EVERGREEN FIBREBOARD BERHAD

(217120 - W)

2017 Annual Report

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Seventh Annual General Meeting of Evergreen Fibreboard Berhad will be held at Phoenix Hotel, Jalan Forest City 1, Pulau Satu, 81550 Gelang Patah, Johor Darul Takzim, Malaysia on Friday, 25 May 2018 at 9.00 a.m. for the following purposes: -

A G E N D A

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 and the Reports of the Directors and Auditors thereon.

2. To approve the payment of a final single tier dividend of 1.38 sen per ordinary share for the financial year ended 31 December 2017. **RESOLUTION 1**

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

4. To re-elect the following Directors who retire during the year in accordance with Article 101 of the Company's Articles of Association:

   i) Mr. Kuo Jen Chang **RESOLUTION 3**
   ii) Mr. Kuo Jen Chiu **RESOLUTION 4**
   iii) Mr. Yap Peng Leong **RESOLUTION 5**

5. To re-elect Ms. Nirmala A/P Doraisamy who retires in accordance with Article 106 of the Company's Articles of Association and being eligible offers herself for re-election. **RESOLUTION 6**

6. To approve the payment of Directors' Fees and Allowances amounting to RM306,100 for the Non-Executive Directors for the financial year ended 31 December 2017. **RESOLUTION 7**

SPECIAL BUSINESS

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

7. **ORDINARY RESOLUTION 1**
   AUTHORITY TO ALLOT SHARES - SECTIONS 75 & 76 **RESOLUTION 8**

   "**THAT** pursuant to Sections 75 and 76 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 resolution does not exceed 10% of the total number of issued shares of the Company (excluding treasury shares) for the time being and that the Directors be and also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad **AND THAT** such authority conferred by this resolution shall commence upon passing this resolution until:

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

   whichever occurs first."

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

8. **ORDINARY RESOLUTION 2** **RESOLUTION 9**
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 Articles of Association 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 in the Company ("Proposed Share Buy-Back Authority") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that: -

(i) the maximum aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed ten percent (10%) of the total number of issued shares of the Company at any point in time;
(ii) the funds allocated by the Company for the purpose of purchasing its shares shall not exceed the total retained profits of the Company; and
(iii) the authority conferred by this resolution shall continue to be in force until: -
    (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming AGM, at which time the said authority will lapse, unless the authority is renewed at that meeting, either unconditionally or subject to conditions; or
    (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340 (2) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340 (4) of the Act); or
    (c) revoked or varied by resolution passed by the shareholders in a general meeting,

    whichever occurs first.

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

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

AND THAT the Directors of the Company be and are hereby authorised to give effect to the Proposed Renewal of 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."

9. **ORDINARY RESOLUTION 3** **RESOLUTION 10**
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."

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

10. 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 Articles of Association.

NOTICE OF DIVIDEND ENTITLEMENT
FINAL SINGLE TIER DIVIDEND OF 1.38 SEN PER ORDINARY SHARE

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at the Twenty-Seventh Annual General Meeting, the final single tier dividend of 1.38 sen per ordinary share in respect of the financial year ended 31 December 2017 will be payable on 17 August 2018 to Depositors registered in the Record of Depositors at the close of business on 1 August 2018.

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 2018 in respect of transfer; and

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

BY ORDER OF THE BOARD

LEONG SIEW FOONG, MAICSA NO. 7007572
ZARINA BINTI AHMAD, LS NO. 0009964
Company Secretaries

Johor Bahru
27 April 2018

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.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

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 Level 6, Symphony House, Pusat Dagangan Dana, 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

ORDINARY BUSINESS: -

Audited Financial Statements for financial year ended 31 December 2017

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

Final Single Tier Dividend

2. With reference to Section 131 of the Act, a company may only make a distribution to the shareholders out of profits of the company available if the company is solvent. On 6 April 2018, 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 and 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 17 August 2018 in accordance with the requirements under Section 132(2) and (3) of the Act.

Appointment of Auditors

3. Pursuant to Section 273(b) of the Act, the terms of office of the present Auditors, Messrs Baker Tilly Monterio Heng, shall lapse at the conclusion of this AGM unless they are re-appointed by the shareholders to continue in office. Messrs Baker Tilly Monterio Heng, have indicated their willingness to continue their service until the conclusion of the 28th AGM. The re-appointment of Messrs Baker Tilly Monterio Heng as Auditors of the Company has been considered against the relevant criteria prescribed in Paragraph 15.21 of the MMLR. This proposed Resolution 2, if passed, will also give the Directors of the Company, the authority to determine the remuneration of the Auditors.

Re-election of Directors who retire in accordance with Article 101 of the Company's Articles of Association ("AA")

4. Article 101 of the AA 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 nine (9), three (3) Directors are to retire in accordance with Article 101 of the AA.

   Nomination Committee has assessed the performance of these Directors seeking for re-election under Article 101 based on salient criterias of their contribution to the Board's decision making and their individual performance of their roles and responsibilities to the Company/Group.

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

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

Re-election of Director who retire in accordance with Article 106 of the Company's Articles of Association ("AA")

5. Article 106 of the AA provides that the Board shall have the power to appoint any person to be a Director to fill a casual vacancy or as an addition to the existing Board, and that any Director so appointed shall hold office until the next following AGM and shall then be eligible for re-election.

   Accordingly, Ms Nirmala A/P Doraisamy who was appointed as an Independent Non-Executive Director of the Company on 1 January 2018, shall hold office until the 27th AGM and shall then be eligible for re-election pursuant to Article 106 of the AA.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

Directors' fees and allowance

6. Pursuant to Section 230(1) of the Companies Act 2016, the fees and allowance of the directors including any benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that the shareholders' approval shall be sought at the 27th Annual General Meeting ("AGM") on the Directors' fees and allowance as below:-

   Resolution 7 on payment of Directors' fees and allowance amounting to RM306,100 per annum for each of the Non-Executive Directors for the financial year ended 31 December 2017 and details of the Directors' Fees and Allowance to be paid to the Non-Executive Directors are disclosed on page 34 of this Annual Report.

SPECIAL BUSINESS: -

7. Ordinary Resolution 1

The Ordinary Resolution 1, if passed, is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion without convening a general meeting. This is a renewal of a general mandate. The Company did not utilise the mandate granted in the preceding year's Annual General Meeting.

This authority, unless revoked or varied by the Company in a general meeting, will expire at the next Annual General Meeting and it will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limiting to further placement of shares for the purpose of funding future investment(s), acquisition(s) and/or working capital.

8. Ordinary Resolution 2

The Ordinary Resolution 2, 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 in 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 RM319,108,943 as at 31 December 2017. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting.

Please refer to Statement on Share Buy-Back dated 27 April 2018.

9. Ordinary Resolution 3

Mr. Jonathan Law Ngee Song is an Independent Director of the Company and has served the Company for eleven years.

In line with the Malaysian Code on Corporate Governance, the Nomination Committee has assessed his independence as defined in Bursa Securities Listing Requirements without being compromised all these while. In fact, he exercised his judgment in an independent and unfettered manner, discharged his duty with reasonable care, skill and diligent bringing independent thought and experience to Board's deliberations and decision making process is valuable to the Company. To that, the Board recommends Mr. Jonathan Law Ngee Song to continue to be designated as an Independent Director according to the resolution put forth in the forthcoming Annual General Meeting.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, appended hereunder are:

DETAILS OF INDIVIDUAL STANDING FOR RE-ELECTION AS DIRECTOR - ARTICLE 106 OF THE COMPANY'S ARTICLES OF ASSOCIATIONS ("AA")

MS NIRMALA A/P DORAISAMY
Malaysian, Female, Age 52
Independent Non-Executive Director
Chairman of Risk Management Committee,
Member of Audit and Nomination Committee

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

Working Experience & occupation
She has 28 years of experience in banking, risk management and project management. She started her career with a local bank. Her vast experience encompasses various aspects of banking such as corporate, commercial and SME lending. 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 17 years with local banks, she joined Credit Guarantee Corporation Bhd. (subsidiary of Central Bank, Malaysia) where she headed the risk management department. She was responsible for setting up the department and the Enterprise Risk Management framework. Her main function was to provide regular updates and recommendation to the Management and Board Risk on all risk matters and to spearhead the department to achieve KPIs set for credit, operational and investment risks. She led the project team and vendor in the development of internal risk-rating model. The rating model was successfully rolled out in 2010 and integrated with the Loan Origination system. She also spearheaded her team that was involved in the development of Integrated Risk Management System and Solutions. Currently she is a Director of Credience Malaysia Sdn. Bhd. and Advisor of CN & Associates (Audit Firm).

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

Directorships in other Public Listed Companies.
She was appointed as an Independent Non-Executive Director of M-Mode Bhd on 19 August 2013.

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 Board Meeting attended in the financial year
None due to her appointment on 1 January 2018.

CORPORATE INFORMATION

Our Total Number of Issued Shares and Market Capitalisation

The total number of issued shares of Evergreen Fibreboard Berhad as at 31 December 2017 was 846,001,985 and the ordinary share price (Stock Code 5101) at the close of business was RM0.65 giving a market capitalisation of RM549,901,290 in the Main Market of Bursa Malaysia Securities.

Our Website

Our website, www.evergreengroup.com.my contains various details and information on the Company and its operations, together with all the key historical financial and regulatory information. It is being updated on a regular basis pertaining all Company's Announcements, other relevant changes and developments in the Group.

Our Registered Address

Suite 6.1A, Level 6,
Menara Pelangi,
Jalan Kuning, Taman Pelangi,
80400 Johor Bahru, Johor.
Tel : 07-3323536
Fax : 07-3323537

Our Company Secretaries
Ms Leong Siew Foong (MAICSA No: 7007572)
Ms Zarina Binti Ahmad (LS NO. 0009964)

Our Share Registrar
Symphony Share Registrars Sdn. Bhd.
(Company No: 378993-D)
Level 6, Symphony House,
Pusat Dagangan Dana,
1, Jalan PJU 1A/46,
47301 Petaling Jaya, Selangor.
Tel : 603-7481 8000
Fax : 603-7481 8151

Our External Auditors

Baker Tilly Monteiro Heng
Chartered Accountants
Baker Tilly MH Tower,
Level 10, Tower 1, Avenue 5,
Bangsar South City,
59200 Kuala Lumpur.
Tel : 603-22971000
Fax : 603-22829980

Our Internal Auditors

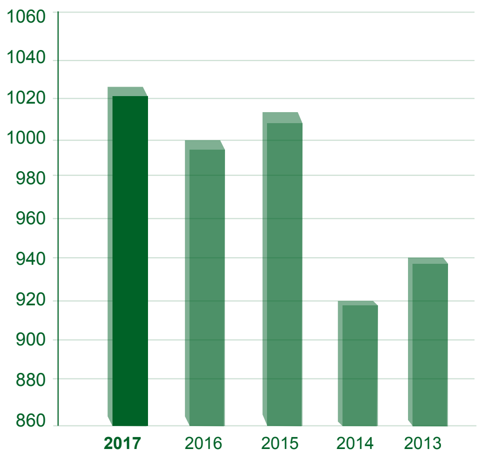
BDO Governance Advisory Sdn. Bhd.
Level 8, BDO@ Menara CenTARa,
360 Jalan Tunku Abdul Rahman,
50100 Kuala Lumpur.
Tel : 603-2616 2888
Fax : 603-2616 2829

GROUP'S FINANCIAL HIGHLIGHTS

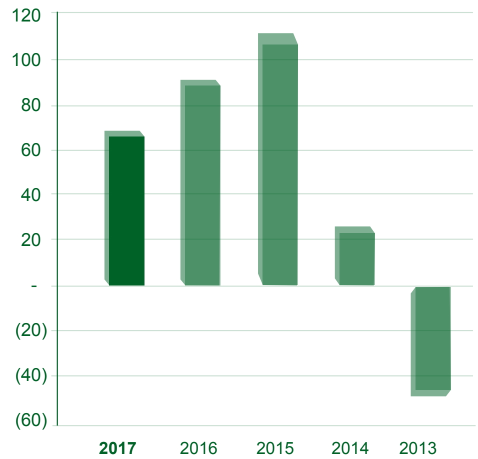
RM' million	2017	2016	2015	2014	2013
FINANCIAL RESULTS					
Group Revenue	1,024	998	1,012	919	939
Gross Profit Margin (%)	22.0%	26.8%	28.4%	20.1%	13.6%
Group Profit / (Loss) Before Tax	68	93	109	25	(49)
Profit/(Loss) After Tax	47	68	94	22	(45)
Group Profit / (Loss) Attributable To Owners of the Company	45	72	91	-	(43)
EBIT	74	100	119	38	(34)
GROUP EBITDA	137	164	184	102	34
FINANCIAL POSITION					
Total Assets	1,591	1,561	1,447	1,286	1,287
Total Liabilities	422	409	377	456	478
Total Net Assets	1,169	1,152	1,070	830	809
Share Capital	345	212	141	128	128
Total Equity Attributable to Owners of the Company	1,139	1,124	1,038	802	786
BANK BORROWINGS					
Total Borrowings	217	205	199	288	337
Cash and Bank balances and Investment Securities	121	160	117	74	56
Total Net Borrowings	96	44	82	214	282
SHARE CAPITAL (no. of shares '000)					
Weighted Average	846,424	827,152	517,356	513,000	513,000
Share Capital	846,424	846,424	564,290	513,000	513,000
Treasury Shares	422	422	22	22	22
FINANCIAL RATIOS					
Earnings /(Loss) Per Share (Sen)	5.31	8.66	17.57	0.03	(8.34)
Return on Shareholders' Funds (%)	3.9%	6.4%	8.8%	0.0%	(5.4%)
Return on Total Assets (%)	6.3%	8.7%	11.1%	4.6%	(4.2%)
Share Price at Year End (RM)	0.65	0.96	2.36	0.605	0.46
PE Ratio (X)	12.2	11.1	13.4	2,016.7	N/A
DPS (sen)	1.38	2.0	1.00	-	-
Net Assets Per Share (RM)	1.38	1.39	2.07	1.62	1.58
Net Gearing Ratio (%)	8.3%	3.9%	7.7%	25.8%	34.8%
Market Capitalisation (RM '000)	549,901	812,162	1,331,672	310,352	235,970

GROUP'S FINANCIAL HIGHLIGHTS (Cont'd)

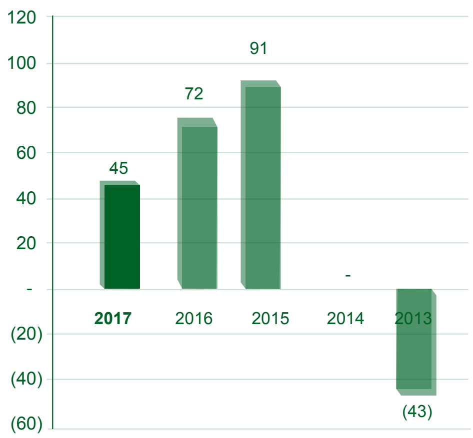
GROUP REVENUE (RM MILLIONS)



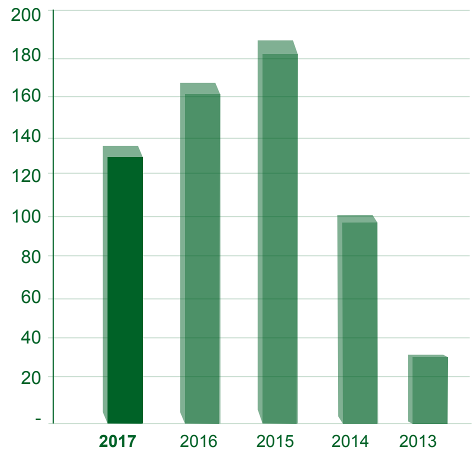
GROUP PROFIT/(LOSS) BEFORE TAX (RM MILLIONS)



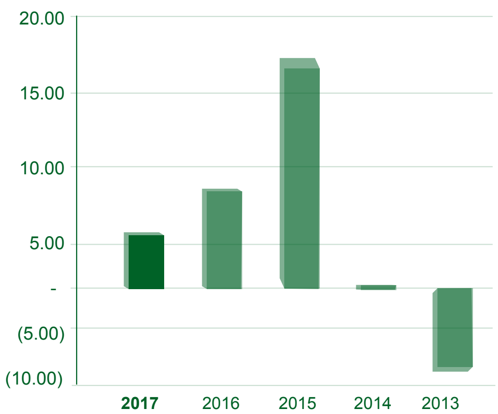
GROUP PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM MILLIONS)



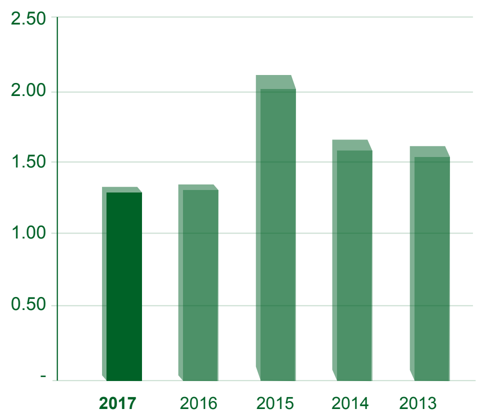
GROUP EBITDA (RM MILLIONS)



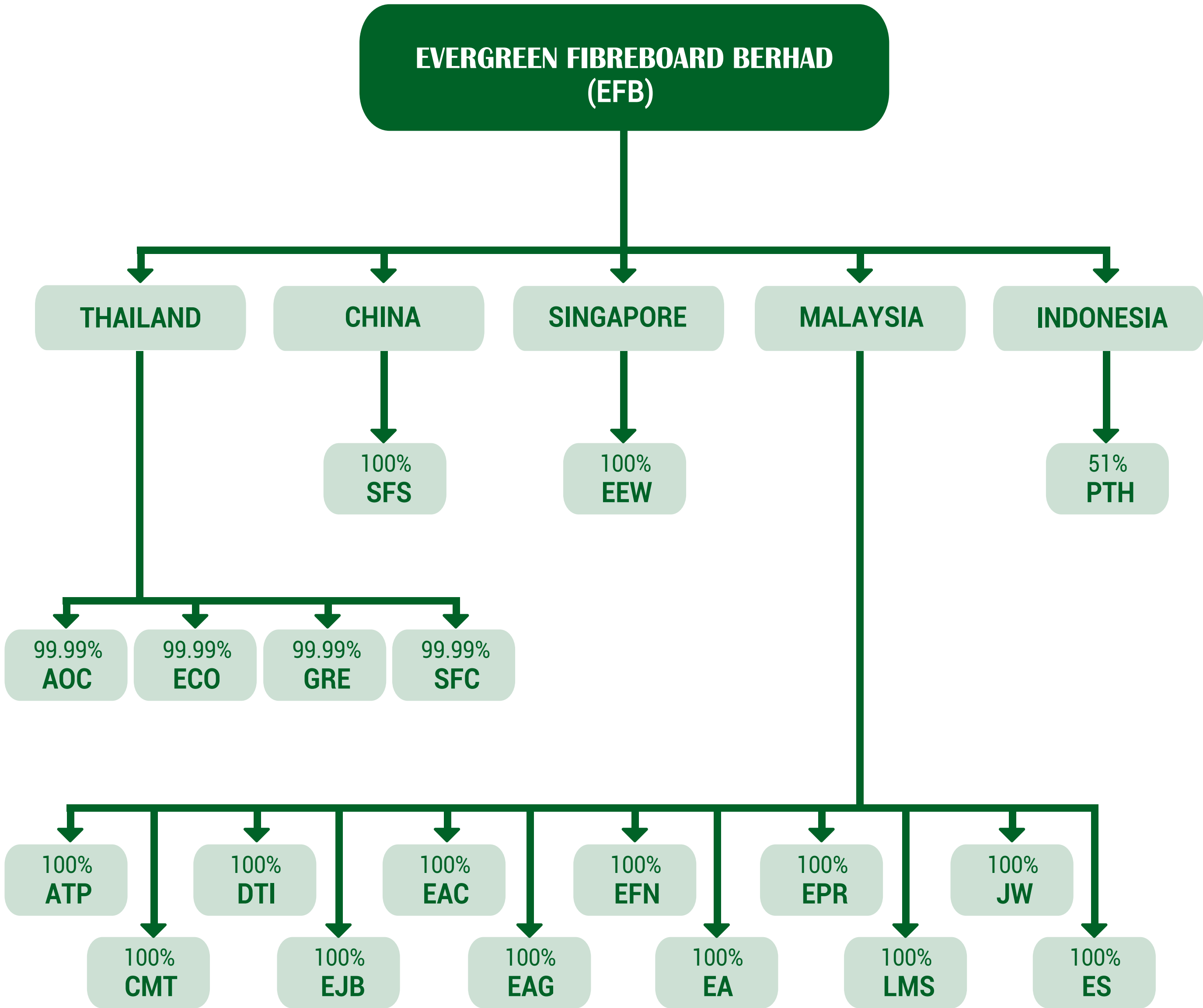
EARNINGS/(LOSS) PER SHARE (SEN)



NET ASSETS PER SHARE (RM)



GROUP'S STRUCTURE



MALAYSIA ABBREVIATIONS :-

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

THAILAND ABBREVIATIONS :-

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

INDONESIA ABBREVIATIONS :-

PTH PT Hijau Lestari Raya Fibreboard

SINGAPORE ABBREVIATIONS :-

EEW Evergreen Eco Wood Pte. Ltd.

CHINA ABBREVIATIONS :-

SFS – Siam Furniture (Shanghai) Co. Ltd.

GROUP'S BUSINESS STRUCTURE

Medium Density Fibreboard

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

Resin/Adhesive

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

Energy / Biomass

- AllGreen Timber Products Sdn. Bhd. - Segamat, Johor
- ECO Generation Co. Ltd. -Thailand
- GRE Energy Co. Ltd. -Thailand

Logistics/Warehousing

- Locomotion Services Sdn. Bhd. - Butterworth, Penang

Plantation (Rubber)

- Jasa Wibawa Sdn. Bhd. - Kahang, Johor

Laminated Panel Board

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

Particleboard

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

Wooden Furniture (RTA)

- Evergreen Fibreboard Berhad - Parit Raja, Johor
- Everlatt Sourcing Sdn. Bhd. - Parit Raja, Johor

Property Holding

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

Wood Products

- Asian Oak Co. Ltd. - Thailand
- Evergreen Fibreboard (Nilai) Sdn. Bhd. - Nilai, Negeri Sembilan
- Siam Furniture (Shanghai) Co. Ltd. - China
- Craft Master Timber Products Sdn. Bhd. Parit Raja, Johor

DIRECTORS' PROFILE

JONATHAN LAW NGEE SONG,
Malaysian, Male, Age 52.
Group Independent Non-Executive Board Chairman,
Chairman of Remuneration Committee, Member of the Nomination and Risk Management Committee

Qualification
Bachelor of Commerce and Bachelor of Laws.

Working Experience
Since graduation, he has been practicing as a Legal Assistant in Allen & Gledhill (1991 to 1995) and subsequently promoted as a Partner (1995 to 1996) of the firm. He has been a Partner of Messrs Nik, Saghir & Ismail since then.

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

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

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

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

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

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

Number of Board Meetings attended in the Financial year
He attended 5 out of 5 Board Meetings, 1 out of 1 Remuneration Committee Meeting, 3 out of 3 Nomination Committee Meetings and 5 out of 5 Audit Committee Meetings.

DIRECTORS' PROFILE (Cont'd)

KUO WEN CHI,
Singaporean, Male, Age 84.
Group Executive Director / Vice Chairman

Qualification
Completed Primary Education.

Working Experience
His career started in 1957 as a Production Supervisor at Lin Shan Hao Plywood Co Ltd in Taiwan. He brought a wealth of experience from the wood-based industry with him when he moved to Singapore in 1972 to establish his own business with the incorporation of Evergreen Timber Products Co. Pte. Ltd (ETP). He was then appointed the Managing Director and was responsible for the overall management of ETP. In 1977, he ventured into Malaysia to establish the Evergreen Group of Companies and was the main driving force behind the growth and development of the Group. His current responsibilities include strategic business planning and developing strategic directions for the Group.

Date Appointed to the Board
He became a member of the Board of Directors on 15 May 1991 and was appointed as Non-Executive Deputy Chairman on 15 April 2004. Subsequently, he was re-designated as Group Executive Director / Vice Chairman on 16 March 2006 and 15 June 2015 respectively.

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 147 of this Annual Report.

Family Relationship with any Directors / Major Shareholders
He is the husband of Hsu Mei Lan, father of Kuo Jen Chang, Kuo Huei Chen, and Kuo Jen Chiu and grandfather to Henry, Justin and Jeffrey Kuo.

Conflict of Interest with the Group
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 Board Meetings attended in the Financial year
Attended 5 out of 5 Board Meetings.

