PLT as Auditors has been considered against the relevant criteria prescribed by Paragraph 15.21 of the MMLR. This proposed Ordinary Resolution 2, if passed, will also give the Directors of the Company, the authority to determine the remuneration of the Auditors.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

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

4. Ordinary Resolutions 3, 4 & 5, 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 the AGM of the Company. With the current Board size of seven (7), three (3) Directors are to retire in accordance with Regulation 109 of the Constitution provided always that all Directors shall retire from office once in every three (3) years.

   The Company has complied with the minimum requirement of independent directors, i.e., 1/3 of its board composition consists of independent directors. In the event of any vacancy in the board of directors, resulting in non-compliance of minimum independent director requirement, such vacancy must be filled within 3 months.

   Evaluation on the performance of the retiring Directors seeking for re-election was carried out by Nomination Committee 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.

   Amongst the criteria assessed was on their contribution, character in dealing with potential conflict of interest situations, on critically challenging matters, on the right questions asked and the confidence to stand up for their point of view in any matter during meetings.

   Based on the annual evaluation carried out by Nomination Committee, key strengths noted on retiring directors were mainly on their area of expertise where they were able to provide the Board with opinions while the weaknesses were on limited training attended to keep themselves abreast with latest development despite their own hectic work schedule.

   Nomination Committee made known to the Board their strength and weakness on lack of trainings and the Board advised Directors to keep themselves updated with the necessary training to address their weaknesses.

   The satisfactory outcomes of their assessments were reported to the Board of Directors and the Board has recommended for these Directors be re-elected according to the respective resolutions put forth in the forthcoming AGM.

   Nomination Committee also 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 assessment of Mr. Jonathan Law Ngee Song, he has indeed exercised his judgement in an independent and unfettered manner during the term in office and has discharged his duties with reasonable care, skill and diligence at all times.

   Therefore, the Nomination Committee as a whole has recommended to the Board for Mr. Jonathan Law Ngee Song to continue his office as an Independent Director and to seek shareholders' approval in the forthcoming Annual General Meeting in compliance to Practice 4.2 of the MCCG.

   The retiring Director had abstained from all deliberation and participation of his own agenda in both the Nomination Committee meeting as well as the Board of Directors' meeting.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

Approval of Non-Executive Directors' Fees and Allowance

5. Ordinary Resolutions 6 to 9, pursuant to Section 230(1) of the Companies Act, 2016, the fees of the non-executive directors and any benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. Guidance 7.2 of Malaysian Code on Corporate Governance requires each and every non-executive director's fee and benefit to be table individually in the forthcoming AGM.

   The Fees, Allowances and Benefits payable to the respective Non-Executive Directors are for the period of 1 January 2022 to 31 December 2022. The Directors' Fees, Allowance and Benefits which are estimated not to exceed respective threshold is basically the fees and meeting allowances for Board and Board Committee meetings to be held during the financial year 2022.

   Payment of benefits to the Directors will be made by the Company as and when incurred, after they have discharged their responsibilities and rendered their services to the Company during the financial year 2022, if the proposed Resolutions 6-9 are passed at the Thirty-First AGM.

   The Board will seek shareholders' approval at the next AGM in the event the estimate 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 in the Company's CG Report 2021.

ON SPECIAL BUSINESS:-

Authority to Allot Shares – Section 75(1) & 76(1)

6. Ordinary Resolution 10, 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 and 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 given 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. The New Shares will rank equally in all respects with the existing shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that which may be declared, made or paid before the date of allotment of such New Shares.

   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% of the total number of issued shares (excluding treasury shares) ["20% General Mandate"] for issue of new securities until 31 December 2021.

   Bursa Securities subsequently issued letters to listed issuers on 23 December 2021 extending the implementation period of 20% General Mandate up to 31 December 2022.

   The Board is of the opinion that the 20% General Mandate is in the best interest of the Company to facilitate any possible fundraising activities in a short period of time for the Company's operation as and when it may be required.

   Hence, the Company is renewing the 20% General Mandate at the forthcoming AGM.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

Proposed Renewal of Share Buy-Back Authority

7. Ordinary Resolution 11, if passed, will empower the Directors to purchase the Company's shares of up to 10% 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 RM387,083,724 as at 31 December 2021. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting. Subsequent to the end of the financial year 2021, the Company had purchased a total of 935,200 shares.

   Please refer to Statement of Share Buy-Back dated 22 April 2022.

Designation as Independent Director – Mr. Jonathan Law Ngee Song

8. Ordinary Resolution 12, 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 of which has not been compromised.

   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 Board deliberations and decision-making process. In that respect, the Board recommended 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 two-tier voting system.

Personal Data Protection Measures

Please refer to the Company's Compliance with the Personal Data Protection Act 2010 statement as found on page 65 of the Annual Report 2021.

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 the member 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 Capitalisation

The total number of issued shares of Evergreen Fibreboard Berhad as at 31 December 2021 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 46.5 sen giving a market capitalisation of RM393,587,153 on the Main Market of Bursa Malaysia Securities.

Website

Our website @ www.evergreengroup.com.my contains up-to-date information on the Group.

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

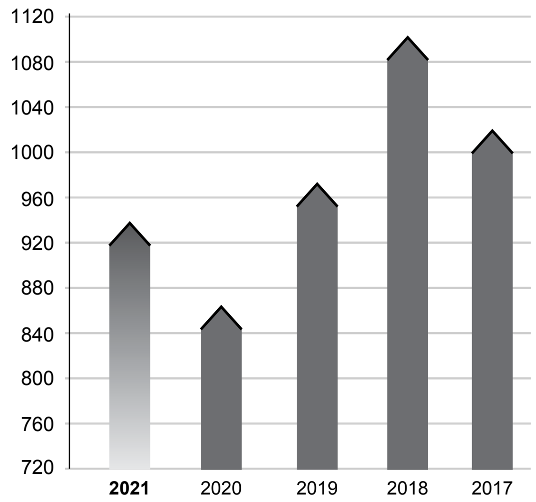
GROUP'S FINANCIAL HIGHLIGHTS

RM' MILLION	2021	2020	2019	2018	2017
FINANCIAL RESULTS					
Revenue	935	860	968	1,106	1,024
Gross Profit Margin (%)	20.7%	15.6%	13.0%	17.2%	22.0%
Profit/(Loss) Before Tax	40	(99)	(42)	26	68
Profit/(Loss) After Tax	34	(101)	(42)	16	47
Profit/(Loss) Attributable to owners of the Company	34	(103)	(42)	16	45
Adjusted EBIT	43	15	(26)	30	97
Adjusted EBITDA **	112	91	52	103	160
FINANCIAL POSITION					
Total Assets	1,422	1,452	1,578	1,589	1,591
Total Liabilities	384	430	414	403	422
Total Net Assets	1,038	1,022	1,164	1,186	1,169
Share Capital	345	345	345	345	345
Total Equity Attributable to Owners of the Company	1,038	1,022	1,135	1,156	1,139
BANK BORROWINGS					
Total Borrowings	178	264	241	209	217
Cash and Bank balances and Investment Securities	102	122	105	107	121
Total Net Borrowings	76	142	136	102	96
SHARE CAPITAL (no. of shares '000)					
Weighted Average No. of Shares	845,802	845,802	845,802	845,885	846,002
Share Capital	846,424	846,424	846,424	846,424	846,424
Treasury Shares	622	622	622	622	422
FINANCIAL RATIOS					
EPS (sen)	4.06	(12.15)	(4.96)	1.93	5.31
Return on Shareholders' Funds (%)	3.3%	(10.1%)	(3.7%)	1.4%	3.9%
Return on Total Assets (%)	4.4%	(9.0%)	(3.0%)	2.7%	6.3%
Share Price at Year End (RM)	0.47	0.46	0.28	0.35	0.65
PE Ratio (X)	11.45	(3.8)	(5.5)	18.1	12.2
DPS (sen)	-	-	-	0.48	1.38
Net Assets per Share (RM)	1.23	1.21	1.38	1.40	1.38
Net Gearing Ratio (%)	7.4%	13.9%	12.0%	8.1%	7.8%
Market Capitalisation	393,587	389,355	232,767	296,248	550,176

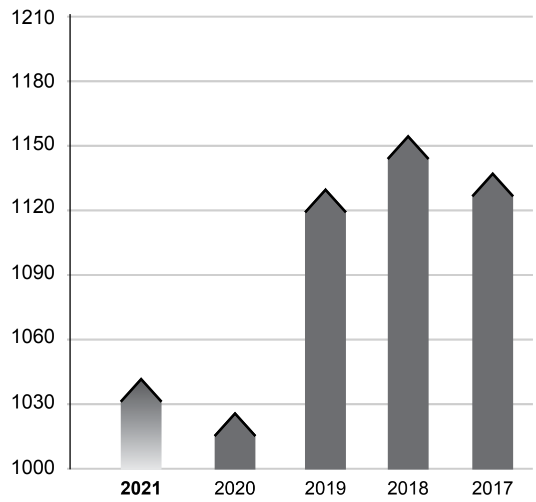
** Adjusted EBITDA - as per the Statements of Cashflows - Operating profit before changes in working capital

GROUP'S FINANCIAL HIGHLIGHTS (Cont'd)

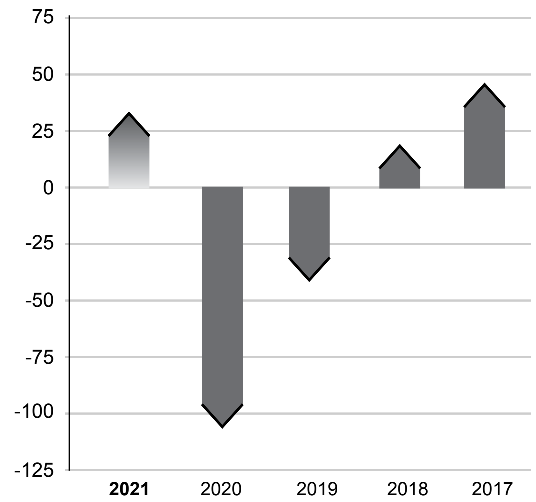
REVENUE (RM MILLION)



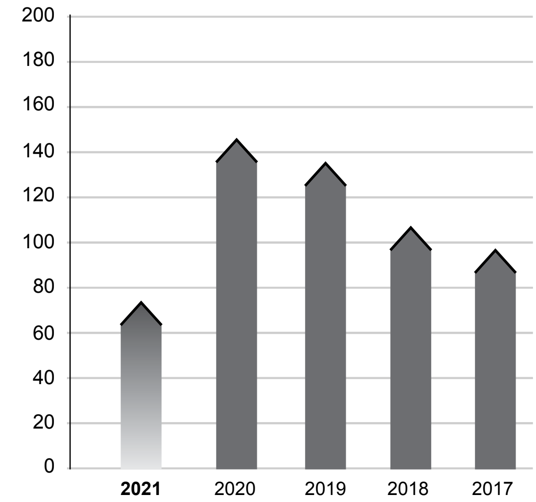
TOTAL EQUITY (RM MILLION)



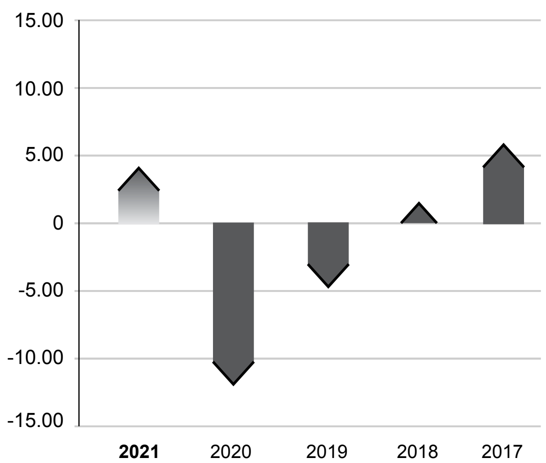
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM MILLION)



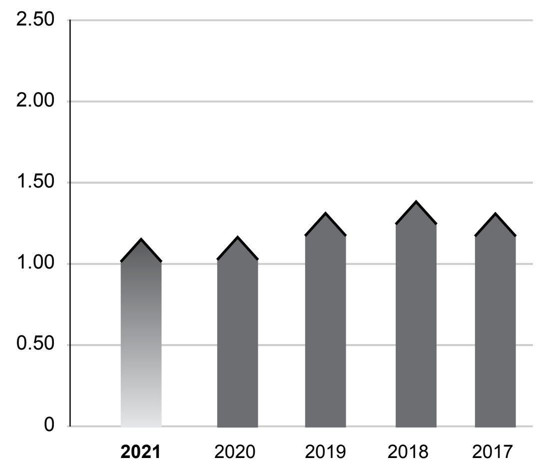
TOTAL NET BORROWINGS (RM MILLION)



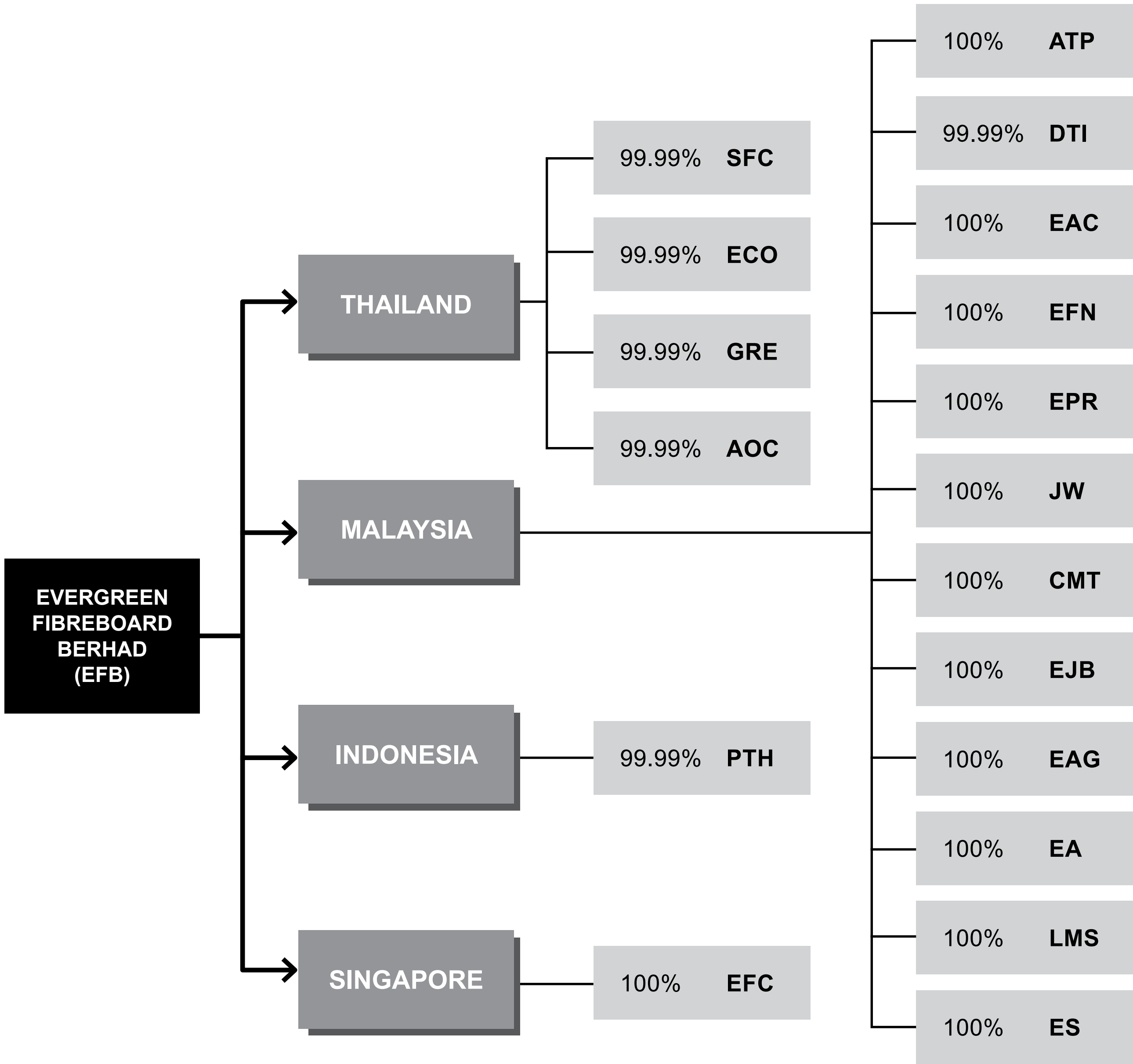
EARNINGS/(LOSS) PER SHARE (SEN)



NET ASSETS PER SHARE (RM)



GROUP'S STRUCTURE



MALAYSIA ABBREVIATIONS:-

ATP	AllGreen Timber Products Sdn. Bhd. 200201000297 (567960-T)
CMT	Craft Master Timber Products Sdn. Bhd. 201101030344 (958479-K)
DTI	Dawa Timber Industries (M) Sdn. Bhd. 197701001829 (32799-M)
EFB	Evergreen Fibreboard Berhad 199101006810 (217120-W)
EJB	Evergreen Fibreboard (JB) Sdn. Bhd. 200601031905 (751664-M)
EAC	Evergreen Adhesive & Chemicals Sdn. Bhd. 200601037899 (757659-T)
EAG	Evergreen Adhesive & Chemicals (Gurun) Sdn. Bhd. 201001024885 (908762-W)
EFN	Evergreen Fibreboard (Nilai) Sdn. Bhd. 200801020800 (822113-U)
EA	Evergreen Agro Sdn. Bhd. 201101013873 (942013-D)
EPR	Evergreen Plantation Resources Sdn. Bhd. 201001042861 (926789-W)
LMS	Locomotion Services Sdn. Bhd. 201101024229 (952365-P)
JW	Jasa Wibawa Sdn. Bhd. 199801005018 (461145-D)
ES	Everlatt Sourcing Sdn. Bhd. 201501006212 (1131544-K)

THAILAND ABBREVIATIONS:-

AOC	Asian Oak Co., Ltd. (0905554000888)
ECO	ECO Generation Co., Ltd. (0905549001332)
GRE	GRE Energy Co., Ltd. (0905549001341)
SFC	Siam Fibreboard Co., Ltd. (0105547007195)

INDONESIA ABBREVIATIONS:-

PTH	PT Hijau Lestari Raya Fibreboard. (8120015061789)

SINGAPORE ABBREVIATIONS:-

EFC	Evergreen Furniture Co. Pte. Ltd. (202015969N)

GROUP'S BUSINESS STRUCTURE

Medium Density Fibreboard

- Evergreen Fibreboard Berhad - Parit Raja, 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

Green Energy - Biomass & Solar

- 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
- Evergreen Fibreboard Berhad - Parit Raja, Johor

Logistics/Warehousing

- Locomotion Services Sdn. Bhd. - Butterworth, Penang

Plantation (Rubber)

- Jasa Wibawa Sdn. Bhd. - Kahang, Johor

Added Value Products - 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

- Everlatt Sourcing Sdn. Bhd. - Parit Raja, Johor
- Evergreen Furniture Co Pte. Ltd. - Singapore

DIRECTORS' PROFILE

JONATHAN LAW NGEE SONG,
Malaysian, Male, Age 56.
Group Independent Non-Executive Board Chairman,
Chairman of Remuneration Committee, Member of the Audit, Nomination and Risk
& Sustainable Management Committee.

Qualification
He graduated from Australia National University with a Bachelor of Commerce degree and Bachelor of Laws degree in 1987 and 1989 respectively.

Working Experience
He was admitted as Advocate and Solicitor, High Court of Malaya in 1991. He practiced as a legal assistant in Allen & Gledhill from 1991 to 1995 and was subsequently promoted to partner of the firm in 1995. He then became a Partner at Messrs. Nik, Saghir & Ismail in 1996 and on 2 April 2019, he joined Azmi & Associates as a Partner for Merger & Acquisition/Corporate Practice.

Date Appointed to the Board
He was appointed as an Independent 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 on the Board of Directors of Karex Berhad between 2012 and 2020. He is currently a Non-Executive Independent Director of Anglo-Eastern Plantations PLC, a company listed on the London Stock Exchange and was appointed to the Board of Pimpinan Ehsan Berhad on 25 February 2021 where subsequently he was redesignated as the Interim Non-Independent Non-Executive Chairman on 21 April 2021. He also sits in the board of ETA World Group Berhad, a non-listed and dormant company since year 2021.

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 2021
He attended 6 out of 6 Board Meetings, 6 out of 6 Audit Committee Meetings, 2 out of 2 Remuneration Committee Meetings, 2 out of 2 Nomination Committee Meetings and 4 out of 4 Risk & Sustainability Management Committee Meetings.

DIRECTORS' PROFILE (Cont'd)

KUO JEN CHANG,
Singaporean, Male, Age 59.
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. 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 164 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 2021
He attended 6 out of 6 Board Meetings.

DIRECTORS' PROFILE (Cont'd)

KUO JEN CHIU,
Singaporean, Male, Age 56.
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 164 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 in the financial year 2021
He attended 6 out of 6 Board Meetings.

DIRECTORS' PROFILE (Cont'd)

MARY HENERIETTA LIM KIM NEO,
Malaysian, Female, Age 58.
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 2021
She attended 6 out of 6 Board Meetings.

DIRECTORS' PROFILE (Cont'd)

KUAN KAI SENG,
Malaysian, Male, Age 48.
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 2021
He attended 6 out of 6 Board Meetings, 6 out of 6 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 38.
Non-Independent Non-Executive Director and
Member of the Risk & Sustainability 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) and
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 164 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 2021
He attended 6 out of 6 Board Meetings and 4 out of 4 Risk & Sustainability Management Committee Meetings.

DIRECTORS' PROFILE (Cont'd)

NIRMALA A/P DORAISAMY,
Malaysian, Female, Age 56.
Senior Independent Non-Executive Director,
Chairman of the Risk & Sustainability Management Committee, Chairman of Nomination Committee and Member of the Audit and Remuneration 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 and 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, appointed as Independent Director of Petronas Dagangan Bhd on 15 October 2019 and appointed as Independent Director of CTOS Digital Bhd on 1 April 2021.

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 2021
She attended 6 out of 6 Board Meetings, 6 out of 6 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.

KEY OFFICERS' PROFILE

LEONG TING SIONG @ MARTIN LEONG,
Malaysian, Male, Age 45.
Group Chief Financial 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 where he completed his CPA Australia examinations and joined MIA as a qualified accountant in 2002. Subsequently, he was appointed the Group Accountant of a local group of companies where he successfully led them to their listing 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 2021. 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. He has with him, an accumulated 23 years of working experience in the field of accounts and finance. Of the 23 years, 19 years were at senior management level. He has much experience in accounts preparation, tax planning and accounting standards, treasury and fund raising, Bursa Malaysia Listing Requirements, budgeting and analysis, tax and insurance planning, engaging with the finance and investment communities to develop a successful long-term relationship with bankers and stakeholders.

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.

KEY OFFICERS' PROFILE (Cont'd)

TEE KIM FOOM
Malaysian, Female, Age 55.
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 30 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.

In 2021, she was also tasked to head the Group's in-house Compliance Team to oversee the compliance matters in all Companies within 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 54.
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.

In 2020, he was also tasked to oversee the Enterprise Risk Management of the Group and report to the Risk Management Committee of the Board.

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)

JEREMY TAN KIAN MING,
Malaysian, Male, Age 51.
Group Cost Controller.

Qualification & Memberships
Bachelor Degree in Accountancy.

Working Experience
He has over 27 years of experience holding various positions in a number of manufacturing companies whose business activities spanned over audit and manufacturing. He started his career in an audit firm from 1994 and thereafter venturing into various manufacturing companies from ceramic, mechatronic and polymer industry before joining Evergreen Group in 2017.

Date of Employment
1 March 2017.

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 offence
None.

KEY OFFICERS' PROFILE (Cont'd)

LEE TAK HIN,
Malaysian, Male, Age 38.
Group Accounts Manager.

Qualification
Bachelor of Accountancy degree from the University Putra Malaysia and member of the Malaysian Institute of Accountants (MIA).

Working Experience
He is responsible for the accounting functions of the Company. He was Finance Manager of Abundance International Limited, a listed company in Singapore before he joined the Company. He started in the Company as Accounts Manager in 2017 and was subsequently promoted to Group Accounts Manager in 2021.

Date of Employment
2 May 2017.

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

Evergreen Fibreboard Berhad ("EFB") was incorporated in 1991 and commenced its operations in manufacturing of Medium Density Fibreboard in July 1993. The Group's operations expanded from a single manufacturing site to eight manufacturing sites in Johor (4), Negeri Sembilan (1), Kedah (1), Thailand (1) and Indonesia (1). EFB together with its subsidiaries was listed on the main board of Bursa Malaysia on 11 March 2004.

As at the end of the financial year 2021, the Group has a total workforce of 2108 employees with Malaysia 1368, Thailand 655 and Indonesia 85. Foreign labour in Malaysia operations accounts for 23.17%, Thailand 16% and Indonesia there are no foreign workers.

During the current financial year, the main activities of the Group remained in manufacturing of Panel Boards (Medium Density Fibreboard ("MDF"), Particle Board ("PB"), Added Value Panel Boards (Downstream Processes), Ready-to-Assemble Furniture ("RTA"), Solid Wood Products (Furniture / Parts), Resin / Adhesive, Wood Pellets and Green Energy.

Revenue contribution for the reporting financial year for Malaysia subsidiaries was approximately 45% of the Group's revenue while Thailand and Indonesia contributed 44% and 11% respectively.

Revenue from Adhesive products and Green Energy is insignificant to the Group's revenue due to the fact that their products are solely supplied within the Group.

Business segment on the sales of Panel Boards contributed 85% to the total revenue, Added Value Products contributed 3%, RTA Furniture contributed 9% while the Wood Products and Biomass Products contributed the remaining 3%.

The geographical market presence for the Group has remained in these five continents for the past years and the core products to these customers are Panel Boards. Majority of these customers are furniture manufacturers and building material suppliers.

