EVERGREEN FIBREBOARD BERHAD

(217120 - W)

Annual Report 2016

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Sixth Annual General Meeting of Evergreen Fibreboard Berhad will be held at Horizon Hills Golf & Country Club, No. 1, Jalan Eka, Horizon Hills, 79100 Nusajaya, Johor Darul Takzim, Malaysia on Friday, 19 May 2017 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 2016 together with the Directors' and Auditors' Report thereon.	**REFER TO EXPLANATORY NOTE (a)**
2.	To approve the payment of a final single tier dividend of 2 sen per ordinary share for the financial year ended 31 December 2016.	**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) Ms. Mary Henerietta Lim Kim Neo	**RESOLUTION 3**
	ii) Mr. Kuan Kai Seng	**RESOLUTION 4**
5.	To approve the payment of Non-Executive Directors' Fees and Allowance of up to RM303,400 for the financial year ended 31 December 2016.	**RESOLUTION 5**

SPECIAL BUSINESS

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

6. **ORDINARY RESOLUTION 1**
RE-APPOINTMENT OF DIRECTOR

"**THAT** Mr Kuo Wen Chi be and is hereby re-appointed as Director of the Company." **RESOLUTION 6**

7. **ORDINARY RESOLUTION 2**
AUTHORITY TO ALLOT SHARES - SECTION 76 **RESOLUTION 7**

"**THAT** pursuant to Section 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 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."

8. **ORDINARY RESOLUTION 3**
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") **RESOLUTION 8**

"**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.
(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 manners as allowed by the Act from time to time.

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

9. **ORDINARY RESOLUTION 4**
DESIGNATION AS INDEPENDENT DIRECTOR **RESOLUTION 9**

"**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 2012."

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 2 SEN PER ORDINARY SHARE

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at the Twenty-Sixth Annual General Meeting, the final single tier dividend of 2 sen per ordinary share in respect of the financial year ended 31 December 2016 will be payable on 18 August 2017 to Depositors registered in the Record of Depositors at the close of business on 2 August 2017.

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 2 August 2017 in respect of transfer; and
b) Securities bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

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

Johor Bahru
26 April 2017

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.

EXPLANATORY NOTE ON AGENDA

a) This Agenda item is meant for discussion only as the provision of Section 248 (2) of the Companies Act, 2016 does not require a formal approval of the shareholders and hence, is not put forward for voting.

EXPLANATORY NOTES ON SPECIAL BUSINESS: -

(i) **Ordinary Resolution 1**
With the coming into force of the Companies Act, 2016 on 31 January 2017, there is no age limit for directors.

At the Twenty-Fifth Annual General Meeting held on 20 May 2016, Mr Kuo Wen Chi who is above the age of 70, was re-appointed pursuant to Section 129 of the Companies Act, 1965 to hold office until the conclusion of the Twenty-Fifth Annual General Meeting. His term of office will end at the conclusion of Twenty-Fifth Annual General Meeting and he has offered himself for re-appointment.

The proposed Ordinary Resolution 1, if passed, will enable Mr Kuo Wen Chi to continue to act as Director of the Company and he shall subject to retirement by rotation at a later date.

The Nomination Committee of the Company has assessed the criteria and contribution of Mr Kuo Wen Chi for his re-appointment, and the Board have endorsed the NC's recommendation that Mr Kuo Wen Chi be re-appointed as Director of the Company.

(ii) **Ordinary Resolution 2**
The Ordinary Resolution 2, if passed, is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion without convening a general meeting. This is a renewal of a general mandate. The Company did not utilise the mandate granted in the preceding year's Annual General Meeting.

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

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

(iii) **Ordinary Resolution 3**
The Ordinary Resolution 3, if passed, will empower the Directors to purchase the Company's shares of up to 10% of the total number of issued shares of the Company at any point of time, by utilising the funds allocated which shall not exceed the total retained profits of the Company. The audited retained profits of the Company stood at RM294,530,509 as at 31 December 2016. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting.

Please refer to Statement of Share Buy-Back dated 26 April 2017.

(iv) **Ordinary Resolution 4**
Mr. Jonathan Law Ngee Song is an Independent Director of the Company who has served the Company for more than nine years.

In line with the Malaysian Code on Corporate Governance 2012, the Nomination Committee has assessed his independence as defined in Bursa Securities Listing Requirements which has not been compromised all these while. In fact, he exercises his judgment in an independent and unfettered manner, discharge his duty with reasonable care, skill and diligent; bringing independent thought and experience to Board's deliberations and decision making process all these while which 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.

ADDITIONAL NOTES

The Memorandum and Articles of Association of the Company shall have effect and enforceable pursuant to Section 619(3) of the Companies Act, 2016. In addition, arising from the migration to the no par value regime under the Companies Act 2016, par value is no longer relevant.

CORPORATE INFORMATION

Our Paid –Up Capital and Market Capitalisation

The paid up capital of Evergreen Fibreboard Berhad as at 31 December 2016 was RM211,605,996 million and the ordinary share price (Stock Code 5101) at the close of business was RM0.96 giving a market capitalization of RM812,567,026 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. Our website is being updated on a regular basis on all Company Announcements and on other relevant changes and developments.

Our Registered Address

Suite 6.1A, Level 6,
Menara Pelangi,
Jalan Kuning, Taman Pelangi,
80400 Johor Bahru, Johor .
Tel : 07-332 3536
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

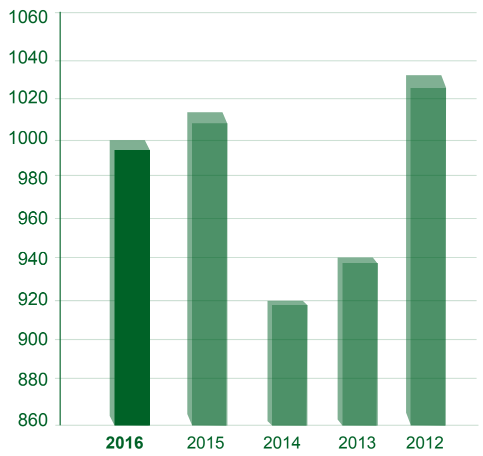
BDO Governance Advisory Sdn. Bhd.
Level 8,
BDO@ Menara CenTARa,
360 Jalan Tunku Abdul Rahman,
50100 Kuala Lumpur.
Tel : 603-2616 2888
Fax : 603-2616 2829

GROUP FINANCIAL HIGHLIGHTS

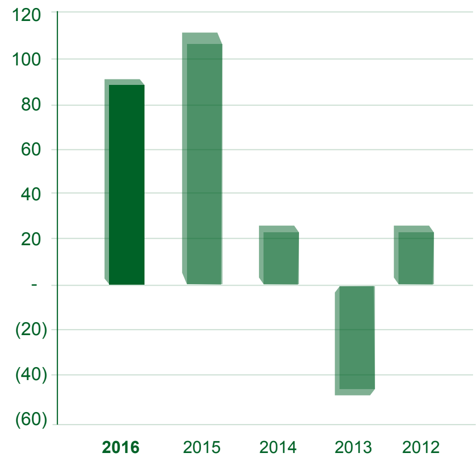
RM Million	2016	2015	2014	2013	2012
FINANCIAL RESULTS					
Revenue	998	1,012	919	939	1,032
Gross Profit Margin (%)	26.8%	28.4%	20.1%	13.6%	18.4%
Profit/(Loss) Before Tax	93	109	25	(49)	26
Profit/(Loss) After Tax	68	94	22	(45)	26
Profit/(Loss) Attributable to owners of the Company	72	91	-	(43)	32
EBIT	100	119	38	(34)	41
EBITDA	164	184	102	34	109
FINANCIAL POSITION					
Total Assets	1,561	1,447	1,286	1,287	1,357
Total Liabilities	409	377	456	478	505
Total Net Assets	1,152	1,070	830	809	852
Total Equity Attributable to Owners of the Company	1,124	1,038	802	786	826
BANK BORROWINGS					
Total Borrowings	205	199	288	337	371
Deposits, Cash and Bank balances	160	117	74	56	84
Total Net Borrowings	44	82	214	282	287
SHARE CAPITAL					
Weighted Average No. of Shares	827,152	517,356	513,000	513,000	513,000
Share Capital (no. of shares ‘000)	846,424	564,290	513,000	513,000	513,000
Treasury Shares (no. of shares’000)	422	22	22	22	22
FINANCIAL RATIOS					
Earnings/(Loss) per Share (Sen)	8.66	17.57	0.03	(8.34)	6.27
Return on Shareholders’ Funds (%)	6.4%	8.8%	0.0%	(5.4%)	3.9%
Return on Total Assets (%)	8.7%	11.1%	4.6%	(4.2%)	4.8%
Share Price at Year End (RM)	0.96	2.36	0.605	0.46	0.58
PE Ratio (X)	11.1	13.4	2,016.7	N/A	9.3
DPS (sen)	-	1.00	-	-	1.00
Net Assets per Share (RM)	1.39	2.07	1.62	1.58	1.66
Net Gearing Ratio (%)	3.9%	7.7%	25.8%	34.8%	33.7%
Market Capitalization	813	1,332	310	236	298

GROUP FINANCIAL HIGHLIGHTS (Cont'd)

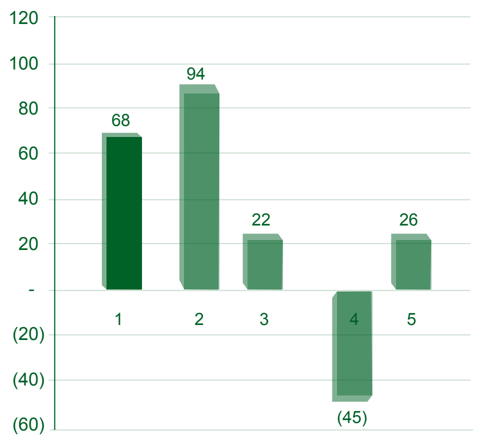
GROUP REVENUE (RM MILLIONS)



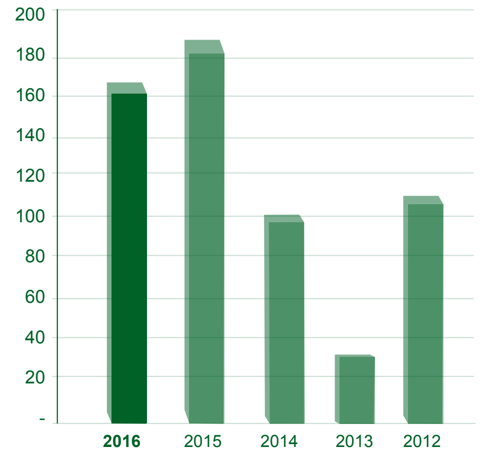
GROUP PROFIT/(LOSS) BEFORE TAX (RM MILLIONS)



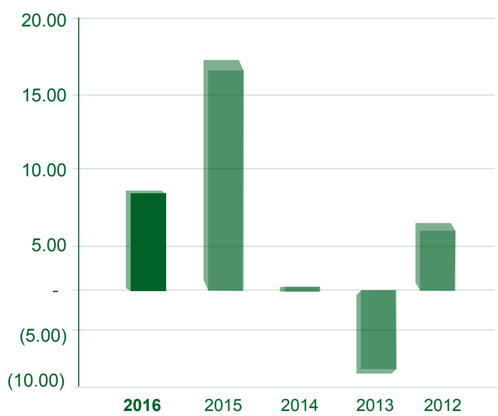
PROFIT/(LOSS) AFTER TAX (RM MILLIONS)



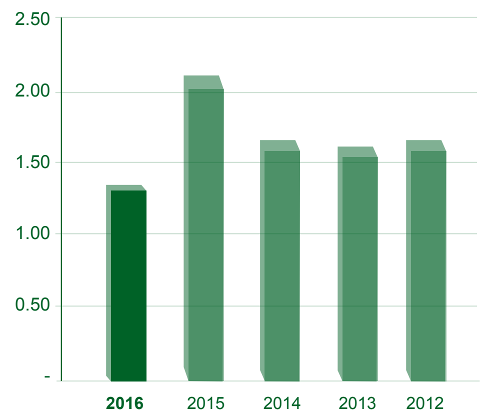
GROUP EBITDA (RM MILLIONS)



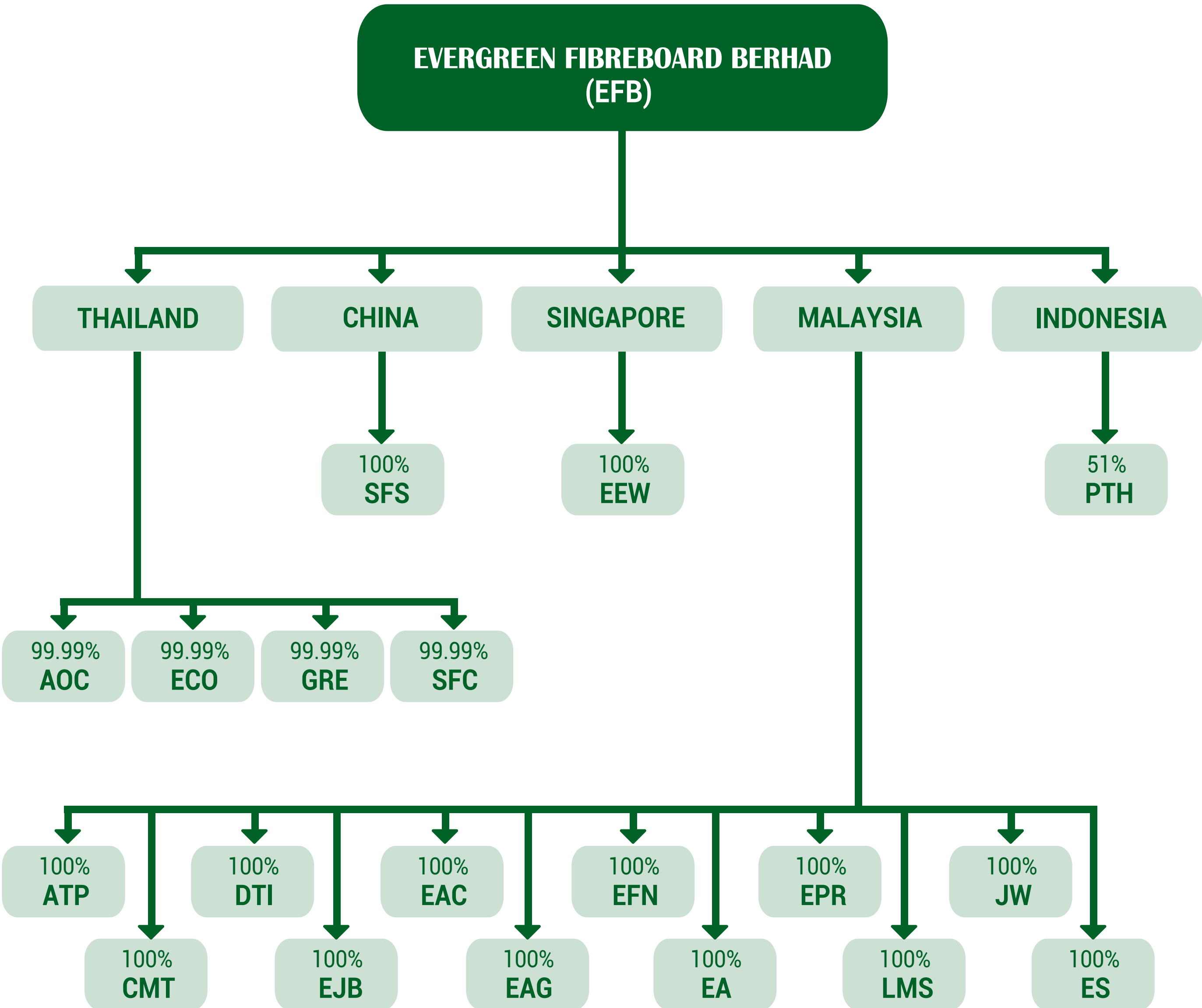
EARNINGS/(LOSS) PER SHARE (SEN)



NET ASSETS PER SHARE (RM)



GROUP HOLDING 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 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

Particleboard

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

Energy (Biomass)

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

Wooden Furniture (RTA)

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

Logistics/Warehousing

- Locomotion Services Sdn. Bhd. - Butterworth, Penang

Property Holding

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

Plantation (Rubber)

- Jasa Wibawa Sdn. Bhd. - Kahang, Johor

Wood Products

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

Laminated Panel Boards

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

DIRECTORS' PROFILE

JONATHAN LAW NGEE SONG,
Malaysian, Male, Age 51.
Independent Non-Executive Chairman,
Chairman of Remuneration Committee, Member of the Audit Committee and Nomination 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
Please refer to page 143 of this Annual Report.

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, 5 out of 5 Audit Committee Meetings, 3 out of 3 Remuneration Committee Meetings and 2 out of 2 Nomination Committee Meetings.

KUO WEN CHI,
Singaporean, Male, Age 83.
Group Non- Independent Non- Executive Director / Vice Chairman

Qualification
Completed Primary Education.

Working Experience
His career started in 1987 as a Production Supervisor at Lin Shan Hao Plywood Co Ltd in Taiwan. He brought a wealth of experience in the wood-based industry 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 on16 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 143 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 10 years other than traffic offences
None.

Number of Board Meetings attended in the Financial year
Attended 4 out of 5 Board Meetings.

KUO JEN CHANG,
Singaporean, Male, Age 54.
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 negotiations 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. He 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 direction 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 143 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.

KUO JEN CHIU,
Singaporean, Male, Age 51.
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, developing 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 143 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.

MARY HENERIETTA LIM KIM NEO,
Malaysian, Female, Age 53.
Group Executive Director.

Qualification
Master of 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 Consulting Engineering 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 Administrative Department. Subsequently in 1995 she was promoted to Human Resources and Administrative Manager and was also appointed as a Director in the Company. In her current capacity, she is responsible for the Administrative and Corporate Affairs 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
Please refer to page 143 of this Annual Report.

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.

KUAN KAI SENG,
Malaysian, Male, Age 43.
Independent Non-Executive Director,
Member of the Audit Committee, Remuneration Committee and Chairman of the Nomination 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
Please refer to page 143 of this Annual Report.

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, 2 out of 2 Nomination Committee Meetings and 3 out of 3 Remuneration Committee Meetings.

YAP PENG LEONG,
Malaysian, Male, Age 62.
Independent Non-Executive Director,
Chairman of the Audit Committee, Member of the Remuneration Committee and Nomination 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 Group 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
Please refer to page 143 of this Annual Report.

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, 2 out of 2 Nomination Committee Meetings and 3 out of 3 Remuneration Committee Meetings.

HENRY S KUO,
American, Male, Age 33.
Non-Independent-Non-Executive Director and Member of the Audit Committee

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 Group 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 143 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 4 out of 4 Board Meetings and 3 out of 3 Audit Committee Meetings

KEY OFFICERS' PROFILE

TEE KIM FOOM
Malaysian, Female, Age 50.
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 finance and accounting function of 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.

PHILIP WONG HWEE LIH,
Malaysian, Male, Age 49.
Group General Manager

Qualification
Degree in 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. Thereafter, he was promoted to General Manager in 2005 and Group General Manager in 2015.