DIRECTORS' PROFILE (Cont'd)

KUO JEN CHANG,
Singaporean, Male, Age 55.
Group Executive Director, Group Chief Executive Officer / President.

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

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

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

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

Interest in Securities of the Company and its Subsidiaries
Please refer to page 147 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, 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 Board Meetings attended in the Financial year
He attended 5 out of 5 Board Meetings.

DIRECTORS' PROFILE (Cont'd)

KUO JEN CHIU,
Singaporean, Male, Age 52.
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 147 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 Board Meetings attended in the Financial year
He attended 5 out of 5 Board Meetings.

DIRECTORS' PROFILE (Cont'd)

MARY HENERIETTA LIM KIM NEO,
Malaysian, Female, Age 54.
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 Board Meetings attended in the Financial year
She attended 5 out of 5 Board Meetings.

DIRECTORS' PROFILE (Cont'd)

KUAN KAI SENG,
Malaysian, Male, Age 44.
Independent Non-Executive Director,
Chairman of the Nomination Committee, Member of the Audit 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 a 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 and Karyon Industries Berhad on 6 August 2009.

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 Board Meeting attended in the Financial year
He attended 5 out of 5 Board Meetings, 5 out of 5 Audit Committee Meetings, 3 out of 3 Nomination Committee Meetings and 1 out of 1 Remuneration Committee Meetings.

DIRECTORS' PROFILE (Cont'd)

YAP PENG LEONG,
Malaysian, Male, Age 63.
Independent Non-Executive Director,
Chairman of the Audit Committee, Member of the Remuneration and Risk Management Committee

Qualification
BA (Hons) in Economics and Accounting, University of Newcastle upon Tyne, England. Associate of the Institute of Chartered Accountant in England and Wales. Chartered Accountant of the Malaysia Institute of Accountants.

Working Experience

1) December 1974 - September 1976
Supervisor / Assistant Manager in a construction company supervising and managing the implementation of constructions and bidding for projects.

2) August 1979 - August 1987
Worked in 3 major international firms of Public Accountants / Chartered Accountants in the United Kingdom, Singapore and Malaysia from the position of Trainee Accountant to Audit Manager.

3) August 1987 - March 2010
Joined a major Conglomerate in Malaysia with various Public Listed Companies involving in Financial Services, Investment Banking, Stock Broking, manufacturing of building materials, automobile and semi-conductors, hotels and property development.

   Held various senior positions of Senior Accountant, Treasury Manager and Manager for Branch Operations in the financial services sector responsible for financial reporting, treasury management, system development and controls, auditing, branches management and operation from 1987 to 1990.

   Transferred to the manufacturing sector under a major Listed Group of Companies in Malaysia in 1990. Held the positions of Group Financial Controller, General Manager for Privatization Projects, Chief Operating Officer and Managing Director for its operation in Malaysia and Europe from 1990 to 2010.

   Sat in the Board of Directors of the Group's listed Associated Companies as a Non-Independent Non-Executive Director and Member of the Audit Committee.

   Retired from the Group in March 2010 but acted as an Advisor for its European Operation till February 2013.

4) August 2012 to January 2013
In August 2012 joined a Public Listed Company in the manufacture of steel products as its Group Management Adviser, advising on the policy matters involving internal control systems, group personnel policy and financial controls and reporting systems.

5) February 2013 to date
Currently a Private Investor managing personal portfolio of assets.

Date Appointed to the Board
He was appointed as Independent Non-Executive Director on 4 August 2014.

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 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 Board Meeting attended in the Financial year
He attended 5 out of 5 Board Meetings, 5 out of 5 Audit Committee Meetings, 3 out of 3 Nomination Committee Meetings and 1 out of 1 Remuneration Committee Meeting.

DIRECTORS' PROFILE (Cont'd)

HENRY S KUO,
American, Male, Age 34.
Non-Independent-Non-Executive Director.

Qualification
Bachelor of Science in Economics and Mathematics (Wheaton College - IL, USA) Master of Arts in Economics (Illinois – Chicago, USA) and Master of Philosophy (Princeton – Princeton, USA).

Working Experience
Currently a doctoral candidate in philosophy at the University of California in Berkeley, focusing on research and studies on business ethics, political philosophy and philosophy of economics.

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 147 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 Board Meeting attended in the Financial year
He attended 5 out of 5 Board Meetings and 3 out of 3 Audit Committee Meetings.

DIRECTORS' PROFILE (Cont'd)

NIRMALA DORAISAMY
Malaysian, Female, Age 52.
Independent-Non-Executive Director,
Chairman of the Risk Management Committee, Member of the Audit and Nomination Committee.

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

Working Experience
She has 28 years of experience in banking, risk management and project management. She started her career with a local bank. Her vast experience encompasses various aspects of banking such as corporate, commercial and SME lending. 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 17 years with local banks, she joined Credit Guarantee Corporation Bhd. (subsidiary of Central Bank, Malaysia) where she headed the risk management department. She was responsible for setting up the department and the Enterprise Risk Management framework. Her main function was to provide regular updates and recommendation to the Management and Board Risk on all risk matters and to spearhead the department to achieve KPIs set for credit, operational and investment risks. She led the project team and vendor in the development of internal risk-rating model. The rating model was successfully rolled out in 2010 and integrated with the Loan Origination system. She also spearheaded her team that was involved in the development of Integrated Risk Management System and Solutions. Currently she is a Director of Credience Malaysia Sdn. Bhd. and Advisor of CN & Associates (Audit Firm).

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

Directorship in other Public Listed Companies
She was appointed as an Independent Non-Executive Director of M-Mode Bhd on 19 August 2013.

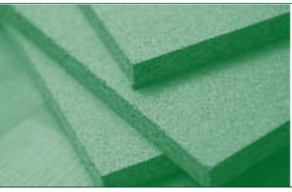
Interest in Securities of the Company and its Subsidiaries
She does not hold any shares of the Company.

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 Board Meeting attended in the Financial year
None, due to her appointment on 1st January 2018.



KEY OFFICERS' PROFILE

TEE KIM FOOM
Malaysian, Female, Age 51.
Group Financial Controller.

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

Working Experience
She has over 25 years of experience holding various positions in a number of companies whose business activities spanned over professional services, manufacturing, construction, trading and agriculture.

She started her career in an audit firm from 1991 and thereafter held various management positions as Accountant, Cost Accountant and Finance & Administration Manager before joining Evergreen Group in 1997. She was promoted in 2005 and served as Financial Controller (re-designated as Group Financial Controller) to oversee the finance and accounting functions in the Group.

Date of Employment
01 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 50.
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 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 a General Manager. Thereafter in January 2014, he was promoted to Group General Manager.

Date of Employment
16 June 2000

Directorship in other Public Listed Companies
He does not hold any directorship in 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)

LEONG TING SIONG @ MARTIN LEONG,
Malaysian, Male, Age 41.
Group Corporate Controller / Investor Relation Officer

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

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

Date of Employment
16 Oct 2009.

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

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

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

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

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

MANAGEMENT'S DISCUSSION & ANALYSIS

Our Group's Business & Operations

The Company was established in 1993 starting with a single manufacturing site in Johor, Malaysia and have since expanded to eight manufacturing sites located in Johor, Negeri Sembilan, Kedah, Thailand and Indonesia with a total workforce of approximately 2700 employees.

Our key operation activities are in manufacturing of Panel Boards (Medium Density Fibreboard ("MDF") & Particle Board ("PB") with and without Overlay (Downstream process), Ready to Assemble Indoor Furniture ("RTA"), Wood Products (Furniture Parts) and Resin/Adhesive.

Our Malaysian subsidiaries contributed approximately 56% of the Group's revenue while Thailand and Indonesia contributed 35% and 9% respectively. As at the end of the financial year 2017, the principal business activities of the Group remained in manufacturing of Panel Boards which contribute 80% of our revenues while the downstream processes (Value Added MDF) contributes 15%, and the Ready to Assemble Indoor Furniture and Wood Products contributes 5%.

The Group's geographical market presence spreads to more than 5 continents consisting 40 countries and with a customer base of over 600 customers that are mainly furniture makers and building material suppliers.

Our Main Market Share are in:

Asia	-	55.5%
Middle East	-	34.1%
United States	-	5.0%
Europe	-	2.7%
Others	-	2.7%

Our Business Objectives

Our Group's Business Objectives is to be a one stop recognised supplier/producer in the Panel Board Industry by having a wide range of products with specifications that meets every customer's needs and requirements in a 3 (three) years period.

Our Business Strategies

Our long-term business strategy which is in line with our business objectives is to manufacture different range/ specification of products in each manufacturing plant, based on the productivity and cost efficient manner to compete in the current challenging market and economy condition.

In view of additional new plants being set up and commencing operations soon in the Asian region, and to overcome this influx of new additional volume, the Group will focus on self-consuming by utilising a bigger percentage of our raw boards to move into increasing our secondary processes such as paper/veneer lamination and parts of furniture in order to penetrate into a different segment of customers. We further strategise to strengthen the production of our Ready to Assemble (RTA) Furniture in Malaysia and Thailand to move into volume base with best combination of products/models mixes to optimise the production lines for a lower cost that will enable us to compete effectively regionally.

Financial Review

Our Group's Financial Statements are prepared in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016.

Revenue

For the year ended 31 December 2017, revenue for the Group was RM1,024 million which is higher by approximately 2.6% compared to RM998 million reported in 2016. This was mainly due to commercial run of our new particle board plant, higher average selling price derived from higher premium products and the appreciation of US dollar against the Malaysian Ringgit.

The Group's utilisation capacity rate in the current financial year was affected by low raw material supply due to the prolonged monsoon season in Malaysia and the line stoppage in Thailand. With the full run of our Particle Board production in 2017 and the start-up of our Medium Density Fibreboard line in the 2nd quarter of 2018, our utilisation rate is expected to increase and contribute positively to the Group's revenue.

MANAGEMENT'S DISCUSSION & ANALYSIS (Cont'd)

Gross Profit & Profit before Tax

The Group gross profit margin for the current financial year was 22%, a decrease of 5% from 27% in the previous financial year.

Profit before tax for the current financial year was RM68 million showing a decrease of 27% compared to financial year 2016 of RM93.4 million. The decrease was mainly due to higher cost of raw materials coupled with lower capacity utilisation rate.

Selling and Administrative expenses showed a drop of RM10 million due to lower freight cost incurred as the Group's products were sold to nearer surrounding markets especially the domestic market.

The Group's finance cost for the current financial year also reduced by 12% compared to the previous financial year was due to repayment on borrowings especially short term borrowings made in the current financial year. Additionally, the Group had also benefited from the lower interest rates on long term loans secured in the previous financial year.

Profit after Tax

The Group's profit after tax in the financial year showed a decrease of 31% compared to the previous financial year, was due to higher cost of production and the reversal of deferred tax assets previously recorded.

Shareholders' equity

The total equity of the Group stood at RM1,139 million as at the current financial year end with an increase of 1.3% compared to the financial year 2016.

Total Assets

The Group's total assets increased from RM1,561 million in the previous financial year to RM1,591 million in the current financial year, mainly from machinery investments for our new PB line and refurbishment of our MDF Line in Segamat, Johor.

Our Trade and other receivables increased by 18% to RM112 million in the financial year was a result of increase in sales volume on particle board.

On our inventories, there was an increase to RM227 million in the financial year from RM213 million at the end of the previous financial year. The increase was due to the extra volume from our new PB production.

The Group's bank balances decreased by 24% to RM121 million from RM160 million in the previous financial year was due to repayment of loans and capital expenditure in the current financial year.

Total Liabilities

The Group's total liabilities increased from RM409 million in the financial year 2016 to RM422 million in the current financial year mainly due to the increase in long term borrowings to finance our particle board line.

The Group's trade and other payables in the financial year decreased by 3% from RM153 million in the previous financial year to RM148 million. This was primarily due to payments made to machine supplier according to the terms for progress payment.

MANAGEMENT'S DISCUSSION & ANALYSIS (Cont'd)

Borrowings

Borrowings in the Group increased by approximately 6%, from RM205 million at the end of the previous financial year to RM217 million in the current financial year was due to financing of our new particle board line. The marginal increase seen was the tail end of loan drawn down in the current financial year.

The Group's gearing ratio showed an increase from 3.9% in the previous financial year to 8.3% in the current financial year was due to higher borrowings and lower in cash and bank balances.

Debt/Equity (%)

The Group's current debts over its equity showed a 1% increase to 19% in the current financial year compared to 18% in the previous financial year.

Earnings per share

The net earnings per share for the current financial year was at 5.31 sen compared to 8.66 sen in previous financial year 2016. The drop seen is due to lower net profit and higher weighted average number of shares in issue.

Net assets per share

The net assets per share in the current financial year was RM1.38 compared to RM1.39 in the previous financial year. The drop in net assets per share was caused by higher weighted average number of shares in issue.

Financial Position

The Group's balance sheet remains strong and as at 31 December 2017, the Group's cash and cash equivalents of RM121 million against its borrowings of RM217 million gives a net debt of RM96 million compared to RM44 million in 2016.

Even though the Group's borrowings in the financial year increased to RM217 million compared to RM205 million in 2016, the Group remains confident in maintaining a sound financial position that will enable execution of the Group's strategic objectives and the Board believes that the Group will be able to continue its operations and meet its liabilities for the foreseeable future.

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

The KRAs/KPIs given was on 2 major components of Financial Target and Non-Financial Target. Financial targets set for 2017 were as follows: -

	Targets	**Achievement**
Profit Before Tax	RM100 million	RM67 millon
Profit After Tax	RM80 million	RM47 million

Financial targets were set but not achieved due to unforeseen prolonged wet weather that disrupted our log supply and this impacted us with higher cost of raw materials and also affected production utilisation rate. The impact was partially mitigated by the Company focusing on producing higher premium products with better margin during the period where production speed was forced to reduce.

The Non - financial targets were merely on internal process improvement which the Group managed to achieve an average of 85% of what was targeted.

MANAGEMENT'S DISCUSSION & ANALYSIS (Cont'd)

Review of our Operating Activities

During the financial year, the Group focused in improving its operational efficiency for most of its production lines for a slight increase in capacity.

We however encountered a slight delay in completion of refurbishment works on our MDF Line that was moved to Segamat, Johor due to unavailability of certain unanticipated critical parts. Nevertheless, it is now due for commercial run in the 2nd quarter of 2018 and the disposal of our industrial land in Masai was completed as targeted in 1Q 2018.

As to our new Particle Board plant, it was completed with trial production in 2nd half of 2017 and is now on full commercial production run. Contribution from this line was seen partially in the current financial year and will be seen fully in our 2018 financial performance.

As for our furniture and wood products, we are in the stage of reconfiguration of the production process flow to work in line with our strategy of going into a volume base model and is expected for trial run in the 2nd quarter of 2018.

Production efficiency for our panel board have declined due to the shortage of rubber wood supply in the first half of 2017.

The Capital expenditures in the financial year for the Group was mainly from the tail end of our new particle board line, refurbishment of our MDF line and the upgrading of our Thailand production line as projected. The Group also allocated capital expenditure to enhance daily operation efficiency and normal maintenance for approximately RM35 million.

Risks

Competition risk

The wood panel industry remains competitive and is expected to face extreme challenges from Thailand and Indonesia on the new/additional plants which will then cause a temporary oversupply for a period of time until the market is able to absorb the excess supply.

To address this risk, the Group will have to reinforce its position to be a one stop recognised supplier/producer of Panel Board by having a range of products with specification that can meet every customer's requirements particularly on premium and added value products.

Hence, in line with the Group's strategy, we will firstly concentrate on higher specification panel boards for certain markets/customers and will be utilising a bigger percentage of our raw panel boards to move into increasing the secondary processes such as paper/veneer lamination, coating including manufacturing parts of furniture in order to penetrate into a different segment of market and customers.

However, should the Group's strategy fails to address the industry competition, this can and may affect the Group's financial performance in a negative manner for the financial year 2018.

Operational Risk

The operational risk is seen in the supply of wood which is our main raw material for our panel board products and the wood supply to all plants can be affected drastically by the monsoon weather. During this season, plantations or concession areas are at times flooded and this can affect the clearing and cutting works of such areas being delayed for a period of time. This will then cause a shortage of supply to all manufacturers and eventually lead to higher cost of our raw materials and furthermore, our production may be disrupted and be forced to reduce production speed or at times a full stoppage of production.

This is an inherent risk faced by all wood base manufacturers and the Group can only minimise the impact during this periods/season by having additional storage areas but cannot totally eliminate this risk.

Another operational risk faced by the Group is on the minimum wage requirement by the Government which is due for review in year 2018. Currently the minimum basic wage is at RM1000.00 and any revision for an increase will lead to a higher cost of production for all manufacturers.

MANAGEMENT'S DISCUSSION & ANALYSIS (Cont'd)

To control this risk and minimise the impact on cost increase, the Group is seriously looking into all areas of production flow to reduce the manpower through automation where possible. However, the results can only be seen after a period of 2-3 years from now.

Financial Risk

The financial risk in the Group is on the fluctuation of the Malaysia Ringgit, Thai Baht and Indonesian Rupiah against the US Dollar. 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 operational profit margin.

The Group's foreign currency borrowings consist of US and Euro dollars and any fluctuation of US dollar against the Euro dollar may lead to foreign exchange differences. Additionally, due to our major shareholding in Indonesia and Thailand, the currency translation losses can and may be realised should the US dollar weakens and this will have a negative impact to the Group financial performance or vice versa. For the current financial year, foreign exchange losses were RM4.5 million compared to a gain of RM4.7 million in the previous financial year.

The Group does not practice any hedging and have a policy of having a natural hedge. However, fluctuation of currency is constantly being monitored and hedging will be considered if the need arises.

Forward Looking Statement - Prospect

Looking forward, it is expected that the global production of engineered wood to grow at a Compound Annual Growth Rate ("CAGR") of 4.21% from 2018-2023 reaching volumes of 401.8 Million Cubic Metre by 2023. In value terms, this market is expected to grow at a CAGR of 6.2% from 2018-2023 reaching values of US$ 123.9 Billion by 2023.

It is also expected that the global production of medium-density fibreboard (MDF) to grow at a CAGR of 6.0% from 2018-2023 reaching a volume of 130.61 Million Cubic Metres by 2023. In value terms, the market of medium-density fibreboard is expected to grow at a CAGR of 8.3% during the same period reaching a value of US$ 34.5 Billion by 2023.

The key factors that are expected to drive this market are the widespread acceptance of the product, increasing awareness, supplier innovations, rising investment and increasing technological advancements for the production of medium-density fibreboard.

As the demand for cost-effective and environmentally-friendly wood products represent the key factors that are expected to drive this market and decreasing the overall cost of production is inevitable for the Group as to be able to continue to compete in the global market.

With our business strategies and planned activities in place, the Board is confident to achieve the set objectives of the key results area and financial targets for the Group in 2018.

Dividend Policy

The Board of Directors had approved a dividend pay-out policy of not less than 25% of its consolidated profit after tax (excluding exceptional items) for the financial year 2016 onwards. However, such payments were made known that it depended upon a number of factors, including amongst others, the earnings, capital commitments, general financial conditions, distributable reserves and other factors that will be considered by the Board.

In 2017, the Company made a dividend pay-out of 2 sen per ordinary share equivalent to 25% of its consolidated profits for the financial year 2016.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD LEADERSHIP & EFFECTIVENESS

The Board of Directors ("BOD") is aware of its obligations to its shareholders and other stakeholders for the long-term success of the Company and the delivery of sustainable value. In discharging its fiduciary duties and leadership functions, the BOD sets the Group's Strategic Objectives and oversees the needed resources including reviewing management performance in view of achieving the Group's set objectives.

I. Board Responsibilities

1.1 The Board deliberates and sets the Group's Core Values & Strategic Objectives that includes Key Operational matters and through established policies and procedures: -

a) approves and monitors the implementation of the Group's Corporate Management Plans that is linked to the set strategic financial and non-financial objectives of the group;
b) oversees the performance of the Group's business through regular updates by the Executive Director on individual company / business units financial and non-financial performance especially on the overall economic and business situation;
c) review the ethical standards set in the Code of Conduct on appropriate behaviors and seek Executive Director's assurance on any non-adherence on a periodic basis;
d) ensures that a sound Risk Management Framework is being put in place through half yearly updates by Management on the Risk Identifications done and the new emerging risk for action to be taken.
e) reviewing adequacy of the Internal Control (Policies and Procedures) to determine if System is in place and advise Management of improvements needed;
f) review the succession plans for executive directors, key officers and senior management including seeing to the appropriate training needed; and
g) ensures that a two – way communication with shareholders and other stakeholders are in place.

1.2 Our Chairman, Mr. Jonathan Law Ngee Song is an Independent Non-Executive Director and his main role and responsibilities lies with Board matters. He possesses the Leadership Skills and is able to provide the Board with directions and Strategic Insights when needed. Mr Law assumes a leadership figure in the Board and represents the same to shareholders of the Company.

1.3 The position and function of our Chairman had been pre-determined on his appointment and therefore he plays an entirely separate role from the President / Chief Executive Officer.

1.4 The Company is currently being supported by a qualified and competent company secretary, Madam Leong Siew Foong (MAICSA No: 7007572) and she is capable of carrying out her duties attached to the post.

1.5 All respective Directors receives their meeting materials containing minutes of previous meeting and agenda of the coming meeting in advance of 5 (five) to 6 (six) days prior to meeting date.

Meeting minutes are prepared and circulated via electronic mail to all directors in draft form within 14 (fourteen) days from meeting date. The amended draft minutes are circulated again via electronic mail and attached with the Board papers in readiness for signing at each subsequent meeting.

2.1 The revised Board Charter has clearly designated the respective roles and responsibilities of the Board and Board Committees, Individual Directors and Key Officers of the Company. The Board Charter has clearly outlined issues and decisions which is being reserved for the Board and the Board Committee(s) including those delegated to Individual Directors and Key Officers of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

3.1 The revised Code of Conduct & Business Ethics ("the Code") was established to formalize the ethical standards expected in the Group as well as to enhance corporate governance practices towards a culture of Integrity, Transparency and Accountability.

For easy accessibility, this "Code" or any revision to it, has been made available on the Company's website and also in the Company's Policies & Procedures shared folders in the cloud server that is accessible to all companies in the Group at any point in time.

3.2 A Policy on Whistleblowing was established by the Board and is being reviewed together with Management and made available on the Company's website.

II. Board Composition

Our Board's decisions are being made objectively in the best interests of the Group/ Company by taking into consideration the business perspectives and the industry economic insights at all times.

4.1 With our current board's composition of 9 (nine) members that has wide expertise in the field of Audit, Accounting, Economics, Legal, Risk, Manufacturing and Administration, they objectively & independently deliberate for views and decision making on all Board's decision at all times.

The Board is currently reviewing the size of the board and its composition and targets to achieve 50% of independent directors on board by the financial year 2019 to enhance the oversight of management.

4.2 The Company's current practice on retaining an independent director beyond the cumulative term of nine years is by obtaining shareholder's approval commencing the tenth year onwards and justifying review carried out in determining any impairment to the independence of said director (s).

4.3. In line Practice 4.2 of the Malaysian Code on Corporate Governance, the Company shall continue to obtain shareholder's approval for retaining Independent directors beyond the 9th year onwards and shall use the two-tier voting process to seek annual shareholders' approval in retaining an Independent Director beyond the 12 years.

4.4. The recruitment and appointment of Board Members have been tasked by the Board to the Nomination Committee and guidelines to the selection of Board Members are determined in the Terms of Reference of the Nomination Committee. The criteria such as the required skills for the boardroom, relevant experience, age, background culture and gender have been set to ensure a mixture of skill sets that is able to contribute to different ideas in board's discussion and decision are being set.

The recruitment and appointment of Senior Management / Key Officers of the Group is being carried out by the Executive Directors and the basis of selection are on the required skills and experience based on their job scope.

4.5 The Company currently has 2 (two) women Directors on board and the Board remains committed in maintaining female representation on Board. Hence, the Nomination Committee will continue to recommend appointments to the Board based on diversity measured against meritocracy and other objective criteria such as skills and experience.

As to the gender diversity for Senior Management, the Board is also committed to strengthening the pipeline of senior female executives within the Group / business units and has taken steps to ensure that there is no barrier to women succeeding at the highest levels within the Group.

4.6 In sourcing and identifying candidates for the Board, the Nomination Committee obtains recommendation of potential candidates from existing board members, management, stakeholders and at the same time potential candidates are being sourced from the Women Directors Registry and the Malaysian Directors Academy (MINDA).

As required under Paragraph 15.08A(3)(b) of Bursa Securities Listing Requirements on the activities carried out by the Nomination Committee in discharging of its duties for the financial year is reported on page 44 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

4.7 Our Nomination Committee is currently being chaired by our Senior Independent Non- Executive Director, Mr Kuan Kai Seng and the committee members comprises of all Independent Non-Executive Directors. Executive Directors attends only when being invited by the committee for clarification on matters.