Group's Market Distribution by Region

South East Asia	–	43%
Middle East	–	26%
United States	–	10%
Europe	–	1%
Others	–	20%

Group's Business Objectives

For the current financial year, the Group's business objective was to have a turnaround from its negative financial performance in the previous financial years to a positive financial performance for its shareholders. Our goal was set to remain as a recognised one stop panel board producer for a wide range of products with various specifications to meet the needs of customers.

Group's Business Strategies

The Strategy was to focus and derive the optimum productivity from each panel board manufacturing facilities based on individual operation's capabilities, efficiency and cost effectiveness in order to obtain a higher profit margin. For the added value products, our strategy was to increase the volume of sales as this was seen to fetch a higher profit margin in a slightly different market segment.

Group's Financial Review

Preparation of our Group's Financial Statements for the year ended 31 December 2021, was prepared in compliance to the requirements of the Companies Act, 2016 and the Malaysian Financial Reporting Standards.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)

Group's Revenue

Revenue from our Malaysia segment for the current financial year is RM426 million a decrease of 10% as compared to the revenue of RM472 million in the previous financial year ended 2020. The decrease in revenue was due to longer periods of mandated stoppage for most of our Malaysian operations under the Government's Movement Control Orders. Nevertheless, the impact was partially mitigated by higher average selling prices from our panel boards, added value panel boards and higher sales volume from our ready-to-assemble furniture.

Our Thailand segment's revenue for the current financial year increased by 37% to RM410 million, as compared to the revenue of RM300 million in the previous financial year ended 2020. The increase in revenue was mainly due to higher average selling prices from our panel boards.

Our Indonesia segment's revenue for the current financial year increased by 13% to RM99 million, as compared to a revenue of RM88 million in the previous financial year ended 2020. The increase in revenue was mainly contributed by higher average selling price from our panel boards.

The Group's overall revenue for the current financial year increased by 9% to RM935 million, as compared to revenue of RM860 million in the previous financial year ended 2020. In spite of lower sales volume due to the Government's Movement Control Order in Malaysia, an overall increase in revenue is seen due to higher average selling prices from our panel boards, added value panel boards together with a higher sales volume from ready-to-assemble furniture products.

Group's Profit/(Loss) before Tax

For our Malaysia segment, profit before tax was RM2 million in the current financial year compared to a loss before tax of RM29 million recorded in the previous financial year ended 2020. The increase in profit before tax was mainly due to higher profit margin contributed by higher average selling price for our products. The loss before tax in the previous year was mainly attributable to non-cash one-off event from written off and impairment losses on plant, machineries and inventories.

As for our Thailand segment, profit before tax for the current financial year was RM23 million compared to a loss before tax of RM74 million in previous financial year ended 2020. The increase in profit before tax was mainly due to the to higher profit margin contributed by higher average selling price. The loss before tax in the previous year was mainly attributable to non-cash one-off event from written off and impairment losses of plant and machineries and inventories over the progress of restructuring of wooden furniture parts business segment.

For the Group's Indonesia segment, profit before tax was RM15 million for the current financial year compared to profit before tax of RM4 million in the previous financial year ended 2020. The increase in profit before tax was due to higher margin contributed by higher average selling price that was able to offset the increase in raw material costs.

The Group's consolidated profit before tax for the current financial year was RM40 million compared to a loss before tax of RM99 million recorded in the previous financial year ended 2020. The increase in profit before tax was mainly due to higher profit margin contributed by higher average selling price on majority of our products with lower operation cost as a result of higher production efficiency. The loss before tax in the previous year was mainly attributable to non-cash one-off event from written off and impairment losses of plant and machineries and inventories over the course of year-end audit, as well as over the progress of restructuring of wooden furniture parts business segment.

Group's Profit/(Loss) After Tax

The Group's consolidated profit after tax for the financial year ended 2021 was RM34 million compared to a loss after tax of RM101 million in the previous financial year ended 2020. The increase in profit after tax was mainly from the increase of sales volume and average selling price coupled with slight reduction in operation cost. The loss after tax in the previous year was mainly attributable to non-cash one-off event from written off and impairment losses on plant and machineries and inventories over the course of year-end audit, as well as over the progress of restructuring of wooden furniture parts business segment.

Shareholders' Equity

The Group's total equity increased by 1% to RM1,037 million at the end of the current financial year compared to RM1,022 million at the end of the previous financial year ended 2020. The increase was from the positive result realised by the Group in the current financial year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)

Total Assets

The Group's total assets decreased by 2% from RM1,452 million in the previous financial year ended 2020 to RM1,422 million in the current financial year. The decrease was mainly due to depreciation and amortisation during the current financial year.

The trade and other receivables of the Group increased by 33% to RM126 million in the current financial year compared to RM95 million in the previous financial year ended 2020 due to the overall revenue increased in the current financial year.

The Group's inventories increased by 7% from RM208 million in the previous financial year ended 2020 to RM222 million in the current financial year. The increase was mainly due the roll-over of export shipments to the next financial year caused by shortages in containers experience by all countries in Asia for shipments bound for the United States.

The Group's bank balances remained strong at a lower amount of RM102 million compared to previous financial year ended 2020 of RM122 million. The decrease in the Group's bank balances was due to repayments of bank borrowings during the current financial year to reduce future interest expenses.

Total Liabilities

The Group's total liabilities decreased by 11% from RM430 million in the previous financial year ended 2020 to RM384 million in the current financial year mainly due to repayments of bank borrowings during the current financial year.

The Group's trade and other payables in the current financial year increased by 11% from RM106 million in the previous financial year 2020 to RM118 million. This increase is in line with the Group's higher overall business activities in the current financial year.

Borrowings

Borrowings in the Group has decrease by approximately 33% from RM264 million in the previous financial year 2020 to RM178 million in the current financial year. This was due to higher repayment of bank borrowings to reduce future interest expenses.

Gearing Ratio (%)

The Group's gross gearing ratio for current financial year was 0.17 showing a decrease of 35% compared to 0.26 in the previous financial year ended 2020 and the net gearing ratio for current financial year was 0.07 showing a decrease of 50% compared to 0.14 in the previous financial year 2020 mainly due to the higher repayments of the Group's borrowings made possible by increased cash inflow from the Group's operating activities.

Earnings per share

The Group's net earnings per share for the current financial year was 4.06 sen compared to a loss of 12.15 sen in the previous financial year 2020 due to the Group registered a profit after tax in the current financial year 2021.

Group's Net Assets Per Share

The Group's net assets per share for the current financial year was RM1.23 compared to RM1.21 in the previous financial year 2020. The slight increase in the net assets per share is a result of the Group's positive financial performance in the current financial year.

Financial Position

The Group's balance sheet remains strong as at 31 December 2021 with a total net worth of RM1,037 million. The Group's cash and cash equivalents of RM102 million against its borrowings of RM178 million, gives a net debt of RM76 million in financial year 2021 compared to RM142 million in the previous financial year 2020.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)

Key Result Areas (KRAs)

Our KRAs on Financial Performance was set in tiers and the Group was only able to achieve the first level of this tier due to all of our operations in Malaysia was under lock-down as a result of the Movement Control Order ("MCO") implemented from June to August 2021. Additionally, the Malaysia operations faced some supply chain disruption on its raw material as a result of the MCO imposed and no harvesting of wood /logs were carried out during and immediately after the lock-down period.

As for the KRAs on non-financial performance, it was not measured due to the movement control order lock-down imposed. However, moving on into financial year 2022, Key Result Areas and Key Performance Indicators (KPIs) has been set for Environment, Social and Governance efforts to be to be put in place for the Group.

Review of our Operating Activities

During the current financial year, the Group's operations in Malaysia was hampered by shutdowns due to the Government's Movement Control Order (MCO) which lasted three months from June to August and disruption in our supply chain during the first few months after resuming operations. During this period, we encountered high maintenance cost on our equipment as a result of the long stoppage of our machines.

Our operations were not jeopardized in any manners due to the full vaccination requirements imposed as we had made arrangements for vaccination of all employees to be carried out through PIKAS in early July and August 2021. Nevertheless, all of our Malaysia Plants had resume full operations since September 2021.

After resuming our operations, we had some interruptions in our operation due to shut down instructed by Kementerian Kesihatan Malaysia (KKM) on a few sections/departments after positive cases being detected during the bi-weekly test conducted. Shutdowns lasted 7 to 14 days per occasion and this had reduced our productivity in our ready-to-assemble furniture as well as our added value panel boards.

As for our Thailand and Indonesia operations, there were no shutdowns imposed in these countries even with some positive cases of Covid-19 detected in their premises.

Our capital expenditures in the Group had reduced from RM38 million in the previous financial year 2020 to RM24 million in the current financial year and this was mainly to cater for the replacement of parts due to the wear and tear of machineries for the whole Group.

Risks

Operational Risk

The Operational Risk of the Group remains in the supply of raw materials to all plants particularly on the supply of wood as the Group's main raw materials are branches and waste of rubber wood & mixed tropical wood. The supply of wood can and have affected the Group due to prolonged monsoon season yearly or a change in government policies for wood industry similar to what was encountered during the MCO periods.

As for the prolonged 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 to 3 weeks from being harvested and therefore our stock pile for rubber wood is 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 loses 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 minimised.

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 Dollar and Euro and any fluctuation of US Dollar and Euro will lead to foreign exchange impact either positively or negatively.

The currency translation losses can and may be realised should the US Dollar weakens or Euro strengthens, this can have a negative impact to the Group's financial performance or vice versa. In the current financial year 2021, the foreign exchange gain was RM8 million compared to a loss of RM2 million in the previous financial year 2020.

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 as and when the need arises.

Forward Looking Statement – Prospect

As the world moves towards treating Covid-19 as endemic, countries are opening up their economies and learning to live with the virus. In Malaysia, the Government has given assurance that the economy will remain open and will not return to implementation of lockdowns. Nonetheless, Covid-19 remains a risk with a surge in the number of new cases being reported worldwide amidst the increase in economic activities.

The final months of 2021 saw increased raw material prices as supply around the world tries to catch up on surging demand. The Group saw its raw material costs peaking in December 2021. Although most of the price increase has come down since then, the war in Ukraine is putting pressure on supply chain again as sanctions against Russia and overall uncertainty over the supply of oil and other raw material from Russia has disrupted the recovery to supply-demand equilibrium. This is especially true for logistical costs. The higher cost of logistics and still limited shipment capacities continue to limit recovery in the demand side. The Group will continue its diversification efforts to penetrate new markets and generate new sources of income.

Industries in Malaysia and the Group also faced shortage of labour due to the freeze in foreign labour intake since year 2020. The Malaysian Government is looking to unfreeze foreign worker intake and improvement in the labour situation is expected to improve in the near future. Nonetheless, the Group remains diligent in increasing the automation of its processes and to promote local worker participation.

Although the above headwinds could pose some challenge to the industry, the mitigating factors mentioned indicate that the situation will improve in the short term. Furthermore, the overall market demand is positive as demand for furniture continues to grow with the entrenchment of work-from-home culture and the recovery of the world economy. This will support Management's continued efforts rebalance with its customers and the impact from cost increases.

The Management has also embarked on efforts to reduce the Group's carbon footprint with the installation of solar panels in most of its major Malaysian premises with phase 1 to complete by the second quarter of 2022.

With the confluence of expected improvements in various macro factors and the strengthening of internal operations, the Group has cause to be optimistic that it will report a better result in the year 2022.

Dividend Policy

In view of the Group's profitable performance in the current financial year 2021, the Board of Directors will be proposing for a 1.5 sen dividend in the forthcoming AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board or BOD") of Evergreen Fibreboard Berhad ("EFB") takes this opportunity to provide an insight into the Group's Corporate Governance ("CG") practices during the financial year ended 31 December 2021 ("FY2021").

This Corporate Governance Overview Statement ("Statement") sets out the principles and features of EFB's corporate governance framework and the main areas of focus and priorities. We in EFB do not see governance as just a matter of the Board but good governance practice is made the responsibility of all by upholding our set governance standards with continuous efforts to strengthen the governance within the Group.

The Board hereby presents the Group's CG Overview Statement:-

ON BOARD LEADERSHIP & EFFECTIVENESS

Practice 1.1

The Board recognises the key roles it plays in setting the strategic direction of the Group. To achieve this, the Board carried out the following activities during the financial year:-

a) approved the Group's Annual Corporate Management Plans (which includes the Budget Plans) that are linked to the strategic financial and non-financial objectives for the financial year 2022 presented to the Board by Management in November 2021 meeting;

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 advised management accordingly;

c) reviews and approves the ethical standards in the Code of Conduct on appropriate behaviours and obtain Management's assurance for any non-adherence during Board Meetings;

d) reviews and approves the revised Enterprise Risk Management and Sustainability Framework for changes made in view of the current business environment;

e) together with Management, set the Group's strategies and policies that oversees risk, sustainability and corporate governance including monitoring the progress towards the Group meeting its set objectives and annual budget plans; and

f) review and approve Stakeholders' Communication Policy to ensure that it is as what being practice by management.

Practice 1.2

Mr. Jonathan Law Ngee Song is our Independent Non-Executive Chairman and his main role and responsibilities are strictly on matters of the Board. He provides the Board with the needed directions and strategic insights and he is able to represent the same to our Stakeholders. He fosters good corporate governance practices by ensuring the Company's adoption of required policies and practices in compliance to the Malaysian Code on Corporate Governance ("MCCG"). Together with the Company's Secretary, he regularly reviews the compliance level of the Company on corporate governance and the requirements of the Securities Commission and the Listing Requirements of Bursa Malaysia.

Practice 1.3

The positions of our Chairman and the Chief Executive Officer are held by different individuals, i.e., Mr. Jonathan Law Ngee Song and Mr. Kuo Jen Chang. Our Board Chairman's main role and responsibilities are strictly on matters of the Board which is entirely different from our Chief Executive Officer.

Practice 1.4

The Company has departed from this practice as Mr. Jonathan Law Ngee Song who is our Board Chairman, is also our Remuneration Committee Chairman as well as a member of other Board Committees.

The Board is in the midst of appointing additional director and will be able to apply this practice by the 4Q2022.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Practice 1.5

Our Company is being supported by 2 (two) qualified and competent Company Secretaries namely 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 providing the required sound governance advice, ensure adherence to rules and procedures by the Company and advise on the adoption of corporate governance during our Board meetings including as and when is required.

Practice 1.6

Members of the Board & Committees receives meeting papers containing minutes of previous meeting, agenda of the coming meeting together with all relevant papers for the agenda in advance of 6 (six) days prior to actual meeting date.

Upon conclusion of each meeting, Minutes of Meeting are prepared and circulated via electronic mail to all members in draft form within 14 (fourteen) days from date of meeting held. The amended draft minutes are re-circulated via electronic mail for final confirmation in readiness for signing at the next meeting.

Practice 2.1

Our Board Charter was last reviewed in November 2021 and is made available on the Company's website at www.evergreengroup.com.my. Contents clearly indicated the respective roles and responsibilities of Members of the Board and Committees which includes issues and decisions that are strictly reserved for the Board's discussion and approval.

Practice 3.1

The Board together with Management reviewed our Code of Conduct & Business Ethics ("the Code") in August 2021 to enhance the ethical standards set for Employees and Directors in the Group. Policies and Procedures managing Conflict of Interest, prevention on abuse of power, anti-bribery/corruption, insider trading and money laundering has been established and is also covered in the Code.

Accessibility to the Code, is made available to the general public on the Company's website www.evergreengroup.com.my and Policies & Procedures is made available in the Company's Document Management System (DMS) on the cloud-based storage and is made accessible to all Head of Departments/Operations in the Group at any point in time.

Practice 3.2

Policy on Whistleblowing has been fully implemented throughout the Group and is made available on the Company's Document Management System (Cloud Base) which is accessible to approved employees in the Group at any point in time and on the Company's website at www.evergreengroup.com.my.

Practice 4.1

In view of the Board and Management's responsibilities of addressing the governance of sustainability matters in the Company, the Board has established a Sustainability Management Committee within the Risk Management Committee, with Management Committee driving Sustainability Matters and a Risk and Sustainability Management Working Group at each subsidiary to embed sustainability initiatives in their day-to-day practices.

The established Risk & Sustainability Management Committee ("RSMC"), assists the Board to review the Group's sustainability strategies including the material sustainability matters. Periodic reports by Senior Management on sustainability matters are escalated to the BOD for their acknowledgement.

Senior Management have been tasked by the Board to assist the RSMWG by providing management leadership to subsidiaries pertaining to management of material sustainability matters on economic, environmental, social and governance and reported to the RSMC/Board accordingly.

Senior Management drives down the sustainability strategies and plans for implementation by each subsidiary/business unit through the Head of Operations and the Risk & Sustainability Management Working Group.

Practice 4.2

The Board through the RSMC together with Senior Management sets sustainability strategies and reviews the processes of material sustainability matters against the set targets and has communicated with their internal stakeholders at this stage. Communication on these matters to external stakeholders will be initiated as planned.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Practice 4.3

The Board has kept themselves abreast and understands the sustainability issues relevant to the Company and its business which include climate-related risk and opportunities through Sustainability Training attended and regular updates on sustainability matters.

Trainings attended by Directors during the current financial year 2021 is as follows:-

Director	Trainings/Fairs Attended
JONATHAN LAW NGEE SONG	Sustainability Reporting Ensuring Relevance to Financial Market
KUO JEN CHANG	Enterprise Risk Management Sustainability Management
KUO JEN CHIU	Enterprise Risk Management Sustainability Management Paving the Way for Profitability through Sustainability
KUAN KAI SENG	Sustainability & Corporate liability Seminar Percukaian Kebangsaan 2021
HENRY KUO	Sustainability & Corporate Liability
MARY HENERIETTA LIM KIM NEO	Sustainability Reporting Requirements Enterprise Risk Management Sustainability Management Risk Management and due diligence Sustainability Reporting Practitioner Paving the way for profitability through Sustainability The Sustainability Accelerator
NIRMALA A/P DORAISAMY	Sustainability Management Audit Committee Virtual Conference 2021 Economic Outlook 2021 Investing at the Right Time and Sector Sustainability Reporting Ensuring Relevance to Financial Market Virtual Conference Series: Risk Management Conference 2021 Paving the Way for Profitability through Sustainability Financial Digitalisation and Data Governance Corruption Risk Management "Dawn Raid: Since Section 17A MACC Act Has Come Into Force, Don't Be Caught Unprepared" Getting It Right At The Board: What Does It Take? Enterprise Risk Management & Sustainability Board Assessment A Key Cog in an Effective Governance Structure Audit oversight Board conversation with Audit Committee Risk Management in Strengthening Resilience Management and Unprecedental Times

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Practice 4.4

Annual Evaluation of the Board and Senior Management includes sustainability matters in general. Nevertheless, for financial year 2022 Sustainability elements have been added into the KRAs/KPIs of the Board and Senior Management to address the Company's Material Sustainability Risk and Opportunities.

Practice 4.5 – Step Up

The Board has identified and designated a person within management, to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the Group.

Practice 5.1

On the composition of the Board, Nomination Committee carried out Annual Performance Assessment to review and evaluate the composition and effectiveness in December 2021.

On Re-election of Directors,

1) Evaluation on the performance of the retiring Directors seeking for re-election was carried out by the Nomination Committee 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.

2) Amongst the criteria assessed was on their contribution, character in dealing with potential conflict of interest situations, on critically challenging matters, on the right questions asked and the confidence to stand up for their point of view in any matter during meetings.

3) Based on the annual evaluation carried out by Nomination Committee, key strengths and weaknesses were noted on retiring directors.

4) The satisfactory outcomes of their assessments were reported to the Board and the Board has recommended that these Directors be re-elected according to the respective resolutions put forth in the forthcoming AGM.

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

Practice 5.2

The Company has departed in this Practice due to the fact that our Board comprises of 7 (seven) members, made out of 3 (three) Independent Directors, 3 (three) Executive Directors and 1 (one) Non-Independent Non-Executive Director.

The Board through the NC is in the midst of sourcing and appointing new directors to comply to this practice before the 4Q2022.

Practice 5.3

The Company has put in practice that for Independent Directors in service beyond nine years and in retaining him/her as an independent director beyond nine years, the use of the two-tier voting process to seek shareholders' approval will be carried out.

Practice 5.4 – Step Up

The Board do not have a policy which limits the tenure of its independent directors to nine years without further extension.

Practice 5.5

Appointment Board Members and Senior Management are based on criteria such as the required skills for the boardroom, relevant experience, age, background, culture and gender that have been set by the Board for the Nomination Committee, to ensure a mixture of skills.

At the point of interview being conducted, candidates for Board Member or Senior Management are requested for their time that they are able to devote to the Company and they also made known the required time needed from them by the Company should they be successfully appointed.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Additionally, a background check on successful candidate is carried out by Management before Nomination Committee recommends appointment to the Board for approval. The Board reviews recommendation before any written appointment is given.

Practice 5.6

On sourcing and identifying candidates for the Board, the Nomination Committee seeks recommendation of potential candidates from existing board members, management, stakeholders and at the same time the Company uses the services of Lead Women Directors Registry for potential female candidates and the Institute of Corporate Directors Malaysia (ICDM) for male candidates.

Practice 5.7

Statement in Annual Report provided to shareholders on appointment and re-appointment of Directors consist among others:-

1) For New Appointment of Director - Complete profile of Director to be included;

2) For Re-appointment - Evaluation on the performance of the retiring Directors seeking for re-election will be given and the criteria for assessment, key strengths and weaknesses;

3) The outcomes of assessments are reported to the Board of Directors and the Board recommended for Director to be re-elected according to the respective resolutions; and

4) The retiring Director had abstained from all deliberation and participation of their own agenda in both the Nomination Committee meeting as well as the Board of Directors' meeting.

Practice 5.8

Our Nomination Committee is Chaired by our Senior Independent Director, Ms. Nirmala A/P Doraisamy.

Practice 5.9

The Company has departed from this practice as we only have 2 (two) women directors out of 7 (seven) directors which is 28.5%. With the additional intake of a new board member, this Practice will be in line as required.

Practice 5.10

The Group's Policy on Diversity for the Board as well as Senior Management:-

a. On gender diversity - The Company targets a composition of 30% woman directors against its overall board; and
b. On Mix of Skill - The Company has set a criteria list for Board Members & Senior Management in the Terms of Reference of the Nomination Committee.

Practice 6.1

Annual Assessment / Evaluation

Nomination Committee carried out Annual Evaluation in the following manner:-

1) In December 2021, Nomination Committee carried out Annual Performance Assessment to review and evaluate the effectiveness of the Board as a whole, the Committees, Individual Directors (including Independent Directors) and Key Officers of the Company.

2) Nomination Chairman who is also the Senior Independent Director, Ms. Nirmala A/P Doraisamy, led the annual assessment process which was done online.

3) Annual Evaluation Forms were placed online using Google Forms and Individual members login IDs and password were given through a WhatsApp message to all concern to carry out their review on Individual Directors, Key Officer, Company Secretary, the Chairman of the Board, the board as a whole and Board Committee(s). A timeframe was also given for review to be completed.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

4) The results of the completed evaluation was tabled at the Nomination Committee meeting that was held in February 2022 and discussed with the Chairman of the Board.

5) Board Chairman made known to all Members on the outcome of the annual evaluation carried out on individuals as well as the board and committees of the minor improvements and trainings needed to be attended in the following year.

6) Board Chairman had then advised NC Chairman on the actions to be taken to the findings from the evaluation results based on:
   a. the improvements needed on the Board, Board Committee or Individuals;

   b. the trainings needed by the Board, Board Committee or Individuals; and

   c. the monitoring or observance period required on any matter or individuals.

7) Summary of evaluations results carried out by the Nomination Committee was recorded and documents filed by Company Secretary.

8) Human Resource Department was given a copy on the summary of training needs for the subsequent year to be attended by directors, senior management and key officers.

Practice 7.1

1. The Company's Remuneration policy on fees and allowances structure for Non-Executive Directors ("NED") was reviewed and approved by the Board on October 2019 was 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.

2. A formal remuneration framework and salary structure for Executive Directors, Senior Management and Key Officer which was reviewed and approved by the Board in October 2019 was used to anticipate the performance of the Group.

3. 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.

4. 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.

Practice 7.2

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

Practice 8.1

The fees, allowances and benefits of RM450,000 was formally approved by shareholders on 16 August 2021. The amount paid to non-executive directors for the financial year ended 31 December 2021 is RM347,636 and the details to this payments is stated in the Company's Corporate Governance Report 2021.

Practice 8.2

The Company has departed from this practice as the Board disclosed its 5 (five) Senior Management by Name but not in remuneration bands but in a total lump sum in the Company's Corporate Governance Report 2021.

Nonetheless, the Board gives their assurance that the Company's remuneration and benefit package for its Senior Management is comparable against the same industry and the Company is able to retain the needed talents.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Practice 8.3 - Step Up

The Company has departed from this practice recommended due to sensitivity reasons in the Group as well as to safeguard the confidentiality of information.

Practice 9.1

Our Audit Committee Chairman in the current financial year is Mr. Kuan Kai Seng and he does not hold the position of the Board Chairman.

Practice 9.2

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.

Practice 9.3

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.

Practice 9.4 - Step Up

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

Practice 9.5

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.

Practice 10.1

Our Enterprise Risk Management and Internal Control Framework has been established and was last reviewed by the Committee and approved by the Board in February 2022.

Practice 10.2

a) Our Enterprise Risk Management Framework 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 that ties Risks to the Group's Business Strategies & Objectives to keep it within its risk appetite;

b) Our Internal Control System in place for the Group consists of policies, operating procedures and limit of authorities in all operation processes and these are reviewed yearly and thereon updated into the Group's Document Management System;

c) Head of in-house Compliance Team established audit plans for all subsidiaries in the Group which was to be carried out at every quarter;

d) Based on this audit plan, Compliance Team had carried out their audit in each subsidiary. Findings from this audit will be presented to the Management together with the corrective actions and timeline for completion;

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

e) The Group's Internal Audit functions for the financial year 2021 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; and

f) 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.