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 have 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 40.
Group Corporate Controller

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 have 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.

Dear Shareholders,

On behalf of the Board of Directors ("the Board") of Evergreen Fibreboard Berhad ("the Company" or "the Group") We are pleased to present the Annual Report and the Audited Financial Statements for the year ended 31 December 2016.

Our Business Operations

Our Group is involved in the manufacturing of Panel Boards (Medium Density Fibreboard ("MDF") & Particle Board ("PB") with and without Overlay, Ready to Assemble Furniture ("RTA"), Wood Products and Resin.

We have been established for more than 30 years and have eight manufacturing operations sites, located in Johor, Negeri Sembilan, Kedah, Thailand and Indonesia with a total workforce of approximately 2700 employees.

Revenue contribution from our Malaysia subsidiaries is approximately 52% of the Group's revenue while Thailand and Indonesia contributed 39% and 9% respectively.

Our Group's Principal Activities

In 2016, the principal business activities of the Group was in manufacturing of Medium Density Fibreboard (MDF) which contributed 80% of our revenue for the financial year while the downstream processes (Value Added MDF) contributed 15% and the Ready to Assemble Furniture & Wood Products contributed 5%.

Our Vision

Our Group strives to be a World Class integrated wood-based panel producer in terms of Quality, Cost and Delivery.

Our Market Share

Our products have market presence in more than 40 countries worldwide with a customer base of over 600 customers. Almost all of our export sales from Malaysia, Thailand and Indonesia are denominated in US Dollars.

Our Markets

Our key markets are:

Asia	47.5%
Middle East	42.0%
United States	5.1%
Europe	3.0%
Others	2.4%

Our Operation Review

During the financial year, the Group had continued to focus on its Cost Rationalization that encompassed improvement to operational efficiency, automation to reduce manpower and restructuring of non-performing plants including disposal of non-core / non-performing assets.

Cost rationalizing has always been our ongoing focus and we had emphasized majorly on our Malaysian MDF plants in the financial year, by reducing cost of production to be competitive in the market and reduction of manpower as a result of ongoing automation.

On restructuring program, our MDF Plant in Masai, Johor has been completely moved to Segamat, Johor and the refurbishment are expected to complete in the first half of 2017 while commencement of commercial production is expected to be in second half of 2017. Disposal of land in Masai is targeted to be in 4Q 2017 after dismantling works on structures are completed.

Our new Particle Board plant is anticipated to be completed with trial production in first quarter of 2017 whereas full commercial production run is expected in the second quarter of 2017.

During the financial year, restructuring program on our wood products plant, Craft Master Timber Products Sdn. Bhd. enabled us to cut off losses and we foresee a turnaround in 2017 via lease of assets.

Capital expenditure in the financial year for the Group was higher than projected due to our new particle board line and refurbishment of our MDF line.

Our Strategies to meet our Business Objectives

Moving forward in 2017, the business strategy of the Group will be to focus more on increasing production volume for it's Ready to Assemble (RTA) Furniture products in Malaysia together with parts from our Solid Wood Furniture products in Thailand. As we have already established our markets in Europe, Australia and Japan for our RTA and China for our Solid Wood Furniture, our Strategy is to increase our production volume in order to gain more market share in these markets and at the same time penetrate into potential new markets.

On our Core Product which is Medium Density Fibreboard (MDF), we will be focusing on penetrating new markets with higher specification for our high end MDF products that carry a better profit margin to increase our profitability.

And with the state-of-the-art technology Particle Board Line which will come into operations this Financial Year, we will be focusing on penetrating our local market which currently imports 20,000 to 30,000 cu. meter from Thailand monthly and with our higher specification Particle Board for China's niche market in order to have a higher profit margin.

Financial Review

The Group's Financial Statements have been prepared in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Revenue

For the year ended 31 December 2016, revenue for the Group was RM998 million which is lower by approximately 1% compared to RM1,012million reported in 2015 due to lower average selling price. The impact of lower average selling price was partially mitigated by the appreciation of US dollar against the Malaysian Ringgit and a higher sales volume compared to the financial year 2015.

With the expected start-up of our new Particle Board and refurbished Medium Density Fibreboard line in Segamat, Johor, the Group anticipates to achieve a reasonable increase in its revenue and operating profits for financial year 2017.

The Group's capacity utilization rate in the financial year increased by 5% compared to the financial year 2015 and it is expected to remain the same with the start-up of our Particle Board and Medium Density Fibreboard lines.

Gross Profit & Profit before Tax

The Group gross profit for the current financial year was RM268 million, a decrease of 7% from RM288 million in the previous financial year.

Profit before tax in the financial year was RM93 million showing a decrease of 14% compared to financial year 2015. The decrease was mainly caused by lower average selling price even though the impact was partially cushioned off by the appreciation of US dollar against the Malaysian Ringgit.

A marginal increase in cost of sales seen is a result of higher sales volume. With an improvement on glue usage coupled with our production efficiency for most of our plants and with lower cost of log, we were able to counterbalance the selling price adverse. Selling and Administrative expenses showed a slight drop due to lower freight cost incurred as higher volume being delivered to regional markets.

The Group's finance cost for the financial year reduced by 35% compared to the financial year 2015 was due to the repayment of short term borrowings at the beginning of the current financial year. Additionally, the Group benefited from the lower interest rates on long term loans secured during the financial year.

Profit after Tax

The Group's profit after tax in the financial year showed a decrease of 28% compared to the financial year 2015, was due to higher tax expenses caused by the abolishment of double deduction incentives on freight related expenses in Malaysia and the Group's conservative policy of not recognizing deferred tax assets in the Group.

Shareholders' equity

The total equity of the Company stood at RM1,152 million in the current financial year with an increase of 8% compared to the financial year 2015.

Total Assets

The Group's total assets increased from RM1,447 million in the previous financial year to RM1,561 million in the current financial year, mainly from machinery investments for our new Particle Board line and refurbishment of our MDF Line in Segamat, Johor coupled with an increase in cash and bank balances.

Our Trade and other receivables decreased by 21% to RM95 million in the financial year was a result of prompt debt collection.

On our inventories, there was marginal drop to RM213 million in the financial year from RM218 million at the end of the previous financial year. The drop was mainly from the finished goods sold from our stock that was carried over from the previous year.

The Group's bank balances increased by 37% to RM160 million from RM117 million in the previous financial year was due to cash surplus from profits generated during the year and the proceeds received from disposal of a piece of land amounting to RM8 million.

Total Liabilities

The Group's total liabilities increased from RM377 million in the financial year 2015 to RM409 million in the current financial year mainly due to the increase in deferred tax liabilities and trade and other payables.

The Group's trade and other payables in the financial year increased by 16% from RM132 million in the previous financial year to RM153 million. This was primarily due to the higher advances received from customers and the Goods and Service Tax payable.

Borrowings

Borrowings in the Group increased by approximately 3%, from RM199 million at the end of the previous financial year to RM205 million in the current financial year was majorly due to the financing of our new particle board line. The marginal increase seen was due to the pay down of loans early in the financial year from the proceeds of share issuance in December 2015.

The Group's gearing ratio shows a marginal drop from 19% in the previous year to 18% in the current financial year due to higher total equity. However, with higher cash and bank balances, our net gearing ratio decreased from 8% in the previous financial year to 4% currently.

Debt / Equity (%)

The Group's current debts over its equity show a 1% decrease to 18% in the financial year compared to 19% in the previous financial year 2015.

Earnings per share

The net earnings per share for the current financial year was at 8.66 sen compared to 17.57 sen in previous financial year 2015. The drop seen is due to the enlarged share capital of the company through the bonus issue of 282 million shares on the basis of one bonus share for every two existing shares carried out during the financial year.

Net assets per share

The net assets per share in the financial year was RM1.39 compared to RM2.07 in the previous financial year. The drop in net assets per share was caused by bonus issue of 282 million shares on the basis of one bonus share for every two existing shares carried out during the financial year.

Financial Position

The Group's balance sheet remains strong and as at 31 December 2016, the Group's cash and cash equivalents of RM160 million against its borrowings of RM205 million gives a net debt of RM45 million compared to RM82 million in 2015.

Even though, the Group's borrowings in the financial year increased to RM205 million compared to RM199 million in 2015, the Group remains confident in maintaining a sound financial position that will enable execution of the Group's strategic objectives in view of creating value for its shareholders and therefore, the Board believes that the Group will be able to continue its operations and meet its liabilities for the foreseeable future.

Our Key Performance Indicators (KPI)

The KPI was from 2 major components of Financial Target and Non-Financial Target. Financial targets for 2016 were set as follows:-

	Targets	**Achievement**
Profit Before Tax	RM100 million	RM93 millon
Profit After Tax	RM80 million	RM68 million

Financial targets were set but not achieved due to the non-operational subsidiaries losses that was mainly derived from depreciation, other non-operational cost and also due to the weakness in average selling price caused by the challenging economic environment. However, these non-operational subsidiaries once in operation will in no doubt, contribute largely to the Group's financial performance.

The Non- Financial targets were merely on internal process improvement which the Group managed to achieve an average of 80% of what was targeted.

Review of Operating Activities

Based on our core products operation in the financial year, production efficiency has seen slight improvement in the Group's utilization rate. However, to be able to be competitive in this challenging environment, the Group will have to continuously focus on increasing its production efficiency in order to have a lower production cost for a higher profit margin.

In addition to lowering its production cost, the Group will focus on producing higher premium products that are able to enhance the Group's profit margins.

The Group's Capital Expenditure allocation for financial year 2017 is budgeted for approximately RM50 million mainly for normal maintenance CAPEX including an overflow of capital expenditure from the tail end installation of the Particle Board and MDF lines.

Risks

Competition risk

The wood panel industry is very competitive and faces stiff competition from Vietnam, Thailand and Indonesia manufacturers that are operating in a lower cost environment. To remain competitive, the Group will have to continuously strive to control its cost, maintain the quality needed and be able to produce and supply higher end products. These must be supported by continued investment on upgrading of old machineries and provide continuous training and development of staff to ensure customers' requirements for quality products are being met.

Should this be over-looked, it may negatively impact the Group's industry reputation, leading to a loss of customers / business to the competitors and in turn could negatively affect the group's financial performance.

Operational risk

The Group's operational risk is seen in the supply of wood which is the main raw material of our core products and can be affected by the monsoon weather. During this season, plantations or concession areas are at times flooded and this can affect the clearing works of such areas being delayed for a period of time.

Due to these reasons, the supply of raw material to most of our operation sites can be partially disrupted similar to what was encountered in the 4Q 2016 whereby this situation carried through to even the first quarter of 2017. During this period, some of our plant's raw material supply was badly affected and was actually forced to reduce the production speed for a period of time. It is an inherent risk faced by all wood based manufacturers and the Group can only minimize the impact during this periods / season by having additional storage areas but cannot eliminate this risk.

Another operational risk was seen in employment of foreign workers and the changes in some government policies on foreign workers intake with more favorable terms and conditions for employment. These changes have caused shortages of workers in our production floor, which led to higher overtime cost and eventually caused a drop in our productivity and profit margins.

To control and eventually eliminate this risk, automation is the way forward but it will require a period of time which the Group is seriously looking into it.

Financial Risk

The financial risk of the Group is on the fluctuation of the Malaysia Ringgit and Indonesian Rupiah against the US Dollar. This fluctuation may lead to currency translation losses and may have a negative impact to the Group accounts or vice versa.

For the financial year, foreign exchange gains were RM4.7 million compared to a gain of RM9.5 million in the previous financial year. The Group's policy is having natural hedge and hedging is only done when the need arises.

Forward Looking Statement - Prospect

Global consumption of panel boards is anticipated to increase based on a strong demand in the furniture industry in Asia and the housing growth in the USA and the European Market.

Looking forward to the expectations of shareholders and stakeholders, our planned activities will enable the Group to achieve the set key performance area and financial targets.

1) Further increase in Production Volume of our Ready to Assemble (RTA) Furniture by installation of additional automated production line early 2017 will be seen in the second half of 2017;

2) Completion of relocation / refurbishment of our Medium Density Fibreboard Plant in Masai, Johor for commercial production in 4Q 2017; and

3) Completion of our new Particle Board Plant in Segamat which is expected for commercial run in 2Q 2017.

Even with various uncertainties in the global economic and the political environment in the country and around the world, the Board with its Business Strategy in place and together with an anticipated better outlook on the wood panel and furniture demand, is optimistic on the prospects for the Group in 2017.

Dividend Policy

The Board of Directors had approved a dividend payout policy of not less than 25% of its consolidated profit after tax (excluding exceptional items) for the financial year ending 31 December 2016 onwards. However, such payments will depend upon a number of factors, including amongst others, the earnings, capital commitments, general financial conditions, distributable reserves and other factors considered by the Board.

Acknowledgement

On behalf of the Board, we would like to take this opportunity to express our sincere appreciation and gratitude to all our shareholders, investment analyst, bankers, fund managers and regulatory authorities for their assistance and our customers, suppliers, business partners and friends who have given us their continuous support.

Last but not least, our appreciation to the Management, Employees and Directors for their dedication and commitment through this challenging times.

Jonathan Law Ngee Song
Chairman

Kuo Jen Chang
Group Chief Executive Officer / President

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("the Board") of Evergreen Fibreboard Berhad ("EFB" or the "Group") stays committed in promoting transparency, accountability, disclosure equality including governance and stakeholder management. Hence, our Corporate Governance practice is set towards business integrity with appropriate ethical standards in all business dealings and operating activities through a sound Risk Management and System of Internal Control adopted by the Group.

The bench-mark standards in this regard are as set out in the Principles of the Malaysian Code on Corporate Governance 2012 ("the Code") and Best Practices which forms part of the Listing Requirements of the Stock Exchange of Malaysia. Where provisions of the Code were not met during the financial year, particular comments are made with the Statement.

1. The Board

EFB is led by a strong and effective Board (see profiles in pg 11 to 18) of eight (8) members made up of three (3) Executive Directors including one (1) Female Director, two (2) Non-Independent Non-Executive Directors and three (3) Independent Non-Executive Directors. All of our Board Members comes with a diverse knowledge and experience to contribute in their role to the board.

Our Board composition reflects a balance between Executive Directors and Non-Executive Directors required under the Main Market Listing Requirements ("MMLR"); paragraph 15.02(1) of Bursa Malaysia Securities and the Company has also complied with the gender requirements as in Recommendation 2.2 of the Code.

2. The Chairman

Our Chairman, Mr. Jonathan Law Ngee Song is mainly responsible for Board matters and ensures decisions of the Board as a whole are being carried out by Management.

Mr Kuo Jen Chang, our Group Chief Executive Officer / President oversees the entire business directions of the Group.

Our Chairman and our Group Chief Executive Officer play an entirely separate role and they are not related in any manner.

Mr. Jonathan Law Ngee Song, is one of our Independent Director who has served the Company for more than nine (9) years since being appointed on 8 January 2007. There is no advertisement done for his replacement as the Nomination Committee is of the view that, Mr. Jonathan Law has and is able to continue to bring independent legal advice to Board's deliberations and decision making processes. Therefore he is an appropriate candidate for the position and moreover, other members of the Board are satisfied, that through the specific powers reserved for the Board and given the presence of the other Independent Non- Executive Directors, there is a reasonable balance of influence in the Board.

Nevertheless, the Nomination Committee will commence to source for suitable candidates with the required skills and experience for this position.

3. Independence of the Non- Executive Directors

The Board through the Nomination Committee has complied with Recommendation 3.1 of the Code by evaluating the independence of each of its Non-Executive Directors and these assessments have confirmed their independence based on all their objectivity and integrity.

In arriving at its conclusion, the Board have considered factors set out in the Code, including whether any of the Independent Non-Executive Directors:-

- has been an employee of the Group within the past 5 (five) years;
- has or had within the last 3 (three) years, a material business relationship with the Company / Group;
- receives remuneration / payment from the Company / Group other than Director's fee;
- has close family ties with any of the group's advisors, Directors or Senior Management / Key Officers of the Company / Group;

- holds cross-directorships or has significant links with other Directors through involvement in other companies or bodies;
- have served more than 9 (Nine) years on the Board; or / and
- represents a significant shareholder.

However, the Code does acknowledge that a Director may and can be regarded as Independent notwithstanding the existence of any factors set in the Code.

And, due to the fact that all of our Independent Non- Executive Directors have a wide range of business interests beyond their position with the Company, the Board as a whole has unanimously agreed and declared the Independent Non-Executive Directors to be fully Independent.

4. Senior Independent Non-Executive Director

In compliance to Recommendation 2.1 of the Code, Mr. Kuan Kai Seng, an experienced Chartered Accountant had been tasked by the Board to act in the capacity of a Senior Independent Non- Executive Director since 2014.

5. Operation of the Board

A schedule of duties and decisions reserved for the Board respectively has been adopted. The Audit, Remuneration and Nomination Committees established by the Board have written terms of references and they are made available on the Company's website.

Unless warranted by unusual matters, the Board normally meets four to five times each year while other less significant matters are made known to the Board through email correspondences and they are dealt with by written resolutions and telephone conferences.

During the financial year, there were five (5) Board Meetings carried out, four (4) meetings were to review the Group's quarterly performances and one (1) meeting was held to review the audited financial results and the annual report.

During these Board meetings, Executive Directors provided in-depth information, explanation on the performance and measures taken to address the areas of concern within the Group.

In between periods of the above meetings, the Non-Executive Directors met on their own and the Board as a whole is constantly being kept updated on the performance and significant matters of the Group by the Executive Directors.

Agenda and minutes of previous meeting together with meeting papers are circulated 7 (seven) days prior to meeting date. The Board is being provided with relevant, timely and accurate information for review prior to each meeting that has enable them to discharge their duties.

The Board has identified and formally adopted a schedule of key matters that are reserved for its decision, including the annual financial report, capital expenditures, preliminary and final results for announcements, final dividends, the appointment of Directors and Company Secretary, circulars to shareholders, Group's treasury policies and acquisitions. Some other matters have been delegated to the Board Committees of which are set out in this annual report.

During the financial year, the Board followed the Group's results and the development on activities of various subsidiaries through reports prepared by the management in Malaysia, Indonesia and Thailand. It received further information and explanation from the Executive Directors who chairs Monthly Management Meetings at site. The objective of these meetings is to resolve operational and administrative issues and to drive the Financial Performance Targets and Key Performance Indicators set at the beginning of the year by the Executive Directors.

All Board Members are given full access to the impartial advice and services of the Company Secretary, who is responsible to the Board in ensuring that the Code and Main Market Listing Requirement of Bursa Malaysia Securities are being complied with by the Company.

Where and when necessary, Board members are free to seek independent advice including legal counsel advice at the expenses of the Company.

The Company maintained a Liability Insurance Coverage for all its Directors and Key Officers throughout the financial year.

Yearly review of the Boards' performance is being carried out by the Nomination Committee and based on the financial year evaluation results, the Board's performance has shown improvement compared to the previous financial year and the Board is seen to be performing effectively.

Board members' performance were reviewed by the Nomination Committee mainly on the skills required and review shows that Members have the required skills to propel the Group in its strategic direction to face the challenges ahead.

Based on the evaluation conducted in the financial year, no major issue arose.