4.8 The Succession Planning of the Chairman, Chief Executive Officer, Chief Operating Officer, Executive Director and Independent Directors are under the responsibility of the Nomination Committee whereby the Key Officers and Senior Management is under the responsibility of the Executive Directors.

5.1 The activities of the Nomination Committee on the assessment undertaken in respect of the board, Committees and Individual Directors are being reported in the Nomination Committee's Report on page 44 of this Annual Report.

Trainings attended by Individual Directors in 2017 are as follows:-

Director	Training Attended
HENRY S. KUO	Practical Accounting Principles and Practices
JONATHAN LAW NGEE SONG	New Companies Act 2016 : Impact and Compliance of New Laws & Regulations
KUAN KAI SENG	Impact of the New Companies Act 2016 on Directors and Shareholders The Malaysian Code on Corporate Governance - Updates from Bursa Malaysia Securities Berhad & The Companies Act 2016
KUO JEN CHANG	The Malaysian Code on Corporate Governance - Updates from Bursa Malaysia Securities Berhad & The Companies Act 2016
KUO JEN CHIU	Transfer Pricing in Malaysia The Malaysian Code on Corporate Governance - Updates from Bursa Malaysia Securities Berhad & The Companies Act 2016

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Director	Training Attended
MARY HENERIETTA LIM	The Malaysian Code on Corporate Governance - Updates from Bursa Malaysia Securities Berhad & The Companies Act 2016 Annual Report-Essential information the Stakeholders want to know Transfer Pricing in Malaysia Advocacy Session to Enhance Quality of Management Discussion & Analysis Business Continuity Management
YAP PENG LEONG	Companies Act 2016 New Dynamics & Impact Valuation in Practice for Transactions and Reporting GRI Certified Training Course Audit Committee Conference 2017-Making an Impact SDS Business Summit 2017 Share Capital at No Par Value, Share Buybacks and Redeemable Preference Shares : Accounting Implications A Comprehensive Workshop on Deferred Taxation Integrating an Innovation Mindset with Effective Governance

III. Remuneration

6.1 The Remuneration Committee has established a framework together with the policies and procedures to determine the remuneration of Directors and Key Officers / Senior Management.

6.2 Our Remuneration Committee consist of three (3) Independent Non -Executive Directors and the Chairman of the Remuneration Committee is our Independent Director, Mr. Jonathan Law Ngee Song. The main purpose of the Remuneration Committee is for reviewing the Independent Non-Executive Directors' Fees and the Remuneration of Executive Directors including Key Officers of the Company to ensure that they are being appropriately remunerated for their contribution. The Remuneration Committee has written Terms of Reference which deals with its authority and duties and they are being disclosed on the Company's website.

The Company has in place a formal framework on fees and allowances for its Non-Executive Directors which was established by the Remuneration Committee and approved by the Board in year 2016. In 2017, the framework was reviewed without any revision. This framework on fees and allowances takes consideration the responsibilities of each individual director their role and their contribution to the board as well as in the board committees that they sit in.

A remuneration framework for Executive Directors and Key Officer / Senior Management was established and put in place in 2016. In 2017, this framework was reviewed and revised according to the economic situation and the anticipated performance of the Group in the current financial year. This framework is based on the Financial Performance and Key Results Area set for each business units and takes into account the performance of individual Executive Directors and Key Officers and their contribution towards the financial and non- financial performance of the Group as a whole. The policies and procedures on this remuneration framework is made available on the Company's website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Type of Fee	Company	Allowance/ Benefits	From Subsidiary
Board			
Jonathan Law Ngee Song	RM82,000	RM7000	NIL
Kuan Kai Seng	RM47,000	RM2500	NIL
Yap Peng Leong	RM47,000	RM2500	NIL
Henry S Kuo	RM47,000	RM2500	NIL
Audit Committee			
Yap Peng Leong	RM20,000	NIL	NIL
Kuan Kai Seng	RM10,000	NIL	NIL
Jonathan Law Ngee Song	RM10,000	NIL	NIL
Henry S Kuo	RM4,200	NIL	NIL
Nomination Committee			
Kuan Kai Seng	RM5,000	NIL	NIL
Jonathan Law Ngee Song	RM3,600	NIL	NIL
Yap Peng Leong	RM3,600	NIL	NIL
Remuneration Committee			
Jonathan Law Ngee Song	RM5,000	NIL	NIL
Kuan Kai Seng	RM3,600	NIL	NIL
Yap Peng Leong	RM3,600	NIL	NIL

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

Director	From Company	From Subsidiary
Kuo Wen Chi	RM853,008	RM117,067
Kuo Jen Chang	RM1,279,389	RM647,609
Kuo Jen Chiu	RM1,963,876	RM88,800
Mary H. Lim KN	RM526,152	NIL

7.2 The remuneration and benefits package of our top five Key Officers / Senior Management for the financial year is not being declared in bands of RM50,000 due to sensitivity reasons in the Company / Group as well as to safeguard our key staffs against being poached by our competitors. Nevertheless, the Board gives its assurance that the remuneration and benefit package given is comparable against the same industry and is able to attract and retain the needed talent in the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

8.1 The Chairman of our Audit Committee is Mr Yap Peng Leong who was appointed on the 4th May 2016 and he is not holding the position of the Board Chairman.

8.2 As part of its remit, the Audit Committee keeps under review the objectivity, independence and effectiveness of the External Auditor. The Committee has approved a policy on appointment of former key audit partners and former employees of the external auditor firm to the company. Under this policy the external auditor's key audit partners will not be offered employment or be appointed as a member of the audit committee by the Company or any of its related companies within two years of undertaking any role on the audit.

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.

8.3 Policies and Procedures on evaluation of external auditors has been put in place by the Audit Committee together with the Nomination Committee in order to access the suitability, objectivity and independence of the external auditors. The process of evaluation of the External Auditors is headed by the Audit Committee Chairman together with the Nomination Committee on a yearly basis.

8.4 Our Audit Committee comprises solely of 3 (three) Independent Directors and all of whom are Non-Executive Directors ("NED") which satisfy the test of independence under Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("MMLR"); Paragraph 15.09(1) (a) and (b).

8.5 Members of our Audit Committee possesses 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 in the Audit Committee. They have continuously kept themselves abreast on all relevant developments and changes in the accounting and audit standards.

II. Risk Management and Internal Control Framework

9.1 Our Risk Management Committee ("RMC") was first established on 7 January 2008 and based on the Malaysian Code on Corporate Governance, a Risk Management Committee of the Board was re-established on 18 August 2017 comprising a majority of Independent Directors.

9.2 The Enterprise Risk Management Framework established is guided by the Committee of Sponsoring Organisations of the Treadway Commission Integrated System ("COSO") that manages risks associated with the businesses. It identifies potential risk, assess the severity of risk, treats risk by putting controls and monitors and manages risk to be within its appetite.

The activities of the Risk Management Committee for the financial year are being reported in the Statement of Risk Management & Internal Control on pages 37 to 39 of this Annual Report.

The activities carried out by the Internal Auditors for the current financial year are reported in the Audit Committee Report on pages 40 to 43 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

10.1 The Group has outsourced its internal audit functions to BDO Governance Advisory Sdn. Bhd ("BDO") to review and assess the adequacy and integrity of internal control system.

The function of the Internal Auditor is to assist the Risk Management Committee of the Board in discharging their responsibilities by reviewing the adequacy and the integrity of the Group's internal control systems in place and on the Group's level of compliance with applicable laws, regulations, rules, directives and guidelines.

The Internal Auditors reports directly to the Audit Committee and the Internal Auditor take instruction from the Audit Committee on areas to be audited from time to time. All Internal Audit reports on the findings, recommendations together with management actions are presented to the Audit Committee by the Head of Internal Audit first and subsequently the Chairman of Audit Committee makes known to the Board.

10.2 The Internal Auditor and their personnel are free from any relationships or conflicts of interest with the Group including the Senior Management that could impair their independence.

The Internal Audit Function ("IAF") is carried out in accordance with the International Professional Practice Framework ("IPPF") of The Institute of Internal Auditors Malaysia by an independent professional firm, namely BDO Governance Advisory Sdn Bhd. The IAF team is headed by an Executive Director who possesses the relevant qualification and experience and is assisted by three (3) staff including a manager.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

11.1 The Board has established a Policy on Shareholders' Communication for the Company and periodically reviews this Policy, including measures for receiving feedback from the Company's Shareholders / Stakeholders through the Company's website feedback page.

In maintaining a transparent and regular communication with shareholders, our Group's Investor Relation Officer meets up with certain principal shareholders to understand their concerns and views. Their concerns and views are then communicated to the Board to ensure that the Company is mindful of its shareholders' sentiment and concerns that arises from time to time.

To ensure that information is fairly communicated to all shareholders, the Company maintains a corporate website at www.evergreengroup.com.my. This website contains information on the Group as well as all financial and non-financial announcements made to the Stock Exchange including any presentation given / communicated to shareholders in road shows are being updated periodically and it is accessible by all shareholders and the general public at all times.

In this same website, shareholders and the general public are able to send in their feedbacks on any matter(s) that may be a concern.

II. Conduct of General Meetings

12.1 Shareholders are being notified of the Annual General Meetings and being provided with a softcopy of the Company's Annual Report twenty-eight (28) days prior to the date of meeting.

12.2 The Company's Annual General Meeting is the principal forum for dialogue with shareholders and it is also a platform where Directors demonstrate their accountability by being present and available to respond to any queries and undertake to provide sufficient clarification on issues and concerns raised by shareholders.

12.3 The Company's Annual General Meeting voting process is currently carried out through the manual balloting and the Board will further understand the available technologies prior to implementing electronic balloting in 2021.

The Board of Directors has approved this statement on 6 April 2018.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Board's Responsibility

In compliance to the requirements under Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors ("the Board") acknowledges its responsibility for a sound System of Risk Management & Internal Controls in the Group, and that it has been established and maintained including reviewing its adequacy and integrity.

In line with the Malaysian Code on Corporate Governance, the Board had on 18 August 2017 re-established a Risk Management Committee ("RMC") of the Board comprising a majority of independent directors and the RMC's Terms of Reference was revised accordingly. The Risk Management Committee (RMC) of the Board is being assisted by a Risk Management Working Group ("RMWG") which is made up of Operation Directors / Managers from all operation sites and is being led by the Executive Directors.

Our Enterprise Risk Management System

The established Enterprise Risk Management Framework is a Committee of Sponsoring Organisations of the Treadway Commission ("COSO") Integrated System based approach that focuses to identify potential risk associated with the group's business operations. It was developed within the Group's risk appetite, put in place and has been reviewed and approved by the Board.

Risks faced by the Group are being identified and thereon appropriate internal controls to minimise or manage these risks are being put in place. The process for identifying and managing significant risks faced within the Group are reviewed in line with the changes in the regulatory, business and external environment. Risks are identified and categorised into four areas: -

The four risk categories are:

- **Strategic Risk**
  High-level goals, aligned with and supporting the organization's mission
- **Operational Risk**
  Effective and efficient use of resources
- **Compliance Risk**
  Governance & Compliance with applicable laws and regulations
- **Financial Reporting Risk**
  Reliability of operational and financial reporting

As there are certain limitations to any system of internal control, the system that has been put in place is to manage and minimise the impact but not completely eliminate any risks. Therefore, the system in place can only provide reasonable but not absolute assurance against any material misstatement, fraud or losses.

Responsibilities of the Risk Management Committee

a) Review and make recommendations to the Board with regards to all possible and current risks in the Group as presented by the Head of the RMWG;
b) Ensure that the necessary resources are being allocated for an effective risk management;
c) Ensure that the staff responsible for risk management systems and Head of RMWG perform their duties and all identified risks are updated in the risk register at least twice yearly;
d) Attend Meetings timely to deliberate on risks and to make known to Management / RMWC Head on action or steps that is needed to be implemented to remedy any risk or weak control area and propose timeline;
e) Ensure that Risk Management Working Group are functioning and Risk Management Committee are constantly being updated on action plans and controls being implemented on all identified risk in the group;
f) Ensure framework covers legal and regulatory compliance; and
g) Review the Enterprise Risk Management Framework periodically together with Management to ensure that it is in line with the Strategic Objectives of the Group.

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

Risk Management Activities

The previous Risk Management Committee had established a Risk Management and Internal Control Framework that sets out the System of Internal Controls within the Group. The framework consist of the procedures needed in identifying risk, the limit of authority including the roles and responsibilities of certain groups and individual towards the risk management and needed Internal controls. The RMC of the Board is currently reviewing this framework and shall be revising it to incorporate the required changes.

The Chairman of the Risk Management Committee is Madam Nirmala Doraisamy and Committee Members are Mr Yap Peng Leong and Mr Jonathan Law Ngee Song and new terms of reference are being establish.

During the financial year, the previous Risk Management Committee carried out risk identification by categorising them into the four categories, namely Strategic, Operational, Financial Reporting and Compliance based on the approach that was presented and approved by the Board in the 4th quarter of 2016. All new risks identified within the Group were compiled into the Group Risk Register 2017 together with the controls and action plans which were in place or to be put in place including the timeline for completion. During this period, previously identified risks were also reviewed to determine if it was still applicable to the business before compiling said risk into the Risk Register.

During the Audit Committee meeting in May 2017, Executive Directors presented to the Audit Committee their new methodology on risk identification for the Group including the benefit of the changes. They went on to present the high risk identified using the new methodology and the controls that will be put in place and its timeline. The AC Chairman noted the risk presented and requested an update be done at the year end.

Action plans and internal control indicated in Risk Register are reviewed for any updates during each management meetings .

System of Internal Control

The Group's Internal Control System in place consist of a series of policies, procedures and controls in the financial and operation processes. The policies, procedures and controls in place have been designed / revised based on the risks identified in the Group. The main objectives of the Internal Control System are to ensure the reliability of the Company's financial statements, promoting operational efficiency and adherece to legal compliances.

Internal Control Activities

During the financial year, Internal Audits were carried out by external professional advisor, BDO Governance Advisory Sdn. Bhd. ("BDO") on areas of Financial Recording to Reporting - Inventory management of the furniture division, Sales and Administrative Expenses, Inventory Management, Health, Safety & Environment and Payroll Processes and Controls. Based on the findings of the internal audit carried out and after the Audit Committee had reviewed the recommendations made by BDO on weaknesses that were identified, the Group had put in place additional internal controls based on Internal Auditor's recommendation to rectify those weaknesses.

Internal Audit

The Group has outsourced its internal audit functions to BDO to review and assess the adequacy and integrity of the Group's internal control system.

The responsibilities of the Internal Auditors are to assist the Risk Management Committee of the Board in discharging their responsibilities by reviewing the adequacy and the integrity of the Group's internal control systems in place and on the Group's level of compliance with applicable laws, regulations, rules, directives and guidelines.

For a detail description of the Internal Auditor's works carried out in 2017, please refer to the Audit Committee's Report on pages 40 to 43 of this Annual Report.

All Internal Audit reports on the findings, recommendations together with management actions are presented to the Audit Committee by BDO and made known to the Board by the Audit Committee Chairman.

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

Review by the Board

The Board, after reviewing the Audit Committee's report on the findings by the Internal Auditors including controls to be put in place, is assured by Management of the necessary actions being carried out within the timeline.

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

The Board having reviewed the Group's Risk Management Framework and System of Internal Controls together with the reports on internal audits carried out, is of the view that even though there is no incidence of material losses, further enhancement to the Group's Risk Management Framework is still needed. Thereby the Board will be looking into migrating to a recognized Risk Management of International Standard, with an objective base approach that will enable the Group leverage on value creation.

Weaknesses in the Internal Controls that resulted in Material Losses

There was no internal control failure that had resulted in any material losses or omission within the Group and the Board will continue to take necessary measures to further enhance the Group's System of Internal Control.

Review by External Auditors

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

The Board of Directors has approved this Statement on 6 April 2018.

AUDIT COMMITTEE'S REPORT

The Board presents the Audit Committee Report which provides insights into the manner in which the Audit Committee (AC) discharged its functions for the Group in 2017. For this year's report unlike in the 2016 report the Board shall present the AC Report as of 7 April 2017 to the end of the financial year ended 31 December 2017 as the period from 1 January 2017 to 6 April 2017 have already been reported in the Annual Report and Audited Financial Statements for 2016. This is being done to bring the AC Report to be in line with the Group's financial year end.

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 and it is made available at evergreengroup.com.my/en/board-charter.

CHANGES IN THE AUDIT COMMITTEE

In line with the Malaysian Code on Corporate Governance, Mr Henry S. Kuo who is the grandson of Mr Kuo Wen Chi, the Group Executive Vice Chairman/ Executive Director and nephew of Mr Kuo Jen Chang, the Group Chief Executive Officer/ Executive Director and Mr Kuo Jen Chiu, the Group Chief Operating Officer/ Executive Director resigned as member of the AC on 19 May 2017.

COMPOSITION AND ATTENDANCE

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

The AC Chairman, Mr Yap Peng Leong is a member of the Institute of Chartered Accountant in England and Wales and the Malaysian Institute of Accountants. Accordingly, EFB complies with Paragraph 15.09 of the MMLR. The other members of the AC are Mr Jonathan Law Ngee Song and Mr Kuan Kai Seng. The profiles and attendance records of the AC members are set out in the Directors' profile section of this Annual Report and Financial Statements 2017.

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 under the Nomination Committee. The Board is satisfied that the AC and its members discharged their functions, duties and responsibilities in accordance with the AC's Terms of Reference and supported the Board in ensuring that the Group upholds appropriate Corporate Governance ("CG") Standards.

Based on the assessment of the AC Members by the Board, members were encouraged to attend seminars and training programmes to upgrade their respective professional development and to keep themselves abreast of recent development. The seminars and training programmes attended by AC members are outline in the CG Statement section of this Annual Report and Audited Financial Statements 2017.

MEETINGS

The AC held three meetings from 7 April 2017 to 31 December 2017. The Group Executive Directors, Group Financial Controller and Group Corporate Controller were invited to all AC meetings to facilitate direct communication as well as to provide clarification on audit issues and Group's financial and operational matters.

EFB Group's External Auditors Messrs. Baker Tilly Monteiro Heng ("BT") attended one out of the three AC meetings held on 13 November 2017.

The partner and key staff member of BDO Governance Advisory Sdn. Bhd. ("BDO"), a professional service firm that carries out the Group's Internal Audit functions attended three out of the three AC meetings held on 18 May 2017, 18 August 2017 and 13 November 2017 to table the respective Internal Audit ("IA") reports. The relevant responsible Management Staff of the respective auditee was invited to brief the AC on specific issues arising from the IA reports. Minutes of each AC meeting were recorded and tabled for confirmation at the following AC meeting by the Company Secretary and subsequently presented to the Board for notation. On 19 May 2017, 18 August 2017 and 14 November 2017, the AC Chairman presented to the Board the AC's recommendation to approve three quarterly Condensed Consolidated Financial Statements 2017. The AC Chairman also conveyed to the Board matters of significant concern and changes as and when raised by the BT, Internal Auditors and Senior Management or through the whistle blowing process.

AUDIT COMMITTEE'S REPORT (Cont'd)

APPOINTMENT OF AUDITORS

The current overall tenure of the External Auditors dates from 2015. BT was reappointed as External Auditor for the Company at its last Annual General Meeting held on 19 May 2017. Since its appointment the lead audit partner has remained the same. There is currently no intention of the AC to consider opening the external auditor appointment for tender as this is only BT's third year as auditor of EFB Group.

SUMMARY OF ACTIVITIES

A. EXTERNAL AUDIT

1. From 7 April 2017 to 31 December 2017, the AC reviewed the external audit strategy of BT and its limited review of the third quarterly Condensed Consolidated Financial Statements 2017and has taken into account the auditor's effectiveness. Any decision to open the external auditor to tender is taken on recommendation of the Audit Committee. There are no contractual obligations that restrict the company's current choice of external auditor.

2. As part of the AC's efforts to ensure the reliability of EFB Group's quarterly Condensed Consolidated Financial Statements 2017 and compliance with applicable Financial Reporting Standards as well as to keep BT informed of EFB Group's on going financial performance and operations, BT undertook a limited review of EFB Group's third quarterly Condensed Consolidated Financial Statements 2017 before these were presented to the AC for review and recommendation for the Board's approval and adoption.

3. The AC assessed the ongoing effectiveness and quality of the external auditor and the audit process on the basis of meetings and internal discussion with group financial personnel and senior management and other Board members. On 13 November 2017, BT sought the AC's approval for the proposed audit and non-audit fee services to be provided for 2017 Annual Audit Plan. The AC reviewed BT's proposed audit, audit related and other service fee to be provided for 2017. 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.

4. On 13 November 2017, the Group Corporate Controller and the Group Financial Controller sought the AC's approval for the proposed audit, audit related and other services fee to be provided by the External Auditors for the Group's subsidiary companies in Indonesia, Messrs. Purwantono, Suherman and Surja ("PSS") and Thailand, Messrs. INTADIT CPA Office Company Limited ("ICPOCL") that are not audited by the Group's External Auditors, BT for 2017. The AC reviewed PSS's and ICPOCL's the proposed audit, audit related and services fee to be provided for 2017. The nature and level of all the services provided by the PSS and ICPOCL is a factor taken into account by the Audit Committee when it reviews annually the independence of the external auditor. Fee paid to the auditor for audit, audit related and other services fee are analysed in notes to the financial statements. On the confirmation by PSS and ICPOCL of their independence in the conduct of the audit engagement in accordance with International Ethics Standards Board of Accountants, Code of Ethics of Professional Accountants, the AC thereafter recommended their audit fee to the Board for approval.

AUDIT COMMITTEE'S REPORT (Cont'd)

FINANCIAL STATEMENTS AND REPORTING

1. The quarterly Condensed Consolidated Financial Statements for the first, second and third quarters of 2017, which were prepared in compliance with Malaysian Financial Reporting Standard ("MFRS")134 "Interim Financial Reporting", International Accounting Standards 34 "Interim Financial Reporting" and Paragraph 9.22, including Appendix 9B of the MMLR, were reviewed at the AC meetings on 18 May 2017, 18 August 2017 and 13 November 2017 (after a limited review of the third quarter Condensed Consolidated Financial Statements ended 30 September 2017 by BT), and thereafter recommended it to the Board for approval.

   In ensuring the Integrity of the information, the Group Financial Controller and the Group Corporate Controller had on 18 May 2017, 18 August 2017 and 13 November 2017, through their presentation of the quarterly Condensed Consolidated Financial Statements 2017 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 Group and the respective companies within the Group.

2. On 13 November 2017, BT presented the Audit Planning Memorandum 2017 of EFB Group for the financial year ending 31 December 2017. The AC reviewed the Audit Plan 2017 and after highlighting certain areas of concerns where BT has to pay attention to during the course of their audit, the AC thereafter briefed the Board.

   At the request of the AC, BT presented a draft specimen of the Annual Report and Financial Statements 2017 based on the requirements of the Companies Act 2016. The AC noted the new format of the draft Annual Report and Financial Statements 2017 based on the Companies Act 2016 requirements and thereafter briefed the Board of the new format of the Annual Report and Financial Statements 2017.

3. The AC met with BT without the presence of any Executive Directors or Management on 13 November 2017. No critical issues where highlighted to the AC in this meeting except for certain areas of concern highlighted by the AC as mentioned in clause 2 above.

B. INTERNAL AUDIT

INTERNAL AUDITOR APPOINTMENT AND RISK MANAGEMENT COMMITTEE

1. EFB listed on Bursa Malaysia Securities Berhad, has 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 to review and assess the adequacy and integrity of the internal control system of EFB Group, while the risk management aspect of its obligations is carried out by the EFB Group's Risk Management Committee ('RMC") headed by Executive Directors.

2. BDO on 9 November 2015 submitted a Letter of Engagement ("LE") setting the terms of renewal of outsourced internal audit services to EFB for a two years period of 2016 and 2017and reporting directly to the AC for the AC's consideration. This satisfies Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("MMLR"); paragraph 15.27 (1) and (2). The AC undertook a review of BDO's LE and thereafter recommend to the Board for approval with and annual IA fee of RM125,000, excluding 6% of Goods and Services tax and out of pocket expenses.

3. For the period 7 April 2017 to 31 December 2017 the AC in consultation with the BDO has made changes to the audit plans after taking into account the timing and efficiencies of the internal audit work to be carried out.

AUDIT COMMITTEE'S REPORT (Cont'd)

INTERNAL AUDIT AND RISK MANAGEMENT ACTIVITIES 2017

1. During the year, internal audit activities undertaken as follows: -

   a) Financial Recording to Reporting - Inventory Management of the Furniture Division & Sales and Administrative Expenses;
   b) Inventory Management, Health, Safety & Environment; and
   c) Payroll Processes and Controls.

   The AC reviewed the recommendations made by BDO on weaknesses that were identified and management's action taken to rectify those weaknesses.