Practice 10.3 - Step Up

Our Risk & Sustainability Management Committee comprises of 3 (three) members with majority being 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.

Practice 11.1

Based on their audit plans approved by the Audit Committee, Internal Auditors perform audit works to close the gaps in the Group's Internal Control System and they report the weaknesses directly to the Audit Committee. They take instructions directly from the Audit Committee Chairman especially on areas to be audited as per their audit plans.

Practice 11.2

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. BDO's function team is headed by its Executive Director who possess the required relevant qualification and experience and is assisted by 3 (three) other staff including a manager. The Internal Audit Functions carried out by BDO are in accordance with the International Professional Practice Framework ("IPPF") of the Institute of Internal Auditors.

Practice 12.1

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

2. 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.

Practice 13.1

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

Practice 13.2

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

Practice 13.3

We have commenced to conduct our Annual General Meeting virtually since August 2021 and voting process is carried out online.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Practice 13.4

In our Annual General Meeting, our Group Chief Financial Officer presents the Company's financial performance and non-financial performance including the Company's strategies and allows shareholders to pose their question.

Practice 13.5

During the Company's Thirtieth annual general meeting, all question raised by shareholders were firstly read out by our Group Chief Financial Officer and thereon responded accordingly.

This was our first Annual General Meeting held virtually and this Platform was made available by Boardroom Share Registrars Sdn. Bhd. [Company No. 199601006647 (378993-D)] 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia.

Practice 13.6

Minutes of our Thirtieth annual general meeting for the financial year 2020 was uploaded onto our website later than 30 (thirty) business days after our 30th annual general meeting. This is not a usual practice of the Company but an oversight.

The Board of Directors has approved this statement on 31 March 2022.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Board's Responsibility

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors are aware of their responsibility in maintaining a sound and effective Risk Management and Internal Control System which is put in place and reviewed for its adequacy and integrity.

In line with the Malaysian Code on Corporate Governance ("MCCG"), the Board has established a Risk & Sustainability Management Committee ("RSMC") comprising a majority of Independent Directors and assisted by a Risk & Sustainability Management Working Group ("RSMWG") made up of Operation Directors/Managers from each subsidiary/business units that is led by the Executive Directors.

Our Enterprise Risk Management System

The Group's Enterprise Risk Management Framework is reviewed and approved by the Board and guided by the Principles of ISO 31000 Standards. It is an objective-centric based approach that ties with the risk of the Group's Business Strategies and Objectives to keep risk level within the Group's approved risk appetite.

Risk Assessments are carried out on a half yearly basis by the RSMWG at each subsidiary/business unit by taking into considerations the changes in regulatory requirements, industry and the current competitive market situation. Based on the identified risk, the Company/business unit's Risk Register is then established.

Based on the established Risk Register, risks are presented to the Management with proposal of appropriate internal controls to reduce the risk level prior to controls being put in place. Upon obtaining Management's approval for proposed controls to be put in place, a timeline for completion is also given and recorded.

Thereon, the monitoring on timeline for internal controls to be put in place are done at each subsidiary/business unit's monthly performance meeting whereby Management is kept informed on the status of completion. In this meeting, newly identified risks including any incidents on risk are also being highlighted with additional controls being proposed to be put in place to increase the effectiveness of internal controls.

Subsequently, all subsidiary/business unit's Risk Register are submitted to the Group Risk Manager for consolidation and a Group Risk Register is then established. Based on the consolidated Group Risk Register, material risks are presented and reviewed by the Management Committee on the effectiveness of internal controls indicated. Management Committee will then give their feedbacks for any changes/additional controls needed.

Key material risks from the Group's Risk Register will be compiled thereon and presented to the Risk & Sustainability Management Committee ("RSMC") on a half yearly basis. A report of any event on incidents of risk that may have triggered the threshold, review for changes of Risk Framework, Policies and procedures will also be presented to the RSMC for their review, approval and directions at each RSMC meeting held.

Our Risk Management Governance Structure

EFB has defined the following governance structure for its overall risk management.

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

Activities of the Risk & Sustainability Management Committee

Activities carried out by RSMC during the financial year 2021 are as follows:-

There were 4 (four) RSMC meetings carried out on 19 March, 17 May, 9 August and 17 November 2021.

In these meeting RSMC:-

1. a) Reviewed the statement of risk management and internal control for the 2020 annual report to ensure that the reporting requirements are being adhere to;

   b) Reviewed the emerging risk on one of the Group's Subsidiary for the loss of market share due to the effects of Covid-19 including the expected drop in the financial performance for the year;

   c) Reviewed the presented expected impact on the Group's financial performance arising from effects Covid -19 and the mitigation plans by the management; and

   d) Reviewed and approved the revision made to the Crisis Management & Business Continuity Plans based on the outbreak of Covid-19 and the measures taken that includes new standard operating procedures being implemented.

2. a) Reviewed the revision made to the enterprise risk management policy and framework which includes the revision of the Risk Appetite threshold and the implementation of Key Risk Indicators for all Key Risk in the Group;

   b) Reviewed the identified risk and the effectiveness of existing control measures and the status of the action plans for implementation;

   c) Reviewed the effectiveness of the internal control system which will be carried out by the in-house Compliance Team in each subsidiary and thereon reported in each meeting; and

   d) Reviewed the on-going trainings on Risk Management for the Group as well as for the committee and the Board.

3. a) Reviewed the revised Risk Appetite which is now based on 8 individual risk categories with 4 tolerance levels, there are also 3 indicators with risk threshold that is quantifiable; and

   b) Requested management to make known the details of any breaches in the risk appetite threshold for all categories in all coming meeting.

4. a) Reviewed the reported risk incidents that had breached the threshold of Risk Appetite including management's action plans to mitigate such breaches; and

   b) Reviewed the Group's key risk twice a year (first and fourth quarter) and the progress of the recommended additional controls to be put in place by management.

5. The Trainings on Risk Management and Sustainability attended by risk management officers and management for the financial year are as follows:-

   a) Enterprise Risk Management;
   b) Bribery: Pitfalls Most Organisations Often Commit - the Importance of Implementing Anti-Bribery Management Systems (ABMS);
   c) Section 17A MACC Act 2009: What Employers Should Do to Rebut Presumptions of Guilt;
   d) Sustainability Reporting Ensuring Relevance to Financial Market;
   e) Sustainability Management; and
   f) Anti-Bribery/Corruption.

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

System of Internal Control

The Group's System of Internal Control consist of the following measures:-

a) Group Organisation Chart shows the hierarchy levels whereby the Reporting Structure clearly shows the type of reporting and to whom each level reports to;

b) Group's Policies and Procedures in place clearly defines the roles & responsibilities in each subsidiary/business unit/department and the Limit of Authority clearly defines the segregation of duties and authority level;

c) Policies are established at the Group level followed by Standard Operating Procedures being established at the subsidiary/business unit and working instructions are established at departmental levels. These policies and procedures are review for changes annually and when the need arises within the year. All policies and procedures are upkept in the Group Document Management System (Cloud Base) of which is made accessible to the authorised person(s) of each subsidiary;

d) Group's Enterprise Resource Planning (Purchase, Sales, Delivery and Accounts) are only able to access when authority is given and segregation of duty is set including levels of approvals; and

e) Group's Payroll System is controlled at the Group level and no changes to the system can be made at the subsidiary level. Segregation of duties is also set in the system with layers of approval.

Internal Control Activities

Internal Control activities carried out in the current financial year:-

a) Head of in-house Compliance Team established internal control plans for all subsidiaries in the Group which was to be carried out at every quarter;

b) Based on this internal control plans, Compliance Team carried out their audit works as planned in each subsidiary. Findings from this audit are then presented to Management together with the corrective actions and timeline for completion;

c) Strengthening of vendor's Code of Conduct and review on the controls of on-boarding process of vendors;

d) Review of vendors on compliance to the Code of Conduct for vendors has been planned to be carried out in 1Q2022;

e) Review the procedures of sub-contractor management of foreign workers was carried out in 2Q of 2021;

f) Review on Anti-Bribery and Anti-Corruption Corporate Liabilities Internal Control Procedures for the Group was carried out in 3Q of 2021;

g) Review of policies on whistle blowing and Anti-Bribery/Corruption, establishment of procedure on gift and hospitality and online declaration of receiving & giving of gifts & hospitality; and

h) Roll out of Anti-Bribery/Corruption training portal for the Group which includes a test on employee's understanding of the Company Anti-Bribery/Corruption policies and procedures.

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

Internal Audit

For the current financial year and based on the yearly internal audit plans, there were 3 (three) cycles of internal audits carried out despite the Government's Movement Control Ordinance lock down period from June to August 2021.

First cycle of internal audit completed in May 2021 was carried out on our Thailand subsidiary, Siam Fibreboard Co. Ltd., Evergreen Fibreboard (Nilai) Sdn. Bhd., AllGreen Timber Products Sdn. Bhd. and Evergreen Fibreboard Berhad. The areas of audit were on Procure to Pay covering Non-Trade Purchase, Accounts Payable and Accounts Receivable. On 17 May 2021, the Internal Audit Report was presented by the outsource Internal Auditor (BDO) to the Audit Committee (AC). The AC reviewed the recommendations made by BDO on weakness that was identified and management's action taken to rectify those weaknesses.

Second cycle of internal audit was completed in August, this was a follow-up on the first cycle audit carried out on Siam Fibreboard Co. Ltd., Evergreen Fibreboard (Nilai) Sdn. Bhd., AllGreen Timber Products Sdn. Bhd. and Evergreen Fibreboard Berhad on Non-Trade Purchase, Accounts Payable and Accounts Receivable.

Third cycle was completed in November 2021, carried out on Siam Fibreboard Co. Ltd., Thailand, PT Hijau Lestari Raya Fibreboard, Indonesia and in Malaysia, Evergreen Fibreboard (Nilai) Sdn. Bhd., AllGreen Timber Products Sdn. Bhd., and Evergreen Fibreboard Berhad. Area of audit was on the Anti-Bribery and Anti-Corruption Corporate Liabilities Procedures for the Group. On 17 November 2021, the Internal Audit Report was presented by the outsource Internal Auditor (BDO) to the AC. The AC noted the gaps that was reported including the recommendations made by BDO on weakness that was identified and management's action taken to rectify those weaknesses immediately.

Review by the Board

The Board reviewed the Audit Committee's report for each audit cycle's findings by the Internal Auditors and aware of the additional controls to be put in place including the assurance given 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 Chief Financial Officer in the board meeting, noting 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 reviewed the Group's Risk Management Framework, Internal Control System, internal audits report from out sourced internal auditors (BDO) together with the assurance from the Group Chief Executive Officer/President and the Group Chief Financial Officer and are assured on the adequacy and integrity of the Group's System of Internal Controls.

Weaknesses in the Internal Controls that resulted in Material Losses

During the current financial year 2021, there were no major non-compliance issues in the Group except for some minor weakness in our Human Resource engagement of contract workers of which has been fully addressed. 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

Our External Auditors 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 31 March 2022.

AUDIT COMMITTEE'S REPORT

The Board hereby presents the Audit Committee Report which provides insights into the manner in which the Audit Committee (AC) discharged its functions for the Group in the current financial year 2021.

ROLE OF THE AUDIT COMMITTEE

The formal role of the Audit Committee is set out in its terms of reference of Evergreen Fibreboard Berhad's ("EFB") Board Charter, which is made available at evergreengroup.com.my/en/board-charter-rev3.

COMPOSITION AND ATTENDENCE

The AC comprises 3 (three) members, all are independent non-executive directors (NED). 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, Mr Kuan Kai Seng is a member of the Chartered Accountants Australia and New Zealand and the Malaysian Institute of Accountants and complies with paragraph 15.09 of the MMLR. The other members of the AC are Ms. Nirmala 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 reviews the terms of office of the AC members and assesses the performance of the AC and its members through an annual Board Committee effectiveness evaluation carried out by 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, members were encouraged to attend seminars and training program 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 Statement section of this Annual Report.

MEETINGS

The AC held 6 (six) meetings on 19 March 2021, 29 April 2021, 17 May 2021, 16 August 2021, 17 November 2021 and 29 November 2021. The Group Executive Director, Group Chief Financial Officer and Group Financial Controller were invited to all AC meetings to facilitate direct communication as well as to provide clarification on audit issues and Group's financial including operational matters.

The Group's External Auditor Messrs. Baker Tilly Monteiro Heng ("BT") attended 3 (three) out of 6 (six) AC meetings held on 19 March, 29 April 2021 and 29 November 2021.

The partner and key members of staffs from BDO Governance Advisory Sdn Bhd ("BDO"), a professional service firm that carry out EFB Group's Internal Audit functions, attended the AC meetings held on 17 May 2021 and 17 November 2021 to table the respective Internal Audit ("IA") reports.

Minutes of each AC meeting were recorded and tabled for confirmation at the following AC meeting by the Company Secretary. On 19 March 2021, 17 May 2021, 16 August 2021 and 29 November 2021, the AC Chairman presented to the Board the AC's recommendation to approve one quarterly Condensed Consolidated Financial Statements for year 2020 and three quarterly Condensed Consolidated Financial Statements for year 2021. The AC Chairman also conveyed to the Board matters of significant concern and changes.

SUMMARY OF ACTIVITIES

A. EXTERNAL AUDIT

1. From 1 January 2021 to 31 December 2021, AC reviewed the external audit review memorandum presented by BT for the year ended 31 December 2020, reviewed the final draft account for financial year ended 2020 with BT and management, BT's limited review of the fourth quarterly Condensed Consolidated Financial Statements 2020. BT's limited review of the third quarterly Condensed Consolidated Financial Statements 2021, undertaken an evaluation of the external auditor as prescribed by the MCGG, reviewed the external audit strategy of BT for the 2021 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.

AUDIT COMMITTEE'S REPORT (Cont'd)

2. As part of AC's efforts to ensure the reliability of the Group's quarterly Condensed Consolidated Financial Statements 2020 and 2021, compliance with applicable Financial Reporting Standards and to keep BT informed of EFB Group's financial performance and operations, BT undertook a limited review of the Group's fourth quarterly Condensed Consolidated Financial Statements 2020 and third quarterly Condensed Consolidated Financial Statements 2021 before these were presented to the AC for review and recommendation for the Board's approval and adoption.

3. On 19 March 2021, AC discussed the evaluation of the external auditor as prescribed by the MCGG conducted by the AC. Apart from the evaluation, 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 29 November 2021, BT sought the AC's approval for the proposed audit and non-audit fee services to be provided for 2021 for the Annual Audit Plan. The AC reviewed BT's proposed audit, audit related and other services fee to be provided for 2021. 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. Fee paid to the auditor for audit, audit related and other services are analysed in notes to the financial statements. On the confirmation by BT of their independence in the 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 29 November 2021, the Group Chief Financial Officer and the Group Financial Controller sought 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. Johan Malonda Mustika & Rekan ("JMMR") (A member firm of BT) and Thailand, Messrs. INTADIT CPA Office Company Limited ("ICPOCL") that are not audited by the Group's External Auditors, BT for 2021. The AC reviewed JMMR's and ICPOCL's proposed audit, audit related and services fee to be provided for 2021. The nature and level of all the services provided by the JMMR 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 analysed in notes to the financial statements. On confirmation by JMMR 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 fees to Board for approval.

B. FINANCIAL STATEMENTS AND REPORTING

1. The quarterly Condensed Consolidated Financial Statements for the fourth quarter of 2020 and the first, second and third quarters of 2021, were prepared in compliance with Malaysian Financial Reporting Standard ("MFRS") 134 "Interim Financial Reporting", International Accounting Standards ("IAS") 34 "Interim Financial Reporting" and Paragraph 9.22 including Appendix 9B of the MMLR, were reviewed at AC meetings on 19 March, 17 May 2021, 16 August 2021 and 29 November 2021, and thereafter was recommended to the Board for approval.

   In ensuring the Integrity of the information, the Group Financial Controller and the Group Chief Financial Officer had on 19 March, 17 May 2021, 16 August 2021 and 29 November 2021, through the presentation of the quarterly Condensed Consolidated Financial Statements 2021 to the AC has given 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 did not contain material misstatement and gave a true and fair view of the financial position of the Company and the respective companies within the Group.

AUDIT COMMITTEE'S REPORT (Cont'd)

2. On 19 March 2021, BT presented their interim auditing findings to the AC for their audit of the Financial Statement ended 31 December 2020 primarily to ensure that the fourth quarter Condensed Consolidated Financial Statements ended 31 December 2020 does not vary significantly from the final published Financial Statement ended 31 December 2020 and to resolve any outstanding issues arising from the audit.

3. On 29 November 2021, BT presented the Audit Planning Memorandum 2021 of EFB Group for the financial year ending 31 December 2021. The AC reviewed the Audit Plan 2021 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 or Management on 19 March 2021 and 29 November 2021. No critical issues where highlighted to the AC in these meetings.

C. INTERNAL AUDIT

EFB being listed on Bursa Malaysia Securities Berhad, has the obligations to ensure that it has in place a sound and effective system of risk management and internal control. In fulfilling its obligations, EFB has outsourced its internal audit function to BDO Governance Advisory Sdn Bhd ("BDO"), a professional service firm to review and assess the adequacy and integrity of the Group's internal control system. The internal audit fees for the financial year 2021 would be RM173,029 (including Sales Tax and out of pocket expenses).

On 17 May 2021, the IA presented the internal audit report on the internal control review of non-trade purchase, account payables and account receivable of Evergreen Fibreboard Berhad and its subsidiaries.

On the same date, the IA was also engaged to carry out an agreed upon procedures to review independently and recommend areas of improvements where possible on "foreign workers and subcontractor management", pursuant to a whistleblower's email to the Company.

On 17 November 2021, the IA presented the internal audit on the internal control review of Anti-Bribery and Anti-Corruption Corporate liabilities procedures for the Group.

The AC reviewed all the recommendations made by BDO on identified weaknesses and management action to be taken to rectify those weaknesses.

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

As required by MCGG 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.

E. RELATED PARTY TRANSACTION

1. The AC has taken note that there was no related party transaction reported or declared during the course of the 4 (four) AC meetings on 19 March, 17 May 2021, 16 August 2021 and 29 November 2021 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 is reported in the Financial Statements 2021.

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 2021.

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 3 (three) 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 2021 is Ms. Nirmala A/P Doraisamy who is also the Senior Independent Director while other members of the NC are Mr. Jonathan Law Ngee Song 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.

During the financial year 2021, 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 2021, on 19 March and 17 November 2021 and the Executive Directors were invited to these meetings 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

In line with Paragraph 15.08A(3) of Bursa Securities Listing Requirements on the activities carried out by the NC in discharging its duties for the financial year 2021.

On Succession Planning

Succession Plans were presented by Management to the Nomination Committee for their comments and recommendation as follows:-

a) Succession Plans for Members of the Board, Chief Executive Officer, Chief Operating Officer, Group Executives Director and Key Officers of the Company was presented to the NC. Based on the advised of the NC Chairman and Members, plan was revised and was subsequently approved by the Board; and

b) Training plans for candidates on succession plans was also presented which included the on-the-job training and Committee was made known that all the key positions identified are able to carry out their job accordingly should the need arises.

   NC noted the proposed Succession Plans presented and advised Management on the required training.

NOMINATION COMMITTEE'S REPORT (Cont'd)

Annual Assessment / Evaluation

In line with MCCG Practice 5.1, the Nomination Committee carried out annual evaluation in the following manner:-

1) In December 2021, Nomination Committee carried out Annual Performance Assessment to review and evaluate the effectiveness of the Board as a whole, the Committees, Individual Directors (including Independent Directors), Key Officers and the Company Secretary. Elements of the annual evaluation includes skills, experience, diversity, core competencies and sustainability.

2) The process was conducted online and the Nomination Chairman who is also the Senior Independent Director, Ms. Nirmala A/P Doraisamy, led the annual assessment process.

3) Annual Evaluation Forms were placed online using Google Forms and Individual members login IDs and password were given through a WhatsApp message to all concern to carry out their review on Individual Directors, Key Officer, Company Secretary, the Chairman of the Board, the board as a whole and Board Committee(s). A timeframe was also given for review to be completed.

4) The results of the completed evaluation was tabled at the Nomination Committee meeting that was held in February 2022 and discussed with the Chairman of the Board.

5) Board Chairman made known to all Members on the outcome of the annual evaluation carried out on individuals as well as the board and committees of the improvements and trainings needed to be attended in the following year.

6) Board Chairman had then advised NC Chairman on the actions to be taken to the weaknesses from the evaluation results based on:

   a. the improvements needed on the Board, Board Committee or Individuals;

   b. the trainings needed by the Board, Board Committee or Individuals; and

   c. the monitoring or observance period required on any matter or individuals.

7) Summary of evaluations results carried out by the Nomination Committee was recorded and documents filed by the Company Secretary.

8) NC made known to the Board to consider engaging an external and independent party once every three years to facilitate the assessment process as independent party who is expected to deliver a neutral view of the board's strengths and areas for improvement, and can also add insights from evaluations carried out by others.

9) Summary of training needs for the subsequent year to be attended by directors and key officers were tabled for discussion and Human Resource Department were tasked to arrange the relevant trainings for directors and key officers.

10) NC discussed and considered for a 30% quota in gender diversity, skills matrix when in the process of identifying candidates to enhance our talent pool using external resources when reviewing succession plans for board members. NC have also been actively searching for new candidates and will appoint additional director before the 4Q of 2022.

NOMINATION COMMITTEE'S REPORT (Cont'd)

Re-election of Directors

1) Evaluation on the performance of the retiring Directors seeking for re-election was carried out by Nomination Committee 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.

2) Amongst the criteria assessed was on their contribution, character in dealing with potential conflict of interest situations, on critically challenging matters, on the right questions asked and the confidence to stand up for their point of view in any matter during meetings.

3) Based on the annual evaluation carried out by Nomination Committee, key strengths noted on retiring directors were mainly on their area of expertise which they were able to provide the Board with opinions while the weaknesses were on limited training attended to keep themselves updated with the necessary training to address their weaknesses.

4) Nomination Committee made known to the Board their strength and weakness and the Board advised Directors to keep themselves updated with the necessary training to address their weaknesses.

5) The satisfactory outcome of their assessments were reported to the Board and the Board recommended that these Directors be re-elected according to the respective resolutions put forth in the forthcoming AGM.

6) Nomination Committee also carried out assessment on the independence of Mr. Jonathan Law Ngee Song due to the fact that he have exceeded his ninth-year term.

7) Based on the results of the assessment on the independence of Mr. Jonathan Law Ngee Song, he was found to have exercised his judgement in an independent and unfettered manner during the term in office and has discharged his duties with reasonable care, skill and diligence at all times.

8) Therefore, the Nomination Committee has recommended to the Board for Mr. Jonathan Law Ngee Song to continue his office as an Independent Director and to seek shareholders' approval in the forthcoming Annual General Meeting in compliance to Practice 4.2 of the MCCG.

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

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 2021.

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.

COMPOSITION AND ATTENDANCE

The RC comprises of 3 (three) 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 while 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.

During the financial year 2021, the Board had reviewed the terms of office of the RC and assessed the performance of RC Members through Annual Board and Committee effectiveness evaluation carried out by the Nomination Committee. The Board 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 2 (two) meetings on 19 March and 17 November during the financial year 2021 and the Executive Directors were invited to the meeting to facilitate direct communication as well as to provide clarification pertaining to the remuneration of Senior/Key Management.

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) Framework on fees and allowances for all Non-Executive Directors was last reviewed by the Remuneration Committee and approved by the Board in November 2019 and incorporated into the Remuneration Policy which made part of the RC Terms of Reference was decided to be used for financial year 2021.

2) Framework on Remuneration for Executive Directors and Key Officer/Senior Management in place was last reviewed and approved by the Board in February was to be used for financial year 2021.

REMUNERATION COMMITTEE'S REPORT (Cont'd)

Review on Remuneration of Board, Committees and Key Officers

1) On 19 March 2021 meeting, Management presented RC with the final results on the financial and non-financial performance of all companies and business units for the year 2020. RC was made known of the Bonus quantum and Increment rate entitled as per the remuneration policy for each company/business unit based on their financial performance and KPIs achieved.

   Management went on to present the Groups overall financial and non-financial performance which was below the Key Performance Indicators set and therefore no bonus and increment was proposed for Senior/Key Management.

   RC was also made known that a reduction of 30% on the basic salary of the Chief Executive Officer and Chief Operating Office will be carried on until the financial performance of the Group improves.

   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 all members that there will not be any revision due to the weak performance of the Group. All Directors abstained from participation and deliberation of their own remuneration.

   Based on the performance results presented, RC Chairman obtained the Board's approval for the increment and bonus package for certain subsidiaries' employees and none for the Executive Directors and Key Officers/Senior management.

2) On 17 November 2021 meeting, based on the existing remuneration framework approved, Executive Directors presented the financial performance of each Company/Business Unit to determine the approximate financial performance achievement for the year of 2021. 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.

3) Additionally, Management also made known to the RC that the salary of the Chief Executive Officer and Chief Operating Officer will be reinstated to its original quantum effective January 2022 as the financial performance of the Group has shown the desired improvement.

4) The bonus quantum and increment of salary of certain subsidiaries' employees, executive directors and key officers/senior management presented to RC for approval by the Board will be paid in January 2022.

5) Management will circulate the final results together with the list on payment in Committee/Board meeting papers and notation by the RC and Board in the coming 4Q of 2021 meeting in February 2022.

STATEMENT ON SUSTAINABILITY

INTRODUCTION

The Board of Directors (the "Board" or "BOD") of Evergreen Fibreboard Berhad ("EFB" or the "Company" or "the Group") hereby presents EFB's Sustainability Statement covering the material risk on Economic, Environmental, Social and Governance (EESG) aspects of the Group's businesses and operations.

This Sustainability Statement is prepared in accordance with Paragraph 29, Part A of Appendix 9C (29) of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa"), as well as Practice Note 9/2001 ("PN 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 and the Toolkits which provides guidance on reporting.