6. Directors' Continuing Education

All Directors have been encouraged to visit the Group's operating sites as to have a better insight of the Group's various operations that may assist them in their decision making. Directors have also been encouraged to attend relevant trainings and seminars to further enhance their knowledge while keeping themselves abreast with developments in the market place, i.e. relevant new regulations, legislation and changing commercial risks.

Directors' training needs are assessed by the Nomination Committee during the annual evaluation being carried out on all Directors. Analysis showing the training needs of individual directors, is made known by the Nomination Committee Chairman to the Board and also provided to individual director for them to attend the required trainings needed in the following year.

All Directors have completed the Mandatory Accreditation Program prescribed by Bursa Securities.

During the financial year, Directors had attended various conferences, seminars, courses and fairs as follows:-

Director	**Programmes**
Jonathan Law Ngee Song	Sustainability Engagement Series for Directors/CEO Companies Bill 2015 : A Snapshot of Changes
Kuo Wen Chi	Sustainability Reporting Workshop Malaysian International Furniture Fair
Kuo Jen Chang	Malaysian International Furniture Fair 37th China International Furniture Fair Guangzhou 17th Furniture Fair Chengdu 5th Shanghai Wood Trade Fair and Shanghai International Green Architecture And Construction Materials Expo The 36th International Famous Furniture Fair Dongguan The 22nd Furniture China The 38th China International Furniture Fair Shanghai
Kuo Jen Chiu	Sustainability Reporting Workshop Malaysian International Furniture Fair
Mary Henerietta Lim Kim Neo	Sustainability Engagement Series for Directors / CEO Sustainability Reporting Workshop How HR Creates Value from the Outside In Annual Report Disclosure Guidelines & Sustainability Reporting. Bursa Listing Req. - Latest Cases on Directors Duties

Director	Programmes
Kuan Kai Seng	National GST Conference 2016 IPO & Equity Crowd Funding National Tax Conference 2016 Budget Seminar 2016
Yap Peng Leong	Tax Planning for Companies & Individuals Nomination Committee Prog. P2 – Effective Board Evaluation Presentation of Financial Statements & Disclosure Requirements of IFRS/MFRS. Companies Bill 2015 : A Snapshot of Changes Future of Auditor Reporting – The Game Changer for Boardroom Achieving Organizational Board Effectiveness Case Study Workshop for Independent Directors Corporate Strategy Sustainability Engagement Series for Directors / CEO Bursa Listing Req. - Latest Cases on Directors Duties
Henry S Kuo	Mandatory Accreditation Programme (MAP) for Directors of Public Listed Companies. Society for Business Ethics Annual Conference

7. Board Committees

To assist the Board in compliance, the Board have established the Audit, Nomination and Remuneration Committees as mandated by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Audit Committee

The Audit Committee was established on 31 January 2005 and is currently being chaired by Mr. Yap Peng Leong, an Independent Non-Executive Director who was appointed Chairman on May 4 2016 taking over from Mr. Jonathan Law Ngee Song. Members of the Audit Committee are Mr. Kuan Kai Seng, Mr. Jonathan Law Ngee Song and Mr. Henry S. Kuo who work within the terms of reference of the Audit Committee that has been approved by the Board.

The Audit Committee is principally responsible for the integrity of the financial information and this is achieved by closely interacting with the management and the external auditors.

The Audit Committee in carrying out their duties and responsibilities are given full, free and unrestricted access to the Company's records, properties and personnel. Any Member(s) in the course of investigation of any matter has been permitted to use the services of any professional firm, seek independent professional advice or request attendance of an outsider with relevant experience at the expense of the Company by merely informing the Chairman of his/her intention on the matter.

The primary duties and function of the Audit Committee is to assist the Board of Directors in fulfilling its fiduciary duties as well as the oversight objectives on the activities of the Group by :-

i) overseeing the financial reporting;

ii) overseeing the risk management and its internal controls; and

ii) evaluating the internal and external audit processes including issues pertaining to the system of internal control and risk management within the Group.

A detailed Report on the Audit Committee's activities for the financial year is clearly set out in pages 36 to pages 40 of this Annual Report.

Nomination Committee

The Nomination Committee was set up on 24 May 2005 and comprises Independent Non-Executive Directors. The Committee Chairman is Mr. Kuan Kai Seng who is the Senior Independent Director and other members are Mr. Jonathan Law Ngee Song and Mr. Yap Peng Leong.

The primary duties and function of the Nomination Committee is to assist the Board of Directors to :-

a) carry out yearly evaluation/review of the Board, Committees and Individual Board Members;

b) evaluate retiring Directors retiring pursuant to Article 101 of the Company's Articles of Association and pursuant to the expiry of shareholders' mandate;

d) review the training needs of individual Directors;

e) review the independence of the Independent Directors; and

f) review the Succession Planning for the Board, Chief Executive Officer, Executive Directors and Key Officers of the Company.

All Nomination Committee Members in the course of their duty are given full authority to access to any resources and information as deemed appropriate to discharge their responsibilities on behalf of the Board / Company, including obtaining independent professional advice at the Company's expense by merely informing the Chairman of the Committee / Board on the need to do so and thereon proceed to obtain such necessary advice.

A Report on the Nomination Committee's activities for the current financial year is clearly set out in page 41 of this Annual Report.

Remuneration Committee

The Remuneration Committee was set up on 24 May 2005 and has three (3) members, purely Independent Non-Executive Directors. The Chairman of the Remuneration Committee is Mr. Jonathan Law Ngee Song and other members of the Committee are Mr. Kuan Kai Seng and Mr. Yap Peng Leong.

The Remuneration Committee was set up for the purpose of reviewing the remuneration and fees of Executive & Non-Executive Directors and Key Officers of the Group and if thought fit, forward to the Board for approval. The Board as a whole ultimately decides and approves on fees and remuneration in the Company.

A formal director's fee and allowance structure for all Non- Executive Directors including a remuneration framework for the Executive Directors and Key Officers of the Group have been established and put in practice for the financial year 2016.

A Report on the Remuneration Committee's activities for the financial year is clearly set out in page 42 of this Annual Report.

8. RELATIONSHIP WITH SHAREHOLDERS

The Company strictly adheres to the disclosure requirements of the Main Market Listing Requirements of Bursa Securities and therefore understands the importance of timely and equal dissemination of information to shareholders and stakeholders.

The Company's Annual General Meeting is the principal forum for dialogue with shareholders. Shareholders are notified of the meeting and being provided with a softcopy of the Company's Annual Report twenty one (21) days prior to the date of meeting together with any other separate resolutions to be proposed at the Annual General Meeting.

This is a platform where Directors demonstrate their accountability, by all Board members being present and available to respond to any queries and undertake to provide sufficient clarification on issues and concerns raised by any shareholder.

In maintaining a two way communication with shareholders, the Company's Group Investor Relation Officer met 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 all quality information is fairly communicated to all concern, 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 and any presentation given to shareholders in road shows are being updated periodically and it is accessible by shareholders and the general public at all times.

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

9. ACCOUNTABILITY

Financial Statements

The Board as a whole takes the responsibility by ensuring that the Financial Statements of the Group gives a true and fair view on the financial state of the Group and therefore ensures through the assistance of the Audit Committee, the financial statements are being drawn up in accordance with the provisions of the Companies Act, 1965, the Main Market Listing Requirements of Bursa Securities, the Financial Reporting Standards approved by the Malaysian Accounting Standards Board and other statutory and regulatory requirements.

Internal Control System

The Board acknowledges its overall responsibilities to ensure that a sound system of internal control is established and maintained throughout the Group and the need to review its effectiveness on a regular basis.

The Board understands that risks cannot be totally eliminated but the System of Internal Control instituted can but help minimize and manage risks. However, the internal control system put in place by nature can only provide reasonable but not absolute assurance against any fraud or losses.

A Statement on the Risk Management & Internal Control System of the Group has been separately set out in pages 34 to 35 of this Annual Report.

Relationship with External Auditors

The Board and the Management maintains a transparent relationship with the External Auditors and the Audit Committee acts as an independent channel of communication for the auditors to convey their objective views and professional advice pertaining to the Group's financial and operational activities.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

The Board of Directors ("the Board") recognises the importance of a sound Risk Management System and is committed to maintain and make continuous improvements towards achieving an effective system of Internal Control within the Group as to safeguard the company's shareholders' and stakeholders interest.

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 acknowledges its responsibility on the Group's Risk Management & Internal Control System which must be established and maintained by an appropriate framework including reviewing its adequacy and integrity. The Board is also aware of its responsibilities to determine the nature, level and the risk appetite that the Group is able to withstand and minimize or mitigate the impact through a sound system of internal controls.

Enterprise Risk Management System

Risks faced by the Group are periodically being identified and thereon appropriate internal controls to minimize or manage these risks are implemented. The on-going process for identifying and managing significant risks faced within the Group are reviewed based on changes in the regulatory, business and external environment.

As there are certain limitations to any system of internal control, the system that has been put in place is to manage and minimize 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.

The Board believes that an Enterprise Risk Management Framework coupled with a sound system of Internal Controls is crucial for sustainability of the business and that the ability to manage its risks is paramount to sustain profitability in an organization and enhance shareholders' value.

Hence, an Enterprise Risk Management (ERM) framework has been developed and put in place and it was developed within the Group's risk appetite that has been reviewed and approved by the Board.

The Board in identifying the Risks within the Group is assisted by a Risk Management Committee (RMC), comprising of Operation Managers and Head of Departments from all locations and is led by the Executive Directors.

The Group's Risk Register together with its Internal Controls are reviewed bi-yearly or when found needed by the Risk Management Committee. Risk findings together with the internal controls in place are reviewed for necessary changes needed during each subsidiary management meetings Chaired by the Group Chief Operating Officer and Group Executive Director.

Responsibilities of the Risk Management Committee

The responsibilities of the Risk Management Committee include:

a) Identifying potential risk within each processes and compile / update into the Risk Register;
b) Evaluating and determining the likelihood of the risk occurring and the impact of such risk to the Group;
c) Monitoring ongoing risk by assessing whether any conditions associated with a particular risk has changed; and
d) Reviewing the Group's Enterprise Risk Management Framework periodically together with Management to ensure that the policy is in line with the Group's objectives.

Risk Management Activities

During the financial year 2016, Risk Management Committee had reviewed and revised the methodology of risk identification of the group. RMC through the Group Chief Operating Officer and Group Executive Director, made known to the Board on the methodology being adopted which clearly defines risk into categories of Strategic, Operational, Financial and Compliance for the whole Group. An analysis of how risk will be identified and categorized was also presented to the Audit Committee on 23 November 2016 by the Group Executive Director. The Audit Committee members gave their suggestions on certain areas to be improved and certain risk that requires appropriate action plans.

Internal Control System

Through its system of internal control, the Group has in place a series of policies, practices and controls in all its financial and operation processes. The policies, practices and controls in place have been designed to address key risks in the Group.

Following are some significant internal control in place:

i) Policy on Limit of Authority which limits the signing of contracts / agreement, payments and loans for all levels of employees including Senior Management;
ii) Policy on matters that requires Board's deliberation and approvals such as Financial Performance reports, Financial Commitments, Corporate Management Plan on Financial & Operational Monitoring, Capital Expenditure, Recurrent Related Party Transactions including any expansion / reduction of business plans in the Group;
iii) Policy on monitoring of individual subsidiaries performance which is carried out monthly by Management visits to subsidiaries and meetings being conducted between Management and operations. Any operational issues faced by individual location are being raised and decisions / approvals are being sought at these meetings;
iv) Policies comprising of the Code of Conduct, Fraud & Whistle Blowing and Conflict of Interest are implemented, reviewed and made known in awareness trainings throughout the Group; and
v) Organizational structure with formally defined lines of reporting and delegation of authority are established and reviewed for changes needed.

Internal Audit

The Group's Internal Audit function is undertaken by an external professional advisor, BDO Governance Advisory Sdn. Bhd ("BDO"). The Internal Audit function is to provide an independent analysis on the Group's Internal Control policies and practices designed to improve the controls where necessary.

The responsibilities of the Internal Auditors are to assist the Audit Committee in discharging their responsibilities by reviewing the adequacy and the integrity of the Group's internal control systems, management information systems and the system on compliance with applicable laws, regulations, rules, directives and guidelines.

For detail description of the Internal Audit work carried out in 2016, please refer to pages 36 to pages 40 of the Audit Committee Report.

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

Review by the Board

The Board after reviewing the Audit Committee's report on the findings by the Internal Auditors and Management's responses is assured of the necessary action being carried out.

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 System of Internal Control are 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 Control together with the reports on internal audits carried out, is of the view that even though there is no incidence of material losses in the Group, further enhancement to the Group's System of Internal Control in terms of its Standardisation of Policies & Procedures and Working Instructions among the subsidiaries will further strengthen the Internal Controls in the Group.

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

The External Auditor has reviewed this statement on Risk Management & Internal Control. The review was performed in accordance with the Recommended Practice Guide (RPG) 5 issued by the Malaysian Institute of Accountants where the RPG 5 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.

AUDIT COMMITTEE 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 2016 and up to the date where the Audit Committee reviewed the Audited Annual Report and Financial Statements for 2016 on 6 April 2017 before recommending it to the Board of Directors for approval.

ROLE OF THE AUDIT COMMITTEE

The formal role of the Audit Committee is set out in its terms of reference of Evergreen Fibreboard Berhad's ("EFB") Board Charter, which are made available on our website at www.evergreengroup.com.my.

CHANGES IN THE AUDIT COMMITTEE

On 4 May 2016, Mr Jonathan Law Ngee Song, the Chairman of the Audit Committee was redesignated as member of the Audit Committee ("AC") and Mr Yap Peng Leong, a member of the AC was redesignated as Chairman of the AC. On the same date 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 was appointed as Non-Independent Non-Executive Director and member of the AC.

COMPOSITION AND ATTENDANCE

The AC comprises four members, all of whom are Non-Executive Directors ("NED"); three are independent NEDs and one is a non-independent NED. This satisfies the test of independence under Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("MMLR"); paragraph 15.09(1) (a) and (b).

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, Mr Kuan Kai Seng and Mr Henry S. Kuo. The profiles and attendance records of the AC members are set out in the Directors' profile section of the Annual Report and Financial Statements.

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 its AC members by the Board through the Nomination Committee, members are encouraged to attend seminars and training programmes to upgrade their respective professional development and to keep abreast of recent developments. The seminars and training programmes attended by AC members are outlined in the CG Statement.

MEETINGS

The AC held five meetings in 2016 and two meetings up to 6 April 2017 the date where the Audit Committee reviewed the Audited Annual Report and Financial Statements for 2016 before recommending it to the Board of Directors for approval without the presence of other Directors and employees, except when the AC requested their attendance. 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 the Group's financial and operational matters. EFB Group's External Auditor Messrs. Baker Tilly Monteiro Heng ("BT") attended four out of five AC meetings in 2016 and two AC meetings up to 6 April 2017. The partner and key members of staff of BDO Governance Advisory Sdn Bhd ("BDO"), a professional service firm that carries out EFB Group's Internal Audit functions attended three out of the five AC meetings in 2016 and one of the AC meeting up to 6 April 2017 to table the respective Internal Audit ("IA") reports. The relevant responsible Management member of the respective auditee was invited to brief the AC on specific issues arising from the IA reports.

Minutes of each AC meeting were recorded and tabled for confirmation at the following AC meeting by the Company Secretary and subsequently presented to the Board for notation. In 2016 and up to 6 April 2017, the AC Chairman presented to the Board the AC's recommendation to approve the AC Report 2016, Annual Report and Financial Statements 2016 and the four quarterly Condensed Consolidated Financial Statements 2016. The AC Chairman also conveyed to the Board matters of significant concern and changes as and when raised by BT, Internal Auditors and Senior Management.

SUMMARY OF ACTIVITIES

A. EXTERNAL AUDIT

APPOINTMENT OF AUDITORS

1. During the review period, the AC reviewed the external audit strategy and the findings of BT from its audit of the financial statements and its limited review of the third and fourth quarterly Condensed Consolidated Financial Statements 2016.

2. The AC reviews annually the appointment of the external auditor (taking into account the auditor's effectiveness and independence and all appropriate guidelines) and makes recommendation to the Board accordingly. 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.

3. The current overall tenure of the auditor dates from 2015. BT has been reappointed as Auditor of EFB at its Annual General Meeting held on 20 May 2016. 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 for tender as this is only BT's second year as auditor of EFB Group.

4. As part of the AC's efforts to ensure the reliability of EFB Group's quarterly Condensed Consolidated Financial Statements 2016 and compliance with applicable Financial Reporting Standards and to keep BT informed of EFB Group's financial performance and operations, BT undertake a limited review of EFB Group's quarter three and four quarterly Condensed Consolidated Financial Statements 2016 before these were presented to the AC for review and recommendation for the Board's approval and adoption.

5. 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 the Group's financial personnel and senior management and other Board members. On 23 November 2016, BT sought the AC's approval for the proposed audit and non-audit fee services to be provided for 2016 Annual Audit Plan. The AC reviewed BT's proposed audit, audit related and other services fee to be provided for 2016. The nature and level of all the services provided by BT is a factor taken into account by the Audit Committee when it reviewed 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 Malaysian Institute of Accountants the AC thereafter recommend BT's fee to the Board for approval.

6. On 20 February 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 2016. The AC reviewed PSS's and ICPOCL's proposed audit, audit related and services fee to be provided for 2016. 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 reviewed 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.

FINANCIAL STATEMENTS AND REPORTING

1. On 24 February 2016, AC reviewed and noted the Audit Review Memorandum for the financial year ended 2015 presented by BT in respect of the EFB Group's unaudited Financial Statements for the year ended 31 December 2015. The purpose of the Audit Review Memorandum is to bring to the attention of the AC the following matters before finalisation and adoption of the Audited Financial Statement for the year ended 31 December 2015:

    i. Audit scope and approach
    ii. Independence – Policies and Procedures
    iii. Status of the Audit
    iv. Fraud Related matters
    v. Related Parties Transactions
    vi. Significant Audit Findings
    vii. Matters for Control Improvements
    viii. Significant Outstanding Matters
    ix. Uncorrected Misstatements
    x. Accounting Development
    xi. Other Information included in the Annual Report
    xii. Illustrative Independent Auditors' Report on the Adoption of ISA 701 for financial year ending on or after 15 December 2016.

    The AC noted the issues outstanding to be resolved by management before the finalisation of the audited Financial Statement and considered suggestions for improvement to the accounting procedures and internal control measures.

    The AC reviewed the quarterly Condensed Consolidated Financial Statements for the fourth quarter of 2015 (after a limited review by BT) and thereafter recommends it to the Board for approval.

2. On 12 April 2016, the AC reviewed and discussed the draft AC Report for 2015 and thereafter recommended it to the Board for approval.

    BT represented by its Engagement Partner presented the Audited Financial Statements of EFB Group for the year ended 31 December 2015. The AC reviewed the Audited Financial Statements of EFB Group for the year ended 31 December 2015 and thereafter recommended it to the Board for approval.

3. The quarterly Condensed Consolidated Financial Statements for the first, second and third quarters of 2016, 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 meeting on 20 May 2016, 19 August 2016 and 23 November 2016 (after a limited review of the third quarter Condensed Consolidated Financial Statements ended 30 September 2016 by BT), respectively 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 20 May 2016, 18 August 2016, 23 November 2016, 20 February 2017 and 6 April 2017 through their presentation of the Annual Financial Statements and quarterly Condensed Consolidated Financial Statements 2016 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 Annual Financial Statements and 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 for 2016.