2. On 18 May 2017, BDO presented the internal audit on the internal control review of inventory management of the Furniture Division and the Sales & Administrative Expenses of the Malaysian operations. The AC reviewed the recommendations made by BDO on the weakness that were identified and management's action taken to rectify those weaknesses.

3. On 18 August 2017, BDO presented the internal audit report on the safety, health and environment of Evergreen Fibreboard (Nilai) Sdn. Bhd. The AC reviewed the recommendations made by BDO on weakness that were identified and management's action taken to rectify those weaknesses.

4. On 13 November 2017, BDO presented the review of payroll processes and controls of EFB Group of companies operating in Malaysia. The AC reviewed the recommendations made by BDO on weaknesses that were identified and management action taken to rectify those weaknesses.

5. As part of the AC review of EFB Group's operation, the AC members and EFB's senior management staff visited EFB Group's plantation in Kahang, Johore, on a guided inspection by operational staffs of the newly operational furniture plant in Parit Raja and the just operational particle board plant in Segamat both located in Johore.

6. As the Group's product grows internationally, overseas customers especially customers from Europe and Oceanic are looking into social and ethical sourcing. A particular customer has undertaken a social and ethical audit and the AC has review the issue raised with Management. The AC has reviewed the findings and noted the issues which management shall undertake to comply. The AC Chairman briefed the Board the outcome of the social and ethical audit and will continue to monitor the improvement undertaken by Management.

7. On 18 May 2017 the Risk Management Committee and Internal Control Auditor presented the overall Risk Management Report to the AC. The AC members noted the RMC & IA Report and recommended certain areas of risk to be incorporated into the Risk Management Report for the RMIC to act upon and monitors in the course of its operations.

C. RELATED PARTY TRANSACTION

1. The AC has taken note that there was no related party transaction reported or declared during the course of the three AC meetings on 18 May 2017, 18 August 2017 and 13 November 2017 except for inter-company transactions undertaken between companies within the EFB Group, compensation of key management personnel and the independent NEDs and the non-independent NED fees computation which is reported in the Financial Statements 2017.

NOMINATION COMMITTEE'S REPORT

The Board presents the Nomination Committee Report which provides insights into the manner in which the Nomination Committee ("NC") discharged its functions for the Group in 2017.

ROLE OF THE NOMINATION COMMITTEE

The formal role of the Nomination 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 .**

CHANGES IN THE NOMINATION COMMITTEE

On 1 January 2018, Mr Yap Peng Leong resigned as member of the NC after Ms Nirmala Doraisamy was appointed as a committee member.

COMPOSITION AND ATTENDANCE

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

The NC Chairman, Mr Kuan Kai Seng who is also the Senior Independent Director and the other members of the NC are Mr Jonathan Law Ngee Song and Ms Nirmala Doraisamy. The profiles and attendance records of the NC members are set out in the Directors' profile section of this Annual Report .

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

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

MEETINGS

The NC held three meetings during the current financial year and the Executive Directors were invited to NC meetings when needed to facilitate direct communication as well as to provide clarification on issues and Group's Succession plan matters.

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

SUMMARY OF ACTIVITIES

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

ON APPOINTMENT OF NEW BOARD MEMBER

1) During the financial year, the Board as a whole had reviewed the board structure and the number of members that was needed to enhance emphasis on management's activities and it was decided that the Members be increased to 9 (nine) members. Nomination Committee was informed to source for an additional member for the Board. The criteria set by the Board was for a matured female of any race, with a good understanding of Risk Management, able to read and understand financial reports and preferable with some experience on Board or Committee.

2) Nomination Committee enquired from the Women Directors Registry ("WDR") for potential candidates that could fit the Board's set criteria and was given 10 (ten) potential candidates by WDR.

NOMINATION COMMITTEE'S REPORT (Cont'd)

3) NC members did the first screening of potential candidates and selected 4 (four) candidates out of the 10 candidates for an interview. Interview was conducted with all Members of the Nomination Committee being present.

4) Based on the interview, Ms Nirmala Doraisamy was found to have met 90% of the criteria set and during the Board meeting in November 2017, Chairman of the NC proposed to the Board for Ms Nirmala to be appointed.

5) The Board subsequently approved Ms Nirmala's appointment which was to be on the 1/1/2018 and authorized the Executive Directors to issue the letter of appointment and the Company Secretary to do the necessary documentation and announcements.

ON SUCCESSION PLANNING

1) On 13 November 2017, Succession Plans were presented by Executive Directors to the Nomination Committee for their comments and recommendation for any changes needed on potential candidates being proposed in the Succession Plans as well as trainings being arranged / carried out for the potential candidates in line for succession.

   The NC noted the proposed Succession Plans and advised Management to complete the Succession Plans and training required for all levels indicated and forward for the Board's approval in the next meeting.

ANNUAL ASSESSMENT

1) In December 2017, Nomination Committee undertook Annual Performance Assessment to review and evaluate the effectiveness of the Board as a whole, the Committees, Individual Directors and Key Officers of the Company.

2) Senior Independent Director Mr Kuan Kai Seng, together with the Members of the Nomination Committee lead the annual assessment process.

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

4) Completed evaluation forms was emailed directly to the Senior Independent Director designated email address and he tabulated all Assessment Forms received.

5) The performance evaluation results showed a positive outcome with all obtaining improved performance for the current financial year.

6) Senior Independent Director then forwarded to the Board Chairman the results of the assessment carried out. Board Chairman informed all on the results including individuals and make known the minor improvements and trainings needed to be attended in the following year.

7) Human Resource Department was given a copy on the Summary of training needs for Directors & Key Officers / Senior Management to take necessary steps to ensure needed trainings indicated are sourced for directors to attend in the coming year.

RE-ELECTION OF DIRECTORS

1) NC reviewed the evaluation of the retiring Directors and recommended to the Board for re-election of Mr Kuo Jen Chang, Mr Kuo Jen Chiu, Mr Yap Peng Leong and Mr Jonathan Law Ngee Song at the forthcoming Annual General Meeting.

2) NC carried out assessment on the independency of Mr Jonathan Law Ngee Song due to the fact that he has exceeded his ninth year term. Based on the results of the evaluation, Mr. Jonathan Law has and is able to continue to bring independent legal advice to the Board's deliberations and decision making processes and therefore the Nomination Committee have recommended Mr. Jonathan Law to the Board, to continue office as an Independent Director and to seek shareholders' approval in the forthcoming Annual General Meeting in compliance to Practice 6.1 of the MCCG.

REMUNERATION COMMITTEE'S REPORT

The Board presents the Remuneration Committee Report which provides insights into the manner in which the Remuneration Committee ("RC") discharged its functions for the Group in 2017.

ROLE OF THE REMUNERATION COMMITTEE

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

CHANGES IN THE REMUNERATION COMMITTEE

There are no changes to the RC for the year.

COMPOSITION AND ATTENDANCE

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

The RC Chairman, Mr Jonathan Law Ngee Song is our Independent Director and the other members of the NC are Mr Yap Peng Leong and Mr Kuan Kai Seng. The profiles and attendance records of the RC members are set out in the Directors' profile section of this Annual Report .

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

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

MEETINGS

The RC held one meeting during the financial year and the Executive Directors were invited to the meeting on issues or matters when needed to facilitate direct communication as well as to provide clarification pertaining to the remuneration of Key Officers.

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

SUMMARY OF ACTIVITIES

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

Review of Framework

1) The Company has in place a formal framework on fees and allowances for all Non-Executive Directors which was established by the Remuneration Committee and approved by the Board in year 2016. In 2017, the framework was reviewed without any revision. This framework on fees and allowances takes consideration the responsibilities of each individual director, their role and their contribution to the Board as well as in the Board Committees that they sit in.

2) A remuneration framework for Executive Directors and Key Officer / Senior Management was established and put in place in 2016. In 2017, this framework was reviewed and revised according to the economic situation and the anticipated performance of the Group in the current financial year. This framework is based on the Financial Performance and Key Results Area set for each business units and 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.

REMUNERATION COMMITTEE'S REPORT (Cont'd)

Review of Remuneration

1) Based on the framework, Executive Directors shall analyse the performance of each Company / Business Unit to determine the tentative financial performance achievement for the year.

2) Upon completion of tabulation, Executive Directors shall seek approval from the Remuneration Committee on proposal to the tentative performance achievement of each business units together with the possible salary increment rate and the bonus quantum that will likely be paid in January of the following year.

3) Based on this proposal, Remuneration Committee Chairman shall propose and seek the Board's approval for the increment and bonus package for each Business Units, the Executive Directors and Key Officers / Senior Management.

4) During this Meeting, Remuneration Committee deliberates on the fees and allowance to be paid to Non-Executive Directors and also any revision to the framework in place and it was agreed by the Board that there was no revision to be made for year 2017.

STATEMENT ON SUSTAINABILITY

The Board in compliance to the requirements of Bursa Malaysia Securities Berhad under Paragraph 9.45 (2) of the Main Market Listing Requirements (supplemented by Practice Note 9), are adopting the recommendation by providing a Statement on the Sustainability of the Group's business in the aspect of Economic, Environmental & Social ("EES").

Our Business Operations

The Company was established in 1993 starting with a single manufacturing site in Johor, Malaysia and have since expanded to have eight manufacturing sites located in Johor, Negeri Sembilan, Kedah, Thailand and Indonesia with a total workforce of approximately 2700 employees.

Our key operation activities are in manufacturing of Panel Boards (Medium Density Fibreboard ("MDF") & Particle Board ("PB") with and without Overlay, Ready to Assemble Indoor Furniture ("RTA"), Wood Products (Furniture Parts) and Resin.

The Scope of Coverage

The scope of our Sustainability Statement covers the core businesses of the Group of Companies in Malaysia, Indonesia and Thailand which are in operation but does not cover our plantation business unit in Malaysia, Jasa Wibawa Sdn. Bhd. as it is a non-core business of the Group.

Acknowledgement

The Board acknowledges that the fundamentals of a business are very much depended on the Sustainable Vision, Mission, Values, Principles and Policies being established and maintained in a company and believe that all businesses just like any are basically established with a vision for growth with a hope to sustain for the longest period possible.

Our Sustainability Policy

The Group aspire to create a sustained value on its businesses for stakeholders, customers, shareholders, regulators, environment, community and our employees through a responsible approach of how our business are carried out and where our business are being carried out in view to be able to sustain our position as the largest panel board manufacturer in the country and be position as a one stop recognized supplier / producer for Panel Board / Wood Products in Malaysia.

Our Sustainable Strategy

The Group's Sustainable Strategy is to embed elements of Sustainability and make it an integral part for all decision making process in the group's businesses.

Management and Monitoring

Senior Management with the support of Key Officers and the Executive Directors oversees the Group's Sustainability approach and monitors the Strategy implementation as well as the improvements efforts and plans on sustainability and update the Board on the progress being achieved.

Materiality Assessment

The basic materiality assessment process undertook by the Group in the previous year was used and the areas which was considered as a sustainability risk to the business was reviewed to identify the improvements made and if any change of strategy were needed for a much positive outcome.

On Area of the Environment

Disclosure

Daily operations for majority of our plants, has a high possibility of chemicals or hazardous materials spillage occurring or emission of smoke & dust and generation of schedule waste from processes.

A lack of good environmental practices and enforcement may and can lead to incidents of being penalized, shut down by authorities, operating license being revoked due to non-compliance, operational inefficiency that could lead to reputation being ruined and impact to the profitability of the Group.

STATEMENT ON SUSTAINABILITY (Cont'd)

Managing the environmental pollution by proper maintenance and installation of pneumatic indicators / controllers in our machineries together with proper enforcement and monitoring on adherence to policies and procedures are particularly important, especially with our plans on expanding into new markets such as Japan and Europe. These markets are in fact stricter on companies for compliance and observance of environment related legislation requirements.

Measures Taken

The Group has in place a complete environment policy and procedures that clearly highlight our commitment in preventing pollution to the environment as well as to ensure compliance to laws and regulations in relation to Environmental Regulations.

Ongoing, Environment Officers (EO) in subsidiaries meets EO of headquarters to set the standards across all operations by standardizing policies and procedures across the group, set targets dates for completion / measures to be taken and promote a culture where all employees share the same commitment to prevent environmental pollution in and around each plant for the betterment of the employees as well as the nearby general public.

The Guide on Self Regulations ("GSR") by Department of Environment for all Companies to comply since year 2016. Compliance to GSR requires Companies to report to the Department of Environment on how they have complied with the requirement in their company on a periodic basis and the Group has complied to this environment laws and requirement.

Review Carried out in 2017

In reviewing the area of environment, the controls and measures taken have made improvements in the Group as compared to the previous financial year based on the compound / penalties seen in 2017. Based on our analysis on cases of penalties paid in previous years for the Group: -

Year 2017	Year 2016	Year 2015
RM10,500	NIL	RM90,000

Nevertheless, the Group will continuously review its environmental policies and carry out the needed controls & measures to avoid all possible mishaps or penalties on non-compliance.

On the Area of Economy

Disclosure

In the Group (Malaysia, Thailand & Indonesia) our main raw material for these production plant is dependent solely on rubber wood and any disruption of supply will cause a material effect on the Group's productivity and eventually the profitability. The inconsistent or low wood supply can be caused by the monsoon weather. During this season, plantations or concession areas are at times flooded that affects the clearing works of such areas being delayed for a period of time. During these period, the supply of raw material to most of our operation sites can be partially or fully disrupted similar to what was encountered in the 1Q & 2Q 2017. Should this happen, our plant's raw material supply will be affected and we can be forced to reduce the production speed or even stop production for a period of time.

Hence, there is a high risk for a disruption of production in the Group that can affect the profitability of the Group should the above situation does occur.

Measures Taken

On the supply disruption of our raw material, first of all this is an inherent risk to all wood-based operations. EFB has placed emphasis in this area by keeping more stocks prior to the monsoon season and also anticipated periods where cutting / clearing of concession are low. However, rubber wood deteriorates over time so storage of rubber wood stock is limited to no more than 3 (three) months from time of harvest.

STATEMENT ON SUSTAINABILITY (Cont'd)

It is an inherent risk faced by the Group and it can only minimize the impact during this periods / season by having additional storage areas but it cannot eliminate this risk and during disruption of wood supply is to increase intake of wood chips in addition to logs and branches and carry out preventive maintenance during these times

Review Carried out in 2017

Being an inherent risk faced by all wood industries, the Group in line with ensuring sustainability of the business is looking into importing its raw material as to avoid the non-availability and high cost of raw material in the group during the monsoon season. However, there have been hurdles that we firstly have to address and once being overcome, we can look forward to a positive outcome for a much sustainable source of raw materials during monsoon seasons.

On the Area of Occupational Safety of Health

Disclosure

In our operating plants we have many range of machineries, where some are automated and some are semi-automated or even manual. For the automated machines, workers will only be required to monitor its function smoothly while the semi–auto and the manual machines need to be attended to at all times. Possibility of accidents occurring is considered high due to reasons of negligence by the workers or safety measures or safe practices not in place.

A lack of good safety and health practices and enforcement may lead to industrial accidents and cause machine (s) having stop orders. Based on the law, Company can be penalized or Directors being brought to court by authorities and this will cause unwanted operational stoppage and eventually loss in profits.

Hence, managing and enforcing the Safety and Health practices for proper safety guard being in place and enforcement of Personal Protective Equipment ("PPE") wearing is inevitable as adherence to the safety and Health policies and procedures is extremely important given the fact that the Company has a record of major accidents.

Measures Taken

The Group has in place a complete occupational safety and health policy that highlights its commitment to prevent injury, ensure compliance to laws and regulations in relation to occupational safety and health and promote a culture where all employees share the commitment to prevent injury at all cost.

Weekly enforcement audit has been put in place by the Safety Committee to check on non-conformance of Safety Requirements and wearing of PPEs.

Review Carried out in 2017

In reviewing the area of Safety and Health the enforcement audit measures taken have made minimal improvements in the Group as compared to the previous financial year based on the number of injuries / industrial accidents seen in 2017. The analysis on injuries / accidents cases in previous years for the Group: -

Year 2017	Year 2016	Year 2015
60 cases	65 cases	83 cases

Hence, the Group have since revised some of its safety policies and reviewed its safety procedures for accident prone areas and put in place the needed control measures to avoid any serious industrial accidents and most importantly to reduce the current rate of accidents.

On the Area of Governance

The Group is working towards achieving improvement with a robust sustainability strategy to be embed in all angles of the Business and the Board / Committee assures further emphasis will be given in all areas for improvements.

STATEMENT ON SUSTAINABILITY (Cont'd)

OUR SUSTAINABILITY GOVERNANCE STRUCTURE

BOARD OF DIRECTORS
Approves Sustainability Strategies & Oversees the Progress for Disclosure

MANAGEMENT SUSTAINABILITY COMMITTEE
(Executive Directors & Key Officers)
Establish Strategy for Board's Approval
Oversee Implementation of Sustainable Strategies
Report to Board on Progress
Develop Plans & Timeline for Disclosure

SUSTAINABILITY OFFICER
Ensure Procedures & Controls are in place for Departments / Functions
Oversee Departments / Function to ensure
Sustainability System is Managed

SUSTAINABILITY COMMITTEE
(Operation Director / Manager)
Strategy Implementation
Ensure Procedures & Controls are embedded for all Functions
Report on Progress of Sustainability Efforts / Measures

Review by the Board

The Board having reviewed the Group's Sustainability efforts and the Policies, Procedures and measures taken is satisfied with the outcome of the review carried out on the areas of concern but acknowledges the need to further enhance the Sustainability processes in terms of widening the areas of assessments and linking it with the Company's objective and Risk Management in order to create value on the effort of embedding and implementation of Sustainability in the Group.

The Board of Directors has approved this Statement on 6 April 2018

ADDITIONAL COMPLIANCE INFORMATION

1) Conflict of Interest

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

2) Material Contracts

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

3) Utilisation of Proceeds

There was no corporate proposal in the current financial year.

4) Non-Audit Fees

The amount of non-audit fees for services provided by the external auditors for the current financial year is stated on page 119 of this Annual Report.

5) Contracts relating to Loan

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

6) Recurrent Related Party Transactions

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR 2017

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

The Board of Directors ("the Board") of EFB are of the view that, in preparing the financial statements of the Company and the Group for the year ended 31 December 2017, the Company and the Group have adopted the recommended accounting policies that are consistently applied and supported by reasonable, prudent judgments and estimates. The Board have also ensured that all applicable accounting standards have been complied during the preparation of the audited financial statements of the Company and the Group.

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

The Board have also ensured timely release of the quarterly and annual financial results of the Group for the financial year ended 31 December 2017 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

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 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is of manufacture of medium density fibreboard and wooden furniture (knock-down). The principal activities of its subsidiaries are disclosed in Note 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	46,832,803	41,498,474
Attributable to:		
Owners of the Company	44,971,407	41,498,474
Non-controlling interests	1,861,396	-
	46,832,803	41,498,474

DIVIDENDS

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

	RM
Single tier final dividend of 2 sen per ordinary share in respect of the financial year ended 31 December 2016	16,920,040

At the forthcoming Annual General Meeting, a single tier final dividend of 1.38 sen per ordinary share, amounting to RM11,674,827 in respect of current financial year, 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 2018.

RESERVES OR PROVISIONS

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

BAD AND DOUBTFUL DEBTS

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

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of 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 2017, the Company held 422,000 treasury shares out of its 846,423,985 issued and paid-up ordinary shares. Such treasury shares are held at a carrying amount of RM393,305. Further details are disclosed in Note 21 to the financial statements.

DIRECTORS

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

Henry S Kuo
Kuan Kai Seng
Kuo Jen Chang *
Kuo Jen Chiu *
Kuo Wen Chi *
Law Ngee Song
Mary Henerietta Lim Kim Neo *
Yap Peng Leong
Nirmala A/P Doraisamy (Appointed on 1 January 2018)

* Directors of the Company and certain subsidiaries

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

Chieng Heng Nang
Erik Setiawan
Henry S Kuo
Jeffrey S Kuo
Justin S Kuo
Kuo Huei Chen
Lee Kwok Choy
Tan Yew Hock (Resigned on 20 February 2017)
Tan Yu Chuan (Resigned on 20 February 2017)
Tan Yu Kung (Resigned on 20 February 2017)
Tan Yue Teck (Resigned on 20 February 2017)
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 1.1.2017	Additions	Transferred	At 31.12.2017
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
Indirect interests:					
Kuo Jen Chang	*	210,432,314	704,000	-	211,136,314
Kuo Jen Chiu	**	228,668,038	704,000	-	229,372,038
Kuo Wen Chi	**	352,788,179	704,000	-	353,492,179
Henry S Kuo	*	13,553,093	-	-	13,553,093

* Deemed interested pursuant to Section 8 of the Companies Act 2016 in Malaysia.

** Deemed interested by virtue of the shareholdings in a corporation and pursuant to Section 8 of the Companies Act 2016.

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

The other directors in office at the end of the financial year did not have any interest in ordinary shares or debentures of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 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.

DIRECTORS' REPORT (Cont'd)

INDEMNITY TO DIRECTORS AND OFFICERS

Subject to the provisions of the Companies Act 2016, the directors and other officers for the time being of the company, and any trustee for the time being acting in relation to any of the affairs of the Company and his heirs, executors and administration respectively shall be indemnified out of the assets of the Company from and against all actions, proceedings, costs, charges, losses, damages and expenses which he shall or may incur or sustain by reason of any act done or omitted in or about the execution of his duty in his respective office or trust, except such (if any) as he shall incur or sustain by or through his own wilful neglect or default respectively, and such officer or trustee shall not be answerable for the acts, receipts, neglects, or defaults, of any other officer or trustee or for joining in any receipt for the sake of conformity, or for the solvency or honesty of any banker or other person with whom any moneys, or effects belonging to the Company may be lodged or deposited for safe custody or for any insufficiency or deficiency of any security upon which any moneys of the Company shall be invested or for any other loss or damage due to any such cause as aforesaid or which may happen in or about the execution of his office or trust, unless the same shall upon through the wilful neglect or default or such officer or trustee.

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors and certain officers of the Company were RM10,000,000 and RM20,000 respectively.