OBJECTIVE

This Sustainability Statement contains adequate information to enable our stakeholders to have a clear understanding of the Material Topic on Economic, Environment, Social and Governance that has significant impact on the Group's Business Sustainability. It also demonstrates measures taken by the Group to mitigate the risks and take advantage of any opportunity insight in our sustainability journey.

ORGANISATIONAL PROFILE

Evergreen Fibreboard Berhad ("EFB") – 199101006810 (217120-W) is an entity registered under the Companies Act in Malaysia and its shares is listed on the Main Board of Bursa Malaysia Securities Berhad. Its head quartered in the district of Batu Pahat, which is in the state of Johor, West Malaysia.

EFB operates in 3 (three) countries with a majority of its operations in Malaysia (50%) followed by Thailand (40%) and Indonesia (10%).

EFB's main business segment is in the manufacturing of Panel Boards consisting of Medium Density Fibreboard ("MDF"), Particle Board ("PB") and Added Value Panel Boards Products (Downstream Processes). Other business segment is in Ready-to-Assemble Furniture ("RTA"), Solid Wood Products (Furniture/Parts), Resin/Adhesive and Green Energy.

GOVERNANCE STRUCTURE

In view of its responsibilities of addressing the economic, environmental, social and governance material sustainability matters in the Group, the Board have established a Sustainability Management Committee within its Risk Management Committee, with Management Committee driving Sustainability Matters and a Risk and Sustainability Management Working Group ("RSMWG") at each subsidiary to embed sustainability in their day-to-day practices.

The established Risk & Sustainability Management Committee ("RSMC"), assists the Board to review the Group's sustainability strategies including the material sustainability matters. Periodic reports by Senior Management on sustainability matters are escalated to the BOD for their acknowledgement.

Senior Management drives down the sustainability strategies and plans for implementation by each subsidiary/business unit through the Head of Operations together with the Risk & Sustainability Management Working Group.

Risk & Sustainability Management Working Group ("RSMWG") have been established by Management at each subsidiary comprises of Head of Departments and led by the Head of Operations of each subsidiary.

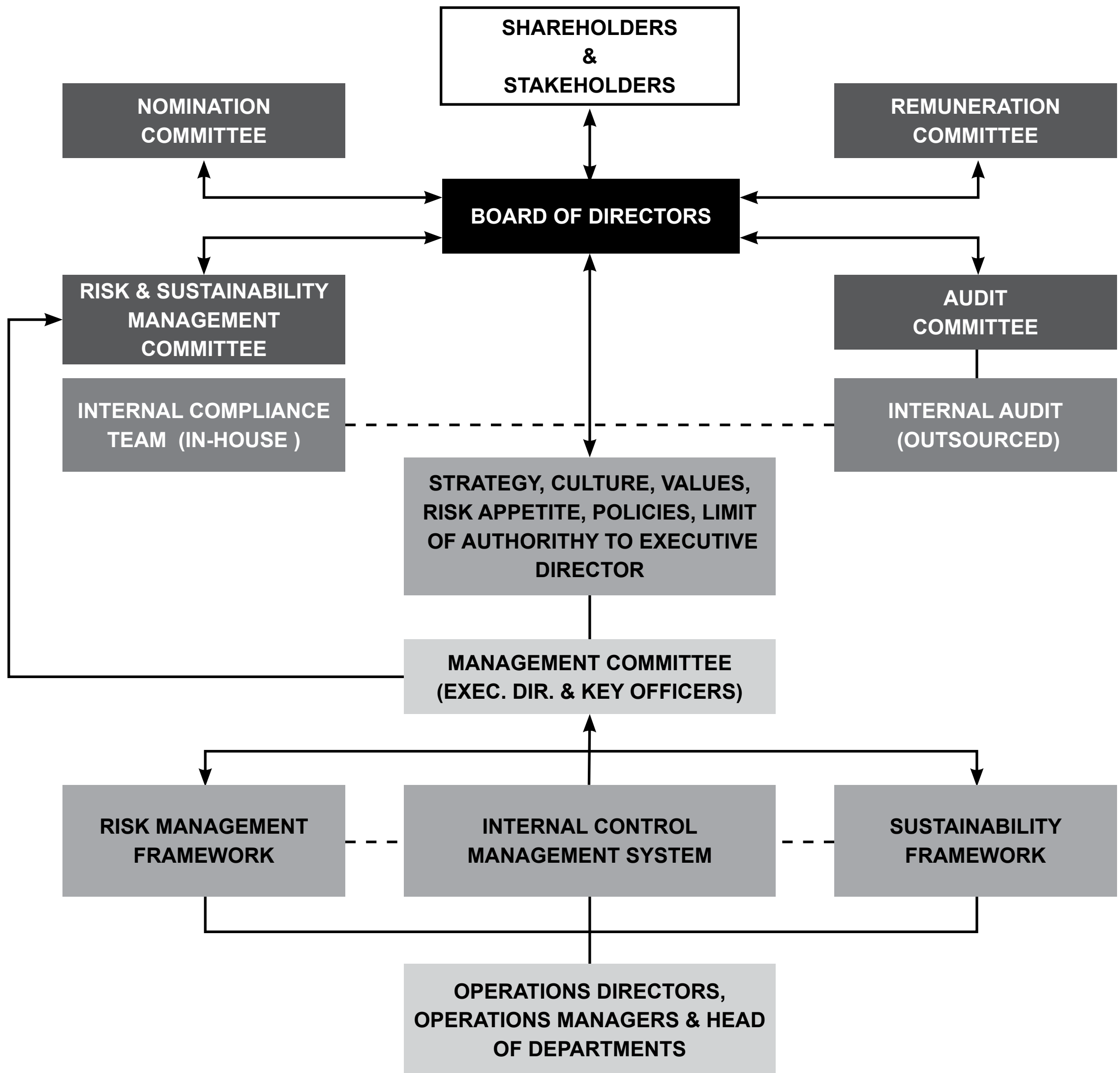
Role of the Board and Senior Management

The Board through the RSMC with Senior Management have incorporated sustainability elements into our Vision, Mission and Core Values to ensure managing of matters relating to sustainability begins at the highest level within the Group. RSMC and Senior Management responsibilities includes the governance of sustainability, setting sustainability strategies, priorities and targets.

Senior Management have been tasked by the Board to assist the RSMWG by providing management leadership to subsidiaries pertaining to management of material sustainability matters on economic, environmental, social and governance and report to the RSMC/Board accordingly. Below is the Group's governance structure:-

STATEMENT ON SUSTAINABILITY (Cont'd)

GOVERNANCE STRUCTURE



SCOPE OF THIS STATEMENT

The scope of our Sustainability Statement covers our entities in Malaysia, Thailand and Indonesia on our core business segment which is the Panel Boards and Added Value Panel Boards that represents 88% of the Groups business and Ready-to-Assemble Furniture constitutes 9%. Green Energy is for our internal supply to reduce energy purchase from the National Electricity Board and Resin/Adhesive is supplied within the Group as this is one of the main raw materials for manufacturing of panel boards.

The Group's business segment that is excluded from this statement are our Rubber Plantation and Solid Wood Products as the Board has considered and deemed the impact, either positive or negative from these business segments are minimal to the Group's financial performance as well as to the stakeholders as these segments represents less than 5% of the Group's overall business.

Even though our Sustainability Statement does not cover these 2 (two) businesses segments, the annual consolidated financial statements of the Group covers all entities and business segments within the Group.

There is no apportionment made for minority interest as all of our subsidiaries within the Group are wholly owned.

STATEMENT ON SUSTAINABILITY (Cont'd)

Reporting of Material Matters by all subsidiaries/business segments are consolidated at the Group Level and the impacts caused by the business segments of which is not cover under this sustainability statement, do not have any significant impact towards the environment, social and governance at this point.

The Company will consider including these business segments once information is available for the Company to include them in the coming year statement.

REPORTING PERIOD, FREQUENCY AND CONTACT POINT

The reporting period for the Group's consolidated financial statement is December and the publication of the Company's Annual Report is in the month of April.

The person in-charge for any question to the information on the Financial Performance of the Group is our Group Chief Financial Officer who is also the Group's Investor Relation and he can be contacted via his email martin@efb.com.my.

EXTERNAL ASSURANCE

The Company has yet to seek external assurance on its sustainability statement and will consider doing so in the near future.

ACTIVITIES, VALUE CHAIN AND OTHER BUSINESS RELATIONSHIPS

The Group's product sector is categorised under Industrial Products and the Group's value chain covers the manufacturing of panel boards of various specification, sizes and thickness, carried out by the Company, Evergreen Fibreboard Berhad and by its subsidiaries, Siam Fibreboard Co., Ltd., Evergreen Fibreboard (Nilai) Sdn. Bhd., AllGreen Timber Products Sdn. Bhd. and PT Hijau Lestari Raya Fibreboard.

Our added value panel board activities are carried out by the Company, Evergreen Fibreboard Berhad and its subsidiary, Evergreen Fibreboard (JB) Sdn. Bhd. Manufacturing of our RTA Furniture is carried out by Evergreen Fibreboard Berhad and the marketing is carried out by the Company and Subsidiary Everlatt Sourcing Sdn. Bhd.

Our upstream activities are manufacturing of Resin / Adhesive which is carried out by Evergreen Adhesive and Chemicals Sdn. Bhd. and Evergreen Adhesive & Chemicals (Gurun) Sdn. Bhd. and is mainly supplied to companies within the Group with an insignificant quantity supplied to third parties.

The Group's Panel Board business segment contributes 85% of the Group's total revenue, downstream process on Added Value Products contributed 3%, RTA Furniture contributes 9% while the Wood Products and Biomass Products contributes the remaining 3%. Revenue from sales of Adhesive products and Green Energy is insignificant to the Group's overall revenue as the sales are to Companies within the Group.

PROCESS TO DETERMINE MATERIAL TOPICS

The Group is taking the phase approach and firstly like to set our house and business in the right direction and this phase approach will take us over a period of 1 to 5 years starting from year 2021. Our business operations/processes will gradually embed sustainability in their practices and stay committed to vision of the directions set. We have taken our first steps towards embracing sustainability within the Group and we will strive to achieve our set direction in 5 (five) years.

Sustainability has been a small part of our identity but the Group have now committed to measure, improve, report, and communicate sustainable matters within the Group starting with our internal stakeholders first. We have focused to identify our in-house material sustainability matters on economic, environmental, social and governance first and therefore carried out our materiality assessment process to determine the Material Sustainability Matters ("MSM") that are significant to the Group's business and inhouse stakeholders. The Materiality Assessment process was undertaken in the following manner:-

1. Identification of the most relevant Material Sustainability Matters on EESG that are significant to the Group's Business's Operations:-

   On Economic
   a) Regulatory Compliance on Products

STATEMENT ON SUSTAINABILITY (Cont'd)

On Environment
a) Energy Consumption;
b) Reduction of Waste;
c) Emission from our Processes; and
d) Water Usage and Water Discharge from our processes.

Social
a) Compliance to the International Labour Organisation

Governance
a) Compliance to Laws and Regulations

2. Based on the above matters, assessment to priortise each MSM was carried out by each subsidiary as to determine which MSM is most significant to the subsidiary as well as its internal stakeholders;

3. Upon MSM being prioritise in each subsidiary, data gathering was carried out for each element of each MSM to determine the baseline in order for targets to be set;

4. Subsidiary then engages with relevant stakeholders based on the mode determined and record their concerns;

5. Base on the MSM priortisation list and stakeholders' feedback, each subsidiary works out their objective, targets and initiative for each element of their Material Sustainability Matters where these initiatives will be tracked;

6. List of material sustainability matters is compiled into the Register of each subsidiary and managed according to the Company's risk management; and

7. Tracking of sustainability initiatives and targets achievements will be reported to Senior Management at every quarter for reporting to the Committee/Board.

RISK AND OPPORTUNITIES

On the Economic Matters

Regulatory Compliance on Products (Emission Compliance on Products-Panel Boards)

The manufacturing of panel boards, involves the use of adhesive which contains formaldehyde. Formaldehyde is a chemical substance found in adhesive that gives panel boards structural strength. Formaldehyde is emitted from products made from engineered wood which uses formaldehyde-based adhesive, such as Medium-Density Fibreboard ("MDF") or particle boards. High-level of formaldehyde in indoor environment may have adverse health impact on users.

The Group is expected and committed to maintain safe levels of emission in its products according to the requests of its customers and ensures its products meet the regulations on formaldehyde emission especially for its products sold to the United States of America ("US") and Europe, which requires adherence to European Standards and the California Air Resources Board ("CARB") Airborne Toxic Control Measure ("ATCM") Phase II ("CARB P2") standards.

The Group has obtained certifications by US-based CARB and Environmental Protection Agency ("EPA") for its products emission level. With the said certifications, Evergreen is qualified to label its products as CARB P2 compliant. The certifications are to be renewed on an annual basis and relevant operations within the Evergreen Group have successfully obtained renewals during the financial year under review.

As of the financial year ended 31 December 2021, approximately 26% of the Group's products meet the standards of either E1 or CARB P2. In order to ensure product emission levels, meet the required standards, the Group has in-house lab-testing as a control measure and sends its products to a 3rd party lab every quarter to ensure emission levels are within the permitted level.

During the financial year, there were no incidents of products not meeting the required emission level requested by our customers in the Group.

Additionally, all Panel Board manufacturers will be expected to comply to the new requirements on the similar emission level in year 2023 of which the Malaysia Timber Industry Board is in the midst of setting such standard.

STATEMENT ON SUSTAINABILITY (Cont'd)

On Environment Matters

Energy (Electricity) Consumption

The manufacturing process of panel boards requires high consumption of steam which is generated by boilers with the use of electricity. Majority of the Group's electricity is supplied by the country's national grid which forms 15 to 20% of its cost of production.

The availability of electricity is a significant matter to the Group's operation as the majority of our processes will come to a standstill and use of portable generators are not possible as the kilowatts of energy involved is too high.

Our Group's Energy consumption:-

	Year 2021
Electricity Consumed from National Grid	241,253,964 kwh

We are targeting a significant reduction in our consumption of energy with our initiatives to reduce energy consumption being put in place throughout the Group.

To manage this material matter to avoid disruption to the operations, the Group needs to reduce its dependency of the energy from the national grid by having its own source of energy.

Currently the Group has two other source of Renewable Energy which is from our Biomass energy plant and Solar energy from our photo-voltaic panels.

Generation	**2021**	**2020**	**2019**
Solar PV	7 mw	733.21 mw	1,200 mw
Biomass Energy	394,516,744 mw	105,759,701 mw	129,027,168 mw

Our Biomass energy plant is located in our Thailand plant and has been in operations since year 2007 and in the midst of installation of photo-voltaic solar panels. We expect a gradual increase for our solar energy in the coming financial years.

Reduction of Waste

Generation of waste be it solid waste or schedule waste from our production processes is a cost to the Group and a material matter to the Group. Management of schedule waste is a must in order for the Company/Group to avoid being penalised by the authorities and also avoid reputational risk to the Group.

To manage this material matter in the Group, a reduction in all type of waste is necessary as reduce cost of production and be able to manage waste.

The Group is set to see a reduction of waste generated especially in terms of advancing to recycling where the Group is to keep the waste generated at the same level or lesser in the coming financial year.

All schedule waste generated from our processes are handled in compliance with the required regulation on handling of schedule waste by the authorities of each country where we operate in.

STATEMENT ON SUSTAINABILITY (Cont'd)

Emission from our Processes

The Group's emission from processes is mainly Smoke and Dust and all countries where the Group operates in has their own Emission Standards. However, for our plants in Malaysia, all Companies are bound by the Environment Quality Act (Clean Air) Reg. 2014 whereby the Emission level set should not be >20% but not exceed 40% for five (5) minutes (continuous) and total emission for 24 hours does not exceed 15 minutes (accumulation).

The adherence to this standard will be fully enforced in financial year 2022 and with the enforcement of this law, a License required to contravene acceptable conditions for emitting emissions into atmosphere is required to be obtain by each company. An owner or occupier of a premises may apply for a license under subsection 22 (1) of the Act to contravene the acceptable conditions of emission of pollutants into the atmosphere specified under regulations 12 and 13. Accordingly, should the Company not being granted with the Contravention License by the Department of Environment for any reason, any emission dust or smoke exceeding the allowable limits, a fine amount of RM100,000 will be imposed on the premise owner .

Hence, the subsidiaries in Malaysia are in the process of this license application to avoid such hefty fine for any mishap or emission and to ensure no Dust or Smoke emission exceeds the allowable limits. Timely maintenance of equipment to ensure dust is contained within enclosed systems are carried out periodically in order to comply to the Environmental Law. Air quality of our surroundings are continuously being measured to monitor and ensure emission level do not exceed the regulated levels set by environment authorities.

Following are incidents on emission experience by the Group:-

Emission On	2021	2020	2019
Dust	NIL	2	2
Smoke	NIL	1	1
Penalties/Fines	2	NIL	NIL

Water Usage and Water Discharge from our Processes

The impact of water supply to the Group operations is to the boilers that generates steam to the production processes. Other water usage is for cooling process and some sanitary facilities in all plants. Water supply is considered material to the companies which are dependent on steam from boilers for their processes operation.

On discharge of water into public drains, our subsidiary in Thailand experience some technical problem in their water treatment plant during the financial year, which caused water out of the allowable specification being discharged into the public drains and this resulted in a fine of approximately RM80,000. Nevertheless, the subsidiary has rectified the matter and the treatment is in normal operation. The Company, EFB was compounded RM3,000 due to an overflow of untreated water into the public drain caused by malfunction of the level indicator in the treatment plant.

In managing the material matter for water supply, the Group will reduce the consumption and increase our waste water treatment plants production to recycle more water for our usage.

Significant Spills

The Group did not record any significant spills that contained environmental damage.

STATEMENT ON SUSTAINABILITY (Cont'd)

Non-compliance with Environmental Laws and Regulations

In 2021, the Group did not incur any significant fines for non-compliance with environmental laws and regulations. EFB strives for full legal and regulatory compliance and therefore and therefore, subsidiaries have a process in place to help them understand regulatory requirements and changes. Subsidiaries are audited by Compliance Team and Internal Audit for compliance to all laws and regulations. Head of Operations are obliged to strictly adhere to applicable legislation and to supervise the subsidiary they are responsible for accordingly.

Each month they have to confirm the compliance level in their subsidiary with management teams in the monthly performance meeting. In 2021, there were 2 (two) incidents reported on non-compliance to the discharge of water into public drains.

On Social Matters

On the compliance to the Indicator of the International Labour Organisation, the Group is in compliance of the following indicators of Abuse of vulnerability, Deception, Restriction of movement, Isolation, Physical and sexual violence, Intimidation and threats, Retention of identity documents, Withholding of wages, Debt bondage, Abusive working and living conditions except for Excessive overtime which are in compliance of Malaysia work hours and overtime but not in compliance to the Social Audit requirement of SMETA of working hours which is on restriction of overtime hours to 60 (sixty) hours per month. Nevertheless, the Group is in compliance with the Labour Laws of the Country.

On the Legal and regulatory compliance of anti-corruption and human rights, compliance are the foundations of our business wherever we operate. Head of Operations are obligated to strictly adhere to legal practices and to supervise the subsidiary accordingly. They are also responsible for taking preventive action and trainings.

Employees within the Group

The Group's total workforce stands at 2108 employees at the end of the current financial reporting period. Foreign workforce are employees with work permits but excludes employment of expatriates are as below:-

DESCRIPTION	YEAR 2020		YEAR 2021	
BY COUNTRY	**TTL WORKFORCE**	**IN PERCENTAGE**	**TTL WORKFORCE**	**IN PERCENTAGE**
MALAYSIA	1423	65.52%	1368	64.90%
THAILAND	662	30.48%	655	31.07%
INDONESIA	87	4.00%	85	4.03%
TTL	**2172**	**100.00%**	**2108**	**100.00%**
BY COUNTRY	**FOREIGN LABOUR**	**IN PERCENTAGE**	**FOREIGN LABOUR**	**IN PERCENTAGE**
MALAYSIA	462	80.76%	317	75.12%
THAILAND	110	19.23%	105	24.88%
INDONESIA	0	0.00%	0	0.00%
TTL	**572**	**100%**	**422**	**100.00%**
BY GENDER	**TTL WORKFORCE**	**IN PERCENTAGE**	**TTL WORKFORCE**	**IN PERCENTAGE**
Male employees	1748	80.48%	1698	80.55%
Female employees	424	19.52%	410	19.45%
TTL	**2172**	**100.00%**	**2108**	**100.00%**
BY COUNTRY	**TTL FEMALE WORKFORCE**	**IN PERCENTAGE**	**TTL FEMALE WORKFORCE**	**IN PERCENTAGE**
MALAYSIA	248	45.50%	238	44.24%
THAILAND	158	29.00%	157	29.18%
INDONESIA	18	3.30%	15	2.79%
CORPORATE OFFICE	121	22.20%	128	23.79%
TTL	**545**	**100.00%**	**538**	**100.00%**
BY AGE GROUP	**TTL WORKFORCE**	**IN PERCENTAGE**	**TTL WORKFORCE**	**IN PERCENTAGE**
< 30 years	565	26.01%	592	28.08%
30-50 years	1278	58.84%	1168	55.41%
>50 years	329	15.15%	348	16.51%
TTL	**2172**	**100.00%**	**2108**	**100.00%**
BY CONTRACT	**PERMANENT IN %**	**TRMPORARY IN %**	**PERMANENT IN %**	**TRMPORARY IN %**
MALAYSIA	98.59%	1.41%	98.49%	1.51%
THAILAND	89.12%	10.88%	91.45%	8.55%
INDONESIA	100.00%	0.00%	100%	0.00%

STATEMENT ON SUSTAINABILITY (Cont'd)

There have not been any significant fluctuations in the number of employees during the reporting period and all workforce employed are controlled directly by the Company where they are employed.

TYPES OF INJURY AND RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM, AND NUMBER OF WORK-RELATED FATALITIES

As Occupational health and safety is considered as a material matter to EFB where its employees are in many cases, exposed to occupational health and safety risks, EFB management's approach for occupational health and safety is to avoid negative impacts with a Commitment that we strive to protect fellow colleagues with the aim that they leave the workplace in the same condition as when they had started work.

At the subsidiary/business unit level where the Operations Manager (Head of Operations) are responsible for helping to reach EFB's targets regarding occupational health and safety, and for setting and achieving local targets accordingly. Below is the accident statistic of accident in the Group:-

Our Group-wide safety policy is targeted for a lost-time injury of not more than 3 days; and zero fatality.

For the financial year ended 31 December 2021, the Group's accident records are as follows:-

Accidents by Gender	2021 (Cases)	2020 (Cases)	2019 (Cases)
Male	38	5	4
Female	4	1	1

Accidents by Nationality	2021 (Cases)	2020 (Cases)	2019 (Cases)
Local	38	2	3
Foreigner	4	4	2

Even with our continuous efforts and controls implemented in each manufacturing plants in the Group, accident rates during the current financial year 2021 have increased drastically even though majority of the accidents are minor injuries.

The Group did not manage to achieved its target for zero case on fatality as the group encountered 3 fatalities in the reporting year which was caused by fire in 2 (two) of its plants, 1 (one) in Indonesia and 2 (two) in Malaysia. Both fatal accidents were caused by fire incidents. Due to this incident, EFB has put emphasis on fire preventive measures in all plants to reduce the risk of fire.

Due to this unexpected high number of industrial accidents, the Group will look into additional safety programs in 2022 covering all operations in all countries. The objective is to remove fire and safety hazard in the workplace with greater emphasis on employee safety awareness and to avoid accidents due to lack of awareness.

AVERAGE HOURS OF TRAINING

With 2108 employees in the Group, the Group regards training and education as an important instrument in retaining and nurturing its workforce. The Group therefore maintains a broad range of internal and external training programs. The Group engages external trainers to conducts training programs for operations, sustainability, risk management, quality improvement sales and marketing, safety and health and technical faculties.

There is no explicit Group target regarding training and education, but strives to offer every employee at least 8 hours of training each year.

STATEMENT ON SUSTAINABILITY (Cont'd)

HUMAN RIGHTS POLICY

A Policy on Human Rights has also been established for the Group in year 2019 and it is made available on the Company Cloud based Document Management System which is accessible to all companies within the Group.

Evergreen Fibreboard Berhad ("EFB") Group's Human Rights Policy is guided by the International Human Rights Principles and recognises their role in the communities where the Group operates. This policy applies to the Group, whereby contractors and suppliers are expected to similarly uphold and adopt the policy in their businesses dealings with the Group.

The Group strive to respect and promote human rights in accordance with the UN Guiding Principles on Business and Human Rights in our relationship with employees, suppliers and independent contractors. We engage ourselves in a wide range of human right issues related to our business across the value chain through due diligence as means to identify and prevent violation of human rights.

ON BOARD GOVERNANCE

Composition of our highest governance body, is the Board of Directors. Our Board consist of 7 (seven) members of which 3 (three) are Independent Directors. Based on this composition, 2 (two) of the seven directors are female and all of our Board members comes from a diverse background of legal, financial, corporate and industry experts.

The age group of our directors are between 30 to 60 years according to our policy which calls for a dynamic board. 2 (two) of our directors are citizen of Singapore, 1 (one) American and the others are Malaysians.

Our Senior Independent Director appointed by the Board is Ms. Nirmala A/P Doraisamy who is also the Chairman of our Nomination Committee.

NOMINATION AND SELECTION OF GOVERNANCE BODY

In line with MCCG Practice 4.6, when identifying candidates for appointment of directors, the Nomination Committee utilises independent sources to identify suitable qualified candidates such as:

a. Directors' registry or Institute of Corporate Directors Malaysia;
b. Lead Women (Lead Women Sdn. Bhd.);
c. Open advertisements (National Newspapers); and
d. Independent search firms.

Appointments of Directors

1. The Nomination Committee screens all candidate(s) for directorship / senior management positions, which maybe proposed by any Director or Shareholder, or source from independent firms or advertisements.

2. Firstly, candidates must be seen to possess a diverse range of skills and knowledge which will enable them to respond to discussions and have the ability to contribute ideas to the shifting market landscape such as changes in business model, changes in consumer demands including new and emerging risks.