4. On 18 August 2016, noting the request of the Minority Shareholder Watchdog Group's request at the Annual General Meeting of 20 May 2016, the AC directed Management to incorporate in the Annual Report and Financial Statements 2016 a five years Financial Highlights of the Group to be in line with the industry best practices. This is now reflected on pages 7 & 8 of this Annual Report.

5. On 23 November 2016, BT presented the Audit Planning Memorandum 2016 of EFB Group for the financial year ending 31 December 2016. The AC reviewed the Audit Plan 2016 and thereafter recommended to the Board for approval.

   At the request of the AC, BT presented a draft specimen of the Independent Auditors' Report on the adoption of ISA 701 for financial year ending on or after 15 December 2016 based on BT findings of their Annual Audit 2015. The AC noted the new format of the Independent Auditors' Report applicable to EFB Group is Annual Report and Financial Statements 2016 and thereafter briefed the Board on the new format of the Independent Auditors' Report.

6. The AC met with BT without the presence of any Group Executive Directors and Management on 24 February 2016, 12 April 2016, 23 November 2016 and 20 February 2017. No critical issues were highlighted to the AC in these meetings.

7. On 20 February 2017, the AC reviewed and noted the Audit Review Memorandum for the financial year ended 2016 presented by BT in respect of EFB Group's unaudited Financial Statements for the year ended 31 December 2016. The purpose of the Audit Review Memorandum is to bring to the attention of the AC some of the following matters before finalisation and adoption of the Audited Financial Statement for the year ended 31 December 2016:

   i. Audit scope and approach
   ii. Independence – Policies and Procedures
   iii. Status of the Audit
   iv. Fraud Related matters
   v. Related Parties Transactions
   vi. Significant Audit Findings
   vii. Potential Key Audit Matters
   viii. Matters for Control Improvements
   ix. Significant Outstanding Matters
   x. Uncorrected Misstatements
   xi. Accounting Development
   xii. Other Information to be Included in the Annual Report.

   The AC noted the issues outstanding to be resolved by Management before the finalisation of the audited Financial Statement and considered suggestions for improvement to the accounting procedures and internal control measures.The AC reviewed the quarterly Condensed Consolidated Financial Statements for the fourth quarter of 2016 (after a limited review by BT) thereafter recommended it to the Board for approval.

8. On 6 April 2017, the AC reviewed and discussed the revised draft AC Report for 2016 and thereafter recommended it to the Board for approval.

   BT represented by its Audit Partner presented the Audited Financial Statements for EFB Group for the year ended 31 December 2016. The AC reviewed the Audited Financial Statements of the Group for the year ended 31 December 2016 and thereafter recommended it to the Board for approval.

B. INTERNAL AUDIT

INTERNAL AUDITOR APPOINTMENT AND RISK MANAGEMENT COMMITTEE

1. EFB being 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 the Group, while the risk management aspect of its obligations is carried out by EFB Group's Risk Management Committee ('RMC") headed by the Group 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 - 2017 and 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 recommended to the Board for approval with an annual Internal Audit Fee of RM125,000, excluding 6% of Goods and Services tax and out of pocket expenses.

3. BDO on 9 November 2015 set out EFB's Internal Audit Plan for year 2016 - 2017 for the AC's consideration and review. Having reviewed and adjusted the plan as deemed required, AC adopted the plan subject to the changes as and when the need arises to make changes to the plan.

INTERNAL AUDIT AND RISK MANAGEMENT ACTIVITIES 2016

1. On 12 April 2016 BDO presented Evergreen Fibreboard Berhad's internal control review report for the review of production, engineering, health, safety and environment management. The AC reviewed the recommendations made by BDO on the weaknesses that were identified and management's action taken to rectify those weaknesses.

   The AC thereafter reviewed the follow up review of previous audit done for EFB's subsidiaries Locomotion Services Sdn Bhd and Evergreen Fibreboard (JB) Sdn Bhd (business formerly managed by Dawa Timber Industries (M) Sdn Bhd) and noted the resolution of Audit issues raised in those audits.

2. On 18 August 2016 BDO presented the review of the Policies and Procedures Report of Evergreen Fibreboard (Nilai) Sdn Bhd and Allgreen Timber Products Sdn Bhd. The AC reviewed the recommendations made by BDO on the weaknesses that were identified and management's action taken to rectify those weaknesses.

   The AC thereafter reviewed the follow up review of previous audit done for Evergreen Fibreboard Berhad and noted the resolution of Audit issues raised in those audits.

3. On 23 November 2016 BDO presented the Capital Expenditure Review Report of Evergreen Fibreboard Berhad. The AC reviewed the recommendations made by BDO on the weaknesses that were identified and management's action taken to rectify those weaknesses.

4. The RMC represented by the Group Executive Director presented the risk management report on 23 November 2016.The AC reviewed the revised methodology undertaken by the RMC and the risk analysis made by the RMC. The AC suggested certain areas of risk which may be pertinent for the RMC to consider and to undertake appropriate action plans, if necessary.

5. As part of the AC review of EFB Group's operation, in 2016, the AC and EFB's Senior Management staff visited EFB Group's operations in Pasir Gudang, Johor, in Nilai, Negeri Sembilan, in Prai, Penang, in Gurun, Kedah and in Hatyai, Thailand.

C. RELATED PARTY TRANSACTION

1. The AC has taken note that there was no related party transaction reported or declared during the course of AC meetings except for inter-company transactions undertaken between companies within EFB Group. However the AC have directed management to develop a formal Group Policy on related party transaction to be included as part of the Board Charter after the Board's approval.

NOMINATION COMMITTEE'S REPORT

The Board of Directors ("the Board") presents the Nomination Committee Report and provides insights into the manner in which the Nomination Committee ("NC") discharged its functions for the Group during the current financial year.

Compliance

In compliance to Paragraph 15.08A of the Listing Requirements, the Board on 24 May 2005 established a Nomination Committee.

The formal role of the Nomination Committee is set out in its terms of reference in Evergreen Fibreboard Berhad's ("EFB") Board Charter made available on our website at www.evergreengroup.com.my.

Composition and Attendance

The NC comprises three (3) members, all of whom are Independent Non-Executive Directors ("INED"); The NC Chairman, is our Senior Independent Director. Mr Kuan Kai Seng and other members of the NC are Mr Jonathan Law Ngee Song and Mr Yap Peng Leong. The profiles of the NC members are set out in the Directors' profile section of this Annual Report including their attendance records for the year.

The Board reviews the terms of office and the performance of the NC and its members through an annual Board and Committee effectiveness evaluation. The Board is satisfied that the NC and its members has discharged their functions, duties and responsibilities in accordance with the NC's Terms of Reference.

Summary of Activities

The NC held two (2) meetings in the financial year. 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.

During the financial year 2016, Nomination Committee:

1) carried out annual review for assessing the effectiveness of the Board as a whole, the board committee, each individual director, key management positions as well as external auditor, internal auditor and the company secretary. The assessment criteria of the board and board committees include an evaluation of the size and composition of the board and board committees, board and board committees' performances in relation to discharging its responsibilities, communication with management and standard of conduct by the directors and committee members. The assessment criteria of the individual director include contribution to interaction, role and duties, knowledge, expertise, integrity, and time commitment;

2) identified training needed for individual directors where the Company will then take necessary steps to the needed trainings indicated and sourced for directors to attend in the coming financial year. During financial year, the directors have attended various training programmes which are outline in Page 30 of the Statement on Corporate Governance;

3) reviewed and recommended the appointment of new director, Mr Henry S Kuo to the Board. The profile of Mr Henry S Kuo is set out in the Directors' profile section of this Annual Report.

4) reviewed the evaluation of the retiring Directors and recommended to the Board for re-election. Directors standing for re-election at the forthcoming Annual General Meeting are:

   a) Mr. Kuo Wen Chi (retiring pursuant to the expiry of shareholders' mandate);
   b) Ms. Mary Henerietta Lim Kim Neo (in accordance with the Company's Articles of Association); and
   c) Mr. Kuan Kai Seng (in accordance with the Company's Articles of Association)

5) carried out assessment on the independency of the Independent Director exceeding the ninth year service. The Nomination Committee had evaluated Mr. Jonathan Law Ngee Song on his independency due to the fact that he has exceeded his ninth year term. Based on the Committee's evaluation, Mr. Jonathan Law has and is able to continue to bring independent legal advice to the Board's deliberations and decision making processes. Therefore the Nomination Committee have recommended Mr. Jonathan Law to the Board, to continue office as an Independent Director and seek shareholders' approval in the forthcoming Annual General Meeting in Compliance to Recommendation 3.3 of the Code; and

6) reviewed the Succession Planning for the Board and Key Officers and requested Management to make necessary changes for its effectiveness.

Based on the above, the Board is of the opinion that the Company has met the requirements set out in Paragraph 2.20A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

REMUNERATION COMMITTEE'S REPORT

The Board of Directors ("the Board") hereby presents the Remuneration Committee Report and provides insights into the manner in which the Remuneration Committee ("RC") discharged its functions for the Group in the financial year 2016.

Compliance

In Compliance to Recommendation 2.3 of the Code, the Board established a Remuneration Committee on the 24 May 2005 for the purpose of reviewing the remuneration and fees of Non- Executive Directors, Chief Executive Officer / President ("CEO"), Executive Directors ("EDs") and Key Officers / Senior Management of the Group.

The Remuneration Committee Chairman reports to the Board with appropriate recommendations and the Board as a whole ultimately decides and approves the remuneration of each Director which includes the Non-Executive Chairman.

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 made available at our website at www.evergreengroup.com.my .

Composition and Attendance

The Remuneration Committee comprises Independent Non-Executive Directors. The Chairman of the Remuneration Committee is Mr. Jonathan Law Ngee Song and other members of the Committee are Mr. Kuan Kai Seng and Mr. Yap Peng Leong

During the financial year there were 3 (three) scheduled Remuneration Committee Meetings and all members attended all meetings. The CEO / Executive Directors were invited to attend meetings to discuss the performance of Key Officers and make proposals where maybe necessary.

The Board is satisfied that the RC Members have discharged their functions, duties and responsibilities in accordance with the RC's Terms of Reference and supported the Board in its duties through the activities carried out during the financial year.

Summary of Activities

During the current financial year, there were three (3) remuneration committee meetings carried out. First meeting was in February 2016 where the RC deliberated and decided on the remuneration and bonus for the Group as well as the Executive Directors for their performance in 2016.

The RC did a follow up to deliberate on the initial proposal framework of bonus and salary increment that was put forth by the Executive Directors in 2015. EDs informed all that they have completed the fine tuning of the framework, and the Reward Programme will be majorly based on the financial performance of each individual company that includes an in- built Key Results Area ("KRA") element. Hence, they were ready to put it into practice for the financial year. A complete framework on the Reward Programme was given to RC for recommendation to the Board for approval.

The RC went on to deliberate on the increment and bonus for the CEO & EDs and Key Officers / Management Staffs accordingly. When deliberating the increment and bonus of CEO / President, consideration to the performance of the Group's business plans was also taken into consideration. In reviewing their roles, the market comparable, their skills and experience including the current individual pay level and the Group's financial performance in the financial year was also considered, RC found that the increment and bonus proposal were reasonable and RC being satisfied with the information provided agreed to forward the proposals to the Board for their approval.

In April 2016, RC met to deliberate on a Formal Framework Fee Structure for Non- Executive Directors. The framework established by the RC was in comparison of fee levels for similar positions in the market place, time commitment required from the directors and their additional responsibilities undertaken in the Board's Committees. A framework on the Fee Structure for Non- Executive Directors was given by RC Chairman for recommendation to the Board for approval.

Proposal on Framework was made to the Board and the proposal was approved to take effect in the financial year 2016.

The Remuneration Committee Members attended the annual general meeting during the financial year to answer any questions by shareholders' on the Committee's activities and also on resolution pertaining to the Director's fee that was put forth for shareholders' approval and no issues were raised.

In November 2016, the RC met for final time in the year to discuss the anticipated performance of the entire Group's performance and the effect of the Reward Programme in place for the year. Executive Directors made known to the RC that the Group will be evaluated in January through the Reward Pogramme approved by the Board earlier based on the financial performance achieved by each company and the achievement of the Key Results Area.

In February 2017, the RC met to deliberate on the final increment and bonus for Group, CEO, EDs and Key Officers / Senior Management. EDs made known the final results of the Group's achievement on the KRAs as well as on the Performance Targets and there were no extraordinary matters highlighted. RC then went on to deliberate the increment and bonus for the Executive Directors based on the performance of the Group.

RC being satisfied with the information provided by the EDs agreed to forward to the Board for a formal approval. On the same date, increment and bonus for the Group, CEO, EDs and Key Officers / Senior Management were also approved by the Board.

Remuneration & Benefits

In the financial year 2016, the Board consists of 4 (four) Non- Executive Directors and 4 (four) Executive Directors which shows an increase of 1 (one) Director compared to financial year 2015. Therefore, overall amount payable to Directors in the financial year will see an increase accordingly.

The Non-Executive Directors' remuneration package is based on the framework approved by the Board that reflects the level of responsibilities undertaken by the individual Director. Details of the 4 (four) Non-Executive Directors' fee payable for the financial year is provided below:-

Type	From the Company	Meeting Allowance	From Subsidiary
Board Fee			
Chairman	RM82,000/annum	RM800 per Meeting	NIL
Director	RM47,000/annum	RM500 per Meeting	NIL
Audit Committee			
Chairman	RM20,000/annum	NIL	NIL
Members	RM10,000/annum	NIL	NIL
Nomination Committee			
Chairman	RM 5,000/annum	NIL	NIL
Members	RM 3,600/annum	NIL	NIL
Remuneration Committee			
Chairman	RM5,000/annum	NIL	NIL
Members	RM 3,600/annum	NIL	NIL

The Executive Directors' remuneration package is based on the framework approved by the Board that reflects their roles, skills, experience including the responsibilities of the individual director.

Details of the 4 (four) Executive Directors remuneration payable for the financial year is broadly categorized into bands as below:-

Number of Directors	Remuneration Range
1	RM100,000 - RM 500,000
1	RM501,000 - RM1,000,000
0	RN1,001,000 - RM1,500,000
1	RM1,501,000 - RM2,000,000
1	RM2,001,000 - RM2,500,000

Executive Directors' Remuneration set out above has complied with the Main Market Listing Requirements of Bursa Securities even though the Code has prescribed for individual disclosure of directors' remuneration package. The Board is of the view that the transparency and accountability aspects of corporate governance in respect of the Directors' remuneration are appropriately and adequately addressed by the band disclosure.

STATEMENT ON SUSTAINABILITY

The Board of Directors ("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 that focuses on the aspect of Economic, Environmental & Social ("EES") in Evergreen Group.

On Our Business Operations

The Group is involved in the manufacturing of Panel Boards (Medium Density Fibreboard ("MDF") & Particle Board ("PB") with and without Overlay, Ready to Assemble Furniture ("RTA"), Wood Products and Resins.

We have been established for more than 30 years and have eight manufacturing operations sites, located in Johor, Negeri Sembilan, Kedah, Thailand and in Indonesia with a total workforce of approximately 2700 employees.

Scope of Coverage

The Scope of our Sustainability Statement covers the Company and its Malaysian Subsidiaries and does not include Indonesian and Thailand subsidiaries due to insufficient information available at this stage.

Acknowledgement

The Board acknowledges that the fundamental of a business is much depended on a Sustainable Vision, Mission, Values, Principles and Policies established in a Company and we believe that all businesses just like ours are basically established with a vision for growth and the ability to sustain for the longest period of time.

On Our Strategy

In EFB Group, our sustainability strategy is determined by the Board who provides oversight of our sustainability responsibilities and performance. Senior Management, namely the Executive Directors, with the support of the Key Officers oversees the implementation of the group's sustainability approach to ensure targets are being met and to endeavor for a sustainable business.

With that vision in mind, the Group's business management model has been carved to continuously foster awareness on the aspect of economic, environmental, social and governance that can or may affect the sustainability of the group's business.

Materiality Assessment

In view of this, the Group after undertaking a surface materiality assessment process has identified a number of material sustainability matters as below:-

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 revoke due to non-compliance, operational inefficiency that cause reputation being ruin and impact to the profitability of the group.

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 when our 3-year plan is to be a world class panel board producer and that requires 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.

Onward going, Environment Officers (EO) in subsidiaries will be required to meet EO of headquarters to set the standards across all operations by standardize 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.

Additionally, the Department of Environment of Malaysia has launched a Guide on Self Regulations ("GSR") for all Companies to comply since December 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. In fact this comes in a timely manner that can automatic drive the Company / Group in ensuring compliance to the environment laws and requirement.

On the Area of Economy

Disclosure

In the Group, our main raw material for almost all of our production plant is dependent solely on rubber wood and disruption of supply will cause a material effect on the Group's profitability. The inconsistent wood supply can be affected by the monsoon weather most of the time. 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.

Due to these reasons, the supply of raw material to most of our operation sites can be partially disrupted similar to what was encountered in the 4Q 2016 and this situation carried through to even the first quarter of 2017. During this period, some of our plant's raw material supply was badly affected and we were actually forced to reduce the production speed for a period of time.

Based on the above scenarios, there is a high risk for a disruption of production in the Group that may affect the profitability of the group.

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.

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.

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.

Managing and enforcing the Safety and Health practices and proper safety guard in place enforcement of Personal Protective Equipment ("PPE") wearing is inevitable. Monitoring and enforcing on 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 have been put in place by the Safety Committee to check on non-conformance of Safety Requirements and wearing of PPEs.

On the Area of Governance

The Group's Sustainability enforcement is still premature and requires much improvement towards achieving a higher level of its Business Sustainability and the Board assures adequate emphasis will be given where needed.

Governance Structure

BOARD OF DIRECTORS OF EFB
Oversee the Sustainability Performance of the Group

BY EXECUTIVE DIRECTORS
Quarterly Reporting to the Board

SENIOR MANAGEMENT TEAM
Oversee Sustainability Related Risk & Monitor KPIs
Responsible to establish Sustainable Business Policies

BY EFB SUSTAINABLE COMMITTEE
Monthly Reporting
Formulate sustainable strategy & goals
Monitor & facilitate adherence to sustainable policy
Conduct Sustainability Awareness & engagement Activities
Sustainability Performance Reporting

DEPARTMENTS HEADS / MANAGERS
Day to day management of sustainable risk & Own Issues
& ensure compliance of relevant sustainability related policies

Review by the Board

The Board having going through the Group's Sustainability Materiality review acknowledges the need for the Board to carry out the complete materiality test on the entire Group's Operations and it will be carried out in the following year.

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 the Group during the financial year.

2) Material Contracts

None of the Directors and Major Shareholders 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 during the financial year.

4) Non-Audit Fees

The amount of non-audit fees for services provided by the external auditors to the Group and the Company for the financial year amounted to RM48,000.