SUBSIDIARIES

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

AUDITORS' REMUNERATION

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

INDEMNITY TO AUDITORS

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

AUDITORS

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

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

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

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

Date: 6 April 2018

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	1,011,950,671	975,945,498	154,312,971	148,558,575
Land use rights	6	35,321,019	36,241,811	7,136,743	7,322,337
Biological assets	7	33,300,000	26,800,000	-	-
Goodwill on consolidation	8	17,584,046	18,377,353	-	-
Other intangible asset	9	84,788	117,630	-	-
Investment properties	10	-	-	4,317,030	4,471,563
Investment in subsidiaries	11	-	-	422,069,791	330,744,499
Deferred tax assets	12	4,589,578	13,391,043	-	-
Other investments	13	-	139,600	-	-
Total non-current assets		1,102,830,102	1,071,012,935	587,836,535	491,096,974
Current assets					
Inventories	14	227,256,804	212,977,365	43,611,661	46,304,972
Trade and other receivables	15	111,843,023	94,566,550	108,494,398	184,488,456
Other current assets	16	16,222,704	20,936,858	979,653	2,958,441
Tax assets		3,108,594	1,185,804	524,474	-
Deposits, cash and bank balances	17	120,873,762	160,266,523	20,438,875	44,096,612
		479,304,887	489,933,100	174,049,061	277,848,481
Non-current asset classified as held for sale	18	8,551,701	-	-	-
Total curent assets		487,856,588	489,933,100	174,049,061	277,848,481
TOTAL ASSETS		1,590,686,690	1,560,946,035	761,885,596	768,945,455
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	19	344,749,212	211,605,996	344,749,212	211,605,996
Share premium	20	-	133,143,216	-	133,143,216
Treasury shares	21	(393,305)	(393,305)	(393,305)	(393,305)
Other reserves	22	68,242,705	80,610,926	-	-
Retained earnings		726,229,984	699,052,165	319,108,943	294,530,509
		1,138,828,596	1,124,018,998	663,464,850	638,886,416
Non-controlling interests		29,994,550	28,122,743	-	-
TOTAL EQUITY		1,168,823,146	1,152,141,741	663,464,850	638,886,416

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017 (Cont'd)

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Liabilities					
Non-current liabilities					
Loans and borrowings	23	123,587,150	100,832,207	34,532,321	47,673,001
Deferred tax liabilities	12	45,057,036	38,165,106	5,391,250	4,085,377
Retirement benefits obligation	24	10,534,022	8,561,171	3,871,110	3,569,863
Total non-current liabilities		179,178,208	147,558,484	43,794,681	55,328,241
Current liabilities					
Loans and borrowings	23	93,721,793	103,805,099	21,127,040	42,302,294
Trade and other payables	25	148,244,035	152,602,965	33,499,025	31,468,025
Tax liabilities		719,508	4,837,746	-	960,479
Total current liabilities		242,685,336	261,245,810	54,626,065	74,730,798
TOTAL LIABILITIES		421,863,544	408,804,294	98,420,746	130,059,039
TOTAL EQUITY AND LIABILITIES		1,590,686,690	1,560,946,035	761,885,596	768,945,455

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

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

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Revenue	26	1,024,136,952	997,794,615	245,208,941	234,615,234
Cost of sales	27	(798,668,514)	(730,291,031)	(209,554,716)	(190,171,436)
Gross profit		225,468,438	267,503,584	35,654,225	44,443,798
Other income	28	51,273,399	23,009,140	42,499,209	16,416,035
Selling and administrative expenses		(164,912,866)	(175,295,417)	(24,843,091)	(26,192,604)
Other expenses	29	(38,022,634)	(14,989,315)	(6,289,438)	(11,920,118)
		(202,935,500)	(190,284,732)	(31,132,529)	(38,112,722)
Profit from operations		73,806,337	100,227,992	47,020,905	22,747,111
Finance costs		(5,970,926)	(6,782,751)	(3,423,630)	(2,679,414)
Profit before tax	30	67,835,411	93,445,241	43,597,275	20,067,697
Tax expense	32	(21,002,608)	(25,497,792)	(2,098,801)	(3,594,905)
Profit for the financial year		46,832,803	67,947,449	41,498,474	16,472,792
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(12,329,421)	21,759,738	-	-
Fair value loss of available-for-sale financial assets		(38,800)	(5,800)	-	-
		(12,368,221)	21,753,938	-	-
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit plans		(863,137)	1,245,841	-	1,106,221
Other comprehensive(loss)/ income for the financial year		(13,231,358)	22,999,779	-	1,106,221
Total comprehensive income for the financial year		33,601,445	90,947,228	41,498,474	17,579,013

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (Cont'd)

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Profit attributable to:					
Owners of the Company		44,971,407	71,679,434	41,498,474	16,472,792
Non-controlling interests		1,861,396	(3,731,985)	-	-
		46,832,803	67,947,449	41,498,474	16,472,792
Total comprehensive income attributable to:					
Owners of the Company		31,792,240	94,600,186	41,498,474	17,579,013
Non-controlling interests		1,809,205	(3,652,958)	-	-
		33,601,445	90,947,228	41,498,474	17,579,013
Basic and diluted earnings per share (sen)	33	5.31	8.66	-	-

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

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

Group	Note	Attributable to owners of the parent								Non-controlling interests RM	Total equity RM
		Share capital RM	Share premium RM	Equity transaction reserve RM	Foreign exchange reserve RM	Fair value reserve RM	Treasury shares RM	Retained earnings RM	Total RM		
At 1 January 2017		211,605,996	133,143,216	383,083	80,189,043	38,800	(393,305)	699,052,165	1,124,018,998	28,122,743	1,152,141,741
Total comprehensive (loss)/ income for the financial year											
Profit/(loss) for the financial year		-	-	-	-	-	-	44,971,407	44,971,407	1,861,396	46,832,803
Other comprehensive loss for the financial year		-	-	-	(12,329,421)	(38,800)	-	(810,946)	(13,179,167)	(52,191)	(13,231,358)
Total comprehensive income/(loss)		-	-	-	(12,329,421)	(38,800)	-	44,160,461	31,792,240	1,809,205	33,601,445
Transactions with owners											
Changes in ownership interest in a subsidiary		-	-	-	-	-	-	(62,602)	(62,602)	62,602	-
Dividend paid on shares	34	-	-	-	-	-	-	(16,920,040)	(16,920,040)	-	(16,920,040)
Total transactions with owners		-	-	-	-	-	-	(16,982,642)	(16,982,642)	62,602	(16,920,040)
Transition to no-par value regime	19	133,143,216	(133,143,216)	-	-	-	-	-	-	-	-
At 31 December 2017		344,749,212	-	383,083	67,859,622	-	(393,305)	726,229,984	1,138,828,596	29,994,550	1,168,823,146

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (Cont'd)

Group	Note	Share capital RM	Share premium RM	Equity transaction reserve RM	Foreign exchange reserve RM	Fair value reserve RM	Treasury shares RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
		Attributable to owners of the parent									
At 1 January 2016		141,072,500	203,676,712	383,083	58,429,305	44,600	(15,173)	634,693,436	1,038,284,463	31,752,202	1,070,036,665
Total comprehensive income/ (loss) for the financial year											
Profit for the financial year		-	-	-	-	-	-	71,679,434	71,679,434	(3,731,985)	67,947,449
Other comprehensive income/ (loss)for the financial year		-	-	-	21,759,738	(5,800)	-	1,166,814	22,920,752	79,027	22,999,779
Total comprehensive (loss)/ income		-	-	-	21,759,738	(5,800)	-	72,846,248	94,600,186	(3,652,958)	90,947,228
Total transactions with owners											
Share repurchased		-	-	-	-	-	(378,132)	-	(378,132)	-	(378,132)
Ordinary shares issued pursuant to bonus issue		70,533,496	(70,533,496)	-	-	-	-	-	-	-	-
Changes in ownership interest in a subsidiary		-	-	-	-	-	-	(23,499)	(23,499)	23,499	-
Dividend paid on shares	34	-	-	-	-	-	-	(8,464,020)	(8,464,020)	-	(8,464,020)
Total transactions with owners		70,533,496	(70,533,496)	-	-	-	(378,132)	(8,487,519)	(8,865,651)	23,499	(8,842,152)
At 31 December 2016		211,605,996	133,143,216	383,083	80,189,043	38,800	(393,305)	699,052,165	1,124,018,998	28,122,743	1,152,141,741

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (Cont'd)

Company	Note	Share capital RM	Share premium RM	Treasury reserve RM	Distributable retained earnings RM	Total equity RM
At 1 January 2016		141,072,500	203,676,712	(15,173)	285,415,516	630,149,555
Total comprehensive income for the financial year						
Profit for the financial year		-	-	-	16,472,792	16,472,792
Other comprehensive income for the financial year		-	-	-	1,106,221	1,106,221
Total comprehensive income		-	-	-	17,579,013	17,579,013
Transactions with owners						
Share repurchased		-	-	(378,132)	-	(378,132)
Ordinary shares issued pursuant to bonus issue		70,533,496	(70,533,496)	-	-	-
Dividend paid on shares	34	-	-	-	(8,464,020)	(8,464,020)
Total transactions with owners		70,533,496	(70,533,496)	(378,132)	(8,464,020)	(8,842,152)
At 31 December 2016		211,605,996	133,143,216	(393,305)	294,530,509	638,886,416
Total comprehensive income for the financial year						
Profit for the financial year, representing total comprehensive income		-	-	-	41,498,474	41,498,474
Transactions with owners						
Dividend paid on shares, representing total transactions with owners	34	-	-	-	(16,920,040)	(16,920,040)
		211,605,996	133,143,216	(393,305)	319,108,943	663,464,850
Transition to no-par value regime	19	133,143,216	(133,143,216)	-	-	-
At 31 December 2017		344,749,212	-	(393,305)	319,108,943	663,464,850

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash flows from operating activities				
Profit before tax:	67,835,411	93,445,241	43,597,275	20,067,697
Adjustments for:				
Amortisation of:				
- land use rights	851,704	850,457	185,594	185,594
- intangible assets	32,343	29,982	-	-
Bad debts written off	51,535	-	-	-
Depreciation on property, plant and equipment	62,017,592	62,638,290	11,923,963	11,448,403
Depreciation on investment property	-	-	154,533	154,533
Interest expense	5,970,926	6,782,751	3,423,630	2,679,414
Interest income	(1,880,991)	(1,753,218)	(3,953,876)	(3,780,082)
Dividend income from quoted investment	(4,800)	(3,400)	-	-
Dividend income from subsidiaries	-	-	(36,960,200)	(9,042,175)
Gain on disposal of other investments	(51,600)	-	-	-
Fair value gain on derivatives	-	(875,887)	-	-
Gain arising from fair value adjustment on biological assets	(6,500,000)	(3,698,537)	-	-
Inventories written down	2,860,669	122,599	549,222	-
Inventories written off	500,000	-	500,000	-
Gain on disposal of property, plant and equipment	(107,121)	(3,135,226)	(9,100)	(275,511)
Property, plant and equipment written off	29,271,018	8,560,053	-	974,742
Provision for retirement benefits obligation	1,526,012	1,085,790	417,489	587,180
Reversal of impairment loss on:				
- trade receivables	-	(10,814)	-	-
- amount owing by a subsidiary	-	-	(226,591)	-
Unrealised (gain)/loss on foreign exchange	(2,778,861)	2,857,969	(161,481)	377,042
Impairment loss on:				
- goodwill	793,307	1,132,585	-	-
- property, plant and equipment	-	239,233	-	-
- trade receivables	557	51,913	-	-
- investment in subsidiaries	-	-	866,099	10,568,334
	92,552,290	74,874,540	(23,290,718)	13,877,474
Operating cash flows before changes in working capital, carried down	160,387,701	168,319,781	20,306,557	33,945,171

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (Cont'd)

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Cash flows from operating activities (cont'd)					
Operating cash flows before changes in working capital, brought down		160,387,701	168,319,781	20,306,557	33,945,171
Changes in working capital					
Inventories		(19,892,814)	5,175,976	1,644,089	85,184
Biological assets		-	3,798,537	-	-
Trade and other receivables		(14,698,137)	46,942,771	(1,648,827)	17,857,615
Trade and other payables		5,637,906	21,615,111	2,163,408	(2,252,344)
		(28,953,045)	77,532,395	2,158,670	15,690,455
Net cash generated from operations		131,434,656	245,852,176	22,465,227	49,635,626
Payment of retirement benefit obligation		(170,679)	(192,333)	(116,242)	(134,726)
Interest paid		(5,970,926)	(6,782,751)	(3,423,630)	(2,679,414)
Tax paid		(11,436,403)	(15,101,028)	(2,277,881)	(751,963)
Net cash from operating activities		113,856,648	223,776,064	16,647,474	46,069,523
Cash flows from investing activities					
Additional investment in subsidiaries		-	-	(71,670,000)	-
Repayments from/(advances to) subsidiaries		-	-	60,685,841	(39,644,156)
Dividend income from quoted investment		4,800	3,400	-	-
Dividend income received from subsidiaries		-	-	36,960,200	9,042,175
Interest received		1,880,991	1,753,218	2,663,799	3,780,082
Purchase of property, plant and equipment		(146,076,655)	(201,270,803)	(17,784,375)	(48,989,868)
Proceeds from disposal of property, plant and equipment		135,012	19,945,460	115,116	519,392
Proceeds from disposal of other investments		152,400	-	-	-
Withdrawal of/(placement of) time deposits		12,511,630	(13,345,183)	-	(200,000)
Net cash (used in)/from investing activities		(131,391,822)	(192,913,908)	10,970,581	(75,492,375)
Cash flows from financing activities					
Drawdown of term loans and trade facilities		112,591,017	417,851,157	36,200,000	76,797,166
Dividend paid to owners of the Company		(16,920,040)	(8,464,020)	(16,920,040)	(8,464,020)
Purchase of treasury shares		-	(378,132)	-	(378,132)
Repayments of finance lease liabilities		(357,542)	(264,649)	-	(45,055)
Repayments of term loans and trade facilities		(98,113,744)	(421,254,244)	(68,782,509)	(60,904,907)
Net cash (used in)/from financing activities		(2,800,309)	(12,509,888)	(49,502,549)	7,005,052
Net (decrease)/increase in cash and cash equivalents		(20,335,483)	18,352,268	(21,884,494)	(22,417,800)
Effects of foreign exchange rate changes		(6,545,648)	11,998,328	(1,773,243)	(1,178,619)
Cash and cash equivalents at the beginning of the financial year		146,921,340	116,570,744	43,896,612	67,493,031
Cash and cash equivalents at the end of the financial year	17	120,040,209	146,921,340	20,238,875	43,896,612

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (Cont'd)

(a) Changes in liabilities arising from financing activities:

Group	1 January 2017 RM	Cash flows RM	Foreign exchange movement RM	31 December 2017 RM
Trade facilities	70,755,100	(1,876,188)	(2,077,925)	66,800,987
Term loans	132,545,771	16,353,461	641,120	149,540,352
Finance lease liabilities	1,336,435	(357,542)	(11,289)	967,604
	204,637,306	14,119,731	(1,448,094)	217,308,943
Company				
Trade facilities	27,550,600	(17,817,175)	(1,733,425)	8,000,000
Term loans	62,424,695	(14,765,334)	-	47,659,361
	89,975,295	(32,582,509)	(1,733,425)	55,659,361

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor Darul Ta'zim.

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

The principal activity of the Company is of manufacture of medium density fibreboard and wooden furniture (knock-down). The principal activities of the subsidiaries are as disclosed in Note 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 6 April 2018.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with 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 that are mandatory for the current financial year:

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

MFRS 12	Disclosure of Interest in Other Entities
MFRS 107	Statement of Cash Flows
MFRS 112	Income Taxes

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

Amendments to MFRS 107 Statement of Cash Flows

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

The Group and the Company have applied the amendments prospectively and accordingly, have disclosed the reconciliation in Note (a) in the statements of cash flows.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (Cont'd)

2. BASIS OF PREPARATION (cont'd)

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

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

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

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

MFRS 9 Financial Instruments

Key requirements of MFRS 9:

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

  In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

2. BASIS OF PREPARATION (cont'd)

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

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.

- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

(i) identify the contracts with a customer;
(ii) identify the performance obligation in the contract;
(iii) determine the transaction price;
(iv) allocate the transaction price to the performance obligations in the contract;
(v) recognise revenue when (or as) the entity satisfies a performance obligation.

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

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services

MFRS 16 Leases

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (Cont'd)

2. BASIS OF PREPARATION (cont'd)

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

MFRS 17 Insurance Contracts

MFRS 17 introduces consistent accounting for all insurance contracts. MFRS 17 requires entities that issue insurance contracts to recognise and measure a group of insurance contracts at: (i) a risk-adjusted present value of future cash flows that incorporates information that is consistent with observable market information; plus (ii) an amount representing the unearned profit in the group of contracts. Profits from the group of insurance contracts are recognised over the insurance coverage period. In addition, insurance revenue is presented separately from insurance finance income or expenses.

For insurance contracts with coverage period of one year or less, MFRS 17 allows an entity to measure the amount relating to remaining service by allocating the premium over the coverage period.

Amendments to MFRS 2 Share-based Payment

Amendments to MFRS 2 provide specific guidance on the accounting for:

(a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
(b) share-based payment transactions with a net settlement feature for withholding tax obligations; and
(c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements

Amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

Amendments to MFRS 4 Insurance Contracts

Amendments to MFRS 4 introduce two additional voluntary options, namely an overlay approach and a deferral approach to be applied subject to certain criteria being met, which help to address temporary volatility in reported results of entities dealing with insurance contracts. The overlay approach involves option to recognise the possible volatility in other comprehensive income, instead of profit or loss, whilst the deferral approach provides temporary exemption from applying the Standard on Financial Instruments for entities whose activities are predominantly connected with insurance.

Amendments to MFRS 9 Financial Instruments

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

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

Amendments to MFRS 112 Income Taxes

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

2. BASIS OF PREPARATION (cont'd)

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

Amendments to MFRS 119 Employee Benefits

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

Amendments to MFRS 123 Borrowing Costs

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

Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS 128 clarify that an entity, which is a venture capital organisation, or a mutual fund, unit trust or similar entities, has an investment-by-investment choice to measure its investments in associates or joint ventures at fair value through profit or loss.

Amendments to MFRS 140 Investment Property

Amendments to MFRS 140 clarify that to transfer to, or from, investment properties there must be evidence of a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition of investment property. A change in intention, in isolation, does not provide evidence of a change in use.

The Amendments also clarify that the list of circumstances that evidence a change in use is not exhaustive.

IC Int 22 Foreign Currency Transactions and Advance Consideration

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

IC Int 23 Uncertainty over Income Tax Treatments

IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall:

(i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
(ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

2. BASIS OF PREPARATION (cont'd)

2.3.2 Other than the estimated financial impact arising from the adoption of MFRS 9 and MFRS 15, the detailed analysis on the financial effects of the adoption of other new MFRSs, amendments/ improvements to MFRSs and new IC Int are currently still being assessed by the Group and the Company.

Estimated impact of the adoption of MFRS 9 and MFRS 15

The Group and the Company are required to adopt MFRS 9 and MFRS 15 from 1 January 2018. The Group and the Company expect that there are no material impact of the adoption of these standards on the Group's equity as at 1 January 2018.

The actual impact of adopting the above standards at 1 January 2018 may change because the Group and the Company have not finalised the assessment of the impact and the new accounting policies are subject to change until the Group and the Company present its first financial statements that include the date of initial application.

2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

2.5 Basis of measurement

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

2.6 Use of estimates and judgement

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

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

(a) Subsidiaries and business combination

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

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

3.1 Basis of consolidation (cont'd)

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

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

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

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

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

The accounting policy for goodwill is set out in Note 3.8(a).

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

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

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

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, an available-for-sale financial asset or a held for trading financial asset.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (Cont'd)

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

3.1 Basis of consolidation (cont'd)

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

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.

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

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries is measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.14(b).

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

3.3 Foreign currency transactions and operations

(a) Translation of foreign currency transactions

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (Cont'd)

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

3.3 Foreign currency transactions and operations (cont'd)

(a) Translation of foreign currency transactions (cont'd)

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.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in foreign exchange translation reserve is reattributed to non-controlling interests. For partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount in foreign exchange translation reserve is reclassified to profit or loss.

3.4 Financial instruments

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

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

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

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

3.4 Financial instruments (cont'd)

(a) Subsequent measurement

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

(i) Financial assets

Financial assets at fair value through profit or loss

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

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

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at costs.

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.14(a). Gains and losses are recognised in profit or loss through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets comprise investment in equity and debt securities that are designated as available for sale or are not classified in any of the three preceding categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair values hedges which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

(ii) Financial liabilities

Financial liabilities at fair value through profit or loss

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (Cont'd)

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

3.4 Financial instruments (cont'd)

(a) Subsequent measurement (cont'd)

(ii) Financial liabilities (cont'd)

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

Other financial liabilities

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

(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.

The Group designates financial guarantee contracts given to banks for credit facilities granted to subsidiaries in MFRS 4 Insurance Contracts. The Group recognises these as liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(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 themselves purchase or sell an asset). Trade date accounting refers to:

(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (Cont'd)

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

3.4 Financial instruments (cont'd)

(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.

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 3.14(b).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.19.

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

(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)
Leasehold land	59
Buildings	20-60
Plant and machinery	5-25
Factory and office equipment, furniture and fittings	8
Motor vehicles	5
Computer and communication system	8

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

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 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. Subsequent to initial recognition, investment properties are measured at costs. Gains and losses arising from changes in the fair values of investment properties are recognised in profit or loss for the period in which they arise.

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

3.7 Leases

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

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

(a) Lessee accounting

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

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

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

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

Any upfront lease payments are classified as land use rights.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017 (Cont'd)

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

3.7 Leases (cont'd)

(b) Lessor accounting

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

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

3.8 Goodwill and other intangible assets

(a) Goodwill

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.14(b).

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

(b) Computer software

Computer software that are acquired by the Group and the Company, 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 3.14(b).

3.9 Land use rights

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

3.10 Biological assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (Cont'd)

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

3.11 Inventories

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

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

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

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

3.12 Non-current assets or disposal groups held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The criteria for held for sale classification is regarded as met only when:

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

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

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

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

3.13 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (Cont'd)

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

3.14 Impairment of assets

(a) Impairment and uncollectibility of financial assets

At each reporting date, all financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group and the Company may include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

The amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account and the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment that was recognised, the previously recognised impairment loss is then reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If a write-off is later recovered, the recovery is credited to the profit or loss.

Available-for-sale financial assets

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment. The Group and the Company use their judgement to determine what is considered as significant or prolonged decline, evaluating past volatility experiences and current market conditions.

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

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

3.14 Impairment of assets (cont'd)

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

Available-for-sale financial assets (cont'd)

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

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

(b) Impairment of non-financial assets

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (Cont'd)

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

3.15 Share capital

(a) Ordinary shares

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

(b) Treasury shares

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

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

3.16 Employee benefits

(a) Short-term employee benefits

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

(b) Defined contribution plan

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

(c) Defined benefit plans

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

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

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

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

The Group recognises 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.17 Provisions

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

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

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

3.18 Revenue and other income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, rebates, returns and taxes.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(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.

3.19 Borrowing costs

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (Cont'd)

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

3.19 Borrowing costs (cont'd)

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

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

3.20 Taxes

(a) 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.

(i) Current tax

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

(ii) Deferred tax

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

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

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

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

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

3.20 Taxes (cont'd)

(a) Income tax (cont'd)

(ii) Deferred tax (cont'd)

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

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

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

(b) Goods and services tax and value added tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST") and value added tax ("VAT") except:

- where the GST and VAT incurred in a purchase of assets or services are not recoverable from the taxation authority, in which case the GST and VAT are 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 GST included.

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

3.21 Earnings per share

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

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

3.22 Operating segments

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017 (Cont'd)

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

3.23 Fair value measurements

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

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

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

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

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

3.24 Contingencies

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

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

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

(a) Fair value of biological assets

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

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

The carrying amount of the Group's biological assets and the key assumptions used to determine the fair value less costs to sell are disclosed in Note 7 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (Cont'd)

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

(b) Impairment of goodwill

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

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

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

The Group and the Company write down their obsolete or slow moving inventories based on the assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write-down of obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories. The carrying amounts of the Group's and the Company's inventories are disclosed in Note 14.