3. Nomination Committee shall then make recommendation for candidates to be interviewed by due consideration given in regards to diversity in line with MCCG Practice 4.4. Candidate shall be evaluated strictly based on the following criteria:-

   a) Expertise / skills;
   b) Age (minimum 30 years and maximum 60 years);
   c) Industry / director functions knowledge;
   d) Experience in the required field needed in the board;
   e) Sufficient time for Board Meetings and follows up on pertinent issues;
   f) Gender diversity;
   g) Character;
   h) Professionalism;
   i) Integrity;
   j) Time commitment; and
   k) Expected responsibility as a director.

STATEMENT ON SUSTAINABILITY (Cont'd)

4. Candidate shall then be interviewed face to face or on a Virtual platform by the Nomination Committee as to confirm that candidate meets the criteria set above. During this interview, candidate will be required to disclose any business dealings in any manner that may result in a conflict of interest or any relationship with current members of the board or major shareholders.

5. Should candidate meets the criteria set by the committee and the committee as a whole agrees that candidate is qualified to be recommended for appointment, the Committee Chairman shall arrange to make such recommendation to the Board.

6. Prior to making the recommendation to the Board, Nomination Committee Chairman will consult other Board Committees Chairman on appointment of candidate as a committee member where required.

7. Nomination Committee Chairman shall then make the necessary recommendations to the board, on qualified candidates to fill the seat on board as well as board committees as required and agreed by Chairmen of those committees.

8. Chairman of Nomination Committee shall recommend to the Board on the suitable candidates which has been interviewed by the Nomination Committee, by forwarding the following information to all members for their deliberation and decision in board meeting:-

    a) Candidates' personal information;
    b) Relevant experience and expertise;
    c) Declaration on Conflict of interest; and
    d) Nomination Committee's evaluation as a whole.

9. In the board meeting, Chairman of the Nomination Committee shall brief all directors on views of the recommended candidate. The Board has a whole shall deliberate and decide on the appointment.

10. Upon approval by the Board, Chairman of Nomination Committee shall inform new director of his appointment and ensure that he/she is given a letter of his/her appointment from the Company's Human Resource Department stating out clearly what is expected of them in terms of time commitment, board committee involvements and involvement outside board meetings including their fees and allowance from the Company within 14 (fourteen) days from being appointed by the board.

11. Upon the Boards' approval for candidate to be appointed, Company secretary will prepare required documents on appointment and make necessary announcement within the time frame.

12. Newly appointed Directors shall be given induction/orientation training by the Executive Director during his / her first Board Meeting and he / she will be sent to attend the Mandatory Accreditation Program (MAP) training within 3 (three) months from being appointed as Director.

Conflicts of Interest

The Company has put in place its policy on Conflict of Interest for its Directors and Employees in the Group to prevent non-disclosure of any existence of a conflict of interest. This policy is also extended to conflict with Vendors and Customers and the policy clearly states that:-

1. Directors / Employees with a conflict of interest shall and must disclose any obligation, commitment, relationship or interest that could conflict or may be perceived to have conflict with his or her duties by making a declaration using the Conflict-of-Interest Disclosure document online through the following link:

    https://docs.google.com/forms/d/e/1FAIpQLSeE5xI6BfNow6Tlk9h9vKCDkiQA8Zc1Q20OjNi34JNPiDM9bQ/viewform

2. A Director or an Employee who is found to have any real, apparent or potential conflict of interest but have failed to declare it, the Director / Employee shall be in violation of the CODE OF CONDUCT AND ETHICS FOR DIRECTORS / CODE OF CONDUCT & BUSINESS ETHICS and he/she can and will be subject to disciplinary measures that may include termination of employment.

STATEMENT ON SUSTAINABILITY (Cont'd)

3. All declaration Online shall be made immediately upon this Policy being issued and thereon to be updated every 6 (six) months (in June and December) yearly or whenever a Conflict of Interest occurs. It is the responsibility of each individual to ensure that the online declaration is made on a timely (as and when conflict of interest occurs) and truthful manner. Once a declaration is made, he/she shall inform Group HR Manager and seek the necessary written approval if needed.

4. A summary of all disclosures shall be prepared by the Group Executive Director and made known to the Audit Committee/Board during the quarterly audit/board meeting for any control or measures to be taken.

5. There are no concerns on any conflict-of-interest element as members on a regular basis declares their status in the presence of all members and the company secretary.

REMUNERATION POLICIES

A Remuneration Policy for the Board and Senior Management has been established as in Remuneration Committee Terms of Reference which is made available on the company's website.

ANNUAL TOTAL COMPENSATION

COMPENSATION CATEGORY	YEAR 2020	Percentage	YEAR 2021	Percentage
Employee's Compensation	RM96,111,659	96.54%	RM90,339,329	96.78%
Executive Director's Compensation	RM3,093,612	3.11%	RM2,662,651	2.85%
Non-Executive Director's Compensation	RM347,625	0.35%	RM347,636	0.37%
	RM99,552,896	**100%**	**RM93,349,616**	**100%**

The drop in compensation was mainly due to the lockdown of operations where all companies in Malaysia was not in operation for approximately 4 (four) months. The reduction of allowance and overtime during this period coupled with a cut in salaries of Management level and the Executive Directors was the main factor in the drop of the overall compensation in the reporting period against the previous year reporting period.

MECHANISMS FOR SEEKING ADVICE AND RAISING CONCERNS

We strive to create workplaces in which open and honest communications among all employees are valued and respected. We are committed to comply with applicable labour and employment laws wherever we operate. The Company also ensures employees are aware of the Human Rights Policy through training process. Any employee who believes a conflict arises between the language of the policy and the laws, customs and practices of the place where he or she works, or who has questions about this policy or would like to confidentially report a potential violation of this policy, should raise those questions and concerns with local management, Human Resources or the Legal Department.

Employees can also report suspected policy violations of Evergreen Fibreboard Group Human Rights Policy through the internet website at www.evergreengroup.com.my.

No reprisal or retaliatory action will be taken against any employee for raising concerns under this policy. The Company will investigate, address and respond to the concerns of employees and will take appropriate corrective action in response to any violation.

STATEMENT ON SUSTAINABILITY (Cont'd)

To report issues under the Human Rights Policy, contact the Top Management at:

a. Group Executive Director: mary@efb.com.my

b. Group Chief Operating Officer: jenchiu@efb.com.my

c. Group Chief Executive Officer: jenchangkuo@gmail.com

Or

d. Whistleblowing Committee: whistleblower.efb@bakertilly.my

e. Whistleblower Complain Form: https://evergreengroup.com.my/en/formmail-report-of-improper-conduct

Or for other enquiries:

f. Contact HR Manager at pagan@efb.com.my / feedback@efb.com.my

COMPLIANCE WITH LAWS AND REGULATIONS

There was no known non-compliance by the companies in the Group for the reporting period except instances of dust emission, water leakage and safety incidents.

These incidents did not have any material impact on the Group's operation and financial performance in the reporting period.

STAKEHOLDER ENGAGEMENT

Stakeholder's engagement is carried out by each subsidiary depending on the type and importance of the stakeholder. Generally external stakeholders are done through surveys and e-mails. The Company engagement with stakeholders for collective bargaining are done though physical discussion with Union Committee Members and the Representative form the Trade Union.

Approach to Stakeholder Engagement

Common categories of stakeholders for the Group of companies consist of business partners, consumers, customers, employees, governments, local communities, non-governmental organisation, shareholders and other investors, suppliers and trade unions.

Based on the prioritisation of stakeholder's categories by each company, stakeholders' engagement is carried out.

The general purpose our stakeholder engagement was to identify actual and potential impact including to determine prevention and mitigation responses to potential negative impacts.

The type of engagement carried out are mainly online or physical discussions, correspondences and survey responses.

COLLECTIVE BARGAINING AGREEMENTS

Collective bargaining agreement are for companies in Malaysia and Thailand as our Indonesia operations do not have any collective agreement. Based on total of 2108 employees in Malaysia, 765 employees are under the collective agreement. Their working hours, wages, terms of employment are in accordance to the employment act and adheres to the Indicators of the International Labour Organisation.

STATEMENT ON SUSTAINABILITY (Cont'd)

OPERATIONS ASSESSED FOR RISKS RELATED TO CORRUPTION

The Company has established a Policy on Code of Conduct & Business Ethics for the Group which is made available on the Company website at www.evergreengroup.com.my and it also made available on the Company's cloud base Document Management System. This Policy on the Code of Conduct and Business Ethics (known as the "Code") is established to ensure consistency as to how the Group's employees of all levels shall and must conduct themselves within the Company and in their dealings outside of the Company.

This Policy is also to instill good Corporate Governance practices in Evergreen Fibreboard Berhad Group of Companies ("EFB" or the "Company / Group") in expectation that all employees act with Integrity and Professionally at all times while carrying out their duties for and on behalf of the Company / Group in any manner.

All entities in the Group have been assessed by the Compliance Team and the Internal Auditors regarding the implementation of anti-corruption practices and incidents of corruption. All our new and old Vendors have signed the Vendor's Code of Conduct to commit to respect EFB's zero-tolerance policy concerning bribery and corruption.

EFB performs supplier audits and evaluations to monitor and assess their compliance with EFB's requirements and the Vendor's Code of Conduct. Vendors are obliged to immediately inform EFB of any known violations of the Code of Conduct.

COMMUNICATION AND TRAINING ON ANTI-CORRUPTION POLICIES AND PROCEDURES

The Group's Anti-Bribery/Corruption training and communication is being carried out by establishment of an online portal (efb.no-bribery.com) where the Company's Policy on Anti-Bribery/Corruption, Code of Conduct and Business Ethics, Conflict of Interest and Whistle Blowing is being place. This is an integral part of the employment contract and the onboarding program for each EFB's employee to go through this E-Training online and complete a test on Anti Bribery/Corruption at least once a year.

CONFIRMED INCIDENTS OF CORRUPTION AND ACTIONS TAKEN

There were no cases of corruption reported in the Group for the year 2021.

LEGAL ACTIONS FOR ANTI-COMPETITIVE BEHAVIOR, ANTI-TRUST, AND MONOPOLY PRACTICES

As part of his/her duties and responsibilities, each Operation Manager (Head of Operations) at EFB has gave their assurance by signing the Code of Conduct and Business Ethics which includes the anti-trust regulations.

In 2021, there have been no cases, fines or legal actions for anti-competitive behavior, anti-trust or monopoly practices.

IN CONCLUSION

The Group is aware on the emphasis needed especially in particular the material sustainability matters that may have adverse impact to the Group business strategies and objective and therefore will strive to take the necessary steps for improvement in the coming reporting year.

The BOD has reviewed the sustainability efforts process of the Group and has approved this Statement on 31 March 2022.

ADDITIONAL COMPLIANCE INFORMATION

1) 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 2021.

2) UTILISATION OF PROCEEDS

There was no corporate proposal in the current financial year 2021.

3) NON-AUDIT FEES

The amount of RM8,000 is for non-audit fees on services of reviewing the Company's Statement on Risk Management & Internal Control for the current financial year 2021.

4) CONTRACTS RELATING TO LOAN

Other than from financial institutions, there were no contracts relating to loan by the Company or its subsidiaries during the current financial year 2021.

5) RECURRENT RELATED PARTY TRANSACTIONS

There were no recurrent related party transactions in the Group during the current financial year 2021 except for inter-company transactions which are carried out on an arm-length basis.

6) 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 2021

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 Group and the Company.

The Board of Directors ("the Board") of EFB are of the view that, in preparing the financial statements of the Group and of the Company for the year ended 31 December 2021, the Group and the Company 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 Group and of the Company.

The Board is also aware of their responsibilities and they are confident that the Group and the Company keeps adequate accounting records which disclose reasonable accuracy of the financial position of the Group and of the Company. 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 2021 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.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

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 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is the manufacture of medium density fibreboard and wooden furniture (knock-down). The principal activities of its subsidiaries are disclosed in Note 11 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
Profit for the financial year, net of tax	34,368,489	34,259,130
Attributable to:		
Owners of the Company	34,368,489	34,259,130

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

At the forthcoming Annual General Meeting, a single tier final dividend of 1.5 sen per ordinary share, amounting to RM12,673,002 in respect of the current financial year, based on the number of outstanding ordinary shares in issue (net of treasury shares), will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2022.

RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

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.

DIRECTORS' REPORT (Cont'd)

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 2021, 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 19 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 this report are:

Henry S Kuo
Kuan Kai Seng
Kuo Jen Chang*
Kuo Jen Chiu*
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 this report are:

Chieng Heng Nang
Jeffrey S Kuo
Justin S Kuo
Kuo Huei Chen
Zuhairi Bin Ozir

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 1.1.2021	Bought	Sold	At 31.12.2021
Interests in the Company					
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
Henry S Kuo	*	34,641,730	-	-	34,641,730

* Deemed interested by virtue of the interest of siblings.

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 and Kuo Jen Chiu are deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

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

DIRECTORS' BENEFITS

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

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

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity insurance coverage and insurance premium paid for the directors and officers of the Company and its subsidiaries were RM10,000,000 and RM30,000 respectively.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 11 to the financial statements.

DIRECTORS' REPORT (Cont'd)

SIGNIFICANT EVENT DURING AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant event during and subsequent to the end of the financial year are disclosed in Note 39 to the financial statements.

AUDITORS

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

The details of the auditors' remuneration are disclosed in Note 30 to the financial statements.

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

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: 12 April 2022

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	863,194,560	925,604,560	142,776,760	146,470,160
Right-of-use assets	6	35,087,501	37,198,613	8,087,981	8,516,472
Biological assets	7	39,100,000	36,900,000	-	-
Goodwill on consolidation	8	9,584,046	9,584,046	-	-
Other intangible assets	9	48,057	50,098	-	-
Investment properties	10	-	-	3,698,898	3,853,431
Investment in subsidiaries	11	-	-	494,411,080	471,626,499
Deferred tax assets	12	5,151,043	1,803,422	3,347,621	-
Other receivable	13	683,244	-	13,745,466	37,775,093
Total non-current assets		952,848,451	1,011,140,739	666,067,806	668,241,655
Current assets					
Inventories	14	222,317,573	208,275,064	49,565,294	45,659,618
Trade and other receivables	13	125,074,870	94,946,473	53,794,160	83,895,769
Other current assets	15	16,525,046	12,461,228	4,859,485	3,326,036
Tax assets		3,251,991	2,717,913	441,352	647,810
Deposits, cash and bank balances	16	92,398,688	113,221,844	29,749,027	21,005,550
Short-term fund	17	9,424,273	9,250,774	9,424,273	9,250,774
Total current assets		468,992,441	440,873,296	147,833,591	163,785,557
TOTAL ASSETS		1,421,840,892	1,452,014,035	813,901,397	832,027,212
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	18	344,749,212	344,749,212	344,749,212	344,749,212
Treasury shares	19	(482,899)	(482,899)	(482,899)	(482,899)
Other reserves	20	77,892,951	96,000,448	-	-
Retained earnings		615,332,090	581,253,462	387,083,724	352,824,594
TOTAL EQUITY		1,037,491,354	1,021,520,223	731,350,037	697,090,907

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021 (Cont'd)

		Group		Company	
		2021	2020	2021	2020
	Note	RM	RM	RM	RM
Non-current liabilities					
Loans and borrowings	21	48,660,364	63,432,600	14,021,842	19,234,378
Lease liabilities	22	1,324,099	2,485,509	155,020	221,271
Deferred tax liabilities	12	31,196,736	34,527,805	-	-
Retirement benefits obligation	23	15,831,434	14,887,105	6,175,379	5,937,936
Total non-current liabilities		97,012,633	115,333,019	20,352,241	25,393,585
Current liabilities					
Loans and borrowings	21	127,190,642	197,000,638	28,110,969	60,546,206
Lease liabilities	22	1,237,684	1,339,422	66,251	121,064
Trade and other payables	24	117,994,314	106,454,147	32,422,371	47,014,597
Contract liabilities	25	33,147,362	9,100,257	1,599,528	1,860,853
Tax liabilities		7,766,903	1,266,329	-	-
Total current liabilities		287,336,905	315,160,793	62,199,119	109,542,720
TOTAL LIABILITIES		384,349,538	430,493,812	82,551,360	134,936,305
TOTAL EQUITY AND LIABILITIES		1,421,840,892	1,452,014,035	813,901,397	832,027,212

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Revenue	26	935,047,371	859,788,868	165,453,184	170,466,176
Cost of sales	27	(741,715,363)	(725,288,434)	(159,130,994)	(177,993,741)
Gross profit/(loss)		193,332,008	134,500,434	6,322,190	(7,527,565)
Other income	28	14,397,838	25,980,851	52,604,813	53,668,679
Selling and administrative expenses		(157,859,189)	(144,472,251)	(15,731,976)	(14,000,066)
Net impairment losses on financial assets		(277,869)	(1,916,348)	-	-
Other operating expenses	29	(3,600,762)	(105,965,660)	(10,081,983)	(15,110,701)
		(161,737,820)	(252,354,259)	(25,813,959)	(29,110,767)
Profit/(Loss) from operations		45,992,026	(91,872,974)	33,113,044	17,030,347
Finance costs		(6,213,914)	(7,126,053)	(1,833,293)	(2,316,280)
Profit/(Loss) before tax	30	39,778,112	(98,999,027)	31,279,751	14,714,067
Tax (expense)/credit	32	(5,409,623)	(2,427,563)	2,979,379	309,115
Profit/(Loss) for the financial year		34,368,489	(101,426,590)	34,259,130	15,023,182
Other comprehensive loss, net of tax					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(18,107,497)	(7,072,002)	-	-
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefits obligation, net of deferred tax liabilities		(289,861)	(1,114,966)	-	(1,305,981)
Other comprehensive loss for the financial year		(18,397,358)	(8,186,968)	-	(1,305,981)
Total comprehensive income/(loss) for the financial year		15,971,131	(109,613,558)	34,259,130	13,717,201

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (Cont'd)

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Profit/(Loss) attributable to:					
Owners of the Company		34,368,489	(102,784,222)	34,259,130	15,023,182
Non-controlling interests		-	1,357,632	-	-
		34,368,489	(101,426,590)	34,259,130	15,023,182
Total comprehensive income/(loss) attributable to:					
Owners of the Company		15,971,131	(110,883,298)	34,259,130	13,717,201
Non-controlling interests		-	1,269,740	-	-
		15,971,131	(109,613,558)	34,259,130	13,717,201
Basic and diluted earnings/ (loss) per share (sen)	33	4.06	(12.15)	-	-

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Attributable to owners of the Company					
Group	Share capital RM	Equity transaction reserve RM	Foreign exchange reserve RM	Treasury shares RM	Retained earnings RM	Total equity RM
At 1 January 2021	344,749,212	(1,892,270)	97,892,718	(482,899)	581,253,462	1,021,520,223
Total comprehensive income for the financial year						
Profit for the financial year	-	-	-	-	34,368,489	34,368,489
Other comprehensive loss for the financial year	-	-	(18,107,497)	-	(289,861)	(18,397,358)
Total comprehensive income	-	-	(18,107,497)	-	34,078,628	15,971,131
At 31 December 2021	344,749,212	(1,892,270)	79,785,221	(482,899)	615,332,090	1,037,491,354

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (Cont'd)

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 1 January 2020		344,749,212	383,083	104,964,720	(482,899)	685,064,758	1,134,678,874	29,683,307	1,164,362,181
Total comprehensive loss for the financial year									
Loss for the financial year		-	-	-	-	(102,784,222)	(102,784,222)	1,357,632	(101,426,590)
Other comprehensive loss for the financial year		-	-	(7,072,002)	-	(1,027,074)	(8,099,076)	(87,892)	(8,186,968)
Total comprehensive loss		-	-	(7,072,002)	-	(103,811,296)	(110,883,298)	1,269,740	(109,613,558)
Transaction with owners									
Changes in ownership interests in a subsidiary, representing total transaction with owners	11	-	(2,275,353)	-	-	-	(2,275,353)	(30,953,047)	(33,228,400)
At 31 December 2020		344,749,212	(1,892,270)	97,892,718	(482,899)	581,253,462	1,021,520,223	-	1,021,520,223

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (Cont'd)

	Attributable to owners of the Company			
Company	**Share capital RM**	**Treasury shares RM**	**Retained earnings RM**	**Total equity RM**
At 1 January 2020	344,749,212	(482,899)	339,107,393	683,373,706
Total comprehensive income				
Profit for the financial year	-	-	15,023,182	15,023,182
Other comprehensive loss for the financial year	-	-	(1,305,981)	(1,305,981)
Total comprehensive income	-	-	13,717,201	13,717,201
At 31 December 2020	344,749,212	(482,899)	352,824,594	697,090,907
Total comprehensive income for the financial year				
Profit for the financial year, representing total comprehensive income	-	-	34,259,130	34,259,130
At 31 December 2021	344,749,212	(482,899)	387,083,724	731,350,037

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR 31 DECEMBER 2021

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Cash flows from operating activities					
Profit/(Loss) before tax		39,778,112	(98,999,027)	31,279,751	14,714,067
Adjustments for:					
Amortisation of intangible assets	9	10,667	37,445	-	-
Bad debts written off		404,331	5,698,963	117,717	-
Bad debts recovered		(351)	-	-	-
COVID-19-related rent concession income		(68,700)	-	-	-
Depreciation of:					
- property, plant and equipment	5	66,564,753	73,418,833	8,863,313	11,746,823
- right-of-use assets	6	2,250,533	2,608,658	428,491	433,525
- investment properties	10	-	-	154,533	154,533
Interest expense		6,213,914	7,126,053	1,833,293	2,316,280
Interest income		(1,127,774)	(1,352,399)	(1,775,281)	(2,164,334)
Dividend income received from subsidiaries		-	-	(37,551,038)	(25,000,000)
Fair value (gain)/loss on short-term fund		(1,869)	29,918	(1,869)	29,918
Gain arising from fair value adjustment on biological assets	7	(2,200,000)	(200,000)	-	-
Gain on lease modification		(1,692)	(8,305)	-	-
(Gain)/Loss on disposal of property, plant and equipment		(623,216)	301,222	31,664	179,922
Loss on voluntary winding-up of a subsidiary	11	438,467	-	-	-
Impairment losses on:					
- investment in subsidiaries	11	-	-	5,648,048	-
- property, plant and equipment	5	-	25,877,102	-	-
- trade receivables	13	277,869	2,297,625	-	-
Inventories written down	14	-	38,340,297	-	510,346
Inventories written off	14	-	3,741,109	-	520,392
Property, plant and equipment written off	5	2,725,733	28,218,069	-	12,286,197
Provision for retirement benefits obligation	23	1,588,189	2,327,658	527,985	507,980
Reversal of impairment losses on:					
- investment in subsidiaries	11	-	-	(7,432,626)	(935,395)
- trade receivables	13	-	(381,277)	-	-
Unrealised (gain)/loss on foreign exchange		(4,420,809)	2,738,590	4,284,554	1,583,926
Waiver of debts by trade creditors		(186,049)	(931,080)	-	-
		71,843,996	189,888,481	(24,871,216)	2,170,113
Operating profit before changes in working capital, carried forward		111,622,108	90,889,454	6,408,535	16,884,180

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR 31 DECEMBER 2021 (Cont'd)

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Cash flows from operating activities (cont'd)					
Operating profit before changes in working capital, brought forward		111,622,108	90,889,454	6,408,535	16,884,180
Changes in working capital:					
Inventories		(19,015,663)	(4,058,081)	(3,905,676)	(7,605,734)
Trade and other receivables		(46,130,074)	(6,257,989)	17,820,069	(23,391,316)
Trade and other payables		49,271,776	(2,909,924)	(12,938,966)	22,290,113
		(15,873,961)	(13,225,994)	975,427	(8,706,937)
Net cash generated from operations		95,748,147	77,663,460	7,383,962	8,177,243
Payment of retirement benefits obligation		(828,255)	(472,022)	(290,542)	(75,823)
Interest paid		(6,213,914)	(7,126,053)	(1,833,293)	(2,316,280)
Tax paid		(6,106,037)	(4,878,389)	(161,784)	(203,333)
Net cash from operating activities		82,599,941	65,186,996	5,098,343	5,581,807
Cash flows from investing activities					
Acquisition of additional interests in subsidiaries	11	-	(33,228,400)	(11,000,000)	(33,228,400)
Investment in a subsidiary	11	-	-	(3)	-
Repayments from subsidiaries		-	-	21,397,515	5,273,258
Dividend income received from subsidiaries		-	-	37,551,038	25,000,000
Interest received		1,127,774	1,352,399	1,775,281	2,164,334
Purchase of property, plant and equipment	5(a)	(23,513,203)	(38,124,876)	(5,211,714)	(26,092,601)
Purchase of other intangible assets	9	(12,078)	(6,035)	-	-
Placement of short-term fund	(c)	(171,630)	(251,932)	(171,630)	(251,932)
Proceeds from disposal of property, plant and equipment		1,435,785	1,030,211	10,137	210,538
Placement of time deposits	16	(7,376)	(42,432)	(3,466)	(16,622)
Net cash (used in)/from investing activities		(21,140,728)	(69,271,065)	44,347,158	(26,941,425)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR 31 DECEMBER 2021 (Cont'd)

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Cash flows from financing activities	(b)				
(Repayments to)/Advances from subsidiaries		-	-	(1,939,690)	1,927,213
Drawdown of trade facilities		108,771,802	172,866,200	20,019,350	51,719,500
Payments of lease liabilities		(1,309,053)	(1,871,176)	(121,064)	(120,008)
Repayments of term loans		(20,641,226)	(22,066,725)	(6,945,733)	(9,622,604)
Repayments of trade facilities		(169,805,602)	(126,447,743)	(51,719,500)	(31,420,900)
Net cash (used in)/from financing activities		(82,984,079)	22,480,556	(40,706,637)	12,483,201
Net (decrease)/increase in cash and cash equivalents		(21,524,866)	18,396,487	8,738,864	(8,876,417)
Cash and cash equivalents at the beginning of the financial year		112,301,299	94,842,703	20,788,928	29,509,342
Effects of exchange rate changes on cash and cash equivalents		694,334	(937,891)	1,147	156,003
Cash and cash equivalents at the end of the financial year	16	91,470,767	112,301,299	29,528,939	20,788,928

(a) Total cash outflows for leases as a lessee:

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Included in net cash from operating activities:					
Payments relating to short-term leases and low-value assets	30	7,241,911	6,356,231	1,367,375	1,392,341
Interest paid in relation to lease liabilities	30	127,433	150,586	13,689	20,146
Included in net cash (used in)/from financing activities:					
Payments of lease liabilities		1,309,053	1,871,176	121,064	120,008
Total cash outflows for leases		8,678,397	8,377,993	1,502,128	1,532,495

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR 31 DECEMBER 2021 (Cont'd)

(b) Reconciliations of liabilities arising from financing activities:

Group	Note	1.1.2021 RM	Cash flows RM	Non-cash Acquisition RM	Non-cash Foreign exchange movement RM	Non-cash Others RM	31.12.2021 RM
Trade facilities	21	172,866,200	(61,033,800)	-	(3,060,598)	-	108,771,802
Term loans	21	87,567,038	(20,641,226)	-	153,392	-	67,079,204
Lease liabilities	22	3,824,931	(1,309,053)	187,344	4,192	(145,631)	2,561,783
		264,258,169	(82,984,079)	187,344	(2,903,014)	(145,631)	178,412,789
Company							
Trade facilities	21	51,719,500	(31,700,150)	-	-	-	20,019,350
Term loans	21	28,061,084	(6,945,733)	-	998,110	-	22,113,461
Lease liabilities	22	342,335	(121,064)	-	-	-	221,271
Amounts owing to subsidiaries	24	1,944,273	(1,939,690)	-	-	-	4,583
		82,067,192	(40,706,637)	-	998,110	-	42,358,665

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR 31 DECEMBER 2021 (Cont'd)

(b) Reconciliation of liabilities arising from financing activities (cont'd):

				Non-cash			
Group	**Note**	**1.1.2020 RM**	**Cash flows RM**	**Acquisition RM**	**Foreign exchange movement RM**	**Others RM**	**31.12.2020 RM**
Trade facilities	21	127,074,413	46,418,457	-	(626,670)	-	172,866,200
Term loans	21	108,384,820	(22,066,725)	-	1,248,943	-	87,567,038
Lease liabilities	22	5,526,459	(1,871,176)	423,364	(9,317)	(244,399)	3,824,931
		240,985,692	22,480,556	423,364	612,956	(244,399)	264,258,169
Company							
Trade facilities	21	31,420,900	20,298,600	-	-	-	51,719,500
Term loans	21	38,149,123	(9,622,604)	-	(465,435)	-	28,061,084
Lease liabilities	22	462,343	(120,008)	-	-	-	342,335
Amounts owing to subsidiaries	24	17,060	1,927,213	-	-	-	1,944,273
		70,049,426	12,483,201	-	(465,435)	-	82,067,192

(c) The short-term fund is an integral part of the Group's and the Company's capital management as disclosed in Note 38.