5) Contracts relating to Loan

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

6) Recurrent Related Party Transactions

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR 2016

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 of 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 2016, the Company and the Group have adopted 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, 1965 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 2016 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 have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

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 set out 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	67,947,449	16,472,792
Attributable to:		
Owners of the Company	71,679,434	16,472,792
Non-controlling interests	(3,731,985)	-
	67,947,449	16,472,792

DIVIDENDS

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

	RM
Single tier interim dividend of 1 sen per ordinary share of RM0.25 each in respect of the financial year ended 31 December 2015, paid on 20 April 2016	8,464,020

At the forthcoming Annual General Meeting, a single tier final dividend of 2 sen per ordinary share, amounting to RM16,920,040 in respect of the 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 2017.

RESERVES AND PROVISIONS

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

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 satisfied themselves that there were no known bad debts 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 it necessary to write off any bad debts or render the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

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

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 282,133,985 new ordinary bonus shares of RM0.25 each on the basis of one ordinary bonus share for every two existing ordinary share of RM0.25 each by utilising the share premium of the Company.

The new bonus ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company. The Company did not issue any debentures during the financial year.

TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company in accordance with the requirement of Section 67A of the Companies Act 1965 in Malaysia.

During the financial year, the Company repurchased 400,000 of its issued ordinary shares from the open market at an average price of RM0.945 per ordinary share. The total consideration paid for the shares repurchased including transaction costs was RM378,132.

As at 31 December 2016, 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 20 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

DIRECTORS' INTERESTS

According to the register of directors' shareholding required to be kept by the Company under Section 134 of the Companies Act 1965 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 of RM0.25 each			
		At 1.1.2016	Additions	Transferred	At 31.12.2016
Direct Interest					
Kuo Jen Chang		94,903,910	47,451,955	-	142,355,865
Kuo Jen Chiu		82,746,761	41,373,380	-	124,120,141
Mary Henerietta Lim Kim Neo		4	2	-	6
Indirect Interest					
Kuo Jen Chang	*	140,288,210	70,144,104	-	210,432,314
Kuo Jen Chiu	**	152,445,359	76,222,679	-	228,668,038
Kuo Wen Chi	**	235,192,120	117,596,059	-	352,788,179
Henry S Kuo	*	9,035,396	4,517,697	-	13,553,093

* Deemed interested pursuant to Section 6A of the Companies Act 1965.
** Deemed interested by virtue of the shareholdings in a corporation and pursuant to Section 6A of the Companies Act 1965.

By virtue of their interests in the ordinary shares of the Company and pursuant to Section 6A of the Companies Act 1965 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.

DIRECTORS' INTERESTS (cont'd)

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in shares 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 30 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.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Details of significant event during the financial year are disclosed in Note 40 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

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 2017

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	975,945,498	846,071,854	148,558,575	115,908,948
Land use rights	6	36,241,811	37,065,840	7,322,337	8,460,812
Biological assets	7	26,800,000	26,900,000	-	-
Goodwill on consolidation	8	18,377,353	19,509,938	-	-
Other intangible asset	9	117,630	127,249	-	-
Investment properties	10	-	-	4,471,563	-
Investment in subsidiaries	11	-	-	330,744,499	331,212,782
Deferred tax assets	12	13,391,043	18,759,449	-	-
Other investments	13	139,600	145,400	-	-
		1,071,012,935	948,579,730	491,096,974	455,582,542
Current assets					
Inventories	14	212,977,365	218,275,940	46,304,972	46,390,156
Trade and other receivables	15	94,566,550	119,795,700	184,488,456	164,778,168
Other current assets	16	20,936,858	43,896,967	2,958,441	9,689,258
Current tax assets		1,185,804	89,441	-	-
Deposits, cash and bank balances	17	160,266,523	116,570,744	44,096,612	67,493,031
		489,933,100	498,628,792	277,848,481	288,350,613
TOTAL ASSETS		1,560,946,035	1,447,208,522	768,945,455	743,933,155
EQUITY AND LIABILITIES					
Equity					
Share capital	18	211,605,996	141,072,500	211,605,996	141,072,500
Share premium	19	133,143,216	203,676,712	133,143,216	203,676,712
Treasury shares	20	(393,305)	(15,173)	(393,305)	(15,173)
Other reserves	21	80,610,926	58,856,988	-	-
Retained earnings		699,052,165	634,693,436	294,530,509	285,415,516
Total Equity		1,124,018,998	1,038,284,463	638,886,416	630,149,555
Non-controlling interests		28,122,743	31,752,202	-	-
Total Equity		1,152,141,741	1,070,036,665	638,886,416	630,149,555

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016 (Cont'd)

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Liabilities					
Non-current liabilities					
Loans and borrowings	22	100,832,207	37,229,004	47,673,001	17,150,000
Deferred tax liabilities	12	38,165,106	29,468,898	4,085,377	2,104,061
Retirement benefits	23	8,561,171	8,814,784	3,569,863	4,223,630
		147,558,484	75,512,686	55,328,241	23,477,691
Current liabilities					
Loans and borrowings	22	103,805,099	161,479,118	42,302,294	56,536,314
Trade and other payables	24	152,602,965	131,894,933	31,468,025	33,670,742
Current tax liabilities		4,837,746	7,409,233	960,479	98,853
Derivative financial liabilities	25	-	875,887	-	-
		261,245,810	301,659,171	74,730,798	90,305,909
Total Liabilities		408,804,294	377,171,857	130,059,039	113,783,600
TOTAL EQUITY AND LIABILITIES		1,560,946,035	1,447,208,522	768,945,455	743,933,155

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

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Revenue	26	997,794,615	1,012,342,362	234,615,234	290,370,800
Cost of sales	27	(730,168,432)	(724,212,125)	(190,171,436)	(235,960,558)
Gross profit		267,626,183	288,130,237	44,443,798	54,410,242
Other income	28	23,009,140	25,022,805	16,416,035	21,686,907
Selling and administrative expenses		(175,295,417)	(184,946,141)	(26,192,604)	(37,061,144)
Other expenses		(15,111,914)	(9,228,535)	(11,920,118)	(22,582,728)
		(190,407,331)	(194,174,676)	(38,112,722)	(59,643,872)
Profit from operations		100,227,992	118,978,366	22,747,111	16,453,277
Finance costs		(6,782,751)	(10,446,625)	(2,679,414)	(4,209,855)
Profit before tax	29	93,445,241	108,531,741	20,067,697	12,243,422
Tax (expense)/credit	31	(25,497,792)	(14,440,734)	(3,594,905)	3,583,723
Profit for the financial year		67,947,449	94,091,007	16,472,792	15,827,145
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		21,759,738	42,161,849	-	-
Fair value (loss)/gain of available-for-sale financial assets		(5,800)	36,400	-	-
Cash flow hedges		-	157,408	-	-
		21,753,938	42,355,657	-	-
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit plans		1,245,841	-	1,106,221	-
Other comprehensive income for the financial year		22,999,779	42,355,657	1,106,221	-
Total Comprehensive Income for the financial year		90,947,228	136,446,664	17,579,013	15,827,145

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (Cont'd)

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Profit attributable to:					
Owners of the Company		71,679,434	90,903,792	16,472,792	15,827,145
Non-controlling interests		(3,731,985)	3,187,215	-	-
		67,947,449	94,091,007	16,472,792	15,827,145
Total comprehensive income attributable to:					
Owners of the Company		94,600,186	133,259,449	17,579,013	15,827,145
Non-controlling interests		(3,652,958)	3,187,215	-	-
		90,947,228	136,446,664	17,579,013	15,827,145
Basic and diluted earnings per share sen	32	8.66	17.57	-	-

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

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									
		Non-distributable						Distributable			
At 31 December 2015		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 for the financial year											
Profit for the financial year		-	-	-	-	-	-	71,679,434	71,679,434	(3,731,985)	67,947,449
Other comprehensive income for the financial year		-	-	-	21,759,738	(5,800)	-	1,166,814	22,920,752	79,027	22,999,779
Total comprehensive income		-	-	-	21,759,738	(5,800)	-	72,846,248	94,600,186	(3,652,958)	90,947,228
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	33	-	-	-	-	-	-	(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

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									
				Non-distributable				Distributable			
At 1 January 2015		128,250,000	113,129,400	383,083	16,267,456	(149,208)	(15,173)	543,789,644	801,655,202	28,613,127	830,268,329
Total comprehensive income for the financial year											
Profit for the financial year		-	-	-	-	-	-	90,903,792	90,903,792	3,187,215	94,091,007
Other comprehensive income for the financial year		-	-	-	42,161,849	193,808	-	-	42,355,657	-	42,355,657
Total comprehensive income		-	-	-	42,161,849	193,808	-	90,903,792	133,259,449	3,187,215	136,446,664
Transactions with owners											
Issue of ordinary shares		12,822,500	92,322,000	-	-	-	-	-	105,144,500	-	105,144,500
Transaction costs of shares issued		-	(1,774,688)	-	-	-	-	-	(1,774,688)	-	(1,774,688)
Dividend paid on shares of a subsidiary		-	-	-	-	-	-	-	-	(48,140)	(48,140)
Total transactions with owners		12,822,500	90,547,312	-	-	-	-	-	103,369,812	(48,140)	103,321,672
At 31 December 2015		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

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

Company	Note	← Non-distributable Share Capital RM	Distributable → Share Premium RM	Treasury Reserve RM	Distributable Retained Earnings RM	Total Equity RM
At 31 December 2015		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	33	-	-	-	(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

Company	Note	Non-distributable Share Capital RM	Non-distributable Share Premium RM	Distributable Treasury Reserve RM	Distributable Retained Earnings RM	Total Equity RM
At 1 January 2015		128,250,000	113,129,400	(15,173)	269,588,371	510,952,598
Total comprehensive income for the financial year						
Profit for the financial year		-	-	-	15,827,145	15,827,145
Other comprehensive income for the financial year		-	-	-	-	-
Total comprehensive income		-	-	-	15,827,145	15,827,145
Transactions with owners						
Issue of ordinary share		12,822,500	92,322,000	-	-	105,144,500
Transaction costs of shares issued		-	(1,774,688)	-	-	(1,774,688)
Total transactions with owners		12,822,500	90,547,312	-	-	103,369,812
At 31 December 2015		141,072,500	203,676,712	(15,173)	285,415,516	630,149,555

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

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Cash flows from operating activities					
Profit before tax:		93,445,241	108,531,741	20,067,697	12,243,422
Adjustments for:					
Amortisation of land use rights		850,457	849,268	185,594	206,802
Amortisation of other intangible asset		29,982	27,060	-	-
Depreciation on property, plant and equipment		62,638,290	64,113,619	11,448,403	8,489,365
Depreciation on investment property		-	-	154,533	-
Interest expense		6,782,751	10,446,625	2,679,414	4,209,855
Interest income		(1,753,218)	(1,057,986)	(3,780,082)	(1,860,968)
Dividend income from quoted investment		(3,400)	-	-	-
Dividend income from subsidiaries		-	-	(9,042,175)	(11,049,669)
Fair value loss on derivatives		(875,887)	709,190	-	-
Gain arising from fair value adjustment on biological assets		(3,698,537)	(8,253,422)	-	-
Inventories written down		122,599	8,174,444	-	-
(Gain)/Loss on disposal of property, plant and equipment		(3,135,226)	1,607,375	(275,511)	(171,169)
Property, plant and equipment written off		8,560,053	14,914	974,742	-
Provision for retirement benefits obligations		1,085,790	1,611,529	587,180	370,136
Reversal of impairment loss on trade receivables		(10,814)	-	-	-
Unrealised loss/(gain) on foreign exchange		2,857,969	1,601,505	377,042	(3,731,241)
Impairment loss on					
- goodwill		1,132,585	54,509	-	-
- property, plant and equipment		239,233	2,843,446	-	-
- trade receivables		51,913	81,435	-	-
- amount due from a subsidiary		-	-	-	2,582,723
- cost of investment in subsidiaries		-	-	10,568,334	20,000,005
		74,874,540	82,823,511	13,877,474	19,045,839
Operating cash flows before changes in working capital,carried down		168,319,781	191,355,252	33,945,171	31,289,261

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Cash flows from operating activities (Cont'd)					
Operating cash flows before changes in working capital, brought down		168,319,781	191,355,252	33,945,171	31,289,261
Changes in working capital					
Inventories		5,175,976	(11,083,256)	85,184	25,604,861
Biological assets		3,798,537	758,465	-	-
Trade and other receivables		46,942,771	(40,364,024)	17,857,615	(8,397,121)
Trade and other payables		21,615,111	(3,123,850)	(2,252,344)	(2,874,691)
		77,532,395	(53,812,665)	15,690,455	14,333,049
Net cash flows generated from operations		245,852,176	137,542,587	49,635,626	45,622,310
Payment of retirement benefit obligations		(192,333)	(1,523,849)	(134,726)	(93,621)
Interest paid		(6,782,751)	(10,446,625)	(2,526,454)	(4,209,855)
Income taxes paid		(15,101,028)	(2,042,304)	(751,963)	(147,976)
Net cash flows from operating activities		223,776,064	123,529,809	46,222,483	41,170,858
Cash flows from investing activities					
Additional investment in subsidiary		-	-	-	(10,000)
Advances to subsidiaries		-	-	(39,706,793)	(47,823,767)
Dividend income from quoted investment		3,400	-	-	-
Dividend income received from subsidiaries		-	-	9,042,175	11,049,669
Interest received		1,753,218	1,057,986	2,508,971	1,860,968
Purchase of property, plant and equipment		(201,270,803)	(89,794,218)	(48,989,868)	(45,442,751)
Proceeds from disposal of property, plant and equipment		19,945,460	2,257,296	519,392	2,607,196
Placement of time deposits		(13,345,183)	-	(200,000)	-
Net cash flows used in investing activities		(192,913,908)	(86,478,936)	(76,826,123)	(77,758,685)
Cash flows from financing activities					
Drawdown of term loan and trade facilities		417,851,157	251,873,032	76,797,166	67,173,611
Dividends paid to:					
- owners of the Company		(8,464,020)	-	(8,464,020)	-
- non-controlling interests		-	(48,140)	-	-
Proceed from issuance of ordinary shares		-	103,369,812	-	103,369,812
Purchase of treasury shares		(378,132)	-	(378,132)	-
Advances from/(Repayments to) to subsidiaries		-	-	62,637	(65,230)
Repayments of finance lease liabilities		(264,649)	(1,447,554)	(45,055)	(58,207)
Repayments of term loans and trade facilities		(421,254,244)	(357,285,620)	(60,904,907)	(93,505,332)
Net cash flows (used in)/ from financing activities		(12,509,888)	(3,538,470)	7,067,689	76,914,654
Net increase in cash and cash equivalents		18,352,268	33,512,403	(23,535,951)	40,326,827
Effects of foreign exchange rate changes		11,998,328	9,149,825	(60,468)	-
Cash and cash equivalents at the beginning of the financial year		116,570,744	73,908,516	67,493,031	27,166,204
Cash and cash equivalents at the end of the financial year	17	146,921,340	116,570,744	43,896,612	67,493,031

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

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 the 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 2017.

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 1965 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 5	Non-current Assets Held for Sale and Discontinued Operations
MFRS 7	Financial Instruments: Disclosures
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interest in Other Entities
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
MFRS 138	Intangible Assets
MFRS 141	Agriculture

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

Amendments to MFRS 7 Financial Instruments: Disclosures

Amendments to MFRS 7 provide additional guidance to clarify whether servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements of MFRS 7.

The Amendments also clarify the applicability of Disclosure – Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7) to condensed interim financial statements.

2. BASIS OF PREPARATION (cont'd)

2.2 Adoption of amendments/improvements to MFRSs (cont'd)

Amendments to MFRS 101 Presentation of Financial Statements

Amendments to MFRS 101 improve the effectiveness of disclosures. The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

Amendments to MFRS 116 Property, Plant and Equipment

Amendments to MFRS 116 prohibit revenue-based depreciation because revenue does not reflect the way in which an item of property, plant and equipment is used or consumed.

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability and the depth of the market for high quality corporate bonds should be assessed at a currency level.

Amendments to MFRS 138 Intangible Assets

Amendments to MFRS 138 introduce a rebuttable presumption that the revenue-based amortisation method is inappropriate. This presumption can be overcome only in the following limited circumstances:

- when the intangible asset is expressed as a measure of revenue, i.e. in the circumstance in which the predominant limiting factor that is inherent in an intangible asset is the achievement of a revenue threshold; or
- when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosures of Interests in Other Entities and MFRS 128 Investments in Associates and Joint Ventures

These amendments address the following issues that have arisen in the application of the consolidation exception for investment entities:

- Exemption from presenting consolidated financial statements: the amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
- Consolidation of intermediate investment entities: the amendments clarify that only a subsidiary is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.
- Policy choice for equity accounting for investments in associates and joint ventures: the amendments allow a non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interest in subsidiaries, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture.

2. BASIS OF PREPARATION (cont'd)

2.2 Adoption of amendments/improvements to MFRSs (cont'd)

Amendments to MFRS 116 Property, Plant and Equipment and Amendments to MFRS 141 Agriculture

With the amendments, bearer plants would come under the scope of MFRS 116 and would be accounted for in the same way as property, plant and equipment. A bearer plant is defined as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Nevertheless, the produce growing on the bearer plant would remain within the scope of MFRS 141. This is because the growth of the produce directly increases the expected revenue from the sale of the produce. Moreover, fair value measurement of the growing produce provides useful information to users of financial statements about future cash flows that an entity will actually realise as the produce will ultimately be detached from the bearer plants and sold separately.

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

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

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments/Improvements to MFRSs		
MFRS 1	First-time adoption of MFRSs	1 January 2018
MFRS 2	Share-based payment	1 January 2018
MFRS 4	Insurance Contracts	1 January 2018
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 12	Disclosure of Interests in Other Entities	1 January 2017
MFRS 107	Statement of Cash Flows	1 January 2017
MFRS 112	Income Taxes	1 January 2017
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018/ Deferred
MFRS 140	Investment Property	1 January 2018
New IC Int		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs and new IC Int are summarised below. Due to the complexity of these new MFRSs, amendments/improvements to MFRSs and new IC Int, the financial effects of their adoption are currently still being assessed by the Group and the Company.

2. BASIS OF PREPARATION (cont'd)

2.3 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 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.

- 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.

2. BASIS OF PREPARATION (cont'd)

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

***MFRS 15 Revenue from Contracts with Customers* (cont'd)**

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

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

MFRS 16 Leases

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

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

Amendments to MFRS 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 12 Disclosure of Interests in Other Entities

Amendments to MFRS 12 clarify that entities classified as held for sale are required to apply all the disclosure requirements of MFRS 12 except for the disclosure requirements set out in paragraphs B10-B16 of MFRS 12.

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.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that decreases in value of debt instrument measured at fair value for which the tax base remains at its original cost give rise to a deductible temporary difference. The estimate of probable future taxable profits may include recovery of some of an entity's assets for more that their carrying amounts if sufficient evidence exists that it is probable the entity will achieve this.

The Amendments also clarify that deductible temporary differences should be compared with the entity's future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences when an entity evaluates whether it has sufficient future taxable profits. In addition, when an entity assesses whether taxable profits will be available, it should consider tax law restrictions with regards to the utilisation of the deduction.

2. BASIS OF PREPARATION (cont'd)

2.3 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 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.