(d) Impairment of investment in subsidiaries

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

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

5. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land RM	Freehold land and buildings RM	Plant and machinery RM	Factory and office equipment, furniture and fittings RM	Motor vehicles RM	Computer and communication system RM	Construction in progress RM	Total RM
2017								
Cost								
At 1 January 2017	875,911	250,405,491	1,202,513,300	25,998,084	30,599,133	4,355,974	203,254,567	1,718,002,460
Additions	-	1,464,925	34,211,289	653,490	591,667	1,052,582	108,102,702	146,076,655
Disposals	-	-	-	-	(670,976)	(746,199)	-	(1,417,175)
Written off	-	-	(48,126,123)	(155,103)	-	(194,861)	-	(48,476,087)
Reclassification	-	6,163,418	228,803,822	186,800	60,168	-	(235,214,208)	-
Transfer to non-current assets classified as held for sale (Note 18)	-	(8,551,701)	-	-	-	-	-	(8,551,701)
Exchange differences	-	(1,410,075)	(18,014,743)	(282,102)	(431,023)	(2,281)	(513,132)	(20,653,356)
At 31 December 2017	875,911	248,072,058	1,399,387,545	26,401,169	30,148,969	4,465,215	75,629,929	1,784,980,796
Accumulated depreciation								
At 1 January 2017	74,230	66,782,641	627,659,186	16,424,995	25,710,136	2,323,095	-	738,974,283
Depreciation charge for the year (Note 30)	14,846	6,392,298	52,662,782	806,945	1,670,252	470,469	-	62,017,592
Disposals	-	-	-	-	(664,790)	(724,494)	-	(1,389,284)
Written off	-	-	(18,677,565)	(117,518)	(2,527)	(168,226)	-	(18,965,836)
Exchange differences	-	(604,392)	(9,237,713)	(242,233)	(363,727)	(2,011)	-	(10,450,076)
At 31 December 2017	89,076	72,570,547	652,406,690	16,872,189	26,349,344	1,898,833	-	770,186,679
Accumulated impairment loss								
At 1 January 2017	-	-	3,058,065	4,901	-	19,713	-	3,082,679
Written off	-	-	(214,619)	(4,901)	-	(19,713)	-	(239,233)
At 31 December 2017	-	-	2,843,446	-	-	-	-	2,843,446
Carrying amount								
At 31 December 2017	786,835	175,501,511	744,137,409	9,528,980	3,799,625	2,566,382	75,629,929	1,011,950,671

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

Group	Leasehold land RM	Freehold land and buildings RM	Plant and machinery RM	Factory and office equipment, furniture and fittings RM	Motor vehicles RM	Computer and communication system RM	Construction in progress RM	Total RM
2016								
Cost								
At 1 January 2016	875,911	250,451,700	1,197,920,789	21,011,683	30,799,257	3,534,246	30,891,429	1,535,485,015
Additions	-	781,411	16,576,664	4,078,370	2,182,070	821,555	178,002,082	202,442,152
Disposals	-	(3,372,742)	(23,666,934)	(14,474)	(2,847,711)	-	(1,776,329)	(31,678,190)
Written off	-	(2,521,453)	(17,615,364)	(39,075)	(521,056)	(9,832)	(203,933)	(20,910,713)
Reclassification	-	185,024	3,296,843	450,499	-	-	(3,932,366)	-
Exchange differences	-	4,881,551	26,001,302	511,081	986,573	10,005	273,684	32,664,196
At 31 December 2016	875,911	250,405,491	1,202,513,300	25,998,084	30,599,133	4,355,974	203,254,567	1,718,002,460
Accumulated depreciation								
At 1 January 2016	59,384	59,384,140	583,609,745	15,160,796	26,385,918	1,969,732	-	686,569,715
Depreciation charge for the year (Note 30)	14,846	6,278,227	53,239,502	842,646	1,913,387	349,682	-	62,638,290
Disposals	-	(246,683)	(11,608,561)	(4,433)	(3,008,279)	-	-	(14,867,956)
Written off	-	(459,218)	(11,358,672)	(14,642)	(513,507)	(4,621)	-	(12,350,660)
Exchange differences	-	1,826,175	13,777,172	440,628	932,617	8,302	-	16,984,894
At 31 December 2016	74,230	66,782,641	627,659,186	16,424,995	25,710,136	2,323,095	-	738,974,283
Accumulated impairment loss								
At 1 January 2016	-	-	2,843,446	-	-	-	-	2,843,446
Impairment loss during the financial year (Note 30)	-	-	214,619	4,901	-	19,713	-	239,233
At 31 December 2016	-	-	3,058,065	4,901	-	19,713	-	3,082,679
Carrying amount								
At 31 December 2016	801,681	183,622,850	571,796,049	9,568,188	4,888,997	2,013,166	203,254,567	975,945,498

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

Company	Freehold land and buildings RM	Plant and machinery RM	Factory and office equipment, furniture and fittings RM	Motor vehicles RM	Computer and communication system RM	Construction in progress RM	Total RM
2017							
Cost							
At 1 January 2017	35,835,423	257,315,129	1,718,072	3,813,690	3,193,734	16,236,868	318,112,916
Additions	1,049,366	13,629,627	75,451	117,268	904,817	2,007,846	17,784,375
Disposals	-	(475,615)	-	(368,001)	(719,242)	-	(1,562,858)
Reclassification	-	16,236,868	-	-	-	(16,236,868)	-
At 31 December 2017	36,884,789	286,706,009	1,793,523	3,562,957	3,379,309	2,007,846	334,334,433
Accumulated depreciation							
At 1 January 2017	9,014,101	153,834,782	1,693,386	3,620,574	1,391,498	-	169,554,341
Depreciation charge for the financial year (Note 30)	520,447	11,000,645	6,004	36,173	360,694	-	11,923,963
Disposals	-	(376,940)	-	(361,817)	(718,085)	-	(1,456,842)
At 31 December 2017	9,534,548	164,458,487	1,699,390	3,294,930	1,034,107	-	180,021,462
Net Carrying Amount							
At 31 December 2017	27,350,241	122,247,522	94,133	268,027	2,345,202	2,007,846	154,312,971

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

Company	Freehold land and buildings RM	Plant and machinery RM	Factory and office equipment, furniture and fittings RM	Motor vehicles RM	Computer and communication system RM	Construction in progress RM	Total RM
2016							
Cost							
At 1 January 2016	38,550,872	234,667,020	1,694,312	4,756,727	2,454,803	-	282,123,734
Additions	1,849,908	29,908,816	23,760	231,585	738,931	16,236,868	48,989,868
Disposals	-	(243,882)	-	(1,174,622)	-	-	(1,418,504)
Written off	-	(7,016,825)	-	-	-	-	(7,016,825)
Transfer to investment property (Note 10)	(4,565,357)	-	-	-	-	-	(4,565,357)
At 31 December 2016	35,835,423	257,315,129	1,718,072	3,813,690	3,193,734	16,236,868	318,112,916
Accumulated depreciation							
At 1 January 2016	9,400,627	149,268,750	1,690,512	4,714,124	1,140,773	-	166,214,786
Depreciation charge for the financial year (Note 30)	505,616	10,608,115	2,874	81,073	250,725	-	11,448,403
Disposals	-	-	-	(1,174,623)	-	-	(1,174,623)
Written off	-	(6,042,083)	-	-	-	-	(6,042,083)
Transfer to investment property (Note 10)	(892,142)	-	-	-	-	-	(892,142)
At 31 December 2016	9,014,101	153,834,782	1,693,386	3,620,574	1,391,498	-	169,554,341
Net Carrying Amount							
At 31 December 2016	26,821,322	103,480,347	24,686	193,116	1,802,236	16,236,868	148,558,575

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (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 RM146,076,655 (2016: RM202,442,152) and RM17,784,375 (2016: RM48,989,868) which are satisfied by the following:

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Financed by finance lease arrangements	-	1,171,349	-	-
Cash payments	146,076,655	201,270,803	17,784,375	48,989,868
	146,076,655	202,442,152	17,784,375	48,989,868

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

	Group	
	2017 RM	**2016 RM**
Motor vehicles	1,470,973	1,869,448

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

	Group	
	2017 RM	**2016 RM**
Freehold land and buildings	39,696,966	42,151,242
Plant and machinery and other assets	267,745,868	240,667,452
	307,442,834	282,818,694

(d) In previous financial year, certain freehold land of the Group with a carrying amount of RM5,573,735 was in the process of transfer of land title and pending the approval of the relevant authority. During the financial year, the transfer of land title has been approved and registered under the name of a subsidiary.

6. LAND USE RIGHTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cost				
At 1 January	43,728,705	43,702,277	10,331,238	11,402,541
Reclassified to investment property (Note 10)	-	-	-	(1,071,303)
Exchange differences	(69,088)	26,428	-	-
At 31 December	43,659,617	43,728,705	10,331,238	10,331,238
Accumulated amortisation				
At 1 January	7,486,894	6,636,437	3,008,901	2,941,729
Amortisation charge for the financial year (Note 30)	851,704	850,457	185,594	185,594
Reclassified to investment property (Note 10)	-	-	-	(118,422)
At 31 December	8,338,598	7,486,894	3,194,495	3,008,901
Carrying amount				
At 31 December	35,321,019	36,241,811	7,136,743	7,322,337

The land use rights of the Group and of the Company consist of land with lease term of not more than 50 years.

7. BIOLOGICAL ASSETS

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

	Group	
	2017 RM	2016 RM
At fair value:		
Immature rubber trees	30,100,000	23,800,000
Tropical wood trees	3,200,000	3,000,000
At 31 December	33,300,000	26,800,000

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

31 DECEMBER 2017 (Cont'd)

7. BIOLOGICAL ASSETS (cont'd)

Level 3 fair value

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

	Group 2017 RM	Group 2016 RM
Immature rubber trees		
At 1 January	23,800,000	18,500,000
Increases due to new planting and purchases	-	41,513
Changes in fair value of biological assets	6,300,000	5,258,487
At 31 December	30,100,000	23,800,000
Tropical wood trees		
At 1 January	3,000,000	8,400,000
Decreases due to land clearing for rubber planting	-	(3,840,050)
Changes in fair value of biological assets	200,000	(1,559,950)
At 31 December	3,200,000	3,000,000

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

(b) In previous financial year, the Group felled 20,000 hoppus tons of tropical wood trees. It is estimated that there is a remaining 400 acres of forest land with an estimated 7,600 hoppus tons of trees to be felled. During the financial year, no tropical wood 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 (15 hoppus tons of tropical wood of various species with an average sale value of RM700 (2016: RM670) per hoppus ton)	The higher the average sale value, the higher the fair value

7. BIOLOGICAL ASSETS (cont'd)

Level 3 fair value (cont'd)

(c) All of the Group's rubber trees were planted in the previous financial years and are immature. They will attain maturity upon the sixth to seventh year of planting. The Group had planted on 2,436 (2016: 2,133) acres of land with rubber trees as at the end of financial year.

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

Description	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Rubber plantations and rubber seedlings	Discounted cash flows	Estimated yield of rubber latex per acre (2017: 800 - 1,300kg; 2016: 800 - 1,300kg);	The higher the estimated yield of rubber latex per acre, the higher the fair value
		Estimated latex selling price (2017: RM5.50/kg; 2016: RM5.50/kg); and	The higher the latex selling price, the higher the fair value
		Estimated harvesting and collection cost (2017: RM1.40/kg; 2016: RM1.35/kg)	The lower the harvesting and collection cost, the higher the fair value

Valuation processes applied by the Group

The Group's finance department includes a team that performs valuation analysis for the biological assets required for financial reporting purposes, including Level 3 fair values. This team reports directly to the Group's Chief Executive Officer ("CEO").

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

Highest and best use

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (Cont'd)

8. GOODWILL

	Group 2017 RM	Group 2016 RM
Cost		
At 1 January/31 December	19,590,250	19,590,250
Accumulated impairment loss		
At 1 January	(1,212,897)	(80,312)
Charge for the financial year(Note 30)	(793,307)	(1,132,585)
At 31 December	(2,006,204)	(1,212,897)
Carrying amount		
At 31 December	17,584,046	18,377,353

Impairment of goodwill

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

	Group 2017 RM	Group 2016 RM
Indonesia operations	-	295,328
Thailand operations	4,893,263	5,391,242
Malaysia operations	12,690,783	12,690,783
	17,584,046	18,377,353

Key assumptions used in value-in-use calculations

The recoverable amount of CGU of Malaysia, Indonesia and Thailand operations as at 31 December 2017 and 31 December 2016 are determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a three-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
31.12.2017		
Key assumptions used in value-in-use calculations		
Growth rate	2.7%	2.7%
Gross margin	13% - 23%	30%
Discount rate	16.81% - 17.04%	16.31%

Group	Malaysia operations	Indonesia operations	Thailand operations
31.12.2016			
Key assumptions used in value-in-use calculations			
Growth rate	3%	-	3%
Gross margin	17% - 24%	32%	18% - 30%
Discount rate	10.66% - 13.60%	17.96%	8.77% - 15.04%

8. GOODWILL (cont'd)

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 three years preceding the start of the budget period, adjusted for projected market conditions and machine capability. These are increased over the budget period for anticipated efficiency improvements.

(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

Annual inflation rate is projected as the growth rate in the value-in-use calculations.

Sensitivity to change in assumptions

With regard to the assessment of value-in-use calculation, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value to materially exceed its recoverable amount.

Impairment loss recognised

The Group recognised an impairment loss of RM793,307 (2016: RM1,132,585) in respect of the goodwill arising on consolidation. The goodwill relates to subsidiaries which were loss-making since the previous financial years, hence the related goodwill had been impaired accordingly.

9. OTHER INTANGIBLE ASSET

	Group	
	2017	**2016**
	RM	**RM**
Cost		
At 1 January	319,537	283,353
Exchange differences	(3,315)	36,184
At 31 December	316,222	319,537
Accumulated amortisation		
At 1 January	201,907	156,104
Amortisation charge for the financial year	32,343	29,982
Exchange differences	(2,816)	15,821
At 31 December	231,434	201,907
Carrying amount		
At 31 December	84,788	117,630

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (Cont'd)

10. INVESTMENT PROPERTIES

	Company	
	2017 RM	2016 RM
At cost		
At 1 January	5,636,660	-
Transfer from land use rights (Note 6)	-	1,071,303
Transfer from property, plant and equipment (Note 5)	-	4,565,357
At 31 December	5,636,660	5,636,660
Accumulated depreciation		
At 1 January	(1,165,097)	-
Transfer from land use rights(Note 6)	-	(118,422)
Transfer from property, plant and equipment (Note 5)	-	(892,142)
Depreciation charge during the financial year	(154,533)	(154,533)
At 31 December	(1,319,630)	(1,165,097)
Carrying amount	4,317,030	4,471,563

The following are recognised in the profit or loss in respect of investment property:

	2017 RM	2016 RM
Rental income	799,704	799,704
Direct operating expenses	100,274	100,034

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
2017				
Terrace house	-	-	406,656	406,656
Leasehold land and factory building	-	-	8,929,873	8,929,873
	-	-	9,336,529	9,336,529
2016				
Terrace house	-	-	495,805	495,805
Leasehold land and factory building	-	-	6,098,450	6,098,450
	-	-	6,594,255	6,594,255

There are no transfers between Level 1 and Level 2 during the financial years ended 31 December 2017 and 31 December 2016.

Investment properties of the Company at Level 3 fair value of RM9,336,529 (2016: 6,594,255) was determined by directors' estimation based on the indicative market price of similar properties in the vicinity.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (Cont'd)

11. INVESTMENTS IN SUBSIDIARIES

	Company 2017 RM	Company 2016 RM
At cost		
Unquoted shares, at cost		
At 1 January	373,912,838	363,812,787
Add: Additions during the financial year	71,670,000	10,100,051
At 31 December	445,582,838	373,912,838
Less: Accumulated impairment losses		
At 1 January	(43,168,339)	(32,600,005)
Less: Additions during the financial year(Note 30)	(866,099)	(10,568,334)
	(44,034,438)	(43,168,339)
Add: Loans that are part of net investments	20,521,391	-
At 31 December	422,069,791	330,744,499

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

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Principal activities	Effective equity interest 2017	Effective equity interest 2016
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	51%	51%
Evergreen Eco Wood Pte. Ltd.*	Singapore	Dormant	100%	100%
Evergreen Fibreboard (JB) Sdn. Bhd.	Malaysia	Manufacture of medium density fibreboard	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%

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (Cont'd)

11. INVESTMENT IN SUBSIDIARIES (cont'd)

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

Name of company	Country of incorporation	Principal activities	Effective equity interest 2017	2016
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 solid wooden furniture parts and fingers	100%	51%
Everlatt Sourcing Sdn. Bhd.	Malaysia	Wholesale and trading of furniture	100%	100%
Subsidiary of Craft Master Timber Products Sdn. Bhd.				
Asian Oak Co., Ltd.	Thailand	Producing and distributing wood products	99.99%	-
Subsidiary of Siam Fibreboard Co., Ltd.				
Asian Oak Co., Ltd.*	Thailand	Producing and distributing wood products	-	99.99%
Siam Furniture (Shanghai) Co., Ltd.*	The People's Republic of China	Distributing the household products made of rubber wood	100%	100%
Subsidiary of Evergreen Plantation Resources Sdn. Bhd.				
Jasa Wibawa Sdn. Bhd.	Malaysia	Dealing in sawn-logs and cultivation of rubber trees	100%	100%

* Audited by auditors other than Baker Tilly Monteiro Heng.

(a) On 2 March 2017, the Company had acquired the remaining 11,539,500 ordinary shares of RM1.00 each of its subsidiary, Craft Master Timber Products Sdn. Bhd. ("CMTP"), which represents 49% of the equity interest of CMTP for a total cash consideration of RM380,000. Subsequent to the acquisition, CMTP becomes a wholly-owned subsidiary of the Company.

(b) On 28 December 2017, the Group exercised a re-organisation in Thailand, involving the transfer of 3,892,997 ordinary shares of Asian Oak Co., Ltd. ("AOC") from Siam Fibreboard Co., Ltd. ("SFC"), a 99.99% owned subsidiary of the Company to CMTP, a wholly owned subsidiary of the Company, at a total cash consideration of RM1. The re-organisation is for the purpose of streamlining business management for the direct benefit of the companies involved and indirectly benefit the Group as a whole. There is no financial impact to the Group arising from the re-organisation.

(c) On 5 September 2016, the Company acquired 51 ordinary shares which represents 51% of the remaining equity interest of Evergreen Agro Sdn. Bhd. ("EA") at a total cash consideration of RM51. Upon the acquisition, EA became a wholly-owned subsidiary of the Company. The acquisition has no material impact on the Group's revenue and profit for the financial year ended 31 December 2017.

11. INVESTMENT IN SUBSIDIARIES (cont'd)

(d) During the financial year, the Company subscribed for the additional ordinary shares issued by Allgreen Timber Products Sdn. Bhd. and Everlatt Sourcing Sdn. Bhd. for a consideration of RM70 million and RM390,000 respectively.

(e) **Non-controlling interests in subsidiaries**

The financial information of the subsidiaries of the Group that have non-controlling interests are as follows:

Equity interest held by material non-controlling interests are as follows:

Name of company	Country of incorporation	Equity interest 2017 %	2016 %
PT Hijau Lestari Raya Fibreboard	Indonesia	49	49
Craft Master Timber Products Sdn. Bhd.	Malaysia	-	49

Carrying amount of material non-controlling interests:

	2017 RM	2016 RM
Name of company		
PT Hijau Lestari Raya Fibreboard	29,994,550	28,185,345
Craft Master Timber Products Sdn. Bhd.	-	(62,602)

Profit or loss allocated to material non-controlling interests:

	2017 RM	2016 RM
Name of company		
PT Hijau Lestari Raya Fibreboard	1,809,205	(170,787)
Craft Master Timber Products Sdn. Bhd.	-	(3,477,557)

The summarised financial information before intra-group elimination of the subsidiaries that have non-controlling interests that have material non-controlling interests are as follows:

	PT Hijau Lestari Raya Fibreboard RM
Summarised statement of financial position	
As at 31 December 2017	
Non-current assets	73,985,938
Current assets	64,789,002
Non-current liabilities	(2,259,673)
Current liabilities	(63,432,162)
Net assets	73,083,105

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (Cont'd)

11. INVESTMENT IN SUBSIDIARIES (cont'd)

(e) Non-controlling interests in subsidiaries (cont'd)

	PT Hijau Lestari Raya Fibreboard RM
Summarised statement of comprehensive income	
Financial year ended 31 December 2017	
Revenue	89,710,538
Profit for the financial year	3,798,836
Total comprehensive income	3,692,360
Summarised statement of comprehensive income	
Financial year ended 31 December 2017	
Net cash from operating activities	19,749,563
Net cash used in investing activities	(3,713,192)
Net cash used in financing activities	(1,346,807)
Net increase in cash and cash equivalents	14,689,564
Dividends paid to non-controlling interests	-

	Craft Master Timber Products Sdn. Bhd. RM	PT Hijau Lestari Raya Fibreboard RM
Summarised statements of financial position		
As at 31 December 2016		
Non-current assets	5,463,835	88,356,640
Current assets	2,725,998	54,980,763
Non-current liabilities	-	(1,642,049)
Current liabilities	(8,317,592)	(64,352,477)
Net (liabilities)/assets	(127,759)	77,342,877
Summarised statements of comprehensive income		
Financial year ended 31 December 2016		
Revenue	3,698,514	85,297,890
Loss for the financial year	(7,097,055)	(509,825)
Total comprehensive loss	(7,097,055)	(348,547)

11. INVESTMENT IN SUBSIDIARIES (cont'd)

(e) Non-controlling interests in subsidiaries (cont'd)

	Craft Master Timber Products Sdn. Bhd. RM	PT Hijau Lestari Raya Fibreboard RM
Summarised statements of comprehensive income Financial year ended 31 December 2016		
Net cash from operating activities	3,956,924	13,884,475
Net cash from/(used in) investing activities	689,961	(2,232,965)
Net cash used in financing activities	(2,566,415)	(1,309,923)
Net increase in cash and cash equivalents	2,080,470	10,341,587
Dividends paid to non-controlling interests	-	-

12. DEFERRED TAX

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Deferred tax liabilities				
At 1 January	(24,774,063)	(10,709,449)	(4,085,377)	(2,104,061)
Recognised in profit or loss(Note 32)	(15,607,233)	(14,199,368)	(1,305,873)	(1,981,316)
Exchange differences	(86,162)	134,754	-	-
At 31 December	(40,467,458)	(24,774,063)	(5,391,250)	(4,085,377)

(a) Presented after appropriate off-setting as follows:

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Deferred tax assets	4,589,578	13,391,043	13,097,759	10,629,754
Deferred tax liabilities	(45,057,036)	(38,165,106)	(18,489,009)	(14,715,131)
	(40,467,458)	(24,774,063)	(5,391,250)	(4,085,377)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (Cont'd)

12. DEFERRED TAX (cont'd)

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

	Group	
	2017 RM	**2016 RM**
Deferred tax assets		
Unabsorbed capital allowances	10,889,914	14,361,828
Unutilised tax losses	11,689,393	6,609,303
Unutilised tax allowances	-	14,361,506
Unabsorbed reinvestment allowances	13,438,830	-
Unrealised loss foreign exchange	244,251	90,490
Provision for retirement benefits obligation	2,209,260	1,859,005
Others	143,681	-
	38,615,329	37,282,132
Deferred tax liabilities		
Differences between the carrying amounts of property, plant and equipment and their tax bases	(70,395,313)	(55,324,969)
Changes in fair value of biological assets	(7,992,000)	(6,432,000)
Unrealised gain on foreign exchange	(695,474)	(299,226)
	(79,082,787)	(62,056,195)
	(40,467,458)	(24,774,063)

	Company	
	2017 RM	**2016 RM**
Deferred tax assets		
Provision for retirement benefits obligation	929,066	856,767
Unabsorbed capital allowance	1,394,897	-
Unabsorbed reinvestment allowances	10,773,796	9,682,497
Unrealised loss foreign exchange	-	90,490
	13,097,759	10,629,754
Deferred tax liabilities		
Differences between the carrying amounts of property, plant and equipment and its tax base	(18,450,255)	(14,715,131)
Unrealised gain on foreign exchange	(38,754)	-
	(18,489,009)	(14,715,131)
	(5,391,250)	(4,085,377)

The deferred tax assets and liabilities are not available for set-off as they arise from different taxable entities within the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017 (Cont'd)

12. DEFERRED TAX (cont'd)

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

	Group 2017 RM	Group 2016 RM
Unabsorbed capital allowances	91,779,057	94,153,365
Unutilised tax losses	55,552,924	55,663,598
Unabsorbed investment tax allowances	76,051,303	76,051,303
Unabsorbed reinvestment allowances	8,633,639	8,633,639
Others	1,400,069	3,486,056
	233,416,992	237,987,961

The unutilised tax losses and unabsorbed tax allowances of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to guidelines issued by the tax authority.

13. OTHER INVESTMENTS

	Group 2017 RM	Group 2016 RM
Non-current		
Available-for-sale financial assets:		
- equity instruments (quoted in Malaysia)	-	139,600
Market value of quoted investments	-	139,600

14. INVENTORIES

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
At lower of cost and net realisable value				
Raw materials	45,920,112	35,624,567	7,606,638	6,571,195
Work-in-progress	52,455,429	35,643,176	679,520	253,957
Finished goods	48,772,377	37,460,241	16,332,450	12,822,051
Factory supplies	3,296,276	4,212,329	1,453,160	1,714,272
Fertilizer, chemicals and consumables	110,884	242,049	-	-
Packing materials	2,945,688	827,842	1,697,108	355,863
Spare parts	73,756,038	98,967,161	15,842,785	24,587,634
	227,256,804	212,977,365	43,611,661	46,304,972

The cost of inventories of the Group and of the Company recognised as an expense in cost of sales during the financial year was RM798,668,514 (2016: RM730,291,031) and RM209,554,716 (2016: RM190,171,436) respectively. In addition, the expense recognised in the cost of sales include the following:

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Inventories written down	2,860,669	122,599	549,222	-
Inventories written off	500,000	-	500,000	-
	3,360,669	122,599	1,049,222	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (Cont'd)

15. TRADE AND OTHER RECEIVABLES

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Trade receivables					
External parties		88,495,660	76,579,247	9,857,964	12,493,190
Subsidiaries		-	-	15,998,159	9,151,010
		88,495,660	76,579,247	25,856,123	21,644,200
Less: Impairment loss		(49,251)	(124,585)	-	-
		88,446,409	76,454,662	25,856,123	21,644,200
Other receivables					
Amounts owing by subsidiaries	(b)	-	-	77,343,095	162,379,468
Other receivables		4,130,693	5,147,294	2,303,173	1,027,915
Deposits		4,796,604	1,852,316	425,314	325,671
Goods and services/value added tax refundable		13,601,317	11,110,391	2,566,693	1,693,925
Insurance compensation receivable		868,000	1,887	-	-
		23,396,614	18,111,888	82,638,275	165,426,979
Less: Impairment for other receivables		-	-	-	(2,582,723)
		23,396,614	18,111,888	82,638,275	162,844,256
Total trade and other receivables		111,843,023	94,566,550	108,494,398	184,488,456

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 term granted ranging from 15 to 90 days (2016: 15 to 90 days) from date of invoices. Other credit terms are assessed and approved on a case-by-case basis.