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

NOTES TO THE FINANCIAL STATEMENTS

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 its subsidiaries are disclosed in Note 11. 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 12 April 2022.

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 amendments/improvements to MFRSs

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

Amendments/Improvements to MFRSs	
MFRS 4	Insurance Contracts
MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 16	Leases*
MFRS 139	Financial Instruments: Recognition and Measurement

* Early adopted the amendment to MFRS 16 *Leases* issued by the Malaysian Accounting Standards Board ("MASB") on 6 April 2021.

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company and did not result in significant changes to the Group's and the Company's existing accounting policies.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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
<u>New MFRS</u>		
MFRS 17	Insurance Contracts	1 January 2023
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2022^/ 1 January 2023#
MFRS 3	Business Combinations	1 January 2022/ 1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2023#
MFRS 9	Financial Instruments	1 January 2022^/ 1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 January 2022^
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023#
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 112	Income Taxes	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2022/ 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 2022/ 1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 140	Investment Property	1 January 2023#
MFRS 141	Agriculture	1 January 2022^

^ *The Annual Improvements to MFRS Standards 2018-2020*

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

2.3.1 The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. The initial application of the applicable new MFRS and amendments/ improvements to MFRSs is not expected to have material impact to the current and prior periods financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2. BASIS OF PREPARATION (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (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 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.

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 3.12(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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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 using the exchange rates prevailing at the transaction dates.

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 *Revenue from Contracts with Customers*.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

3.4 Financial instruments (cont'd)

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.

<u>Debt instruments</u>

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 3.12(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.

(ii) Financial liabilities

The Group and the Company classify their financial liabilities 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

3.4 Financial instruments (cont'd)

(b) Financial guarantee contracts

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

3.4 Financial instruments (cont'd)

(d) Derecognition (cont'd)

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 3.12(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 3.17.

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

(b) Subsequent 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
Computers 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

3.5 Property, plant and equipment (cont'd)

(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 Leases

(a) Definition of lease

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

- the contract involves the use of an identified asset;
- the Group and the Company have the right to obtain substantially all 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.

(b) Lessee accounting

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

The Group and the Company present right-of-use assets that do not meet the definition of investment property in Note 6 and lease liabilities in Note 22.

The Group and the Company present right-of-use assets and lease liabilities as separate lines in the statements of financial position.

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 3.12(b).

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

3.6 Leases (cont'd)

(b) Lessee accounting (cont'd)

Lease liability (cont'd)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

3.6 Leases (cont'd)

(c) Lessor accounting (cont'd)

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

3.7 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 3.12(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

3.8 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 3.12(b).

(b) Computer software

Computer software that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.12(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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

3.9 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.

3.10 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.

3.11 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.

3.12 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 *Financial Instruments* which is related to the accounting for expected credit losses on the financial assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

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

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

For trade receivables, 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

3.12 Impairment of assets (cont'd)

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

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.

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 debtor;
- a breach of contract, such as a default of past due event;
- the lender(s) of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

3.12 Impairment of assets (cont'd)

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

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.

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.

3.13 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

3.14 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 plan

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.

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.

3.15 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

3.16 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).

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, 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.

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 manufacture and sell a range of medium density fibreboards, 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 expect to better predict the estimated volume discounts to which it will be provided to the customers.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

3.16 Revenue and other income (cont'd)

(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.

3.17 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.

3.18 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

3.18 Income tax (cont'd)

(b) Deferred tax (cont'd)

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.

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.

3.19 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.

3.20 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 (Cont'd)

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

3.21 Fair value measurements

Fair value of an asset or a liability 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.

3.22 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.

3.23 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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

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

(a) 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 tropical wood trees and rubber trees have been determined based on valuations by an independent professional valuer using discounted cash flows of the trees. As prices in agricultural business are volatile, the actual cash flows may not coincide with the estimates made and this may have a significant effect on the Group's financial position and results.

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 7.

(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 their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend 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 property, 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 property, plant and equipment 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.

Recoverable amount is measured at the higher of the fair value less cost of disposal for that investment 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 trends 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.

The carrying amount of the Company's investment in subsidiaries are disclosed in Note 11.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5. PROPERTY, PLANT AND EQUIPMENT

Group	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
2021								
Cost								
At 1 January 2021	27,078,303	234,266,883	1,486,222,298	28,504,256	27,956,558	4,884,245	56,877,120	1,865,789,663
Additions	-	135,699	3,735,445	99,049	125,364	43,776	19,373,870	23,513,203
Disposals	-	-	(6,362,095)	(9,964)	(2,331,710)	-	-	(8,703,769)
Written off	-	(1,139,053)	(6,562,472)	(56,599)	-	-	-	(7,758,124)
Reclassification	-	131,077	43,205,343	-	-	-	(43,336,420)	-
Exchange differences	(1,571,513)	(6,266,259)	(31,909,074)	(782,135)	(1,072,470)	(15,973)	(1,010,298)	(42,627,722)
At 31 December 2021	25,506,790	227,128,347	1,488,329,445	27,754,607	24,677,742	4,912,048	31,904,272	1,830,213,251
Accumulated depreciation								
At 1 January 2021	-	96,749,234	764,944,171	19,984,174	26,555,574	3,270,655	-	911,503,808
Depreciation charge for the financial year(Note 30)	-	6,450,954	58,406,272	561,722	708,924	436,881	-	66,564,753
Disposals	-	-	(4,380,385)	(5,997)	(2,331,709)	-	-	(6,718,091)
Written off	-	(1,064,013)	(3,928,622)	(39,756)	-	-	-	(5,032,391)
Exchange differences	-	(3,919,494)	(19,490,519)	(636,657)	(1,072,992)	(15,191)	-	(25,134,853)
At 31 December 2021	-	98,216,681	795,550,917	19,863,486	23,859,797	3,692,345	-	941,183,226
Accumulated impairment loss								
At 1 January 2021	-	3,189,757	22,908,244	1,165,382	12,844	-	1,405,068	28,681,295
Disposals	-	-	(1,173,109)	-	-	-	-	(1,173,109)
Exchange differences	-	(216,780)	(1,280,377)	(79,201)	(873)	-	(95,490)	(1,672,721)
At 31 December 2021	-	2,972,977	20,454,758	1,086,181	11,971	-	1,309,578	25,835,465
Carrying amount								
At 31 December 2021	25,506,790	125,938,689	672,323,770	6,804,940	805,974	1,219,703	30,594,694	863,194,560

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

Group	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
2020								
Cost								
At 1 January 2020	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
Additions	-	275,425	27,855,133	62,410	252,537	124,917	9,554,454	38,124,876
Disposals	-	-	(3,517,675)	(57,171)	(997,762)	-	(313,397)	(4,886,005)
Written off	-	(666,281)	(113,974,513)	(14,906)	-	-	(4,768,442)	(119,424,142)
Reclassification	-	756,005	15,225,144	-	31,727	23,952	(16,036,828)	-
Exchange differences	(345,387)	(1,566,737)	(10,766,055)	(222,115)	(330,182)	(3,510)	(117,448)	(13,351,434)
At 31 December 2020	27,078,303	234,266,883	1,486,222,298	28,504,256	27,956,558	4,884,245	56,877,120	1,865,789,663
Accumulated depreciation								
At 1 January 2020	-	90,583,301	800,618,691	19,409,196	26,904,294	2,822,869	-	940,338,351
Depreciation charge for the financial year (Note 30)	-	7,011,766	64,188,364	811,913	955,755	451,035	-	73,418,833
Disposals	-	-	(2,514,325)	(42,486)	(997,761)	-	-	(3,554,572)
Written off	-	-	(91,194,094)	(11,979)	-	-	-	(91,206,073)
Exchange differences	-	(845,833)	(6,154,465)	(182,470)	(306,714)	(3,249)	-	(7,492,731)
At 31 December 2020	-	96,749,234	764,944,171	19,984,174	26,555,574	3,270,655	-	911,503,808
Accumulated impairment loss								
At 1 January 2020	-	-	2,843,446	-	-	-	-	2,843,446
Impairment loss (Note 29)	-	3,194,843	20,094,846	1,167,240	12,864	-	1,407,309	25,877,102
Exchange differences	-	(5,086)	(30,048)	(1,858)	(20)	-	(2,241)	(39,253)
At 31 December 2020	-	3,189,757	22,908,244	1,165,382	12,844	-	1,405,068	28,681,295
Carrying amount								
At 31 December 2020	27,078,303	134,327,892	698,369,883	7,354,700	1,388,140	1,613,590	55,472,052	925,604,560

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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	Computers and communication system RM	Construction in progress RM	Total RM
2021								
Cost								
At 1 January 2021	4,883,644	35,324,337	238,865,605	1,801,665	3,174,667	3,700,680	239,969	287,990,567
Additions	-	-	12,970	-	-	33,808	5,164,936	5,211,714
Disposals	-	-	(47,322)	-	-	-	-	(47,322)
Written off	-	-	(4,419)	-	-	-	-	(4,419)
At 31 December 2021	4,883,644	35,324,337	238,826,834	1,801,665	3,174,667	3,734,488	5,404,905	293,150,540
Accumulated depreciation								
At 1 January 2021	-	11,265,194	123,488,290	1,740,749	2,860,097	2,166,077	-	141,520,407
Depreciation charge for the financial year (Note 30)	-	621,354	7,695,880	13,419	143,594	389,066	-	8,863,313
Disposals	-	-	(5,521)	-	-	-	-	(5,521)
Written off	-	-	(4,419)	-	-	-	-	(4,419)
At 31 December 2021	-	11,886,548	131,174,230	1,754,168	3,003,691	2,555,143	-	150,373,780
Carrying amount								
At 31 December 2021	4,883,644	23,437,789	107,652,604	47,497	170,976	1,179,345	5,404,905	142,776,760

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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	Computers and communication system RM	Construction in progress RM	Total RM
2020								
Cost								
At 1 January 2020	4,883,644	35,059,153	301,148,942	1,801,665	3,174,667	3,559,390	449,520	350,076,981
Additions	-	265,184	25,639,661	-	-	117,338	70,418	26,092,601
Disposals	-	-	(1,209,301)	-	-	-	-	(1,209,301)
Written off	-	-	(86,969,714)	-	-	-	-	(86,969,714)
Reclassification	-	-	256,017	-	-	23,952	(279,969)	-
At 31 December 2020	4,883,644	35,324,337	238,865,605	1,801,665	3,174,667	3,700,680	239,969	287,990,567
Accumulated depreciation								
At 1 January 2020	-	10,644,434	188,433,708	1,727,330	2,687,594	1,782,876	-	205,275,942
Depreciation charge for the financial year (Note 30)	-	620,760	10,556,940	13,419	172,503	383,201	-	11,746,823
Disposals	-	-	(818,841)	-	-	-	-	(818,841)
Written off	-	-	(74,683,517)	-	-	-	-	(74,683,517)
At 31 December 2020	-	11,265,194	123,488,290	1,740,749	2,860,097	2,166,077	-	141,520,407
Carrying amount								
At 31 December 2020	4,883,644	24,059,143	115,377,315	60,916	314,570	1,534,603	239,969	146,470,160

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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 RM23,513,203 (2020: RM38,124,876) and RM5,211,714 (2020: RM26,092,601) respectively which are satisfied by the following:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Cash payments	23,513,203	38,124,876	5,211,714	26,092,601

(b) The carrying amount of property, plant and equipment pledged as security for banking facilities as disclosed in Note 21 are as follows:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Freehold land	19,039,188	20,427,462	-	-
Freehold buildings	17,827,903	21,269,495	-	-
Plant and machinery and other assets	242,897,840	274,759,833	47,693,462	50,760,166
	279,764,931	316,456,790	47,693,462	50,760,166

(c) In the previous financial year, an impairment loss of RM25,877,102 was recognised in profit or loss under other expenses, representing the impairment of certain freehold land improvement and buildings, machinery and equipment in Malaysia and Thailand in view of the significant adverse change in business climate arising from COVID-19 pandemic. The recoverable amount of RM24,000,000 of the property, plant and equipment located in Thailand as at 31 December 2020 was based on a valuation performed by a registered valuer and taken into consideration the age and obsolescence of the plant and machinery.

Fair value information

Level 3 fair value

The valuation techniques used in the determination of fair values within Level 3 was based on market comparison and depreciated replacement cost approach. The value of the property, plant and equipment was determined by comparing recent quotation, transactions and sale evidence involving other similar plant and machinery with compatible function, feature, capacity and other relevant specification and by estimating the current new replacement cost of the property, plant and equipment and therefrom less the accrued depreciation for age and obsolescence.

Valuation processes applied by the Group

The fair value of property, plant and equipment is determined by external independent valuers, Messrs Nawawi Tie Leung Property Consultants 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 property, plant and equipment of a subsidiary located in Thailand on a yearly basis. Changes in Level 3 fair values are analysed by the management 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 property, plant and equipment, the highest and best use of the property, plant and equipment is their current use.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

6. RIGHT-OF-USE ASSETS

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Cost				
At 1 January	51,037,754	51,769,623	12,842,605	12,842,605
Additions	187,344	423,364	-	-
Derecognition*	(672,013)	(1,138,829)	(176,160)	-
Exchange differences	27,679	(16,404)	-	-
At 31 December	50,580,764	51,037,754	12,666,445	12,842,605
Accumulated depreciation				
At 1 January	13,839,141	12,133,218	4,326,133	3,892,608
Depreciation charge for the financial year (Note 30)	2,250,533	2,608,658	428,491	433,525
Derecognition*	(596,774)	(902,735)	(176,160)	-
Exchange differences	363	-	-	-
At 31 December	15,493,263	13,839,141	4,578,464	4,326,133
Carrying amount				
At 31 December	35,087,501	37,198,613	8,087,981	8,516,472

* Derecognition of the right-of-use assets during the financial year was a result of termination of certain leases.

The Group and the Company lease several assets including leasehold land, warehouses, hostels 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 2020	34,411,403	4,124,313	597,986	502,703	39,636,405
Additions	-	83,211	340,153	-	423,364
Depreciation	(855,565)	(1,265,407)	(319,316)	(168,370)	(2,608,658)
Derecognition	-	(18,357)	(217,737)	-	(236,094)
Exchange differences	(12,055)	-	(4,349)	-	(16,404)
At 31 December 2020	33,543,783	2,923,760	396,737	334,333	37,198,613
Additions	-	-	187,344	-	187,344
Depreciation	(855,565)	(958,690)	(287,685)	(148,593)	(2,250,533)
Derecognition	-	-	(75,239)	-	(75,239)
Exchange differences	24,034	-	3,282	-	27,316
At 31 December 2021	32,712,252	1,965,070	224,439	185,740	35,087,501

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

Information about leases for which the Group and the Company are lessees is presented below (cont'd):

	Company			
	Leasehold land RM	Hostels RM	Motor vehicles RM	Total RM
Carrying amount				
At 1 January 2020	8,351,309	115,762	482,926	8,949,997
Depreciation	(224,534)	(60,398)	(148,593)	(433,525)
At 31 December 2020	8,126,775	55,364	334,333	8,516,472
Depreciation	(224,534)	(55,364)	(148,593)	(428,491)
At 31 December 2021	7,902,241	-	185,740	8,087,981

The Group and the Company lease land and warehouses for their office space and operation sites over a few plots of stated-owned land in Malaysia and Indonesia. The leases for office space and operation sites generally have lease terms between 50 to 60 years. The Group also lease equipment with lease terms of 3 years.

The Group and the Company also lease hostels for their worker welfare. The leases for worker welfare generally have lease terms between 2 to 5 years.

The Group and the Company also lease motor vehicles with remaining lease terms of 4 years. The carrying amount of motor vehicles of the Group and of the Company amounting to RM185,740 (2020: RM334,333) are held in trust by one of the directors as at end of the financial year.

7. BIOLOGICAL ASSETS

The Group has two categories of biological assets, namely 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 panel boards.

	Group	
	2021 RM	2020 RM
At fair value:		
Rubber trees	33,500,000	32,100,000
Tropical wood trees	5,600,000	4,800,000
At 31 December	39,100,000	36,900,000

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

7. BIOLOGICAL ASSETS (cont'd)

Level 3 fair value

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

	Group	
	2021 RM	2020 RM
Rubber trees		
At 1 January	32,100,000	31,800,000
Gain recognised in profit or loss (Note 28)	1,400,000	300,000
At 31 December	33,500,000	32,100,000
Tropical wood trees		
At 1 January	4,800,000	4,900,000
Gain/(Loss) recognised in profit or loss (Note 28)	800,000	(100,000)
At 31 December	5,600,000	4,800,000

(a) The biological assets of the Group consist of rubber trees and tropical wood trees of various species. 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 RM1,000 (2020: RM900 per hoppus ton))	The higher the average sale value, the higher the fair value

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

7. BIOLOGICAL ASSETS (cont'd)

Fair value information (cont'd)

Level 3 fair value (cont'd)

(c) The Group had planted on 2,758 (2020: 2,758) acres of land with rubber trees as at the end of financial year. The rubber trees planted on 275 acres (2020: 355 acres) of land had matured at the end of the financial year while the remaining planted rubber trees will attain maturity upon the sixth to seventh year of planting.

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 (2021: 800-1,300kg; 2020: 800-1,300kg);	The higher the estimated yield of rubber latex per acre, the higher the fair value
		Estimated latex selling price (2021: RM5.06/kg; 2020: RM4.85/kg); and	The higher the latex selling price, the higher the fair value
		Estimated harvesting and collection cost (2021: RM1.40/kg; 2020: RM1.40/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 management 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.

8. GOODWILL ON CONSOLIDATION

	Group	
	2021 RM	2020 RM
Cost		
At 1 January/31 December	19,590,250	19,590,250
Accumulated impairment loss		
At 1 January/31 December	(10,006,204)	(10,006,204)
Carrying amount		
At 31 December	9,584,046	9,584,046

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

8. GOODWILL ON CONSOLIDATION (cont'd)

Impairment of goodwill

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

	Group	
	2021 RM	2020 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 2021 and 31 December 2020 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
31.12.2021		
Key assumptions used in value-in-use calculations		
Growth rate	10.00%	6.00%
Gross margin	14.00%	35.00%
Discount rate	14.00%	15.00%
31.12.2020		
Key assumptions used in value-in-use calculations		
Growth rate	2.00%	0.00%
Gross margin	12.00%	24.00%
Discount rate	14.00%	13.00%

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

Growth rate is the forecasted annual growth rate over the five years projection period. It is based on the average growth levels experienced over the past five years.

Sensitivity to change in assumptions

Based on the sensitivity analysis performed, management believes that there is no reasonably possible change in key assumptions that would cause the carrying values of the CGUs to exceed its recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

9. OTHER INTANGIBLE ASSETS

	Group	
	2021 RM	2020 RM
Cost		
At 1 January	411,900	411,937
Additions	12,078	6,035
Exchange differences	(28,402)	(6,072)
At 31 December	395,576	411,900
Accumulated amortisation		
At 1 January	361,802	329,262
Amortisation charge for the financial year (Note 30)	10,667	37,445
Exchange differences	(24,950)	(4,905)
At 31 December	347,519	361,802
Carrying amount		
At 31 December	48,057	50,098

10. INVESTMENT PROPERTIES

	Company	
	2021 RM	2020 RM
At cost		
At 1 January/31 December	5,636,660	5,636,660
Accumulated depreciation		
At 1 January	(1,783,229)	(1,628,696)
Depreciation charge for the financial year (Note 30)	(154,533)	(154,533)
At 31 December	(1,937,762)	(1,783,229)
Carrying amount		
At 31 December	3,698,898	3,853,431

(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:

	2021 RM	2020 RM
Rental income	799,704	799,704
Direct operating expenses	101,398	103,266

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

10. 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
2021				
Terrace house	-	-	616,000	616,000
Leasehold land and factory building	-	-	19,825,000	19,825,000
	-	-	20,441,000	20,441,000
2020				
Terrace house	-	-	540,000	540,000
Leasehold land and factory building	-	-	21,081,000	21,081,000
	-	-	21,621,000	21,621,000

The valuation of Level 3 investment properties as at 31 December 2021 and 31 December 2020 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 2021 and 31 December 2020.

11. INVESTMENT IN SUBSIDIARIES

	Company	
	2021 RM	2020 RM
At cost		
Unquoted shares, at cost		
At 1 January	515,161,238	481,932,838
Additions during the financial year	21,000,003	33,228,400
At 31 December	536,161,241	515,161,238
Accumulated impairment loss		
At 1 January	(43,534,739)	(44,470,134)
Impairment loss during the financial year (Note 29)	(5,648,048)	-
Reversal of impairment loss (Note 28)	7,432,626	935,395
At 31 December	(41,750,161)	(43,534,739)
	494,411,080	471,626,499

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

11. INVESTMENT IN SUBSIDIARIES (cont'd)

Details of the subsidiaries are as follows:

Name of company	Principal place of business/ country of incorporation	Principal activities	Effective equity interest 2021	2020
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 Raya Fibreboard#	Indonesia	Manufacture of medium density fibreboard, glue and resin	99.99%	99.99%
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%
Evergreen Furniture Co Pte. Ltd.	Singapore	Dormant	100%	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

11. INVESTMENT IN SUBSIDIARIES (cont'd)

Details of the subsidiaries are as follows: (cont'd)

Name of company	Principal place of business/ country of incorporation	Principal activities	Effective equity interest 2021	2020
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%
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.

Audited by an independent member firm of Baker Tilly International.

^ The subsidiary was consolidated using unaudited management financial statements as it had been placed under Member's Voluntary Winding-up in The People's Republic of China. The Member's Voluntary Winding-up was completed on 1 February 2021. Upon completion of the voluntary winding-up, a loss of RM438,467 is recognised in profit or loss of the Group.

(a) Acquisition of additional interest in PT Hijau Lestari Raya Fibreboard

2020

On 6 November 2020, the Company had acquired additional 14,210 ordinary shares, representing additional 48.99% equity interest in PT Hijau Lestari Raya Fibreboard for a total consideration of USD8,000,000 (equivalent to approximately of RM33,228,400). Consequently, the Company's effective equity interest in PT Hijau Lestari Raya Fibreboard had increased from 51% to 99.99%.

Effect of the increase in the Company's effective equity interest is as follows:

	2020 RM
Fair value of consideration transferred	33,228,400
Increase in share of net assets	(30,953,047)
Excess charged directly to equity	2,275,353

(b) Incorporation of a subsidiary

During the financial year, the Company had incorporated a wholly-owned subsidiary, namely Evergreen Furniture Co Pte. Ltd. with an issued and paid-up share capital of 1 ordinary share of RM3 each.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

11. INVESTMENT IN SUBSIDIARIES (cont'd)

(c) Subscription for additional interests in subsidiaries

2021

(i) On 31 December 2021, the Company had further subscribed for 11,000,000 ordinary shares of Allgreen Timber Products Sdn. Bhd. for a total cash consideration of RM11,000,000.