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

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

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

IC Int 22 Foreign Currency Transactions and Advance Consideration

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

2.4 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 the Group operates ("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.

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.

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

3.1 Basis of consolidation (cont'd)

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture, an available-for-sale financial asset or a held for trading financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(b) 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 3.13(b).

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

3.3 Foreign currency transactions and operations

(a) Translation of foreign currency transactions

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

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

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

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

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

(b) Translation of foreign operations

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

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial instruments

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

(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 3.13(a). Gains and losses are recognised in profit or loss through the amortisation process.

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(a). Gains and losses are recognised in profit or loss through the amortisation process.

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

3.4 Financial instruments (cont'd)

(a) Subsequent measurement (cont'd)

(i) Financial assets

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.

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.

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

3.4 Financial instruments (cont'd)

(c) Regular way purchase or sale of financial assets (cont'd)

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.

(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.

(f) Hedge accounting

Cash flow hedge

In a cash flow hedge, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.
Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income are transferred from equity and included in the initial amount of the asset or liability.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

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

3.5 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(b).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.18.

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 the 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 machineries	5-20
Factory and office equipment, furniture and fittings	8
Motor vehicles	5
Computer and communication system	8

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

(d) Derecognition

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

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

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 fair value. 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.

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 3.13(b).

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

(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 3.13(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.

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 Cash and cash equivalents

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

3.13 Impairment of assets

(a) Impairment 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.

<u>Loans and receivables</u>

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.

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

3.13 Impairment of assets (cont'd)

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

Loans and receivables (cont'd)

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

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

For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to 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 and biological assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount. For goodwill and intangible assets that have indefinite useful life and are not yet available for use, the recoverable amount is estimated at each reporting date.

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.

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

3.13 Impairment of assets (cont'd)

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

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.

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

3.15 Employee benefits (cont'd)

(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 plans

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.

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

3.17 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.

3.18 Borrowing costs

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

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

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

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

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

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

3.19 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.

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.

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

3.19 Taxes (cont'd)

(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.

3.20 Operating segments

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

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

3.22 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) Depreciation and useful lives of property, plant and equipment

As disclosed in Note 3.5 to the financial statements, the Group and the Company review the residual values, useful lives and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and therefore, future depreciation charges could be revised.

The carrying amounts of the Group's and the Company's property, plant and equipment are disclosed in Note 5 to the financial statements.

(b) 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.

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

(c) 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.

(d) Impairment of financial assets

The Group and the Company recognise impairment losses for loans and receivables using the incurred loss model. At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that loans and receivables is impaired. Individually significant loans and receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All others are grouped into credit risk classes and tested for impairment collectively, using the Group's and the Company's past experience of loss statistics, ageing of past due amounts and current economic trends. The actual eventual losses may be different from the impairment made and this may affect the Group's and the Company's financial position and results.

For available-for-sale unquoted equity investments, the Group uses estimates of future cash flows of the unquoted equity investments and discounts the future cash flows using a current market rate of return of similar risk-class instrument. For quoted available-for-sale equity investments, the Group and the Company recognise an impairment loss when there has been a significant or prolonged decline in the market price of a quoted equity investment. The Group and the Company use its judgement to decide when an impairment loss shall be recognised using past experience of similar investments, historical volatility of the share prices and current market conditions. The actual eventual losses may be different from the impairment made and this may affect the Group's and the Company's financial position and results.

The carrying amounts of the Group's and the Company's financial assets are disclosed in Note 36(a) to the financial statements.

(e) Measurement of income taxes

The Group and the Company operate in various jurisdictions and are subject to income taxes in each jurisdiction. Significant judgement is required in determining the Group's and the Company's estimation for current and deferred taxes because the ultimate tax liability for the Group as a whole is uncertain. When the final outcome of the tax payable is determined with the tax authorities in each jurisdiction, the amounts might be different from the initial estimates of the taxes payables. Such differences may impact the current and deferred taxes in the period when such determination is made. The Group and the Company will make adjustments for current or deferred taxes in respect of prior years in the current period on those differences arise. The income tax expense of the Group and the Company are disclosed in Note 31.

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

(f) Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unabsorbed capital allowances based on the projected future profits of the subsidiaries to the extent that is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the future performance of the subsidiaries. The carrying amount of the Group's recognised deferred tax assets is disclosed in Note 12.

(g) Defined benefit liabilities

The Group has defined benefit plans for their employees. The measurement of the present value of defined benefit obligations is based on a number of assumptions and factors that are determined on an actuarial basis. The assumptions used in the measurement of the defined benefit costs and the related liabilities or assets include discount rates, expected rates of return of assets, future salary increases, mortality rates and future pension increases in each jurisdiction. Any changes in these assumptions will have an impact on the carrying amount of the defined benefit obligations. The carrying amount of the Group's employee benefits and the details of these actuarial assumptions and the sensitivity of the changes in key assumptions are disclosed Note 23.

(h) 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.

(i) Impairment of non-financial assets

The Group and the Company assess impairment of non-financial assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may 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 machineries 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 29)	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 29)	-	-	214,619	4,901	-	19,713	-	239,233
At 31 December 2016	-	-	3,058,065	4,901	-	19,713	-	3,082,679

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

Group	Leasehold land RM	Freehold land and buildings RM	Plant and machineries RM	Factory and office equipment, furniture and fittings RM	Motor vehicles RM	Computer and communication system RM	Construction in progress RM	Total RM
2015								
Cost								
At 1 January 2015	875,911	238,244,856	1,073,550,652	37,303,301	10,941,298	3,213,812	15,536,458	1,379,666,288
Additions	-	104,076	49,774,269	1,722,556	1,789,388	110,502	36,445,927	89,946,718
Disposals	-	(181,769)	(17,842,051)	(1,926,751)	(1,679,100)	-	-	(21,629,671)
Written off	-	-	-	(4,088)	-	-	(14,504)	(18,592)
Reclassification	-	708,956	21,999,429	-	161,578	-	(22,869,963)	-
Exchange differences	-	11,575,581	70,438,490	(16,083,335)	19,586,093	209,932	1,793,511	87,520,272
At 31 December 2015	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
Accumulated depreciation								
At 1 January 2015	44,538	49,432,776	512,234,644	30,238,682	8,963,583	1,760,042	-	602,674,265
Depreciation charge for the year (Note 29)	14,846	6,418,206	54,807,274	1,094,618	1,717,226	61,449	-	64,113,619
Disposals	-	-	(14,349,154)	(1,807,515)	(1,608,331)	-	-	(17,765,000)
Written off	-	-	-	(3,678)	-	-	-	(3,678)
Exchange differences	-	3,533,158	30,916,981	(14,361,311)	17,313,440	148,241	-	37,550,509
At 31 December 2015	59,384	59,384,140	583,609,745	15,160,796	26,385,918	1,969,732	-	686,569,715
Accumulated impairment loss								
At 1 January 2015	-	-	-	-	-	-	-	-
Impairment loss during the financial year (Note 29)	-	-	2,843,446	-	-	-	-	2,843,446
At 31 December 2015	-	-	2,843,446	-	-	-	-	2,843,446

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

Group	Leasehold land RM	Freehold land and buildings RM	Plant and machineries RM	Factory and office equipment, furniture and fittings RM	Motor vehicles RM	Computer and communication system RM	Construction in progress RM	Total RM
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
At 31 December 2015	816,527	191,067,560	611,467,598	5,850,887	4,413,339	1,564,514	30,891,429	846,071,854

Company	Freehold land and buildings RM	Plant and machineries 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

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

Company	Freehold land and buildings RM	Plant and machineries RM	Factory and office equipment, furniture and fittings RM	Motor vehicles RM	Computer and communication system RM	Construction in progress RM	Total RM
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 29)	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
2015							
At 1 January 2015	38,550,872	203,941,428	844,571	5,487,950	2,454,803	-	251,279,624
Additions	-	43,938,874	1,503,877	-	-	-	45,442,751
Disposals	-	(13,213,282)	(654,136)	(731,223)	-	-	(14,598,641)
At 31 December 2015	38,550,872	234,667,020	1,694,312	4,756,727	2,454,803	-	282,123,734
Accumulated depreciation							
At 1 January 2015	8,766,735	152,631,081	2,031,549	5,319,924	1,138,746	-	169,888,035
Depreciation charge for the financial year (Note 29)	633,892	7,690,529	47,844	115,073	2,027	-	8,489,365
Disposals	-	(11,052,860)	(388,881)	(720,873)	-	-	(12,162,614)
At 31 December 2015	9,400,627	149,268,750	1,690,512	4,714,124	1,140,773	-	166,214,786
Net Carrying Amount							
At 31 December 2015	29,150,245	85,398,270	3,800	42,603	1,314,030	-	115,908,948

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 RM202,442,152 (2015: RM89,946,718) and RM48,989,868 (2015: RM45,442,751) which are satisfied by the following:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Financed by finance lease arrangements	1,171,349	152,500	-	-
Cash payments	201,270,803	89,794,218	48,989,868	45,442,751
	202,442,152	89,946,718	48,989,868	45,442,751

(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	
	2016 RM	**2015 RM**
Motor vehicles	1,869,448	1,001,787

(c) The carrying amount of property, plant and equipment pledged as security for banking facilities as disclosed in Note 22 to the financial statements are as follows:

	Group	
	2016 RM	**2015 RM**
Freehold land and buildings	42,151,242	50,565,212
Plant and machineries and other assets	240,667,452	189,646,657
	282,818,694	240,211,869

(d) Certain freehold land of the Group with a carrying amount of RM5,573,735 (2015: RM5,573,735) is still in the process of transfer of land title and pending the approval of the relevant authority.

(e) Leasehold land consist of land with unexpired lease period of more than 50 years.

6. LAND USE RIGHTS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cost				
At 1 January	43,702,277	48,581,122	11,402,541	11,402,541
Additions	-	-	-	-
Reclassified to biological assets (Note 7)	-	(5,005,043)	-	-
Reclassified to investment property (Note 10)	-	-	(1,071,303)	-
Exchange differences	26,428	126,198	-	-
At 31 December	43,728,705	43,702,277	10,331,238	11,402,541
Accumulated amortisation				
At 1 January	6,636,437	5,787,169	2,941,729	2,734,927
Amortisation charge for the financial year (Note 29)	850,457	849,268	185,594	206,802
Reclassified to investment property (Note 10)	-	-	(118,422)	-
At 31 December	7,486,894	6,636,437	3,008,901	2,941,729
Carrying amount				
At 31 December	36,241,811	37,065,840	7,322,337	8,460,812

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	
	2016 RM	2015 RM
At fair value:		
Immature rubber trees	23,800,000	18,500,000
Tropical wood trees	3,000,000	8,400,000
At 31 December	26,800,000	26,900,000

Fair value information

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

7. BIOLOGICAL ASSETS (cont'd)

Level 3 fair value

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

	Group 2016 RM	Group 2015 RM
Immature rubber trees		
At 1 January	18,500,000	8,400,000
Reclassified from land use rights (Note 6)	-	5,005,043
Increases due to new planting and purchases	41,513	-
Changes in fair value of biological assets	5,258,487	5,094,957
At 31 December	23,800,000	18,500,000
Tropical wood trees		
At 1 January	8,400,000	6,000,000
Decreases due to land clearing for rubber planting	(3,840,050)	(758,465)
Changes in fair value of biological assets	(1,559,950)	3,158,465
At 31 December	3,000,000	8,400,000

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

(b) During the financial year, the Group felled 20,000 (2015: 2,250) hoppus tons of tropical wood trees. It is estimated that there is a remaining 400 (2015: 1,400) acres of forest land with an estimated 7,000 (2015: 27,000) hoppus tons of trees to be 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 RM670 (2015: RM600) 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 are planted during the year and in previous financial years and are immature. They will attain maturity upon the sixth to seventh year of planting. The Group had planted 2,133 (2015: 2,052) 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 (2016: 800 - 1,300kg; 2015: 800 - 1,300kg);	The higher the estimated yield of rubber latex per acre, the higher the fair value
		Estimated latex selling price (2016: RM5.50/kg; 2015: RM5.92/kg); and	The higher the latex selling price, the higher the fair value
		Estimated harvesting and collection cost (2016: RM1.35/kg; 2015: 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.

8. GOODWILL

	Group 2016 RM	Group 2015 RM
Cost		
At 1 January/31 December	19,590,250	19,590,250
Accumulated impairment loss		
At 1 January	(80,312)	(25,803)
Charge for the financial year (Note 29)	(1,132,585)	(54,509)
At 31 December	(1,212,897)	(80,312)
Carrying amount		
At 31 December	18,377,353	19,509,938

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 2016 RM	Group 2015 RM
Indonesia operations	295,328	295,328
Thailand operations	5,391,242	5,391,242
Malaysia operations	12,690,783	13,823,368
	18,377,353	19,509,938

Key assumptions used in value-in-use calculations

The recoverable amount of CGU of Indonesia and Thailand operations as at 31 December 2016 and 31 December 2015 are determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are based on the cash flows forecasted in the preceding years. The key assumptions used for value-in-use calculations are as follows:

Group	Malaysia operations	Indonesia operations	Thailand operations
31.12.2016			
Key assumptions used in value-in-use calculations			
Gross margin	17% - 24%	32%	18% - 30%
Discount rate	10.66% - 13.60%	17.96%	8.77% - 15.04%
31.12.2015			
Key assumptions used in value-in-use calculations			
Gross margin	20%	26%	22%
Discount rate	12.2%	12.2%	12.2%

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

No growth rate is projected in the value-in-use calculations.

Sensitivity to change in assumptions

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

Impairment loss recognised

The Group recognised an impairment loss of RM1,132,585 (2015: RM54,509) in respect of the goodwill arising on consolidation. The goodwill relates to a subsidiary which was loss-making since the previous financial years, hence the related goodwill had been impaired accordingly.

9. OTHER INTANGIBLE ASSET

	Group	
	2016 RM	**2015 RM**
Cost		
At 1 January	283,353	251,844
Exchange differences	36,184	31,509
At 31 December	319,537	283,353
Accumulated amortisation		
At 1 January	156,104	113,561
Amortisation charge for the financial year	29,982	27,060
Exchange differences	15,821	15,483
At 31 December	201,907	156,104
Carrying amount		
At 31 December	117,630	127,249

10. INVESTMENT PROPERTIES

	Company 2016 RM	2015 RM
At cost		
At 1 January	-	-
Transferred from land use rights (Note 6)	1,071,303	-
Transferred from property, plant and equipment (Note 5)	4,565,357	-
At 31 December	5,636,660	-
Accumulated depreciation		
At 1 January	-	-
Transferred from land use rights (Note 6)	(118,422)	-
Transferred from property, plant and equipment (Note 5)	(892,142)	-
Depreciation charge during the financial year	(154,533)	-
At 31 December	(1,165,097)	-
Carrying amount	4,471,563	-

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

	2016 RM
Rental income	799,704
Direct operating expenses	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
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 2016 and 31 December 2015.

Investment properties of the Company at Level 3 fair value of RM6,594,255 (2015: Nil) was determined by directors' estimation based on the indicative market price of similar properties in the vicinity.

11. INVESTMENT IN SUBSIDIARIES

	Company 2016 RM	Company 2015 RM
At cost		
Unquoted shares, at cost		
At 1 January	363,812,787	366,802,787
Add: Additions during the financial year	10,100,051	10,000
Less: Disposal during the financial year	-	(3,000,000)
At 31 December	373,912,838	363,812,787
Less: Accumulated impairment losses		
At 1 January	(32,600,005)	(15,600,000)
Less: Additions during the financial year (Note 29)	(10,568,334)	(20,000,005)
Add: Reversal during the financial year	-	3,000,000
At 31 December	(43,168,339)	(32,600,005)
	330,744,499	331,212,782

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Principal activities	Effective equity interest 2016	Effective equity interest 2015
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	Manufacturing, trading and sales of wood products	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%
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%

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 2016	2015
Evergreen Agro Sdn. Bhd.	Malaysia	Planters, cultivators and buyers of rubber and every kind of produce of the soil	100%	49%
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	51%	51%
Everlatt Sourcing Sdn. Bhd.	Malaysia	Wholesale and trading of furniture	100%	100%
Subsidiary of Siam Fibreboard Co., Ltd.				
Asian Oak Co., Ltd.*	Thailand	Producing and distributing wood products	99.99%	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 5 September 2016, the Company acquired 51 ordinary shares representing 51% of the remaining paid-up capital 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 2016.