(a) Trade receivables

The Group and the Company maintain an ageing analysis in respect of trade receivables only. The ageing analysis of the Group's and the Company's trade receivables are as follows:

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Neither past due nor impaired	53,295,009	53,314,495	21,920,873	10,597,185
Past due but not impaired				
1 to 30 days past due not impaired	26,881,295	16,734,795	1,060,732	7,780,188
31 to 60 days past due not impaired	4,905,376	2,540,959	1,446,729	1,181,176
61 to 90 days past due not impaired	2,986,083	1,867,314	993,621	14,782
91 to 120 days past due not impaired	55,520	671,119	-	-
More than 120 days past due not impaired	323,126	1,325,980	434,168	2,070,869
	35,151,400	23,140,167	3,935,250	11,047,015
Impaired				
- individually	49,251	124,585	-	-
	88,495,660	76,579,247	25,856,123	21,644,200

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (Cont'd)

15. TRADE AND OTHER RECEIVABLES (cont'd)

(a) Trade receivables (cont'd)

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 is as follows:

	Group 2017 RM	Group 2016 RM
At 1 January	124,585	81,435
Charge for the financial year	557	51,913
Reversal of impairment loss	-	(10,814)
Written off	(75,381)	-
Exchange difference	(510)	2,051
At 31 December	49,251	124,585

(b) Amounts owing by subsidiaries represent advances which are unsecured, non-interest bearing (except for amounts owing by subsidiaries amounting to RM59,119,005 (2016: RM121,223,930) bearing interest at rates ranging from 1.75% to 7.72% (2016: 1.75% to 7.72%)), repayable on demand in cash and cash equivalents.

16. OTHER CURRENT ASSETS

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Current				
Prepayments	4,103,611	4,274,189	448,903	368,004
Advance payments to suppliers	12,119,093	16,662,669	530,750	2,590,437
	16,222,704	20,936,858	979,653	2,958,441

17. DEPOSITS, CASH AND BANK BALANCES

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Cash and bank balances	94,833,364	116,183,772	5,025,715	15,238,129
Deposits placed with licensed banks (Note(a))	25,206,845	30,737,568	15,213,160	28,658,483
Time deposit (Note(b))	833,553	13,345,183	200,000	200,000
Deposits, cash and bank balances as reported in the statements of financial position	120,873,762	160,266,523	20,438,875	44,096,612
Less: Time deposits	(833,553)	(13,345,183)	(200,000)	(200,000)
Cash and cash equivalents as reported in the statements of cash flows	120,040,209	146,921,340	20,238,875	43,896,612

17. DEPOSITS, CASH AND BANK BALANCES (cont'd)

(a) The deposits placed with licensed banks are placements with period less than 3 months and bear interests at rate ranging from 1.5% to 3.25% (2016: 2.60% to 4.00%) and mature within 3 months.

(b) Time deposits are deposits placed with licensed bank for periods more than 3 months and bear interests at rates ranging from 1.05% to 3.55% (2016: 1.50% to 3.05%) per annum and mature within one year.

18. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

	Group 2017 RM
At 1 January	-
Reclassified from freehold land and building (Note 5)	8,551,701
Freehold land and buildings	8,551,701

On 12 September 2017, the Company entered into a sale and purchase agreement ("SAP") with a third party to dispose of a piece of land for a total cash consideration of RM19,602,000. The conditions precedent in the SPA are completed subsequent to the financial year end.

19. SHARE CAPITAL

	Group/Company			
	Number of ordinary shares		Amount	
	2017 UNIT	2016 UNIT	2017 RM	2016 RM
Authorised				
At 1 January/31 December	-	1,200,000,000	-	300,000,000
Issued and fully paid				
At 1 January	846,423,985	564,290,000	211,605,996	141,072,500
Issued during the financial year	-	282,133,985	-	70,533,496
Transition to no-par value regime	-	-	133,143,216	-
At 31 December	846,423,985	846,423,985	344,749,212	211,605,996

The Companies Act 2016 ("the Act") which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account of RM133,143,216 becomes part of the Company's share capital pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months upon the commencement of the Act, use the amount standing to the credit of its share premium account of RM133,143,216 for purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue of the relative entitlement of any of the members as a result of this transition.

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

20. SHARE PREMIUM

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares in the previous financial years. Pursuant to Section 618(2) of the Act, the sum of RM133,143,216 standing to the credit of the Company's share premium account has been transferred and became part of the Company's share capital as disclosed in Note 19.

21. TREASURY SHARES

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 19 May 2017 for the Company to repurchase 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.

At 31 December 2017, the Company's treasury shares are held at a carrying amount of RM393,305 (2016: RM393,305).

22. OTHER RESERVES

(a) Equity transaction reserve

The equity transaction reserve comprises the differences between the share of non-controlling interests in subsidiaries acquired/disposed and the consideration paid/received.

(b) Foreign Exchange Reserve

The foreign exchange reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(c) Fair value reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

23. LOANS AND BORROWINGS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Non-current				
Secured:				
Term loans	60,312,694	28,346,001	20,222,961	28,346,001
Finance lease liabilities (Note 23(c))	642,820	1,005,550	-	-
Unsecured:				
Term loans	62,631,636	71,480,656	14,309,360	19,327,000
	123,587,150	100,832,207	34,532,321	47,673,001

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017 (Cont'd)

23. LOANS AND BORROWINGS (cont'd)

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Current				
Secured:				
Trade facilities	49,600,000	33,204,500	-	-
Term loans	13,142,067	19,996,290	8,123,040	8,123,040
Finance lease liabilities (Note 23(c))	324,784	330,885	-	-
Unsecured:				
Trade facilities	17,200,987	37,550,600	8,000,000	27,550,600
Term loans	13,453,955	12,722,824	5,004,000	6,628,654
	93,721,793	103,805,099	21,127,040	42,302,294
Total loans and borrowings				
Trade facilities	66,800,987	70,755,100	8,000,000	27,550,600
Term loans	149,540,352	132,545,771	47,659,361	62,424,695
Finance lease liabilities (Note 23(c))	967,604	1,336,435	-	-
	217,308,943	204,637,306	55,659,361	89,975,295

(a) The loans and borrowings of the Group are secured by the following:

(i) Debentures over fixed and floating charges over the present and future assets of certain subsidiaries;
(ii) Legal charge over the freehold land, buildings and plant and machinery of certain subsidiaries as disclosed in Note 5;
(iii) Priority and security sharing agreement; and
(iv) Corporate guarantee by the Company.

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

	Group 2017 %	Group 2016 %	Company 2017 %	Company 2016 %
Trade facilities	1.7 - 4.9	1.6 - 5.3	1.7 - 4.9	1.6 - 5.3
Term loans	0.9 - 5.3	0.9 - 5.2	4.3 - 5.3	4.2 - 5.2
Finance lease liabilities	2.52 - 3.57	2.5 - 3.9	-	-

(c) Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group 2017 RM	Group 2016 RM
Minimum lease payments		
Not later than 1 year	350,705	390,165
Later than 1 year and not later than 2 years	621,092	698,382
Later than 2 years and not later than 5 years	70,465	383,640
	1,042,262	1,472,187
Less: Future finance charges	(74,658)	(135,752)
Present value of minimum lease payments	967,604	1,336,435

23. LOANS AND BORROWINGS (cont'd)

(c) Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows (cont'd):

	Group 2017 RM	Group 2016 RM
Present value of minimum lease payments		
Not later than 1 year	324,784	330,885
Later than 1 year and not later than 2 years	576,582	635,975
Later than 2 years and not later than 5 years	66,238	369,575
	967,604	1,336,435
Less: Amount due within 12 months	(324,784)	(330,885)
Amount due after 12 months	642,820	1,005,550

24. RETIREMENT BENEFITS OBLIGATION

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

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
At 1 January	8,561,171	8,814,784	3,569,863	4,223,630
Current service costs and interest expense (Note 31)	1,526,012	1,085,790	417,489	587,180
Remeasurement of actuarial loss/(gain) from financial assumption	863,137	(1,245,841)	-	(1,106,221)
Benefits paid	(170,679)	(192,333)	(116,242)	(134,726)
Exchange differences	(245,619)	98,771	-	-
At 31 December	10,534,022	8,561,171	3,871,110	3,569,863

Significant actuarial assumptions

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

	Group/Company 2017 %	Group/Company 2016 %
Discount rate	5.00	4.99 – 5.40
Salary increase rate	3.00 – 5.00	3.00 – 8.04

23. RETIREMENT BENEFITS OBLIGATION (cont'd)

Sensitivity analysis

The sensitivity of the defined benefit obligation to the significant actuarial assumptions at the end of reporting period are shown below:

	Reasonably possible change in assumption	Group		Company	
		Effect on defined benefit obligation			
		Increase RM	Decrease RM	Increase RM	Decrease RM
2017					
Discount rate	1%	(608,510)	703,382	(369,485)	428,456
Salary increase rate	1%	727,856	(638,045)	449,147	(392,946)
2016					
Discount rate	1%	(592,046)	687,046	(356,317)	414,966
Salary increase rate	1%	643,697	(565,248)	396,115	(347,223)

25. TRADE AND OTHER PAYABLES

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Trade payables				
Third parties	59,325,985	56,956,369	7,943,500	9,795,912
Amounts owing to subsidiaries	-	-	9,460,158	2,583,249
	59,325,985	56,956,369	17,403,658	12,379,161
Other payables				
Amounts owing to subsidiaries	-	-	-	62,637
Other payables	34,762,073	45,571,764	7,018,660	9,927,402
Amounts owing to non-controlling interests	4,904,750	4,364,601	-	-
Goods and services/ value added tax payable	1,634,829	2,022,656	-	-
Deposits	10,030,163	820,481	-	-
Advances received from customers	7,915,681	12,612,078	2,242,275	1,942,003
Accruals	29,670,554	30,255,016	6,834,432	7,156,822
	88,918,050	95,646,596	16,095,367	19,088,864
Total trade and other payables	148,244,035	152,602,965	33,499,025	31,468,025

(a) Trade payables are non-interest bearing and the normal credit terms granted to the Group ranging from 7 to 90 days (2016: 7 to 90 days).

(b) The amounts owing to subsidiaries represents advances and transfer of assets and liabilities pursuant to a restructuring exercise in previous financial years which are unsecured, non-interest bearing, repayable on demand in cash and cash equivalents.

(c) The amounts owing to non-controlling interests represents amounts arising from acquisition of assets and advances which are unsecured, non-interest bearing, repayable on demand in cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (Cont'd)

26. REVENUE

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

27. COST OF SALES

Cost of sales represents cost of inventories sold.

28. OTHER INCOME

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Dividend income from subsidiaries	-	-	36,960,200	9,042,175
Dividend income from quoted investment	4,800	3,400	-	-
Fair value gain on derivatives	-	875,887	-	-
Gain on foreign exchange				
- realised	-	7,542,417	-	1,730,397
- unrealised	2,778,861	-	161,481	-
Gain on disposal of property, plant and equipment	107,121	3,135,226	9,100	275,511
Gain on disposal of other investment	51,600	-	-	-
Gain arising from fair value adjustment of biological assets	6,500,000	3,698,537	-	-
Interest income	1,880,991	1,753,218	3,953,876	3,780,082
Insurance compensation	38,057,392	3,005,255	-	-
Others	1,256,712	2,738,428	97,935	497,844
Rental income	635,922	245,958	1,090,026	1,090,026
Reversal of impairment loss on:				
- amount owing by a subsidiary	-	-	226,591	-
- trade receivables	-	10,814	-	-
	51,273,399	23,009,140	42,499,209	16,416,035

29. OTHER EXPENSES

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Bad debts written off	51,535	-	-	-
Impairment loss:				
- investment in subsidiaries	-	-	866,099	10,568,334
- goodwill	793,307	1,132,585	-	-
- property, plant and equipment	-	239,233	-	-
- trade receivables	557	51,913	-	-
Loss on foreign exchange				
- realised	7,284,647	-	5,423,339	-
- unrealised	-	2,857,969	-	377,042
Property, plant and equipment written off	29,271,018	8,560,053	-	974,742
Others	621,570	2,147,562	-	-
	38,022,634	14,989,315	6,289,438	11,920,118

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (Cont'd)

30. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Amortisation of:					
- land use rights	6	851,704	850,457	185,594	185,594
- intangible asset	9	32,343	29,982	-	-
Auditors' remuneration					
- auditors of the Company					
- statutory audit					
- current year		313,300	284,300	113,000	100,000
- overprovision in prior year		-	(5,000)	-	-
- non-statutory audit		47,000	48,000	36,500	48,000
- component auditors of the Group					
- statutory audit					
- current year		235,313	216,033	-	-
Bad debts written off		51,535	-	-	-
Depreciation of property, plant and equipment	5	62,017,592	62,638,290	11,923,963	11,448,403
Depreciation of investment property		-	-	154,333	154,533
Dividend income from subsidiaries		-	-	(36,960,200)	(9,042,175)
Dividend income from quoted investment		(4,800)	(3,400)	-	-
Employee benefits expense	31	117,362,303	100,649,320	28,215,722	26,835,447
Fair value gain on derivatives		-	(875,887)	-	-
(Gain)/Loss on foreign exchange:					
- realised		7,284,647	(7,542,417)	5,423,339	(1,730,397)
- unrealised		(2,778,861)	2,857,969	(161,481)	377,042
Gain on disposal of property, plant and equipment		(107,121)	(3,135,226)	(9,100)	(275,511)
Gain arising from fair value adjustment of biological assets		(6,500,000)	(3,698,537)	-	-
Gain on disposal of other investment		(51,600)	-	-	-
Impairment loss on:					
- investment in subsidiaries	11	-	-	866,099	10,568,334
- goodwill	8	793,307	1,132,585	-	-
- property, plant and equipment	5	-	239,233	-	-
- trade receivables	15	557	51,913	-	-
Interest income		(1,880,991)	(1,753,218)	(3,953,876)	(3,780,082)
Interest expense:					
- financial lease liabilities		59,473	191,680	-	6,939
- trade facilities		2,514,594	3,474,090	797,673	375,292
- term loans		3,396,859	3,116,981	2,625,957	2,297,183
Insurance compensation		(38,057,392)	(3,005,255)	-	-
Inventories written down		2,860,669	122,599	549,222	-
Inventories written off		500,000	-	500,000	-
Property, plant and equipment written off		29,271,018	8,560,053	-	974,742
Rental expense:					
- equipment		5,201,126	4,150,495	1,032,243	1,427,239
- hostel		449,968	415,390	122,420	125,040
- land		1,470,490	695,364	388,355	382,000
Rental income		(635,922)	(245,958)	(1,090,026)	(1,090,026)
Reversal of impairment loss on:					
- trade receivables		-	(10,814)	-	-
- amount owing by a subsidiary		-	-	(226,591)	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017 (Cont'd)

31. EMPLOYEE BENEFITS EXPENSE

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Wages and salaries		105,131,798	89,108,314	24,389,913	22,744,651
Defined contribution plan		5,103,596	4,775,042	2,555,500	2,404,208
Social security contribution		1,297,114	1,275,055	264,134	241,333
Other staff related expenses		4,303,783	4,145,299	588,686	858,075
Retirement benefits obligation	24	1,526,012	1,345,610	417,489	587,180
		117,362,303	100,649,320	28,215,722	26,835,447

Included in employee benefits expenses are:

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Directors of the Company					
Executive:					
Salaries and emoluments		5,336,633	4,950,411	4,343,297	4,073,341
Bonus		229,295	271,277	229,295	229,500
Benefits-in-kind		53,500	53,500	49,833	44,700
		5,619,428	5,275,188	4,622,425	4,347,541
Non-executive:					
Fee		294,600	292,400	294,600	292,400
Allowances		11,500	11,000	11,500	11,000
		306,100	303,400	306,100	303,400
		5,925,528	5,578,588	4,928,525	4,650,941

32. TAX EXPENSE

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Statements of comprehensive income				
Current income tax:				
Malaysia Income Tax	6,437,192	12,204,960	890,029	1,536,782
Real property gain tax	-	197,193	-	-
(Over)/Under provision in prior financial years	(1,041,817)	(1,103,729)	(97,101)	76,807
	5,395,375	11,298,424	792,928	1,613,589

32. TAX EXPENSE (cont'd)

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Deferred tax (Note 12):				
Origination and reversal of temporary differences	5,680,447	5,293,990	(873,913)	(2,097,860)
Under provision in prior financial years	9,926,786	8,905,378	2,179,786	4,079,176
	15,607,233	14,199,368	1,305,873	1,981,316
Tax expense recognised in profit or loss	21,002,608	25,497,792	2,098,801	3,594,905

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

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Profit before tax	67,835,411	93,445,241	43,597,275	20,067,697
Tax at Malaysian statutory income tax rate of 24%	16,280,499	22,426,858	10,463,346	4,816,247
Effect of different tax rates in other countries	(9,581)	(1,468,844)	-	-
Effect of changes in tax rate	-	(125,550)	-	-
Income not subject to tax	(3,241,659)	(8,634,701)	(9,180,066)	(2,469,546)
Expenses not deductible for tax purposes	2,899,612	8,136,436	1,013,037	3,333,101
Deferred tax assets not recognised during the financial year	-	3,405,631	-	-
Utilisation of previously unrecognised deferred tax assets	(1,097,033)	-	-	-
Deferred tax assets recognised on reinvestment allowances	(2,714,199)	(6,240,880)	(2,280,201)	(6,240,880)
Effect on real property gain tax	-	197,193	-	-
(Over)/Under provision in prior financial years				
- income tax	(1,041,817)	(1,103,729)	(97,101)	76,807
- deferred tax	9,926,786	8,905,378	2,179,786	4,079,176
Tax expense	21,002,608	25,497,792	2,098,801	3,594,905

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (Cont'd)

33. EARNINGS PER SHARE

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

	Group	
	2017 RM	**2016 RM**
Profit attributable to the owners of the Company	44,971,407	71,679,434
Weighted average number of ordinary shares for basic earnings per share	846,423,985	827,152,537
Basic earnings per share (sen)	5.31	8.66

(b) The diluted earnings per ordinary share of the Group for the financial years ended 31 December 2017 and 31 December 2016 are the same as the basic earnings per ordinary share of the Group as the Group has no dilutive potential ordinary shares.

34. DIVIDENDS

	Company	
	2017 RM	**2016 RM**
Single tier final dividend of 2 sen per ordinary share in respect of the financial year ended 31 December 2016	16,920,040	-
Single tier interim dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2015	-	8,464,020
	16,920,040	8,464,020

At the forthcoming Annual General Meeting, a single tier final dividend of 1.38 sen per ordinary share, amounting to RM11,674,827 in respect of current financial year, 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 2018.

35. CAPITAL COMMITMENTS

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

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
In respect of capital expenditure approved and contracted for:				
- Property, plant and equipment	10,010,033	25,566,411	927,954	2,804,006

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017 (Cont'd)

36. RELATED PARTIES

(a) Identity of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:
(i) Subsidiaries; and
(ii) Key management personnel of the Group's and the Company's holding company, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

(b) Significant related party transactions

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

	Company	
	2017	**2016**
	RM	**RM**
Transactions with subsidiaries are as follows:		
- Sale of products and rendering of service	(48,823,544)	(34,836,379)
- Rental income	(1,090,026)	(1,090,026)
- Interest income	(2,984,466)	(3,780,082)
- Sale of spare parts	(635,702)	(496,913)
- Sales of property, plant and equipment	(58,000)	(701,210)
- Purchase of products	51,396,976	25,810,581
- Purchase of property, plant and equipment	50,441	5,730,011
- Purchase of spare parts	15,127	-

(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	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Short term employees benefits	5,872,028	5,525,088	4,878,692	4,606,241
Benefits-in-kind	53,500	53,500	49,833	44,700
	5,925,528	5,578,588	4,928,525	4,650,941

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (Cont'd)

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

(i) Loans and receivables
(ii) Other financial liabilities

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Financial Assets				
Loans and receivables				
- Trade and other receivables, excluding goods and services/ value added tax refundable	98,241,706	83,456,159	105,927,705	182,794,531
- Deposit, cash and bank balances	120,873,762	160,266,523	20,438,875	44,096,612
	219,115,468	243,722,682	126,366,580	226,891,143
Available-for-sale				
- Other investments	-	139,600	-	-
Financial Liabilities				
Other financial liabilities				
- Trade and other payables, excluding goods and services/value added tax payable and advances received from customers	138,693,525	139,910,234	31,256,750	31,468,025
- Loans and borrowings	217,308,943	204,637,306	55,659,361	89,975,295
	356,002,468	344,547,540	86,916,111	121,443,320

(b) Fair value measurement

The carrying amounts of deposit, cash and bank balances, short-term receivables and payables and short-term borrowings reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

The carrying amounts of long term floating rate term loan is reasonable approximation of fair values as the loans will be re-priced to market interest rate on or near reporting date.

There have been no transfers between Level 1 and Level 2 during the financial year (2016: no transfer in either directions).

36. FINANCIAL INSTRUMENTS (cont'd)

(b) Fair value measurement (cont'd)

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

	Carrying amount	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group									
2017									
Financial liabilities									
Other financial liabilities									
- finance lease liabilities	967,604	-	-	-	-	-	938,114	-	938,114
2016									
Financial assets									
Available-for-sale									
- other investments	139,600	139,600	-	-	139,600	-	-	-	-
Financial liabilities									
Other financial liabilities									
- finance lease liabilities	1,336,435	-	-	-	-	-	1,299,893	-	1,299,893

37. FINANCIAL INSTRUMENTS (cont'd)

(b) Fair value measurement (cont'd)

Level 2 fair value

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

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's and the Company's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's and of the Company's businesses whilst managing their interest rate risk, foreign exchange risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in deposits with licensed banks.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

Sensitivity analysis
As at the reporting date, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's and the Company's profit net of tax would have been RM1,651,548 (2016: RM1,555,244) and RM423,011 (2016: RM683,812) higher/lower respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the current observable market environment.

(b) Foreign exchange risk

The Group and the Company are exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk are primarily United States Dollar and Euro. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

The Group and the Company maintain a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (Cont'd)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Foreign exchange risk (cont'd)

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:

	United States Dollar RM	Euro RM	Other Currencies RM	Total RM
Functional Currency of Group				
At 31 December 2017				
Ringgit Malaysia	45,838,480	(64,588,604)	522,690	(18,227,434)
Thai Baht	7,914,830	(594,481)	(56,167)	7,264,182
Indonesian Rupiah	5,223,377	(807,760)	(5,923)	4,409,694
	58,976,687	(65,990,845)	460,600	(6,553,558)
At 31 December 2016				
Ringgit Malaysia	35,823,332	(54,071,534)	1,164,378	(17,083,824)
Thai Baht	(1,280,948)	(1,003,123)	(26,813)	(2,310,884)
Indonesian Rupiah	7,724,849	(774,690)	(6,087)	6,944,072
	42,267,233	(55,849,347)	1,131,478	(12,450,636)

<u>Sensitivity analysis</u>

The following table demonstrates the sensitivity of the Group's loss net of tax to reasonably possible change in the USD and EUR exchange rates against the respective functional currency of the Group entities, with all other variables held constant:

	Change in rate	Effect on profit for the financial year RM
31 December 2017		
- USD	+ 3%	1,344,668
	- 3%	(1,344,668)
- EUR	+ 3%	(1,504,591)
	- 3%	1,504,591
31 December 2016		
- USD	+ 3%	963,693
	- 3%	(963,693)
- EUR	+ 3%	(1,273,365)
	- 3%	1,273,365

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(c) Liquidity risk

The Group and the Company manage their debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group and the Company maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group and the Company strive to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group and the Company are committed funding from both capital markets and financial institutions and balances its portfolio with some short-term funding so as to achieve overall cost effectiveness.

<u>Analysis of financial instruments by remaining contractual maturities</u>
The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	Carrying amount RM	On demand within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	Total RM
Group					
2017					
Financial liabilities:					
Trade and other payables	138,693,525	138,693,525	-	-	138,693,525
Loans and borrowings	217,308,943	98,870,316	120,586,942	28,496,849	247,954,107
	356,002,468	237,563,841	120,586,942	28,496,849	386,647,632
2016					
Financial liabilities:					
Trade and other payables	137,968,231	137,968,231	-	-	137,968,231
Loans and borrowings	204,637,306	108,592,188	83,145,578	24,003,627	215,741,393
	342,605,537	246,560,419	83,145,578	24,003,627	353,709,624
Company					
2017					
Financial liabilities:					
Trade and other payables	31,256,750	31,256,750	-	-	31,256,750
Loans and borrowings	55,659,361	23,128,764	54,462,661	-	77,591,425
Financial guarantee contracts	-	61,083,695	-	-	61,083,695
	86,916,111	115,469,209	54,462,661	-	169,931,870
2016					
Financial liabilities:					
Trade and other payables	29,526,022	29,526,022	-	-	29,526,022
Loans and borrowings	89,975,295	45,104,311	51,644,157	502,750	97,251,218
Financial guarantee contracts	-	60,392,766	-	-	60,392,766
	119,501,317	135,023,099	51,644,157	502,750	187,170,006

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(d) Credit risk

The Group's and the Company's credit risk is primarily attributable to trade receivables. The Group and the Company trade only with recognised and creditworthy third parties. It is the Group's and the Company's policies that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's and the Company's exposure to bad debts is not significant.