(ii) On 31 December 2021, the Company had further subscribed for 10,000,000 ordinary shares of Craft Master Timber Products Sdn. Bhd. by way of capitalising the amount owing to the Company of RM10,000,000.

(d) Impairment loss and subsequent reversal

During the financial year, an impairment loss of RM5,648,048 was recognised in profit or loss under other operating expenses, in view of the carrying amount of the investment is more than the recoverable amount. The reversal of impairment losses of RM7,432,626 (2020: RM935,395) is made as a result of improvement in the recoverable amount of the investment in certain subsidiaries.

12. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Deferred tax assets/(liabilities)				
At 1 January	(32,724,383)	(35,646,033)	-	-
Recognised in:				
- profit or loss (Note 32)	6,766,688	2,837,330	3,347,621	-
- other comprehensive income	-	50,591	-	-
Exchange differences	(87,998)	33,729	-	-
At 31 December	(26,045,693)	(32,724,383)	3,347,621	-

(a) Presented after appropriate offsetting as follows:

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Deferred tax assets	5,151,043	1,803,422	3,347,621	-
Deferred tax liabilities	(31,196,736)	(34,527,805)	-	-
	(26,045,693)	(32,724,383)	3,347,621	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

12. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

(b) The components of deferred tax assets/(liabilities) prior to offsetting are as follows:

	Group	
	2021 RM	2020 RM
Deferred tax assets		
Unabsorbed capital allowances	49,955,963	42,252,033
Unutilised tax losses	3,177,921	2,842,347
Unabsorbed reinvestment allowances	11,834,548	10,966,724
Unrealised loss on foreign exchange	108,767	11,979
Provision for bonus	541,480	242,834
Provision for retirement benefits obligation	2,584,871	2,505,955
Others	482,698	437,699
	68,686,248	59,259,571
Deferred tax liabilities		
Differences between the carrying amount of property, plant and equipment and its tax bases	(84,893,020)	(82,172,880)
Changes in fair value of biological assets	(9,384,000)	(8,856,000)
Unrealised gain on foreign exchange	(454,921)	(955,074)
	(94,731,941)	(91,983,954)
	(26,045,693)	(32,724,383)

	Company	
	2021 RM	2020 RM
Deferred tax assets		
Provision for bonus	539,737	240,000
Provision for retirement benefits obligation	1,482,091	1,425,105
Unutilised tax losses	885,697	814,182
Unabsorbed capital allowances	10,708,055	9,378,126
Unabsorbed reinvestment allowances	11,834,548	10,966,724
Unrealised loss on foreign exchange	92,714	-
	25,542,842	22,824,137
Deferred tax liabilities		
Differences between the carrying amount of property, plant and equipment and its tax base	(22,195,221)	(21,888,558)
Unrealised gain on foreign exchange	-	(935,579)
	(22,195,221)	(22,824,137)
	3,347,621	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

12. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

(c) The estimated amounts of temporary differences for which no deferred tax assets are recognised in the financial statements are as follows:

	Group 2021 RM	Group 2020 RM
Provision for bonus	115,794	-
Provision for retirement benefits obligation	954,188	709,323
Unabsorbed capital allowances	45,292,807	54,320,652
Unutilised tax losses	62,638,252	63,229,776
Unabsorbed increased export allowances	598,667	598,667
Unabsorbed investment tax allowances	76,051,303	76,051,303
Unabsorbed reinvestment allowances	109,794,130	109,794,130
Others	66,987	57,082
	295,512,128	304,760,933
Potential deferred tax assets not recognised at 24% (2020: 24%)	70,922,911	73,142,624

The availability of unutilised tax losses for 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 up to the following financial years:

	Group 2021 RM	Group 2020 RM
2028	56,257,650	57,043,505
2029	464,414	464,414
2030	5,721,857	5,721,857
2031	194,331	-
	62,638,252	63,229,776

13. TRADE AND OTHER RECEIVABLES

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Non-current:					
Non-trade					
Amounts owing by subsidiaries	(a)	-	-	13,745,466	37,775,093
External party	(b)	683,244	-	-	-
		683,244	-	13,745,466	37,775,093
Current:					
Trade					
External parties	(c)	116,812,878	71,175,635	7,435,246	5,712,842
Subsidiaries		-	-	12,502,837	20,453,332
		116,812,878	71,175,635	19,938,083	26,166,174
Less: Impairment losses on trade receivables	(c)	(2,414,461)	(4,905,727)	-	-
		114,398,417	66,269,908	19,938,083	26,166,174

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

13. TRADE AND OTHER RECEIVABLES (cont'd)

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Non-trade					
Amounts owing by subsidiaries	(d)	-	-	32,280,379	39,648,267
Other receivables	(e)	2,864,999	20,973,059	1,147,525	17,644,966
Deposits		1,838,723	2,515,123	428,173	436,362
Goods and services/value added tax refundable		5,972,731	5,188,383	-	-
		10,676,453	28,676,565	33,856,077	57,729,595
Total trade and other receivables (current)		125,074,870	94,946,473	53,794,160	83,895,769
Total trade and other receivables (non-current and current)		125,758,114	94,946,473	67,539,626	121,670,862

(a) Amounts owing by subsidiaries represent advances to subsidiaries which are non-trade in nature, unsecured, interest bearing at rates ranging from 1.90% to 2.21% (2020: 2.21% to 4.00%) and is expected to be settled in cash. However, this amount is not expected to be settled within the 12 months after the reporting date.

(b) During the financial year, long-term other receivable is measured at amortised cost at imputed interest rate at 7% per annum and repayable within 36 months after the reporting date.

(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 (2020: 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 trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables are as follows:

		Group	
	Note	2021 RM	2020 RM
At 1 January		4,905,727	3,395,760
Charge for financial year			
- Individually assessed	30	277,869	2,297,625
Reversal of impairment loss	30	-	(381,277)
Written off		(2,768,856)	(320,221)
Exchange differences		(279)	(86,160)
At 31 December		2,414,461	4,905,727

The information about the credit exposures are disclosed in Note 36(b)(iv).

(d) Amounts owing by subsidiaries represent advances to subsidiaries which are non-trade in nature, unsecured, interest bearing at rates ranging from 1.90% to 3.13% (2020: 2.21% to 4.36%) and is expected to be settled in cash.

(e) In the previous financial year, included in other receivables of the Group and the Company are amounts receivable from insurance compensation of RM18,358,314 and RM16,275,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

14. INVENTORIES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Raw materials	39,478,961	35,351,340	12,078,741	11,640,743
Work-in-progress	30,136,508	31,975,359	861,017	1,667,164
Finished goods	53,905,510	44,317,157	16,293,030	12,992,204
Factory supplies	4,393,131	4,865,020	2,411,714	2,399,303
Fertilizer, chemicals and consumables	42,178	153,498	-	-
Packing materials	3,417,614	2,682,223	1,534,454	1,574,339
Spare parts	90,943,671	88,930,467	16,386,338	15,385,865
	222,317,573	208,275,064	49,565,294	45,659,618

(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 RM741,715,363 (2020: RM725,288,434) and RM159,130,994 (2020: RM177,993,741) respectively.

(b) The cost of inventories of the Group and of the Company recognised as an expense in other expenses during the financial year include the following:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2010 RM
Inventories written down	-	38,340,297	-	510,346
Inventories written off	-	3,741,109	-	520,392
	-	42,081,406	-	1,030,738

15. OTHER CURRENT ASSETS

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Current:				
Prepayments	7,008,401	4,559,436	1,840,191	776,807
Advance payments to suppliers	9,516,645	7,901,792	3,019,294	2,549,229
	16,525,046	12,461,228	4,859,485	3,326,036

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

16. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Cash and bank balances	75,248,427	97,333,747	14,324,249	5,821,376
Deposits placed with licensed banks (Note (a))	16,222,340	14,967,552	15,204,690	14,967,552
Time deposits (Note (b))	927,921	920,545	220,088	216,622
Deposits, cash and bank balances as reported in the statements of financial position	92,398,688	113,221,844	29,749,027	21,005,550
Less: Time deposits	(927,921)	(920,545)	(220,088)	(216,622)
Cash and cash equivalents as reported in the statements of cash flows	91,470,767	112,301,299	29,528,939	20,788,928

(a) The deposits placed with licensed banks are placements with periods of less than 3 months, interest bearing at rates ranging from 1.50% to 1.70% (2020: 1.50% to 3.30%) and mature within 3 months.

(b) Time deposits are deposits placed with licensed banks for periods of more than 3 months, interest bearing at rates ranging from 1.55% to 1.70% (2020: 1.60% to 3.55%) per annum and mature within one year.

17. SHORT-TERM FUND

	Group/Company	
	2021 RM	2020 RM
Current:		
Financial assets at fair value through profit or loss ("FVPL")		
- Quoted money market fund	9,424,273	9,250,774

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 38.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		← Amounts →	
	2021 Unit	2020 Unit	2021 RM	2020 RM
Issued and fully paid up (no par value):				
At 1 January/31 December	846,423,985	846,423,985	344,749,212	344,749,212

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.

19. TREASURY SHARES

	Group and Company			
	Number of treasury shares		← Amounts →	
	2021 Unit	2020 Unit	2021 RM	2020 RM
At 1 January/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 16 August 2021 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.

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

20. 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

21. LOANS AND BORROWINGS

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Non-current:				
Secured:				
Term loans	28,218,810	33,853,315	13,522,308	17,235,977
Unsecured:				
Term loans	20,441,554	29,579,285	499,534	1,998,401
	48,660,364	63,432,600	14,021,842	19,234,378
Current:				
Secured:				
Trade facilities	37,440,000	49,543,000	-	-
Term loans	9,521,501	13,424,218	5,841,619	5,011,706
Unsecured:				
Trade facilities	71,331,802	123,323,200	20,019,350	51,719,500
Term loans	8,897,339	10,710,220	2,250,000	3,815,000
	127,190,642	197,000,638	28,110,969	60,546,206
Total loans and borrowings				
Trade facilities	108,771,802	172,866,200	20,019,350	51,719,500
Term loans	67,079,204	87,567,038	22,113,461	28,061,084
	175,851,006	260,433,238	42,132,811	79,780,584

(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 the Company and 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;
   (iv) Negative pledge;
   (v) Corporate guarantee by the Company; and
   (vi) Corporate guarantee by a subsidiary of the Company.

(b) The interest rates of the loans and borrowings at the reporting date are as follows:

	Group		Company	
	2021 %	2020 %	2021 %	2020 %
Trade facilities	0.90 - 3.50	0.85 - 4.22	0.90 - 2.95	0.85 - 3.20
Term loans	0.90 - 3.49	0.90 - 3.49	1.90 - 3.20	2.21 - 3.44

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

22. LEASE LIABILITIES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Non-current:				
Unsecured:				
Lease liabilities	1,169,079	2,207,856	-	-
Secured:				
Lease liabilities	155,020	277,653	155,020	221,271
	1,324,099	2,485,509	155,020	221,271
Current:				
Unsecured:				
Lease liabilities	1,114,107	1,166,484	-	58,173
Secured:				
Lease liabilities	123,577	172,938	66,251	62,891
	1,237,684	1,339,422	66,251	121,064
Total lease liabilities	2,561,783	3,824,931	221,271	342,335

Vehicles of the Group and of the Company as disclosed in Note 6 are pledged for leases. The interest rates implicit in the lease liabilities ranging from 2.52% to 2.68% (2020: 2.52% to 2.68%).

The incremental borrowing rate applied to other lease liabilities ranging from 3.20% to 4.35% (2020: 3.20% to 4.35%).

Future minimum lease payments together with the present value of the net minimum lease payments are as follows:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Minimum lease payments				
Not later than 1 year	1,312,429	1,457,883	75,353	134,753
Later than 1 year and not later than 2 years	1,045,844	1,286,975	75,353	75,353
Later than 2 years and not later than 5 years	312,858	1,306,483	87,858	163,211
	2,671,131	4,051,341	238,564	373,317
Less: Future finance charges	(109,348)	(226,410)	(17,293)	(30,982)
Present value of minimum lease payments	2,561,783	3,824,931	221,271	342,335
Present value of minimum lease payments				
Not later than 1 year	1,237,684	1,339,422	66,251	121,064
Later than 1 year and not later than 2 years	1,011,839	1,168,385	69,612	66,252
Later than 2 years and not later than 5 years	312,260	1,317,124	85,408	155,019
	2,561,783	3,824,931	221,271	342,335
Less: Amount due within 12 months	(1,237,684)	(1,339,422)	(66,251)	(121,064)
Amount due after 12 months	1,324,099	2,485,509	155,020	221,271

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

23. RETIREMENT BENEFITS OBLIGATION

The movements in the defined benefits obligation in the statements of financial position are as follows:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
At 1 January	14,887,105	11,952,986	5,937,936	4,199,798
Current service costs and interest expense (Note 31)	1,588,189	2,490,877	527,985	507,980
Remeasurement of actuarial gain from financial assumption	289,861	1,165,557	-	1,305,981
Benefits paid	(828,255)	(472,022)	(290,542)	(75,823)
Reversal of retirement benefits	-	(163,219)	-	-
Exchange differences	(105,466)	(87,074)	-	-
At 31 December	15,831,434	14,887,105	6,175,379	5,937,936

Significant actuarial assumptions

The significant actuarial assumptions applied in the measurement of defined benefits pension plan are as follows:

	Group		Company	
	2021 %	2020 %	2021 %	2020 %
Discount rate	2.57 - 7.50	2.99 - 7.20	3.70	3.70
Salary increase rate	3.00 - 7.00	3.00 - 7.00	3.00 - 5.00	3.00 - 5.00

Sensitivity analysis

The sensitivity of the defined benefits 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
2021					
Discount rate	1%	(5,392,165)	6,338,035	(561,160)	653,477
Salary increase rate	1%	6,604,549	(5,634,993)	806,888	(696,162)
2020					
Discount rate	1%	(4,686,878)	5,523,789	(556,325)	649,826
Salary increase rate	1%	5,712,376	(4,802,703)	732,884	(634,299)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Current:					
Trade					
Third parties	(a)	64,137,452	54,827,317	9,831,079	15,579,672
Amounts owing to subsidiaries	(a)	-	-	9,335,623	15,631,804
		64,137,452	54,827,317	19,166,702	31,211,476
Non-trade					
Amounts owing to subsidiaries	(b)	-	-	4,583	1,944,273
Other payables		12,980,173	16,406,954	4,373,236	5,673,892
Goods and services/value added tax payable		1,639,187	2,819,491	454	2,892
Deposits		777,913	775,063	-	-
Accruals		38,459,589	31,625,322	8,877,396	8,182,064
		53,856,862	51,626,830	13,255,669	15,803,121
Total trade and other payables		117,994,314	106,454,147	32,422,371	47,014,597

(a) Trade payables are non-interest bearing and the normal credit terms granted to the Group and the Company are ranging from 7 to 90 days (2020: 7 to 90 days).

(b) The amounts owing to subsidiaries are non-trade in nature, unsecured, interest-free and 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 36(b)(iii).

25. CONTRACT LIABILITIES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Contract liabilities relating to sales of goods	33,147,362	9,100,257	1,599,528	1,860,853

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

25. CONTRACT LIABILITIES (cont'd)

(a) Significant changes in contract balances

	Contract liabilities (increase)/decrease	
	2021 RM	2020 RM
Group		
Revenue recognised that was included in contract liability at the beginning of the financial year	8,588,634	15,077,518
Increases due to advances received from customers, but revenue not recognised	(32,635,739)	(9,100,257)
Company		
Revenue recognised that was included in contract liability at the beginning of the financial year	1,360,466	1,197,694
Increases due to advances received from customers, but revenue not recognised	(1,099,141)	(1,860,853)

26. REVENUE

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
At a point in time:				
Sales of fibreboard and furniture parts	892,889,638	807,694,126	165,453,184	170,466,176
Sales of urea formaldehyde concentrate and adhesive products	10,537,290	8,220,201	-	-
Sales of wood pellet	31,296,728	43,716,994	-	-
Others	323,715	157,547	-	-
	935,047,371	859,788,868	165,453,184	170,466,176

27. COST OF SALES

Cost of sales represents cost of inventories sold.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

28. OTHER INCOME

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Bad debts recovered		351	-	-	-
COVID-19-related rent concession income		68,700	-	-	-
Dividend income received from subsidiaries		-	-	37,551,038	25,000,000
Fair value gain on short-term fund		1,869	-	1,869	-
Gain arising from fair value adjustment of biological assets	7	2,200,000	200,000	-	-
Gain on disposal of property, plant and equipment		623,216	-	-	-
Gain on lease modification		1,692	8,305	-	-
Interest income		1,127,774	1,352,399	1,775,281	2,164,334
Insurance compensation		169,611	21,520,114	169,611	21,413,326
Net realised foreign exchange gain		3,237,555	821,008	4,382,201	2,871,846
Net unrealised foreign exchange gain		4,420,809	-	-	-
Rental income		1,264,327	441,500	1,283,778	1,283,778
Reversal of impairment losses on investment in subsidiaries	11	-	-	7,432,626	935,395
Waiver of debts by trade creditors		186,049	931,080	-	-
Others		1,095,885	706,445	8,409	-
		14,397,838	25,980,851	52,604,813	53,668,679

29. OTHER OPERATING EXPENSES

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Bad debts written off		404,331	5,698,963	117,717	-
Fair value loss on short-term fund		-	29,918	-	29,918
Impairment losses on:					
- investment in subsidiaries	11	-	-	5,648,048	-
- property, plant and equipment	5	-	25,877,102	-	-
Inventories written down	14	-	38,340,297	-	510,346
Inventories written off	14	-	3,741,109	-	520,392
Loss on disposal of property, plant and equipment		-	301,222	31,664	179,922
Loss on voluntary winding-up of a subsidiary	11	438,467	-	-	-
Property, plant and equipment written off	5	2,725,733	28,218,069	-	12,286,197
Net unrealised foreign exchange loss		-	2,738,590	4,284,554	1,583,926
Others		32,231	1,020,390	-	-
		3,600,762	105,965,660	10,081,983	15,110,701

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30. PROFIT/(LOSS) BEFORE TAX

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

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Amortisation of intangible assets	9	10,667	37,445	-	-
Auditors' remuneration:					
- auditors of the Company					
- statutory audit					
- current year		310,500	310,500	136,000	136,000
- over provision in prior years		-	(500)	-	-
- non-statutory audit		8,000	8,000	8,000	8,000
- component auditors of the Group		256,839	263,361	-	-
Depreciation of:					
- property, plant and equipment	5	66,564,753	73,418,833	8,863,313	11,746,823
- investment properties	10	-	-	154,533	154,533
- right-of-use assets	6	2,250,533	2,608,658	428,491	433,525
Employee benefits expense	31	93,349,616	99,552,896	24,873,588	23,422,361
Impairment losses on financial assets:					
- Impairment losses on trade receivables	13	277,869	2,297,625	-	-
- Reversal of impairment losses on trade receivables	13	-	(381,277)	-	-
Interest expense:					
- lease liabilities		127,433	150,586	13,689	20,146
- trade facilities		3,817,076	4,614,382	1,260,258	1,205,421
- term loans		2,269,405	2,361,085	559,346	1,090,713
Expenses relating to short-term leases and low value assets		7,241,911	6,356,231	1,367,375	1,392,341

31. EMPLOYEE BENEFITS EXPENSE

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Wages and salaries		83,689,092	85,309,520	21,080,245	19,987,200
Defined contribution plan		4,257,511	4,360,727	2,137,090	2,061,628
Social security contribution		1,251,343	1,386,279	322,806	340,133
Other staff related expenses		2,563,481	6,005,493	805,462	525,420
Retirement benefit obligations	23	1,588,189	2,490,877	527,985	507,980
		93,349,616	99,552,896	24,873,588	23,422,361

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31. EMPLOYEE BENEFITS EXPENSE (cont'd)

Included in employee benefits expense are:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Directors of the Company				
Executive directors:				
Salaries, bonus and emoluments	2,578,093	2,993,367	2,549,939	2,836,276
Defined contribution plan	47,316	43,320	47,316	43,320
Benefits-in-kind	37,242	56,925	37,242	56,925
	2,662,651	3,093,612	2,634,497	2,936,521
Non-executive directors:				
Fees	327,390	328,335	327,390	328,335
Allowances	14,490	14,490	14,490	14,490
Benefits-in-kind	5,756	4,800	5,756	4,800
	347,636	347,625	347,636	347,625
Directors of subsidiaries				
Executive directors:				
Salaries, bonus and emoluments	213,737	205,261	-	-
	3,224,024	3,646,498	2,982,133	3,284,146

32. TAX EXPENSE/(CREDIT)

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Current income tax:				
Current income tax charge	12,013,726	5,525,736	368,242	-
Adjustment in respect of prior years	162,585	(260,843)	-	(309,115)
	12,176,311	5,264,893	368,242	(309,115)
Deferred tax (Note 12):				
Reversal of temporary differences	(3,531,460)	(3,658,361)	(1,367,731)	(575,579)
Adjustment in respect of prior years	(3,235,228)	821,031	(1,979,890)	575,579
	(6,766,688)	(2,837,330)	(3,347,621)	-
Tax expense/(credit) recognised in profit or loss	5,409,623	2,427,563	(2,979,379)	(309,115)

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2020: 24%) of the estimated assessable profit for the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32. TAX EXPENSE/(CREDIT) (cont'd)

The reconciliations from the tax amount at the statutory income tax rate to the Group's and the Company's tax expense/(credit) are as follows:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Profit/(Loss) before tax	39,778,112	(98,999,027)	31,279,751	14,714,067
Tax at Malaysian statutory income tax rate of 24%	9,546,747	(23,759,766)	7,507,140	3,531,376
Different tax rates in other countries	(1,063,660)	4,868,336	-	-
Income not subject to tax	(3,568,390)	(841,016)	(10,862,055)	(6,736,105)
Expenses not deductible for tax purposes	5,787,282	18,980,743	2,355,426	1,221,822
Utilisation of previously unrecognised deferred tax assets	(2,618,966)	-	-	-
Deferred tax assets not recognised during the financial year	399,253	2,619,078	-	1,407,328
Adjustments in respect of prior years:				
- current income tax	162,585	(260,843)	-	(309,115)
- deferred tax	(3,235,228)	821,031	(1,979,890)	575,579
Tax expense/(credit)	5,409,623	2,427,563	(2,979,379)	(309,115)

33. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share are based on the profit/(loss) for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

	Group	
	2021 RM	2020 RM
Profit/(Loss) attributable to owners of the Company	34,368,489	(102,784,222)
Weighted average number of ordinary shares for basic earnings/(loss) per share	845,801,985	845,801,985
Basic earnings/(loss) per ordinary share (sen)	4.06	(12.15)

(b) The diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share as there were no potential dilutive ordinary shares outstanding at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34. COMMITMENTS

The Group and the Company have made commitments for the following capital expenditures:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
In respect of capital expenditure property, plant and equipment:				
- Contracted but not provided for	4,213,907	3,239,026	454,429	2,427,112

35. 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 and the 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	
	2021 RM	2020 RM
Transactions with subsidiaries are as follows:		
- Sale of products and rendering of service	(69,769,001)	(84,836,506)
- Dividend income	(37,551,038)	(25,000,000)
- Rental income	(1,283,778)	(1,283,778)
- Interest income	(1,251,691)	(1,458,633)
- Sale of spare parts	(195,138)	(272,461)
- Sales of property, plant and equipment	(10,137)	(194,146)
- Management fees	(7,938,042)	(7,830,445)
- Purchase of products	32,913,505	48,611,206
- Purchase of property, plant and equipment	548,000	57,758
- Purchase of spare parts	74,591	157,342
- Expenses relating to short-term leases	115,200	115,200

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35. RELATED PARTIES (cont'd)

(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	
	2021 RM	2020 RM	2021 RM	2020 RM
Short-term employees benefits	3,181,026	3,584,773	2,939,135	3,222,421
Benefits-in-kind	42,998	61,725	42,998	61,725
	3,224,024	3,646,498	2,982,133	3,284,146

36. 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
2021			
Financial assets			
Group			
Trade and other receivables, excluding goods and services/value added tax refundable	119,785,383	119,785,383	-
Deposits, cash and bank balances	92,398,688	92,398,688	-
Short-term fund	9,424,273	-	9,424,273
	221,608,344	212,184,071	9,424,273
Company			
Trade and other receivables	67,539,626	67,539,626	-
Deposits, cash and bank balances	29,749,027	29,749,027	-
Short-term fund	9,424,273	-	9,424,273
	106,712,926	97,288,653	9,424,273

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36. 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	FVPL RM
2021			
Financial liabilities			
Group			
Trade and other payables, excluding goods and services/value added tax payable	116,355,127	116,355,127	-
Loans and borrowings	175,851,006	175,851,006	-
	292,206,133	292,206,133	-
Company			
Trade and other payables, excluding goods and services/value added tax payable	32,421,917	32,421,917	-
Loans and borrowings	42,132,811	42,132,811	-
	74,554,728	74,554,728	-
2020			
Financial assets			
Group			
Trade and other receivables, excluding goods and services/value added tax refundable	89,758,090	89,758,090	-
Deposits, cash and bank balances	113,221,844	113,221,844	-
Short-term fund	9,250,774	-	9,250,774
	212,230,708	202,979,934	9,250,774
Company			
Trade and other receivables	121,670,862	121,670,862	-
Deposits, cash and bank balances	21,005,550	21,005,550	-
Short-term fund	9,250,774	-	9,250,774
	151,927,186	142,676,412	9,250,774

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36. 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	FVPL RM
2020			
Financial liabilities			
Group			
Trade and other payables, excluding goods and services/value added tax payable	103,634,656	103,634,656	-
Loans and borrowings	260,433,238	260,433,238	-
	364,067,894	364,067,894	-
Company			
Trade and other payables, excluding goods and services/value added tax payable	47,011,705	47,011,705	-
Loans and borrowings	79,780,584	79,780,584	-
	126,792,289	126,792,289	-

(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 currency 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

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's and the Company's financial instruments as a result of 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(i) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

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

	Change in basis points	Effect on profit/(loss) for the financial year RM	Effect on equity RM
Group:			
2021	+ 100	(1,336,468)	(1,336,468)
	- 100	1,336,468	1,336,468
2020	+ 100	1,979,293	(1,979,293)
	- 100	(1,979,293)	1,979,293
Company:			
2021	+ 100	(320,209)	(320,209)
	- 100	320,209	320,209
2020	+ 100	(606,332)	(606,332)
	- 100	606,332	606,332

(ii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group 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 and the Group's net investments in foreign subsidiaries. The currency giving rise to this risk are primarily United States Dollar ("USD") and Euro ("EUR"). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(ii) Foreign currency risk (cont'd)

The Group's and the Company's unhedged financial assets and liabilities that are not denominated in their functional currencies are as follows:

	USD RM	EUR RM	Total RM
Functional currency of the Group			
2021			
Ringgit Malaysia	(13,309,975)	(26,397,668)	(39,707,643)
Thai Baht	33,239,652	1,299,986	34,539,638
Indonesian Rupiah	8,002,889	(159,714)	7,843,175
	27,932,566	(25,257,396)	2,675,170
2020			
Ringgit Malaysia	15,553,015	(32,731,499)	(17,178,484)
Thai Baht	5,598,256	(120,427)	5,477,829
Indonesian Rupiah	(3,036,569)	(1,653,618)	(4,690,187)
	18,114,702	(34,505,544)	(16,390,842)
Functional currency of the Company			
2021			
Ringgit Malaysia	(19,017,370)	350,935	(18,666,435)
2020			
Ringgit Malaysia	(3,633,594)	1,156,561	(2,477,033)

Sensitivity analysis for foreign currency risk

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

		Effect on profit/(loss) after tax for the financial year			
		Group		Company	
	Change in rate	2021 RM	2020 RM	2021 RM	2020 RM
- USD	+ 3%	636,863	413,015	(433,596)	(82,846)
	- 3%	(636,863)	(413,015)	433,596	82,846
- EUR	+ 3%	(575,869)	(786,726)	8,001	26,370
	- 3%	575,869	786,726	(8,001)	(26,370)

(iii) Liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(iii) Liquidity risk (cont'd)

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.