(b) 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 non-controlling interests are as follows:

Name of company	Country of incorporation	Ownership interest 2016 %	2015 %
PT Hijau Lestari Raya Fibreboard	Indonesia	49	49
Craft Master Timber Products Sdn. Bhd.	Malaysia	49	49

11. INVESTMENT IN SUBSIDIARIES (cont'd)

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

Carrying amount of material non-controlling interests:

Name of company	2016 RM	2015 RM
PT Hijau Lestari Raya Fibreboard	28,185,345	28,356,017
Craft Master Timber Products Sdn. Bhd.	(62,602)	3,414,955

Profit or loss allocated to material non-controlling interests:

Name of company	2016 RM	2015 RM
PT Hijau Lestari Raya Fibreboard	(170,787)	5,582,554
Craft Master Timber Products Sdn. Bhd.	(3,477,557)	(2,441,411)

(c) 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:

	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 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)
Summarised statements of comprehensive income Financial year ended 31 December 2016		
Net cash flows from operating activities	3,956,924	3,352,186
Net cash flows from/(used in) investing activities	689,961	(539,114)
Net cash flows used in financing activities	(2,566,415)	(316,260)
Net increase in cash and cash equivalents	2,080,470	2,496,812
Dividends paid to non-controlling interests	-	-

11. INVESTMENT IN SUBSIDIARIES (cont'd)

(c) 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: (cont'd)

	Craft Master Timber Products Sdn. Bhd. RM	PT Hijau Lestari Raya Fibreboard RM
Summarised statements of financial position		
As at 31 December 2015		
Non-current assets	11,601,883	90,613,902
Current assets	7,216,036	52,478,442
Non-current liabilities	-	(66,970,789)
Current liabilities	(11,848,623)	(1,363,045)
Net assets	6,969,296	74,758,510
Summarised statements of comprehensive income Financial year ended 31 December 2015		
Revenue	18,044,111	83,886,140
(Loss)/Profit for the financial year	(4,982,472)	11,392,967
Total comprehensive (loss)/income	(4,982,472)	11,392,967
Summarised statements of comprehensive income Financial year ended 31 December 2015		
Cash flows from operating activities	758,897	10,617,863
Cash flows from/(used in) investing activities	2,415,928	(4,672,102)
Cash flows used in financing activities	(3,909,418)	(1,609,550)
Net (decrease)/increase in cash and cash equivalents	(734,593)	4,336,211
Dividends paid to non-controlling interests	-	48,140

12. DEFERRED TAX

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Deferred tax assets/ (liabilities)				
At 1 January	(10,709,449)	(7,196,394)	(2,104,061)	(5,955,624)
Recognised in:				
- profit or loss (Note 31)	(14,199,368)	(3,951,469)	(1,981,316)	3,851,563
Exchange differences	134,754	438,414	-	-
At 31 December	(24,774,063)	(10,709,449)	(4,085,377)	(2,104,061)

12. DEFERRED TAX (cont'd)

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

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Deferred tax assets	13,391,043	18,759,449	10,629,754	11,275,944
Deferred tax liabilities	(38,165,106)	(29,468,898)	(14,715,131)	(13,380,005)
	(24,774,063)	(10,709,449)	(4,085,377)	(2,104,061)

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

	Group	
	2016 RM	**2015 RM**
Deferred tax assets		
Derivatives	-	100,712
Unabsorbed capital allowances	14,361,828	29,703,636
Unutilised tax losses	6,609,303	7,379,943
Unutilised tax allowances	14,361,506	24,161,097
Unrealised loss foreign exchange	90,490	111,095
Provision for retirement benefits	1,859,005	1,187,283
	37,282,132	62,643,766
Deferred tax liabilities		
Differences between the carrying amounts of property, plant and equipment and their tax bases	(55,324,969)	(66,001,540)
Changes in fair value of biological assets	(6,432,000)	(6,456,000)
Unrealised gain on foreign exchange	(299,226)	(895,675)
	(62,056,195)	(73,353,215)

	Company	
	2016 RM	**2015 RM**
Deferred tax assets		
Provision for retirement benefits	856,767	-
Unabsorbed capital allowance	-	6,003,111
Unabsorbed reinvestment allowances	9,682,497	5,272,833
Unrealised loss foreign exchange	90,490	-
	10,629,754	11,275,944

12. DEFERRED TAX (cont'd)

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

	Company	
	2016 RM	**2015 RM**
Deferred tax liabilities		
Differences between the carrying amounts of property, plant and equipment and its tax base	(14,715,131)	(12,484,507)
Unrealised gain on foreign exchange	-	(895,498)
	(14,715,131)	(13,380,005)

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

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

	Group	
	2016 RM	**2015 RM**
Unabsorbed capital allowances	28,162,729	23,635,590
Unutilised tax losses	51,074,842	43,504,501
Unabsorbed tax allowances	66,074,668	62,431,630
Others	2,789,070	501,589
	148,101,309	130,073,310

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	
	2016 RM	**2015 RM**
Non-current		
Available-for-sale financial assets:		
- equity instruments (quoted in Malaysia)	139,600	145,400
Market value of quoted investments	139,600	145,400

14. INVENTORIES

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
At lower of cost and net realiseble value:				
Raw materials	35,624,567	47,484,608	6,571,195	7,132,585
Work-in-progress	35,643,176	24,663,970	253,957	1,298,370
Finished goods	37,460,241	60,606,888	12,822,051	14,133,717
Factory supplies	4,212,329	3,350,296	1,714,272	1,434,615
Felled timber logs	-	151,824	-	-
Fertilizer, chemicals and consumables	242,049	105,743	-	-
Packing materials	827,842	1,159,072	355,863	502,859
Spare parts	98,967,161	80,753,539	24,587,634	21,888,010
	212,977,365	218,275,940	46,304,972	46,390,156

The cost of inventories of the Group and of the Company recognised as an expense in cost of sales during the financial year was RM731,007,912 (2015: RM724,212,125) and RM190,171,436 (2015: RM235,960,558) respectively. In addition, the expense recognised in the cost of sales include the following:

	Group 2016 RM	Group 2015 RM
Inventories written down	122,599	8,174,444

15. TRADE AND OTHER RECEIVABLES

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Trade receivables				
External parties	76,579,247	97,275,758	12,493,190	12,069,306
Subsidiaries	-	-	9,151,010	13,898,380
	76,579,247	97,275,758	21,644,200	25,967,686
Less: Impairment for trade receivables	(124,585)	(81,435)	-	-
	76,454,662	97,194,323	21,644,200	25,967,686
Other receivables				
Amounts owing by subsidiaries	-	-	138,511,807	107,633,954
Other receivables	5,147,294	6,341,999	24,895,576	31,978,073
Deposits	1,852,316	2,692,445	325,671	390,056
Goods and services/ value added tax refundable	11,110,391	6,842,873	1,693,925	1,391,122
Insurance compensation receivable	1,887	6,724,060	-	-
	18,111,888	22,601,377	165,426,979	141,393,205

15. TRADE AND OTHER RECEIVABLES (cont'd)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Less: Impairment for other receivables	-	-	(2,582,723)	(2,582,723)
	18,111,888	22,601,377	162,844,256	138,810,482
Total trade and other receivables	94,566,550	119,795,700	184,488,456	164,778,168

(a) Trade receivables

The Group's and the Company's trading terms with their customers are mainly on credit for local customers and payment in advance for overseas customers. The normal credit term granted ranging from 15 to 90 days (2015: 15 to 90 days) from date of invoices. Other credit terms are assessed and approved on a case-by-case basis.

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		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Neither past due nor impaired	53,314,495	79,209,633	10,597,185	18,524,171
Past due but not impaired				
1 to 30 days past due not impaired	16,734,795	11,169,860	7,780,188	5,478,981
31 to 60 days past due not impaired	2,540,959	4,967,590	1,181,176	1,033,801
61 to 90 days past due not impaired	1,867,314	1,638,317	14,782	659,994
91 to 120 days past due not impaired	671,119	11,081	-	-
More than 120 days past due not impaired	1,325,980	197,842	2,070,869	270,739
	23,140,167	17,984,690	11,047,015	7,443,515
Impaired				
- individually	124,585	81,435	-	-
	76,579,247	97,275,758	21,644,200	25,967,686

<u>Receivables that are impaired</u>

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	
	2016 RM	2015 RM
At 1 January	81,435	-
Charge for the financial year		
- individually impaired	51,913	81,435
Reversal of impairment loss	(10,814)	-
Exchange difference	2,051	-
At 31 December	124,585	81,435

15. TRADE AND OTHER RECEIVABLES (cont'd)

(b) Other receivables

Amounts owing by subsidiaries represent advances which are unsecured, non-interest bearing (except for amounts owing by subsidiaries amounting to RM97,356,269 (2015: RM10,624,678)bearing interest at rates ranging from 1.75% to 5.30% (2015: 5.31% to 6.00%)), repayable on demand in cash and cash equivalents.

16. OTHER CURRENT ASSETS

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Current				
Prepayments	4,274,189	4,705,730	368,004	565,796
Advance payments to suppliers	16,662,669	39,191,237	2,590,437	9,123,462
	20,936,858	43,896,967	2,958,441	9,689,258

17. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Cash and bank balances	116,183,772	82,711,816	15,238,129	36,084,724
Cash deposits placed with licensed bank (Note (a))	30,737,568	33,858,928	28,658,483	31,408,307
Time deposit (Note (b))	13,345,183	-	200,000	-
Deposits, cash and bank balances as reported in the statements of financial position	160,266,523	116,570,744	44,096,612	67,493,031
Less: Time deposits	(13,345,183)	-	(200,000)	-
Cash and cash equivalents as reported in the statements of cash flows	146,921,340	116,570,744	43,896,612	67,493,031

(a) The cash deposits placed with licensed banks were placement with period less than 3 months and bore effective interest at rate ranging from 2.60% to 4.00% (2015: 1.50% to 4.10%) and mature within 3 months.

(b) The time deposits were deposits placed with licensed bank for periods more than 3 months and bore effective interest rates ranging from 1.50% to 3.05% (2015: Nil) per annum and mature within one year.

18. SHARE CAPITAL

	Group/Company			
	Number of ordinary shares of RM0.25 each		Amount	
	2016 UNIT	2015 UNIT	2016 RM	2015 RM
Authorised				
At 1 January/31 December	1,200,000,000	1,200,000,000	300,000,000	300,000,000
Issued and fully paid				
At 1 January	564,290,000	513,000,000	141,072,500	128,250,000
Issued during the financial year	282,133,985	51,290,000	70,533,496	12,822,500
At 31 December	846,423,985	564,290,000	211,605,996	141,072,500

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.

During the financial year, the Company issued 282,133,985 new ordinary bonus share of RM0.25 each on the basis of one ordinary bonus share for every two existing ordinary share of RM0.25 each by utilising the share premium of the Company.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

19. SHARE PREMIUM

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

The share premium may be utilised in the manner set out in Section 60(3) of the Company Act 1965 in Malaysia.

20. TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

The shareholders of the Company, by an ordinary resolution passed in a general meeting held on 20 May 2016, renewed their approval for the Company's plan to repurchase its own ordinary shares. The directors of the Company believe that the repurchase plan are applied in the best interests of the Company and its shareholders. 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 67A of the Companies Act, 1965 in Malaysia.

During the financial year, the Company repurchased 400,000 (2015: Nil) ordinary shares of its issued share capital from the open market. The average price paid for the shares repurchased was RM0.945 (2015: Nil) per ordinary share.

As at 31 December 2016, the Company held 422,000 (2015: 22,000) 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 (2015: RM15,173).

20. TREASURY SHARES (cont'd)

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

Month	No. of shares repurchased	Price per share Highest RM	Price per share Lowest RM	Price per share Average RM	Total Consideration RM
April 2016	50,000	1.080	1.080	1.080	54,415
August 2016	50,000	0.905	0.905	0.905	45,598
December 2016	300,000	0.960	0.900	0.930	278,119
	400,000				378,132

21. 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.

22. LOANS AND BORROWINGS

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Non-current				
Secured:				
Term loans	28,346,001	14,788,453	28,346,001	-
Finance lease liabilities (Note 22(c))	1,005,550	178,090	-	-
Unsecured:				
Term loans	71,480,656	22,262,461	19,327,000	17,150,000
	100,832,207	37,229,004	47,673,001	17,150,000
Current				
Secured:				
Trade facilities	43,204,500	44,969,600	-	-
Term loans	19,996,290	11,412,232	8,123,040	-
Finance lease liabilities (Note 22(c))	330,885	243,722	-	45,055

22. LOANS AND BORROWINGS

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Unsecured:				
Trade facilities	27,550,600	93,438,337	27,550,600	51,526,337
Term loans	12,722,824	11,415,227	6,628,654	4,964,922
	103,805,099	161,479,118	42,302,294	56,536,314
Total loans and borrowings				
Trade facilities	70,755,100	138,407,937	27,550,600	51,526,337
Term loans	132,545,771	59,878,373	62,424,695	22,114,922
Finance lease liabilities (Note 22(c))	1,336,435	421,812	-	45,055
	204,637,306	198,708,122	89,975,295	73,686,314

(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 machineries 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 2016 %	Group 2015 %	Company 2016 %	Company 2015 %
Trade facilities	1.6 - 5.3	1.2 - 5.4	1.6 - 5.3	1.2 - 5.4
Term loans	0.9 - 5.2	0.9 - 4.6	4.2 - 5.2	4.0 - 4.6
Finance lease liabilities	2.5 - 3.9	2.2 - 9.8	-	2.2 - 3.5

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

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Minimum lease payaments				
Not later than 1 year	390,165	260,101	-	51,994
Later than 1 year and not later than 2 years	698,382	46,912	-	-
Later than 2 years and not later than 5 years	383,640	152,362	-	-
	1,472,187	459,375	-	51,994
Less: Future finance charges	(135,752)	(37,563)	-	(6,939)
Present value of minimum lease payments	1,336,435	421,812	-	45,055

22. 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		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Present value of minimum lease payments				
Not later than 1 year	330,885	243,722	-	45,055
Later than 1 year and not later than 2 years	635,975	39,371	-	-
Later than 2 years and not later than 5 years	369,575	138,719	-	-
	1,336,435	421,812	-	45,055
Less: Amount due within 12 months	(330,885)	(243,722)	-	(45,055)
Amount due after 12 months	1,005,550	178,090	-	-

23. RETIREMENT BENEFITS OBLIGATION

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At 1 January	8,814,784	8,476,061	4,223,630	3,947,115
Current service costs and interest expense (Note 30)	1,085,790	1,611,529	587,180	370,136
Remeasurement of actuarial (gain)/loss from financial assumption	(1,245,841)	-	(1,106,221)	-
Benefits paid	(192,335)	(1,523,849)	(134,726)	(93,621)
Exchange differences	98,771	251,043	-	-
At 31 December	8,561,171	8,814,784	3,569,863	4,223,630

Significant actuarial assumptions

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

	Group/Company	
	2016 %	2015 %
Discount rate	4.99 -5.40	5.00 - 8.70
Salary increase rate	3.00 - 8.04	3.00 - 10.00

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
2016					
Discount rate	1%	(592,046)	687,046	(356,317)	414,966
Salary increase rate	1%	643,697	(565,248)	396,115	(347,223)
2015					
Discount rate	1%	(880,632)	1,145,768	(484,932)	658,446
Salary increase rate	1%	1,109,915	(865,665)	762,579	(600,699)

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade payables				
Third parties	60,525,810	55,575,743	13,365,353	4,731,109
Amounts owing to subsidiaries	-	-	2,583,249	1,958,535
	60,525,810	55,575,743	15,948,602	6,689,644
Other payables				
Amounts owing to subsidiaries	-	-	62,637	-
Other payables	45,239,364	35,961,124	9,595,002	21,759,959
Amounts owing to non-controlling interests	4,364,601	5,364,853	-	-
Goods and services/ value added tax payables	2,022,656	1,072,225	-	-
Deposits	820,481	601,250	-	-
Advance received from customers	10,670,075	4,405,379	-	-
Accruals	28,959,978	28,914,359	5,861,784	5,221,139
	92,077,155	76,319,190	15,519,423	26,981,098
Total trade and other payables	152,602,965	131,894,933	31,468,025	33,670,742

(a) Trade payables are non-interest bearing and the normal credit terms granted to the Group range from 7 to 90 days (2015: 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 amount due 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.

25. DERIVATIVE FINANCIAL LIABILITIES

	Group			
	2016		2015	
	Nominal amount RM	Liabilities RM	Nominal amount RM	Liabilities RM
Forward currency contracts	-	-	8,729,565	875,887

The forward foreign currency contracts are entered into for the purposes of hedging the Group's foreign currency exposures arising from expected export sales and import purchases. In accordance with the requirements of MFRS 139, the Group has designated certain forward contracts as cash flow hedges or accounted as fair value through profit and loss. Changes in the fair values of the forward contracts designated as cash flow hedges are included in other comprehensive income, to the extent that the hedges are effective. Upon maturity of the instruments, the amounts retained in other comprehensive income will be reclassified to the profit or loss. Those derivatives that have not been designated as cash flow hedges are accounted for at fair value through profit and loss.

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	
	2016 RM	2015 RM	2016 RM	2015 RM
Dividend income from subsidiaries	-	-	9,042,175	11,049,669
Dividend income from quoted investment	3,400	3,200	-	-
Insurance compensation	3,005,255	2,399,146	-	-
Interest income	1,753,218	1,057,986	3,780,082	1,860,968
Fair value gain on derivatives	875,887	-	-	-
Gain on foreign exchange				
- realised	7,542,417	11,064,757	1,730,397	3,966,743
- unrealised	-	-	-	3,731,241
Gain on disposal of property, plant and equipment	3,135,226	-	275,511	171,169
Gain arising from fair value adjustment of biological assets	3,698,537	8,253,422	-	-
Others	2,749,242	2,244,294	497,844	17,017
Rental income	245,958	-	1,090,026	890,100
	23,009,140	25,022,805	16,416,035	21,686,907

29. PROFIT BEFORE TAX

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

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Amortisation of:					
- land use rights	6	850,457	849,268	185,594	206,802
- intangible asset	9	29,982	27,060	-	-
Auditors' remuneration					
- auditors of the Company					
- statutory audit					
- current year		284,300	273,800	100,000	88,000
- (over)/under provision in prior year		(5,000)	38,000	-	-
- non-statutory audit		48,000	36,250	48,000	36,250
- component auditors of the Group					
- statutory audit					
- current year		216,033	212,964	-	-
- under provision in prior year		-	1,415	-	-
Depreciation of poperty, plant and equipment	5	62,638,290	64,113,619	11,448,403	8,489,365
Depreciation of investment poperty		-	-	154,533	-
Dividend income from subsidiaries		-	-	(9,042,175)	(11,049,669)
Dividend income from quoted investment		(3,400)	(3,200)	-	-
Employee benefits expenses	30	100,451,689	108,913,777	26,835,447	29,889,464
Expenses on damage of fire		-	258,492	-	-
Fair value (gain)/loss on derivatives		(875,887)	709,190	-	-
(Gain)/loss on foreign exchange:					
- realised		(7,542,417)	(11,064,757)	(1,730,397)	(3,966,743)
- unrealised		2,857,969	1,601,505	377,042	(3,731,241)
Loss/(Gain) on disposal of property, plant and equipment		(3,135,226)	1,607,375	(275,511)	(171,169)
Gain arising from fair value adjustment of biological assets		(3,698,537)	(8,253,422)	-	-
Impairment loss on:					
- amount owing by a subsidiary	15	-	-	-	2,582,723
- cost of investment in subsidiaries	11	-	-	10,568,334	20,000,005
- goodwill	8	1,132,585	54,509	-	-
- property, plant and equipment	5	239,233	2,843,446	-	-
- trade receivables	15	51,913	81,435	-	-
Interest income		(1,753,218)	(1,057,986)	(3,780,082)	(1,860,968)
Interest expense:					
- financial lease liabilities		191,680	43,932	6,939	7,722
- trade facilities		3,474,090	6,787,742	375,292	3,079,462
- term loan		3,116,981	3,614,951	2,297,183	1,122,671
Insurance compensation		(3,005,255)	(2,399,146)	-	-
Inventories written down		122,599	8,174,444	-	-
Property, plant and equipment written off		8,560,053	14,914	974,742	-
Rental expense					
- equipment		4,150,495	2,633,635	1,427,239	948,388
- hostel		415,390	454,863	125,040	104,300
- land		695,364	209,064	382,000	484,000
Rental income		(245,958)	-	(1,090,026)	(890,100)
Reversal of impairment loss on trade receivables		(10,814)	-	-	-

30. EMPLOYEE BENEFITS EXPENSE

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Wages and salaries		89,358,352	95,856,950	22,744,651	26,176,357
Defined contribution plan		4,775,042	4,717,465	2,404,208	2,437,414
Social security contribution		1,275,055	986,167	241,333	251,972
Other staff related expenses		3,957,450	5,741,666	858,075	653,585
Retirement benefits obligation	23	1,085,790	1,611,529	587,180	370,136
		100,451,689	108,913,777	26,835,447	29,889,464

Included in employee benefits expenses are:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Directors of the Company				
Executive:				
Salaries and emoluments	4,950,411	4,689,069	4,073,341	3,963,069
Bonus	271,277	-	229,500	-
Benefits-in-kind	53,500	44,700	44,700	44,700
	5,275,188	4,733,769	4,347,541	4,007,769
Non-executive:				
Fee	292,400	240,000	292,400	240,400
Allowances	11,000	12,200	11,000	12,200
	303,400	252,600	303,400	252,600
	5,578,588	4,986,369	4,650,941	4,260,369

31. TAX EXPENSE/(CREDIT)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Statements of comprehensive income				
Current income tax:				
Malaysia income tax	12,204,960	10,398,328	1,536,782	298,506
Real property gain tax	197,193	120,809	-	-
(Over)/Under provision in prior financial years	(1,103,729)	(29,872)	76,807	(30,666)
	11,298,424	10,489,265	1,613,589	267,840

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Deferred tax (Note 11):				
Origination and reversal of temporary differences	5,293,990	6,801,376	(2,097,860)	(750,277)
Under/(Over) provision in prior financial years	8,905,378	(2,849,907)	4,079,176	(3,101,286)
	14,199,368	3,951,469	1,981,316	(3,851,563)
Income tax expense/(credit) recognised in profit or loss	25,497,792	14,440,734	3,594,905	(3,583,723)

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit/(Loss) before tax from	93,445,241	108,531,741	20,067,697	12,243,422
Tax at Malaysian statutory income tax rate of 24% (2015 : 25%)	22,426,858	27,132,935	4,816,247	3,060,856
Effect of different tax rates in other countries	(1,468,844)	(8,269,664)	-	-
Effect of changes in tax rate	-	(202,421)	-	31,261
Effect on opening deferred tax of reduction in Malaysian income tax rate	(125,550)	-	-	-
Income not subject to tax	(8,634,701)	(2,221,938)	(2,469,546)	(2,750,499)
Expenses not deductible for tax purposes	8,136,436	5,227,245	3,333,101	5,926,402
Deferred tax assets not recognised during the financial year	4,326,720	4,307,845	-	-
Deferred tax assets recognised on reinvestment allowances	(6,240,880)	(4,319,005)	(6,240,880)	(4,319,005)
Effect on real property gain tax	197,193	120,809	-	-
Utilisation of deferred tax assets not recognised in previous financial year	(921,089)	-	-	-
Expenses eligible for double deduction	-	(4,455,293)	-	(2,400,786)
(Over)/Under provision in prior financial years				
- income tax	(1,103,729)	(29,872)	76,807	(30,666)
- deferred tax	8,905,378	(2,849,907)	4,079,176	(3,101,286)
Income tax expense/(credit)	25,497,792	14,440,734	3,594,905	(3,583,723)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the financial year.