The credit risk of the Group's and of the Company's other financial assets, which comprise deposit, cash and bank balances arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Group and the Company do not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:
- The carrying amount of each class of financial assets recognised in the statement of financial position; and
- An amount of RM61,083,695 (2016: RM60,392,766) 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 its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	Group			
	2017 RM	%	2016 RM	%
By country:				
Malaysia	54,545,340	62%	43,668,296	57%
Thailand	16,657,721	19%	16,773,510	22%
Other countries	17,243,348	20%	16,012,856	21%
	88,446,409	100%	76,454,662	100%

Financial assets that are neither past due nor impaired

Information on trade and other receivables that are neither past due nor impaired is disclosed in Note 15. Deposits with banks and other financial institutions and derivatives are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (Cont'd)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(e) Market Price Risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risk arising from its investment in quoted shares. These instruments are classified as available-for-sale. The Group does not have exposure to commodity price risk.

Sensitivity analysis

Quoted investments of the Group are exposed to changes in market quoted prices. However, the volatility of these investments' prices is considered low, and hence, sensitivity analysis for equity price risk is not presented.

39. 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 ("CEO") 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	manufacturing, trading and sales of wood products.

The directors are of the opinion that all inter-segment transactions have been entered in the normal course of business and have been established on terms and conditions that are mutually agreed upon.

Segment profit
Segment performance is used to measure performance as Group's Chief Executive Officer believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements.

Segment assets and liabilities
The total of segment assets and liabilities are measured based on all assets and liabilities of a segment, as included in the internal reports that are reviewed by the Group's Chief Executive Officer.

39. SEGMENT INFORMATION (Cont'd)

2017	Note	Malaysia RM	Thailand RM	Indonesia RM	Others RM	Adjustments and Elimination RM	Total RM
Revenue							
Revenue from external customers		575,561,525	358,810,902	89,692,466	72,059	-	1,024,136,952
Inter-segment revenue	A	200,127,229	51,339,222	18,072	-	(251,484,523)	-
Total revenue		775,688,754	410,150,124	89,710,538	72,059	(251,484,523)	1,024,136,952
Results							
Segment profit		50,919,604	15,057,993	7,857,669	(28,929)	-	73,806,337
Finance costs		(4,726,725)	(1,187,471)	(56,730)	-	-	(5,970,926)
Profit before tax		46,192,879	13,870,522	7,800,939	(28,929)	-	67,835,411
Tax expense		(18,259,079)	(31,503)	(2,712,026)	-	-	(21,002,608)
Profit for the financial year		27,933,800	13,839,019	5,088,913	(28,929)	-	46,832,803
Assets:							
Segment assets		991,387,230	460,803,454	138,127,118	368,888	-	1,590,686,690
Liabilities:							
Segment liabilities		319,788,322	81,917,508	19,945,586	212,128	-	421,863,544

39. SEGMENT INFORMATION (Cont'd)

2017	Note	Malaysia RM	Thailand RM	Indonesia RM	Others RM	Adjustments and Elimination RM	Total RM
Other Information:							
Amortisation of intangible assets		-	32,343	-	-	-	32,343
Amortisation of land use rights		851,704	-	-	-	-	851,704
Capital expenditures	B	81,817,334	60,755,130	3,504,191	-	-	146,076,655
Depreciation of property, plant and equipment		31,055,959	23,790,956	7,170,677	-	-	62,017,592
Gain arising from fair value adjustment of biological assets		(6,500,000)	-	-	-	-	(6,500,000)
Interest income		(1,746,211)	(101,858)	(32,334)	(588)	-	(1,880,991)
Interest expense:							
- financial lease liabilities		11,243	48,230	-	-	-	59,473
- trade facilities		1,505,923	951,941	56,730	-	-	2,514,594
- term loans		3,209,559	187,300	-	-	-	3,396,859
Impairment loss on:							
- goodwill		-	497,977	295,330	-	-	793,307
- trade receivables		-	557	-	-	-	557
Inventories written down		2,860,669	-	-	-	-	2,860,669
Inventories written off		500,000	-	-	-	-	500,000
Insurance compensation		(9,892)	(38,047,500)	-	-	-	(38,057,392)
Property, plant and equipment written off		74,353	29,196,665	-	-	-	29,271,018

39. SEGMENT INFORMATION (Cont'd)

2016	Note	Malaysia RM	Thailand RM	Indonesia RM	Others RM	Adjustments and Elimination RM	Total RM
Revenue							
Revenue from external customers		522,698,256	390,419,611	84,676,748	-	-	997,794,615
Inter-segment revenue	A	158,858,368	54,096,206	621,142	-	(213,575,716)	-
Total revenue		681,556,624	444,515,817	85,297,890	-	(213,575,716)	997,794,615
Results							
Segment profit		43,717,608	53,908,457	1,655,735	70,305	-	99,352,105
Finance costs		(5,048,419)	(1,676,213)	(58,119)	-	-	(6,782,751)
Fair value adjustment on derivative		540,181	335,706	-	-	-	875,887
Profit/(Loss) before tax		39,209,370	52,567,950	1,597,616	70,305	-	93,445,241
Tax expense		(17,344,916)	(7,293,035)	(859,841)	-	-	(25,497,792)
Profit for the financial year		21,864,454	45,274,915	737,775	70,305	-	67,947,449
Assets:							
Segment assets		967,961,718	471,257,082	119,087,857	2,639,378	-	1,560,946,035
Liabilities:							
Segment liabilities		300,960,356	90,042,571	17,498,878	302,489	-	408,804,294

39. SEGMENT INFORMATION (Cont'd)

2016	Note	Malaysia RM	Thailand RM	Indonesia RM	Others RM	Adjustments and Elimination RM	Total RM
Other Information:							
Amortisation of intangible assets		-	29,982	-	-	-	29,982
Amortisation of land use rights		850,457	-	-	-	-	850,457
Capital expenditures	B	172,957,024	26,885,912	2,599,216	-	-	202,442,152
Depreciation of property, plant and equipment		32,255,458	23,652,348	6,730,484	-	-	62,638,290
Fair value gain on derivatives		(875,887)	-	-	-	-	(875,887)
Interest income		(1,656,346)	(75,794)	(21,078)	-	-	(1,753,218)
Interest expense:							
- financial lease liabilities		177,241	14,439	-	-		191,680
- trade facilities		2,212,821	1,203,150	58,119	-	-	3,474,090
- term loans		2,658,357	458,624			-	3,116,981
Impairment loss on:							
- investment in subsidiaries							
- goodwill		1,132,585	-	-	-	-	1,132,585
- property, plant and equipment		239,233	-	-	-	-	239,233
- trade receivables		51,913	-	-	-	-	51,913
Property, plant and equipment written off		8,354,501	25,341	180,211	-	-	8,560,053
Reversal of impairment loss on trade receivables		(10,814)	-	-	-	-	(10,814)

39. SEGMENT INFORMATION (cont'd)

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

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

	2017 RM	2016 RM
Property, plant and equipment	146,076,655	202,442,152

(c) Geographical Information

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

	2017 RM	2016 RM
Revenue from sales to external customers by location of the customers		
United States	50,691,480	50,602,807
Africa	28,011,152	23,719,982
Europe	27,663,629	29,763,844
Far East Asia	84,934,148	54,322,054
Middle East	349,326,604	419,449,662
South Asia	14,190,973	32,350,878
South East Asia	469,318,966	387,585,388
	1,024,136,952	997,794,615

(ii) The following is the analysis of non-current assets other than financial instruments, deferred tax assets and goodwill, which is analysed by the Group's geographical location:

	Malaysia RM	Thailand RM	Indonesia RM	Others RM	Total RM
2017					
Property, plant and equipment	613,613,009	324,954,938	73,361,514	-	1,011,950,671
Land use rights	34,717,811	-	624,418	-	35,321,019
Biological assets	33,300,000	-	-	-	33,300,000
Intangible assets	-	84,788	-	-	84,788
Total non-current assets	681,630,820	325,039,726	73,985,932	-	1,080,656,478
2016					
Property, plant and equipment	571,890,201	318,952,907	85,102,390	-	975,945,498
Land use rights	35,548,305	-	693,506	-	36,241,811
Biological assets	26,800,000	-	-	-	26,800,000
Intangible assets	-	117,630	-	-	117,630
Total non-current assets	634,238,506	319,070,537	85,795,896	-	1,039,104,939

40. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group 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 2017 and 31 December 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt comprises borrowings and trade and other payables, less cash and bank balances whereas total capital comprises the equity attributable to equity holders of the Group and the Company.

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Loans and borrowings	217,308,943	204,637,306	55,659,361	89,975,295
Trade and other payables	148,244,035	152,602,965	33,499,025	31,468,025
Deposits, cash and bank balances	(120,873,762)	(160,266,523)	(20,438,875)	(44,096,612)
Net debt	244,679,216	196,973,748	68,719,511	77,346,708
Equity attributable to the owners of the Company Total capital	1,138,828,596	1,124,018,998	663,464,850	638,886,416
Capital and net debt	1,383,507,812	1,320,992,746	732,184,361	716,233,124
Gearing ratio	18%	15%	9%	11%

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 60 to 136 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 2017 and of their financial performance and cash flows for the financial year then ended.

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

KUO JEN CHIU
Director

MARY HENERIETTA LIM KIM NEO
Director

Date: 6 April 2018

STATUTORY DECLARATION

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

I, **TEE KIM FOOM**, being the officer primarily responsible for the financial management of Evergreen Fibreboard Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 60 to 136 and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

TEE KIM FOOM
MIA Membership No. : 19204

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 6 April 2018.

Before me,

TAN KIM CHOOI (No. W661)
Commissioner of Oaths

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

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Evergreen Fibreboard Berhad, which comprise the statements of financial position as at 31 December 2017 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 60 to 136.

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

Basis for Opinion

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

Key Audit Matters

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

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

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

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

Our audit response:

Our audit procedures included, among others:

- evaluating the competence, capabilities and objectivity of the independent professional valuer, including consideration of their qualifications and experience;
- reviewing the discounted cash flow calculations and the underlying valuation model by comparing to available market data;
- corroborating the key inputs to the model, including commodity prices, yield and the area of land under cultivation to market data;
- performing a sensitivity analysis around the key inputs that are expected to be most sensitive to the recoverable amount of the biological assets;
- checking the mathematical accuracy of the discounted cash flow calculations; and
- reviewing the disclosure requirements in accordance with MFRS 141 *Biological Assets*.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF EVERGREEN FIBREBOARD BERHAD
(INCORPORATED IN MALAYSIA) (Cont'd)

Key Audit Matters (cont'd)

Goodwill (Notes 4(b) and 8 to the financial statements)

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

We focused on this area because the impairment assessment requires the exercise of significant judgements and estimates by the director on the discount rates applied in the value in use calculation and assumptions supporting the underlying cash flow projections, including forecast growth rates and gross profit margins.

Our audit response:

Our audit procedures focused on evaluating the cash flow projections and the Group's forecasting procedures which included, among others:

- assessing the value in use methodology adopted by the Group;
- comparing the actual results with previous cash flow projections to assess the performance of the business and historical accuracy of the projections;
- comparing the Group's assumptions to externally derived data as well as our assessments in relation to key inputs such as discount rates, forecast growth rates, inflation rates and gross profit margins;
- testing the mathematical accuracy of the impairment assessment;
- performing a sensitivity analysis around the key inputs that are expected to be most sensitive to the recoverable amount of the goodwill; and
- assessing the appropriateness of the valuation methodology adopted by the Group in accordance with the requirements of MFRS 136 *Impairment of Assets.*

Inventories (Notes 4(c) and 14 to the financial statements)

The Group has significant inventories as at 31 December 2017. The valuation of the Group's inventories is stated at the lower of cost or net realisable value. The Group and the Company write down their obsolete or slow moving inventories based on the assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write-down of obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

We focused on the existence and 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 assessing the implementation of controls associated with monitoring and detection and write down/off of slow-moving inventories as at 31 December 2017;
- observing year end physical inventory count to examine the physical existence and condition of the inventories;
- reviewing subsequent sales and evaluating the Group's assessment on estimated net realisable values on selected inventory items; and
- evaluating whether the inventories have been written down to their net realisable values for inventory items with net realisable values lower than their costs.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF EVERGREEN FIBREBOARD BERHAD
(INCORPORATED IN MALAYSIA) (Cont'd)

Key Audit Matters (cont'd)

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 i.e. the carrying amount of the asset is more than the recoverable amount.

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

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 budget to assess the performance of the business and reliability of the forecasting process;
- comparing the Company's assumptions to externally derived data as well as our review of key assumptions to assess their reasonableness and achievability of the projections;
- testing the mathematical accuracy of the impairment assessment; and
- performing a sensitivity analysis around the key assumptions.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF EVERGREEN FIBREBOARD BERHAD
(INCORPORATED IN MALAYSIA) (Cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF EVERGREEN FIBREBOARD BERHAD
(INCORPORATED IN MALAYSIA) (Cont'd)

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
No.AF0117
Chartered Accountants

Heng Fu Joe
No.02966/11/2018 J
Chartered Accountant

Kuala Lumpur

Date: 6 April 2018

LIST OF TOP 10 PROPERTIES

NO	LOCATION	TENURE	LAND AREA	USAGE	NET BOOK VALUE AS AT 31 DEC 2017 RM	YEAR OF ACQUISITION
1	HS (D) 201356, PT 30237 KAWASAN PERINDUSTRIAN NILAI ***ADDRESS*** : LOT 5776, NILAI INDUSTRIAL ESTATE, 71800 NILAI, NEGERI SEMBILAN, DARUL KHUSUS	LEASEHOLD 36 YEARS EXPIRING ON 2043	37.98 ACRES	OFFICE ADMINISTRATION, PRODUCTION AREA AND WAREHOUSE	40,589,479	09/2008
2	PTD 20386 HS(D) 61260 MUKIM OF SRI GADING, DICTRICT OF BATU PAHAT, JOHOR ***ADDRESS*** : PLO 22, PARIT RAJA INDUSTRIAL AREA, 86400 PARIT RAJA, BATU PAHAT, JOHOR.	LEASEHOLD 60 YEARS EXPIRING ON 13/06/2056	17.854 ACRES	INDUSTRIAL / PRODUCTION AREA	23,486,994	09/09/1993
3	KAWASAN HUTAN SIMPAN LABIS, MUKIM SEMBRONG, DAERAH MERSING, JOHOR.	LEASEHOLD EXPRING ON 31/12/2066	4.41 ACRES	PLANTATION	20,719,645	JAN 11
4	TITLE NO 247458 ***ADDRESS*** : 417/112-113, STA INDUSTRIAL PARK, MOO 1, KANJANAVANICH ROAD, SUB- DISTRICT PATHONG, DISTRICT OF HAATYAI. 90230 SONGKHLA, THAILAND	FREEHOLD	13.64 ACRES	LOG YARD AREA	14,799,560	31/3/2011
5	PLO 202, MUKIM OF POGOH, DICTRICT OF SEGAMAT, JOHOR ***ADDRESS*** : PLO 202, SEGAMAT INDUSTRIAL AREA II, 85000 SEGAMAT, JOHOR.	FREEHOLD	12.04 ACRES	INDUSTRIAL / OFFICE AND PRODUCTION BUILDING	13,694,877	02/01/2005

LIST OF TOP 10 PROPERTIES (Cont'd)

NO	LOCATION	TENURE	LAND AREA	USAGE	NET BOOK VALUE AS AT 31 DEC 2017 RM	YEAR OF ACQUISITION
6	LOT NO 1, TITLE NO 152121 ***ADDRESS*** : 417/117, STA INDUSTRIAL PARK, MOO 1, KANJANAVANICH ROAD, SUB-DISTRICT PATHONG, DISTRICT OF HAATYAI, 90230 SONGKHLA, THAILAND.	FREEHOLD	9.257 ACRES	LAND AND IMPROVEMENT PRODUCTION AREA AND WAREHOUSE	10,131,423	25/05/2007
7	LOT NO 11, TITLE NO 152126 ***ADDRESS*** : 417/112-113, STA INDUSTRIAL PARK, MOO 1, KANJANAVANICH ROAD, SUB-DISTRICT PATHONG, DISTRICT OF HAATYAI, 90230 SONGKHLA, THAILAND.	FREEHOLD	6.4 ACRES	INDUSTRIAL / PRODUCTION AREA	8,110,604	28/08/2007
8	LOT NO 11, TITLE NO 152124 ***ADDRESS*** : 417/112-113, STA INDUSTRIAL PARK, MOO 1, KANJANAVANICH ROAD, SUB-DISTRICT PATHONG, DISTRICT OF HAATYAI, 90230 SONGKHLA, THAILAND.	FREEHOLD	9.6 ACRES	INDUSTRIAL / PRODUCTION AREA	7,460,122	28/08/2007
9	LOT NO 11, TITLE NO 152123 ***ADDRESS*** : 417/112-113, STA INDUSTRIAL PARK, MOO 1, KANJANAVANICH ROAD, SUB-DISTRICT PATHONG, DISTRICT OF HAATYAI, 90230 SONGKHLA, THAILAND.	FREEHOLD	7.25 ACRES	INDUSTRIAL / TRAILER PARKING, CAR PARK	4,948,840	22/08/2006
10	PTD 18043 MUKIM OF SRI GADING, DICTRICT OF BATU PAHAT	FREEHOLD	6.25 ACRES	LOG YARD AREA	4,883,644	30/08/2006

STATEMENT OF SHAREHOLDINGS

AS AT 30 MARCH 2018

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	92	4,120	0.00
100 - 1,000	504	353,637	0.04
1,001 - 10,000	4,851	27,465,053	3.25
10,001- 100,000	3,353	109,971,382	13.00
100,001 to less than 5% of issued shares	518	441,731,787	52.21
5% and above of issued shares	2	266,476,006	31.50
	9,320	846,001,985	100.00

* *excluding a total of 422,000 ordinary shares bought back and retained as treasury shares.*

THIRTY LARGEST SHAREHOLDERS

	Shareholders	Number of Shares	Percentage of Shares
1.	KUO JEN CHANG	142,355,865	16.83
2.	KUO JEN CHIU	124,120,141	14.67
3.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE	39,509,500	4.67
4.	KUO HUEI CHEN	32,526,790	3.84
5.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	23,313,300	2.76
6.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK	22,311,650	2.64
7.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	18,110,800	2.14
8.	KUO-TING YER PING	13,553,094	1.60
9.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD	11,448,500	1.35
10.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	8,696,300	1.03
11.	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR MGF CAPITAL LIMITED	7,780,000	0.92
12.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR NG PAIK PHENG	7,264,200	0.86

STATEMENT OF SHAREHOLDINGS (Cont'd)
AS AT 30 MARCH 2018

THIRTY LARGEST SHAREHOLDERS (cont'd)

Shareholders	Number of Shares	Percentage of Shares
13. EVAWORLD SDN. BHD.	7,079,290	0.84
14. CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	6,636,132	0.78
15. UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD	6,602,500	0.78
16. CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD CIMB ISLAMIC TRUSTEE BHD FOR BIMB I DIVIDEND FUND	5,550,000	0.66
17. CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	5,504,004	0.65
18. HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD	4,690,200	0.55
19. CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SUSY DING	4,623,350	0.55
20. AMSEC NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR PACIFIC PEARL FUND	4,481,400	0.53
21. AMSEC NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD	4,392,500	0.52
22. LIM CHIAN PENG	4,325,000	0.51
23. CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR UBS AG SINGAPORE (FOREIGN)	4,212,000	0.50
24. CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	3,974,550	0.47
25. CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD CIMB-PRINCIPAL ISLAMIC ASSET MANAGEMENT SDN BHD FOR LEMBAGA TABUNG HAJI	3,897,400	0.46
26. CESFIELD DEVELOPMENT SDN. BHD.	3,255,740	0.38
27. AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT TREASURES FUND	3,110,800	0.37
28. HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG YEE HUI	3,021,950	0.36
29. DB (MALAYSIA) NOMINEE (ASING) SDN BHD THE BANK OF NEW YORK MELLON FOR THE BOARD OF REQENTS OF THE UNIVERSITY OF TEXAS SYSTEM	2,875,100	0.34
30. KUO HUEI CHEN	2,526,789	0.30

STATEMENT OF SHAREHOLDINGS (Cont'd)

AS AT 30 MARCH 2018

SUBSTANTIAL SHAREHOLDERS

According to the Register required to be kept under Section 144 of the Companies Act 2016, the following are the substantial shareholders of the Company: -

Substantial Shareholders		Direct Interest Number of Shares	Direct Interest % of Shares	Deemed Interest Number of Shares	Deemed Interest % of Shares
1.	KUO WEN CHI	0	0.00	352,788,179 (1)	41.68
2.	KUO JEN CHANG	142,355,865	16.82	210,432,314 (3)	24.86
3.	KUO JEN CHIU	124,120,141	14.66	228,668,038 (3)	27.02
4.	KUO HUEI CHEN	35,053,579	4.14	317,734,600 (3)	37.56
5.	HSU MEI LAN	0	0.00	352,788,179 (2)	41.68
6.	KUO-TING YER PING	13,553,094	1.60	339,235,085 (4)	40.09

***Notes**:*

(1) Deemed interest by virtue of his indirect shareholdings in HSBC Nominees (Asing) Sdn. Bhd. and Children.
(2) Deemed interest by virtue of the interest of Spouse and Children.
(3) Deemed interest by virtue of the interest of Parents and Siblings.
(4) Deemed interest pursuant to Section 8 of Companies Act 2016.

LIST OF DIRECTORS' SHAREHOLDINGS

	Directors	Direct Interest Number of Shares	Direct Interest % of Shares	Deemed Interest Number of Shares	Deemed Interest % of Shares
1.	KUO WEN CHI	0	0.00	352,788,179 (1)	41.68
2.	KUO JEN CHANG	142,355,865	16.82	210,432,314 (2)	24.86
3.	KUO JEN CHIU	124,120,141	14.66	228,668,038 (2)	27.02
4.	MARY HENERIETTA LIM KIM NEO	6	0.00	0	0.00
5.	LAW NGEE SONG	0	0.00	0	0.00
6.	KUAN KAI SENG	0	0.00	0	0.00
7.	YAP PENG LEONG	0	0.00	0	0.00
8.	HENRY S KUO	0	0.00	13,553,094 (2)	1.60

Notes:

(1) Deemed interest by virtue of his indirect shareholdings in HSBC Nominees (Asing) Sdn. Bhd. and Children.
(2) Deemed interest by virtue of the interest of parent(s) and/or siblings.

This Page is intentionally left blank

FORM OF PROXY

CDS ACCOUNT NO.	NO. OF SHARES HELD

I / We ____

being a member / members of **Evergreen Fibreboard Berhad**, hereby appoint (1) Mr / Ms ____________________

____________________________________ (NRIC No. ____________________) of

____ or

failing whom, ________________________________ (NRIC No. ____________________) of

____

*(2) Mr / Ms ________________________________ (NRIC No. ____________________) of

____ or

failing whom, ________________________________ (NRIC No. ____________________) of

____

as my/our proxy to vote for *me/us and on *my/our behalf at the **Twenty-Seventh Annual General Meeting** of the Company to be held at Phoenix Hotel, Jalan Forest City 1, Pulau Satu, 81550 Gelang Patah, Johor Darul Takzim, Malaysia on **Friday, 25 May 2018 at 9.00 a.m.** and at every adjournment thereof *for/against the resolutions to be proposed thereat.

The proportion of *my/our proxies are as follows:
(This paragraph should be completed only when two proxies are appointed)

First Proxy (1) ______________)% First Proxy (2) ______________)%

*My / Our proxy is to vote as indicated below: -

Agenda	Resolution	For*	Against*
Approval on payment of final single tier dividend	1		
Re-appointment of Messrs. Baker Tilly Monteiro Heng as Auditors	2		
Re-election of Mr. Kuo Jen Chang	3		
Re-election of Mr. Kuo Jen Chiu	4		
Re-election of Mr. Yap Peng Leong	5		
Re-election of Ms. Nirmala A/P Doraisamy	6		
Approval of Non-Executive Director's Fees and Allowances	7		
Approval on Authority to Allot Shares Pursuant to Section 75 & 76	8		
Approval on Proposed Renewal of Authority for the Company to Purchase its own Shares	9		
Approval to designate Mr. Jonathan Law Ngee Song as an Independent Director	10		

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 __________ 2018

____
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 Level 6, Symphony House, Pusat Dagangan Dana, 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

Please fold here

Affix Stamp

The Secretary
EVERGREEN FIBREBOARD BERHAD **(217120-W)**
Level 6, Symphony House,
Pusat Dagangan Dana,
1, Jalan PJU 1A/46,
47301 Petaling Jaya, Selangor

Please fold here

Evergreen Fibreboard Berhad
(217120-W)

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

Tel : 607-454 1933
Fax : 607-454 2933
Email : enquiry@efb.com.my

Our website:
www.evergreengroup.com.my