Maturity analysis

The maturity analysis of the Group's and of the Company's financial liabilities by their relevant maturity at the reporting date based on contractual undiscounted repayment obligations are as follows:

		Contractual undiscounted cash flows		
Group	Carrying amount RM	On demand or within 1 year RM	Between 1 and 5 years RM	Total RM
2021				
Financial liabilities:				
Trade and other payables	116,355,127	116,355,127	-	116,355,127
Loans and borrowings	175,851,006	136,534,360	42,952,109	179,486,469
Lease liabilities	2,561,783	1,312,429	1,358,702	2,671,131
	294,767,916	254,201,916	44,310,811	298,512,727
2020				
Financial liabilities:				
Trade and other payables	103,634,656	103,634,656	-	103,634,656
Loans and borrowings	260,433,238	200,842,364	65,281,664	266,124,028
Lease liabilities	3,824,931	1,457,883	2,593,458	4,051,341
	367,892,825	305,934,903	67,875,122	373,810,025
Company				
2021				
Financial liabilities:				
Trade and other payables	32,421,917	32,421,917	-	32,421,917
Loans and borrowings	42,132,811	28,491,328	14,332,484	42,823,812
Lease liabilities	221,271	75,353	163,211	238,564
Financial guarantee contracts	-	133,718,195	-	133,718,195
	74,775,999	194,706,793	14,495,695	209,202,488
2020				
Financial liabilities:				
Trade and other payables	47,011,705	47,011,705	-	47,011,705
Loans and borrowings	79,780,584	61,324,342	19,859,567	81,183,909
Lease liabilities	342,335	134,753	238,564	373,317
Financial guarantee contracts	-	180,652,654	-	180,652,654
	127,134,624	289,123,454	20,098,131	309,221,585

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(iv) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's 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 deposits, 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
As at the end of 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 statements of financial position; and
- An amount of RM133,718,195 (2020: RM180,652,654) 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 and the Company determine concentrations of credit risk by monitoring the country and industry sector profile of their trade receivables on an ongoing basis. The credit risk concentration profile of the Group's and of the Company's trade receivables at the reporting date are as follows:

	Group			
	2021 RM	%	2020 RM	%
By country:				
Malaysia	54,752,031	48%	51,296,338	77%
Thailand	43,320,000	38%	5,054,268	8%
Other countries	16,326,386	14%	9,919,302	15%
	114,398,417	100%	66,269,908	100%

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(iv) Credit risk (cont'd)

Trade receivables (cont'd)

	Company			
	2021 RM	%	2020 RM	%
By country:				
Malaysia	17,497,276	88%	23,918,977	91%
Other countries	2,440,807	12%	2,247,197	9%
	19,938,083	100%	26,166,174	100%

The Group and the Company apply the simplified approach to provide for impairment losses prescribed by MFRS 9 *Financial Instruments*, which permits the use of the lifetime expected losses provision for all trade receivables. To measure the impairment 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 are as follows:

	Gross carrying amount at default RM
Group	
2021	
Current	48,806,299
1-30 days past due	57,524,473
31-60 days past due	7,512,649
61-90 days past due	391,639
91-120 days past due	102,321
>120 days past due	61,036
	114,398,417
Individually impaired	2,414,461
	116,812,878
Company	
2021	
Current	14,983,290
1-30 days past due	4,043,678
31-60 days past due	911,115
	19,938,083

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36. 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 are as follows: (cont'd)

	Gross carrying amount at default RM
Group	
2020	
Current	51,106,301
1-30 days past due	10,918,744
31-60 days past due	4,023,319
61-90 days past due	850
91-120 days past due	-
>120 days past due	220,694
	66,269,908
Individually impaired	4,905,727
	71,175,635
Company	
2020	
Current	20,495,018
1-30 days past due	2,774,990
31-60 days past due	2,896,142
61-90 days past due	24
	26,166,174

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(iv) Credit risk (cont'd)

Other receivables and other financial assets

For other receivables and other financial assets (including short-term fund 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.

Some intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, impairment 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 3.12(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 RM133,718,195 (2020: RM180,652,654) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 36(b)(iii). As at the reporting date, there was no loss allowance for impairment as determined by the Company for the financial guarantee.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36. FINANCIAL INSTRUMENTS (cont'd)

(c) Fair value measurement

The carrying amounts of deposits, cash and bank balances, short-term receivables and payables and short-term borrowings reasonably approximate to 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 loans 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 (2020: 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	Fair value of financial instruments carried at fair value			
Group and Company	**amount RM**	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**
2021					
Financial assets					
Fair value through profit or loss					
- short-term fund	9,424,273	9,424,273	-	-	9,424,273
2020					
Financial assets					
Fair value through profit or loss					
- short-term fund	9,250,774	9,250,774	-	-	9,250,774

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37. 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 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 Chief Executive Officer.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37. SEGMENT INFORMATION (cont'd)

2021	Note	Malaysia RM	Thailand RM	Indonesia RM	Others RM	Adjustments and eliminations RM	Total RM
Revenue							
Revenue from external customers		426,107,646	409,886,254	99,053,471	-	-	935,047,371
Inter-segment revenue	(a)	227,688,598	54,947,807	-	-	(282,636,405)	-
Total revenue	(c)	653,796,244	464,834,061	99,053,471	-	(282,636,405)	935,047,371
Results							
Segment profit/(loss)		42,697,972	23,281,144	14,928,098	(6,991)	(34,908,197)	45,992,026
Finance costs		(5,980,162)	(4,138,166)	(6,534)	-	3,910,948	(6,213,914)
Profit/(Loss) before tax		36,717,810	19,142,978	14,921,564	(6,991)	(30,997,249)	39,778,112
Tax expense		3,974,678	(6,019,439)	(3,364,862)	-	-	(5,409,623)
Profit/(Loss) for the financial year		40,692,488	13,123,539	11,556,702	(6,991)	(30,997,249)	34,368,489
Assets:							
Segment assets		1,569,785,881	423,334,888	112,760,460	22,675	(684,063,012)	1,421,840,892
Liabilities:							
Segment liabilities		377,665,028	252,061,818	23,709,089	180,150	(269,266,547)	384,349,538

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37. SEGMENT INFORMATION (cont'd)

2021 (cont'd)	Note	Malaysia RM	Thailand RM	Indonesia RM	Others RM	Adjustments and eliminations RM	Total RM
Other information:	(b)						
Amortisation of intangible assets		-	10,667	-	-	-	10,667
Bad debts recovered		(351)	-	-	-	-	(351)
Bad debts written off		117,717	239,336	-	-	47,278	404,331
Capital expenditures	(d)	10,656,703	8,638,234	5,307,602	-	(889,914)	23,712,625
Depreciation of:							
- property, plant and equipment		34,861,417	23,083,175	8,641,369	-	(21,208)	66,564,753
- right-of-use assets		2,146,446	-	55,325	-	48,762	2,250,533
Gain arising from fair value adjustment of biological assets		(2,200,000)	-	-	-	-	(2,200,000)
Gain on disposal of property, plant and equipment		(571,606)	(300,389)	-	-	248,779	(623,216)
Interest income		(2,120,252)	(2,731,096)	(187,757)	-	3,911,331	(1,127,774)
Impairment losses on trade receivables		277,869	531,502	-	-	(531,502)	277,869
Insurance compensation		(169,611)	-	-	-	-	(169,611)
Loss on voluntary winding-up of a subsidiary		-	230,194	-	-	208,273	438,467
Net unrealised foreign exchange gain		(2,666,026)	(2,544,421)	(3,561,802)	-	4,351,440	(4,420,809)
Property, plant and equipment written off		2,725,733	-	-	-	-	2,725,733
Provision for retirement benefits obligation		945,486	567,470	365,094	-	(289,861)	1,588,189
Waiver of debts by trade creditors		-	(186,049)	-	-	-	(186,049)
Expenses relating to low value assets and short-term leases		6,621,213	1,081,118	987,918	-	(1,448,338)	7,241,911

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37. SEGMENT INFORMATION (cont'd)

2020	Note	Malaysia RM	Thailand RM	Indonesia RM	Others RM	Adjustments and eliminations RM	Total RM
Revenue							
Revenue from external customers		472,328,569	299,743,437	87,716,862	-	-	859,788,868
Inter-segment revenue	(a)	213,108,773	84,394,327	-	-	(297,503,100)	-
Total revenue	(c)	685,437,342	384,137,764	87,716,862	-	(297,503,100)	859,788,868
Results							
Segment profit/(loss)		2,194,943	(119,239,262)	3,874,630	(49,072)	21,345,787	(91,872,974)
Finance costs		(6,892,268)	(4,357,368)	-	-	4,123,583	(7,126,053)
(Loss)/Profit before tax		(4,697,325)	(123,596,630)	3,874,630	(49,072)	25,469,370	(98,999,027)
Tax expense		(1,323,610)	-	(1,103,953)	-	-	(2,427,563)
(Loss)/Profit for the financial year		(6,020,935)	(123,596,630)	2,770,677	(49,072)	25,469,370	(101,426,590)
Assets:							
Segment assets		1,622,953,425	435,564,843	112,549,544	21,265	(719,075,042)	1,452,014,035
Liabilities:							
Segment liabilities		474,925,060	243,992,293	38,017,378	162,373	(326,603,292)	430,493,812

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37. SEGMENT INFORMATION (cont'd)

2020 (cont'd)	Note	Malaysia RM	Thailand RM	Indonesia RM	Others RM	Adjustments and eliminations RM	Total RM
Other information:	(b)						
Amortisation of intangible assets		-	37,445	-	-	-	37,445
Bad debts written off		847,716	4,411,467	439,780	-	-	5,698,963
Capital expenditures	(d)	43,315,702	5,218,869	2,358,348	-	(12,338,644)	38,554,275
Depreciation of:							
- property, plant and equipment		37,275,887	27,543,310	8,620,844	-	(21,208)	73,418,833
- right-of-use assets		2,546,914	-	-	-	61,744	2,608,658
Gain arising from fair value adjustment of biological assets		(200,000)	-	-	-	-	(200,000)
Fair value loss on short-term fund		29,918	-	-	-	-	29,918
Interest income		(2,640,885)	(2,673,991)	(162,565)	-	4,125,042	(1,352,399)
Impairment losses on:							
- property, plant and equipment		1,219,747	24,657,355	-	-	-	25,877,102
- trade receivables		369,840	4,555,879	663,392	-	(3,291,486)	2,297,625
Inventories written down		510,346	37,829,951	-	-	-	38,340,297
Inventories written off		3,741,109	-	-	-	-	3,741,109
Insurance compensation		(21,413,326)	(106,788)	-	-	-	(21,520,114)
Loss on disposal of property, plant and equipment		179,922	-	427,800	-	(306,500)	301,222
Net unrealised foreign exchange loss		5,565,403	-	(2,795,011)	-	(31,802)	2,738,590
Property, plant and equipment written off		28,218,069	-	-	-	-	28,218,069
Provision for retirement benefits obligation		1,857,566	259,954	373,357	-	-	2,490,877
Reversal of impairment losses on trade receivables		(381,277)	-	-	-	-	(381,277)
Waiver of debts by trade creditors		-	(931,080)	-	-	-	(931,080)
Expenses relating to short-term leases and low value assets		7,166,721	1,127,774	18,142	-	(1,956,406)	6,356,231

(a) Inter-segment revenue are eliminated on consolidation.

(b) Inter-segment income and expenses are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37. SEGMENT INFORMATION (cont'd)

(c) The following table provides an analysis of the Group's revenue by products:

	Malaysia RM	Thailand RM	Indonesia RM	Total RM
2021				
Sales of fibreboard and furniture parts	383,949,913	409,886,254	99,053,471	892,889,638
Sales of urea formaldehyde concentrate and adhesive products	10,537,290	-	-	10,537,290
Sales of wood pellet	31,296,728	-	-	31,296,728
Others	323,715	-	-	323,715
	426,107,646	409,886,254	99,053,471	935,047,371
2020				
Sales of fibreboard and furniture parts	420,233,827	299,743,437	87,716,862	807,694,126
Sales of urea formaldehyde concentrate and adhesive products	8,220,201	-	-	8,220,201
Sales of wood pellet	43,716,994	-	-	43,716,994
Others	157,547	-	-	157,547
	472,328,569	299,743,437	87,716,862	859,788,868

(d) Additions to non-current assets consist of:

	2021 RM	2020 RM
Intangible assets	12,078	6,035
Property, plant and equipment	23,513,203	38,124,876
Right-of-use assets	187,344	423,364
	23,712,625	38,554,275

(e) Geographical information

(i) The following table provides an analysis of the Group's revenue by geographical segment:

	2021 RM	2020 RM
Revenue from sales to external customers by location of the customers		
United States	95,391,814	90,071,353
Africa	122,578,089	70,704,656
Europe	9,561,980	13,855,328
Far East Asia	59,546,275	69,669,426
Middle East	243,419,973	207,222,246
South Asia	6,026,419	4,975,785
South East Asia	398,522,821	403,290,074
	935,047,371	859,788,868

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37. SEGMENT INFORMATION (cont'd)

(e) 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
2021				
Property, plant and equipment	557,076,107	243,337,815	62,780,638	863,194,560
Right-of-use assets	34,400,828	-	686,673	35,087,501
Biological assets	39,100,000	-	-	39,100,000
Other intangible assets	-	48,057	-	48,057
Total non-current assets	630,576,935	243,385,872	63,467,311	937,430,118
2020				
Property, plant and equipment	585,430,411	276,159,186	64,014,963	925,604,560
Right-of-use assets	36,463,747	20,184	714,682	37,198,613
Biological assets	36,900,000	-	-	36,900,000
Other intangible assets	-	50,098	-	50,098
Total non-current assets	658,794,158	276,229,468	64,729,645	999,753,271

38. 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 shareholders' 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 2021 and 31 December 2020.

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 loans and borrowings, 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	
	2021 RM	2020 RM	2021 RM	2020 RM
Loans and borrowings	175,851,006	260,433,238	42,132,811	79,780,584
Lease liabilities	2,561,783	3,824,931	221,271	342,335
Trade and other payables	117,994,314	106,454,147	32,422,371	47,014,597
Deposits, cash and bank balances	(92,398,688)	(113,221,844)	(29,749,027)	(21,005,550)
Short-term fund	(9,424,273)	(9,250,774)	(9,424,273)	(9,250,774)
Net debt	194,584,142	248,239,698	35,603,153	96,881,192
Equity attributable to the owners of the Company				
Total equity	1,037,491,354	1,021,520,223	731,350,037	697,090,907
Capital and net debt	1,232,075,496	1,269,759,921	766,953,190	793,972,099
Gearing ratio	16%	20%	5%	12%

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

39. SIGNIFICANT EVENT DURING AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

COVID-19 pandemic

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a pandemic in recognition of its rapid spread across the globe. Many countries including the Malaysian Government imposed the Movement Control Order ("MCO") to curb the spread of the COVID-19 pandemic. The COVID-19 pandemic also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the COVID-19 pandemic since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group and the Company operate.

The Group and the Company have performed assessments on the overall impact of the situation on the Group's and the Company's operations and financial implications, including the recoverability of the carrying amount of assets and subsequent measurement of assets and liabilities, and concluded that there was no material adverse effect on the financial statements for the financial year ended 31 December 2021, other than the temporary decrease in sales in Malaysia segment as a result of the restrictions and precautionary measures imposed by the Malaysian Government.

Given the fluid of the situation, the Group and the Company are unable to reasonably estimate the complete financial impacts of COVID-19 pandemic for the financial year ending 31 December 2022 to be disclosed in the financial statements as impact assessment of the COVID-19 pandemic is a continuing process. The Group and the Company will continuously monitor any material changes to future economic conditions that will affect the Group and the Company.

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 73 to 154 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 2021 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: 12 April 2022

STATUTORY DECLARATION
Pursuant to Section 251(1) of the Companies Act 2016

I, **LEONG TING SIONG**, 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 accompanying financial statements set out on pages 73 to 154 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

…………………………..……………

LEONG TING SIONG
MIA Membership No.: 20345

Subscribed and solemnly declared by the abovenamed at Batu Pahat in the State of Johor Darul Ta'zim on 12 April 2022.

Before me,

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF EVERGREEN FIBREBOARD BERHAD
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Evergreen Fibreboard Berhad, which comprise the statements of financial position as at 31 December 2021 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 73 to 154.

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 2021, 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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.

<u>Group</u>

Biological assets (Notes 4(a) and 7 to the financial statements)

The Group has a significant balance of biological assets amounting to RM39,100,000 as at 31 December 2021. The biological assets comprise 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 tropical wood trees and rubber trees have been determined based on valuations by an independent professional valuer using discounted cash flows of the trees. As prices in agricultural business are volatile, the actual cash flows may not coincide with the estimates made and this may have a significant effect on the Group's financial position and results.

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;
- comparing the key inputs to the model, including commodity prices and yield against 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; and
- checking the mathematical accuracy of the discounted cash flow calculations.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF EVERGREEN FIBREBOARD BERHAD (Cont'd)
(Incorporated in Malaysia)

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 RM222,317,573 as at 31 December 2021. The valuation of the Group's inventories is stated at the lower of cost and 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 and the Company write down their obsolete or slow-moving inventories based on the assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend 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 2021;
- observing year end physical inventory count to examine the physical existence and condition of the inventories;
- reviewing the significant component auditor's working papers on the valuation of the inventories;
- checking 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.

Property, plant and equipment (Notes 4(c) and 5 to the financial statements)

The Group has significant balances of property, plant and equipment relating to its manufacturing operations in Thailand, which had incurred continuous operational losses since the previous financial years. The Group assesses the 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 property, 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; and
- assessing the valuation approach used and appropriateness of the key assumptions.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF EVERGREEN FIBREBOARD BERHAD (Cont'd)
(Incorporated in Malaysia)

Key Audit Matters (cont'd)

<u>Company</u>

Investment in subsidiaries (Notes 4(d) and 11 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.

Recoverable amount is measured at the higher of the fair value less cost of disposal for that investment 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 trends 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 our assessment of key assumptions to assess their reasonableness and achievability of the projections;
- testing the mathematical accuracy of the impairment assessment; and
- analysing the sensitivity of key assumptions by assessing the impacts of these key assumptions and inputs that are expected to be most sensitive to the recoverable amount.

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 (Cont'd)
(Incorporated in Malaysia)

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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF EVERGREEN FIBREBOARD BERHAD (Cont'd)
(Incorporated in Malaysia)

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 11 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

Ng Zu Wei
No. 03545/12/2022 J
Chartered Accountant

Kuala Lumpur

Date: 12 April 2022

STATEMENT OF SHAREHOLDINGS
AS AT 31 MARCH 2022

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	127	4,657	0.00
100 - 1,000	704	404,443	0.05
1,001 - 10,000	4,061	22,381,669	2.65
10,001- 100,000	2,635	88,367,435	10.45
100,001 to less than 5% of issued shares	518	467,232,575	55.31
5% and above of issued shares	2	266,476,006	31.54
	8,047	844,866,785	100.00

** excluding a total of 1,557,200 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	16.85
2. KUO JEN CHIU	124,120,141	14.69
3. KUO HUEI CHEN	32,526,790	3.85
4. KUO JEFFREY S	17,320,865	2.05
5. KUO JUSTIN S	17,320,865	2.05
6. KUO HENRY S	17,320,864	2.05
7. AMANAHRAYA TRUSTEES BERHAD PMB SHARIAH GROWTH FUND	17,000,000	2.01
8. CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (PHEIM)	16,932,500	2.00
9. HSBC NOMINEES (ASING) SDN BHD J.P. MORGAN SECURITIES PLC	14,156,215	1.68
10. CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR NG PAIK PHENG (PB)	13,336,200	1.58
11. MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR DANA MAKMUR PHEIM	10,177,600	1.20
12. MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG AH CHAI	8,859,800	1.05
13. MAYBANK SECURITIES NOMINEES (ASING) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR MGF CAPITAL LIMITED	7,780,000	0.92

STATEMENT OF SHAREHOLDINGS (Cont'd)
AS AT 31 MARCH 2022

THIRTY LARGEST SHAREHOLDERS (Cont'd)

Shareholders	Number of Shares	Percentage of Shares
14. AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR NG AH CHAI	7,000,000	0.83
15. HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG YEE HUI	6,400,250	0.76
16. CIMB GROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR DBS BANK LTD	6,365,700	0.75
17. HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG AH CHAI	6,000,000	0.71
18. MAYBANK SECURITIES NOMINEES (ASING) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR LOH YIH	5,516,400	0.65
19. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEH CHAN SHERNG	5,500,000	0.65
20. SUSY DING	5,249,950	0.62
21. UNIVERSAL TRUSTEE (MALAYSIA) BERHAD KAF TACTICAL FUND	4,800,000	0.57
22. KENANGA NOMINEES (ASING) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES PTE LTD	4,694,800	0.56
23. YEW YEE YONG	4,150,000	0.49
24. CHEE CHEN KAI	3,652,800	0.43
25. HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK JULIUS BAER & CO LTD	3,474,700	0.41
26. CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD PRINCIPAL ISLAMIC ASSET MANAGEMENT SDN BHD FOR LEMBAGA TABUNG HAJI	3,450,000	0.41
27. CITIGROUP NOMINEES (ASING) SDN BHD UBS AG	3,337,688	0.40
28. CHEE AH KUAN	2,900,000	0.34
29. DB (MALAYSIA) NOMINEE (ASING) SDN BHD THE BANK OF NEW YORK MELLON FOR ACADIAN EMERGING MARKETS MICRO-CAP EQUITY MASTER FUND	2,779,101	0.33
30. WONG YEE HUI	2,700,000	0.32

STATEMENT OF SHAREHOLDINGS (Cont'd)
AS AT 31 MARCH 2022

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 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. KUO HUEI CHEN	35,053,579	4.15	266,476,006 (1)	31.51

Notes:
(1) *Deemed interested by virtue of the interest of his or her siblings.*

DIRECTORS' SHAREHOLDINGS

According to the Register required to be kept under Section 59 of the Companies Act 2016, the following are the shareholdings of the Directors of the Company:-

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. JONATHAN 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 **Thirty-First Annual General Meeting** of the Company to be held on.

Day and Date	:	Monday, 30th May 2022
Time	:	9.00 a.m.
Broadcast Venue	:	Virtual Annual General Meeting ("AGM")
Event Link	:	Online Meeting Platform via Boardroom Share Registrars Sdn. Bhd. at https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC - D6A357657)

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	Resolution	For*	Against*
To receive the Audited Financial Statements for the financial year ended 31 December 2021 and the Reports of the Directors and Auditors thereon.	-	-	-
To approve the payment of a final single tier dividend of 1.5 sen per ordinary share for the financial year ended 31 December 2021.	1		
To re-appoint Messrs. Baker Tilly Monteiro Heng PLT who retire as Auditors of the Company and authorise the Directors to fix their Remuneration.	2		
To re-elect the following Directors who retire during the year in accordance with Regulation 109 of the Company's Constitution:			
a. Re-election of Mr. Kuo Jen Chang	3		
b. Re-election of Mr. Jonathan Law Ngee Song	4		
c. Re-election of Dr. Henry S Kuo	5		
To approve the payment of Non-Executive Directors' Fees and Allowances totaling RM365,000 for the financial year ending 2022:			
a. To approve the payment of RM130,000 to Mr. Jonathan Law Ngee Song.	6		
b. To approve the payment of RM85,000 to Mr. Kuan Kai Seng.	7		
c. To approve the payment of RM65,000 to Dr. Henry S Kuo.	8		
d. To approve the payment of RM85,000 to Ms. Nirmala A/P Doraisamy.	9		
On Authority to Allot Shares - pursuant to Sections 75(1) & 76(1)	10		
Proposed Renewal of Authority for the Company to Purchase 10% of the total number of issued shares of the Company.	11		
Approval to designate Mr. Jonathan Law Ngee Song as an Independent Director	12		

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 ______ 2022

____
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 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 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 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 thereof.

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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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