32. 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	
	2016 RM	**2015 RM**
Profit attributable to the owners of the Company	71,679,434	90,903,792
Weighted average number of ordinary shares for basic earnings per share	827,152,537	517,356,137
Basic earnings per share (sen)	8.66	17.57

(b) The diluted earnings per ordinary share of the Group for the financial years ended 31 December 2016 and 31 December 2015 are the same as the basic earnings per ordinary share of the Group as the Group has no dilutive potential ordinary shares.

33. DIVIDENDS

	RM
Single tier interim dividend of 1 sen per ordinary share of RM0.25 each in respect of the financial year ended 31 December 2015, paid on 20 April 2016	8,464,020

At the forthcoming Annual General Meeting, a single tier final dividend of 2 sen per ordinary share, amounting to RM16,920,040 in respect of the 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 2017.

34. CAPITAL COMMITMENTS

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

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
In respect of capital expenditure approved and contracted for:	25,566,411	106,460,000	2,804,006	19,806,000

35. RELATED PARTIES

(a) Identity of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

35. RELATED PARTIES (cont'd)

(a) Identity of related parties (cont'd)

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	
	2016 RM	**2015 RM**
Transactions with subsidiaries are as follows:		
- Sale of products and rendering of service	(34,836,379)	(58,018,736)
- Rental income	(1,090,026)	(890,100)
- Interest income	(3,780,082)	(331,768)
- Sale of spare parts	(496,913)	-
- Sales of property, plant and equipment	(701,210)	(2,244,498)
- Purchase of products	25,810,581	41,698,779
- Purchase of property, plant and equipment	5,730,011	675,895
- Purchase of spare parts	-	810,895

(c) Compensation of key management personnel

Key management personnel includes 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	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Short term employees benefits	5,525,288	4,941,669	4,606,241	4,215,669
Benefits-in-kind	53,500	44,700	44,700	44,700
	5,578,788	4,986,369	4,650,941	4,260,369

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

(i) Loans and receivables
(ii) Other financial liabilities

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Financial Assets				
Loans and receivables				
- Trade and other receivables, excluding goods and services/value added tax refundable	83,456,159	112,952,827	182,794,531	163,387,046
- Other current assets, excluding prepayments	16,662,669	39,191,237	2,590,437	9,123,462
- Deposit, cash and bank balances	160,266,523	116,570,744	44,096,612	67,493,031
	260,385,351	268,714,808	229,481,580	240,003,539
Available-for-sale				
- Other investments	139,600	145,400	-	-
Financial Liabilities				
Other financial liabilities				
- Trade and other payables, excluding goods and services/value added tax payable	150,580,309	130,822,708	31,468,025	33,670,742
- Loans and borrowings	204,637,306	198,708,122	89,975,295	73,686,314
	355,217,615	329,530,830	121,443,320	107,357,056
Fair value through profit or loss				
- Derivative financial liabilities	-	875,887	-	-

(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 (31.12.2015: 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 RM	Fair value of financial instruments carried at fair value Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Fair value of financial instruments not carried at fair value Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group									
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
2015									
Financial assets									
Available-for-sale									
- other investments	145,400	145,400	-	-	145,400	-	-	-	-
Financial liabilities									
Other financial liabilities									
- finance lease liabilities	421,812	-	-	-	-	-	735,313	-	735,313
Fair value through profit or loss									
- derivative fiancial liabilities	875,887	-	875,887	-	875,887	-	-	-	-
Company									
2015									
Financial liabilities									
Other financial liabilities									
- finance lease liabilities	45,055	-	-	-	-	-	45,055	-	45,055

36. 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 forward foreign exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract.

37. 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 RM1,545,087 (2015: RM1,487,147) and RM683,812 (2015: RM552,309) 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.

37. 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 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)
At 31 December 2015				
Ringgit Malaysia	47,592,592	2,185,431	807,382	50,585,405
Thai Baht	4,720,353	(192,245)	(1,256,939)	3,271,169
Indonesian Rupiah	8,348,029	(1,073,450)	(14,920)	7,259,659
	60,660,974	919,736	(464,477)	61,116,233

Sensitivity analysis

The following table demonstrates the sensitivity of the Group's loss net of tax to reasonably possible change in the USD and EUR exchange rates against the respective functional currency of the Group entities, with all other variables held constant:

	Change in rate	Effect on profit for the financial year RM
31 December 2016		
- USD	+ 3%	963,693
	- 3%	(963,693)
- EUR	+ 3%	(1,273,365)
	- 3%	1,273,365
31 December 2015		
- USD	+ 3%	1,383,070
	- 3%	(1,383,070)
- EUR	+ 3%	20,970
	- 3%	(20,970)

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.

Analysis of financial instruments by remaining contractual maturities
The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

Group	Carrying amount RM	On demand within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	Total RM
2016					
Financial liabilities:					
Trade and other payables	150,580,309	150,580,309	-	-	150,580,309
Loans and borrowings	204,637,306	108,592,188	83,145,578	24,003,627	215,741,393
	355,217,615	259,172,497	83,145,578	24,003,627	366,321,702
2015					
Financial liabilities:					
Trade and other payables	130,822,708	130,822,708	-	-	130,822,708
Loans and borrowings	198,708,122	165,292,368	35,612,375	3,637,831	204,542,574
	329,530,830	296,115,076	35,612,375	3,637,831	335,365,282

Company	Carrying amount RM	On demand within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	Total RM
2016					
Financial liabilities:					
Trade and other payables	31,468,025	31,468,025	-	-	31,468,025
Loans and borrowings	89,975,295	45,104,311	51,644,157	502,750	97,251,218
	121,443,320	76,572,336	51,644,157	502,750	128,719,243
2015					
Financial liabilities:					
Trade and other payables	33,670,742	33,670,742	-	-	33,670,742
Loans and borrowings	73,686,314	59,290,341	15,234,874	3,595,134	78,120,349
	107,357,056	92,961,083	15,234,874	3,595,134	111,791,091

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 RM55,077,750 (2015: RM118,612,943) relating to a corporate guarantee provided by the Company to bank for subsidiaries' bank borrowings.

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			
	2016 RM	**%**	**2015 RM**	**%**
By country:				
Malaysia	43,668,296	57%	43,090,392	44%
Thailand	16,773,510	22%	39,146,950	40%
Other countries	16,012,856	21%	14,956,981	15%
	76,454,662	100%	97,194,323	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 14. 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.

37. 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 is 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.

38. 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
The total of segment asset is measured based on all assets (excluding investment in associates and joint ventures) of a segment, as included in the internal reports that are reviewed by the Group's Chief Executive Officer.

Segment liabilities
Segment liabilities are not included in the internal reports that are reviewed by the Group's Chief Executive Officer, hence no disclosures are made on segment liabilities.

38. 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		44,509,154	55,274,875	1,655,735	70,305	(2,157,964)	99,352,105
Finance costs		(6,319,530)	(3,042,631)	(1,305,719)	-	3,885,129	(6,782,751)
Fair value adjustment on derivative		540,181	-	-	-	335,706	875,887
Profit/(Loss) before tax		38,729,805	52,232,244	350,016	70,305	2,062,871	93,445,241
Tax expense		(17,344,916)	(7,192,323)	(859,841)	-	(100,712)	(25,497,792)
		21,384,889	45,039,921	(509,825)	70,305	1,962,159	67,947,449
Assets:							
Segment assets		1,570,968,459	545,153,747	143,337,403	498,508	(699,012,082)	1,560,946,035
Liabilities:							
Segment liabilities		500,240,051	176,876,952	65,994,526	2,702,766	(337,010,001)	408,804,294
Other Information:							
Amortisation of intangible assets		-	29,982	-	-	-	29,982
Amortisation of land use rights		850,457	-	-	-	-	850,457
Capital expenditures		203,711,688	28,275,909	2,599,216	-	(32,144,661)	202,442,152
Depreciation of property, plant and equipment		32,255,458	23,652,348	6,730,484	-	-	62,638,290

38. SEGMENT INFORMATION (cont'd)

2015	Note	Malaysia RM	Thailand RM	Indonesia RM	Others RM	Discontinued Operation RM	Adjustments and Elimination RM	Total RM
Revenue								
Revenue from external customers		540,592,118	387,803,372	83,886,140	-	60,732	-	1,012,342,362
Inter-segment revenue	A	220,914,461	53,598,742	-	-	264,854	(274,778,057)	-
Total revenue		761,506,579	441,402,114	83,886,140	-	325,586	(274,778,057)	1,012,342,362
Results								
Segment profit		52,582,242	24,948,549	11,542,484	(92,840)	38,112	30,669,009	119,687,556
Finance costs		(6,426,030)	(3,869,475)	(1,307,017)	-	-	1,155,897	(10,446,625)
Fair value adjustment on derivative		(373,484)	(335,706)	-	-	-	-	(709,190)
Profit/(Loss) before tax		45,782,728	20,743,368	10,235,467	(92,840)	38,112	31,824,906	108,531,741
Tax expense		(8,859,740)	(6,937,456)	1,255,750	-	-	100,712	(14,440,734)
		36,922,988	13,805,912	11,491,217	(92,840)	38,112	31,925,618	94,091,007
Assets:								
Segment assets		1,459,798,075	467,071,074	143,092,344	539,815	-	(623,292,786)	1,447,208,522
Liabilities:								
Segment liabilities		403,530,788	175,503,738	68,333,834	2,769,182	-	(272,965,685)	377,171,857
Other Information:								
Amortisation of intangible assets		-	27,060	-	-	-	-	27,060
Amortisation of land use rights		849,268	-	-	-	-	-	849,268
Additions to non-current assets	B	74,346,306	16,157,322	4,667,777	-	-	(5,224,687)	89,946,718
Depreciation of property, plant and equipment		33,025,379	25,070,412	6,017,828	-	-	-	64,113,619

38. SEGMENT INFORMATION (cont'd)

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

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

	2016 RM	2015 RM
Property, plant and equipment	202,442,152	89,946,718

(c) Geographical Information

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

	2016 RM	2015 RM
Revenue from sales to external customers by location of the customers		
United States	50,602,807	48,932,440
Africa	23,719,982	23,591,276
Europe	29,763,844	23,657,713
Far East Asia	54,322,054	36,814,009
Middle East	419,449,662	457,245,946
South Asia	32,350,878	35,104,710
South East Asia	387,585,388	386,996,268
	997,794,615	1,012,342,362

(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
2016					
Property, plant and equipment	571,890,200	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	634,238,505	319,070,537	85,795,896	-	1,039,104,939
2015					
Property, plant and equipment	457,731,446	301,794,729	86,545,679	-	846,071,854
Land use rights	36,398,763	-	667,077	-	37,065,840
Biological assets	26,900,000	-	-	-	26,900,000
Intangible assets	-	127,249	-	-	127,249
Total non-current assets	521,030,209	301,921,978	87,212,756	-	910,164,943

39. 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 2016 and 31 December 2015.

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.

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Loans and borrowings	204,637,306	198,708,122	89,975,295	73,686,314
Trade and other payables	152,602,965	130,822,708	31,468,025	33,670,742
Less:				
Deposit, cash and bank balances	(160,266,523)	(116,570,744)	(44,096,612)	(67,493,031)
Net debt	196,973,748	212,960,086	77,346,708	39,864,025
Equity attributable to the owners of the parent/ Total capital	1,124,018,998	1,038,284,463	638,886,416	630,149,555
Capital and net debt	1,320,992,746	1,251,244,549	716,233,124	670,013,580
Gearing ratio	15%	17%	11%	6%

The Company is also required to comply with the disclosure and necessary capital requirements as prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

40. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

At the Extraordinary General Meeting of the Company held on 7 January 2016, the shareholders had approved the bonus issue of 282,133,985 new ordinary bonus shares of RM0.25 each on the basis of one ordinary bonus share for every two (2) existing ordinary share of RM0.25 each ("Bonus Issue") by utilising the share premium of the Company.

The Bonus Issue has been completed following the listing and quotation for 282,133,985 bonus shares on the Main Market of Bursa Malaysia Securities Berhad on 26 January 2016.

41. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

(a) Companies Act 2016

The Minister of Domestic Trade, Co-operatives and Consumerism appointed 31 January 2017 as the date on which Companies Act 2016 comes into operation except for Section 241 and Division 8 of Part III.

Accordingly, the Group and the Company shall prepare the financial statements for the financial year ending 31 December 2017 in accordance with the requirements of Companies Act 2016 which will be applied prospectively.

Amongst the key changes introduced in the Companies Act 2016 which will affect the financial statements of the Group and of the Company are, where applicable:

- the removal of the authorised share capital;
- shares issued will have no par or nominal value; and
- share premium and capital redemption reserve will become part of share capital.

In addition, the financial statements disclosure requirements under the Companies Act 2016 are different from those requirements set out in the Companies Act 1965. Consequently, items to be disclosed in the Group's and the Company's financial statements for the financial year ending 31 December 2017 may be different from those disclosed in the financial statements for the current financial year.

(b) On 2 March 2017, the Company acquired 11,539,500 ordinary share representing 49% of the remaining paid-up capital of Craft Master Timber Products Sdn. Bhd. for a cash consideration of RM380,000.

SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad issued a directive pursuant to paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses.

The following analysis of realised and unrealised profits or losses included in the retained earnings of the Group and the Company as at 31 December 2016 and 31 December 2015 is presented in accordance with the directive of Bursa Malaysia Securities Berhad and prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Total retained earnings of the Company and its subsidiaries:				
- realised	686,772,257	623,283,629	298,992,928	283,788,336
- unrealised	(26,756,145)	(13,020,144)	(4,462,419)	1,627,180
	660,016,112	610,263,485	294,530,509	285,415,516
Consolidation adjustments	39,036,053	24,429,951	-	-
Total retained earnings	699,052,165	634,693,436	294,530,509	285,415,516

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

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 54 to 131 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 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 2016 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 132 has been prepared in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

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

Kuala Lumpur

Date: 6 April 2017

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT 1965

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 54 to 131 and the supplementary information set out on page 132 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

TEE KIM FOOM

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 6 April 2017.

Before me,

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 2016 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 54 to 131.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, 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 1965 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 judgment, 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 (Note 7 to the financial statements)

The valuation of tropical woods and rubber trees of the Group require significant judgement and the fair value derived is sensitive to the assumptions that are made regarding the discount rate, the area of land under cultivation, yield, future commodity prices and associated costs of sales and the integrity of the underlying cash flow projections.

We focused on this area because the valuation requires significant judgement in determining the appropriate valuation model and the key assumptions used in the valuation.

Our audit response:

Our audit procedures included, among others:

- evaluating the competence, capabilities and objectivity of the external valuers, including consideration of their qualifications and experience;
- understanding the scope and purpose of the valuation by reading the terms of engagement to assess whether any matters that might have affected their objectivity or limited the scope of their work;
- assessing 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; and
- performing a sensitivity analysis around the key inputs that are expected to be most sensitive to the recoverable amount of the biological assets.

Key Audit Matters (cont'd)

Goodwill (Note 8 to the financial statements)

The Group has significant goodwill. The goodwill is tested for impairment annually. In performing the impairment assessment, the directors have identified the cash generating unit to which the goodwill is allocated.

We focused on this area because the impairment assessment requires the exercise of significant judgements and estimates by the director on the 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; and
- performing a sensitivity analysis around the key inputs that are expected to be most sensitive to the recoverable amount of the goodwill.

Deferred tax assets (Note 12 to the financial statements)

As at 31 December 2016, the Group has recognised deferred tax assets for unutilised tax losses, unabsorbed capital and tax allowances and deductible temporary differences that it believes are recoverable. The recoverability of recognised deferred tax assets is dependent on whether there will be sufficient future taxable profits against which the unutilised tax losses, unabsorbed capital and tax allowances and the deductible temporary differences can be utilised.

We focused on this area because the realisation of these deferred tax assets is often dependent on future taxable profits and there are inherent uncertainties involved in projecting the amount.

Our response:

Our audit procedures focused on evaluating the profit projections and the Group's forecasting procedures which included, among others:

- comparing the actual results with previous projections to assess the performance of the business and historical accuracy of the projections;
- verifying the consistency of projections used in the recoverability test for deferred tax assets with those used for impairment assessment;
- reviewing the profit projections by comparing the Group's assumptions to externally derived data as well as our assessments in relation to key assumptions such as growth rates and profit margins; and
- testing the mathematical accuracy of the profit projection calculations.

Key Audit Matters (cont'd)

Inventories (Note 14 to the financial statements)

The Group has significant inventories as at 31 December 2016. The valuation of the Group's inventories are stated at the lower of cost or net realisable value. The assessment of slow moving items and re-valuation of these inventories to its net realisable value is mainly based on directors' estimates.

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 response:

Our audit procedures included, among others:

- evaluating 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 2016;
- observing year end physical inventory count to examine the physical existence and condition of the finished goods and evaluating the design and assessing the implementation of controls during the count;
- 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.

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 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Companies Act 1965 in Malaysia to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act 1965 in Malaysia.

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 11 to the financial statements, being accounts that have been included in the consolidated accounts.

(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act 1965 in Malaysia.

Other Reporting Responsibilities

The supplementary information set out on page 132 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 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 2017

LIST OF TOP 10 PROPERTIES

NO	LOCATION	TENURE	LAND AREA	USAGE	NET CARRYING AMOUNT AS AT 31 DEC 2016 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	41,269,069	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	23,007,519	09/09/1993
3	KAWASAN HUTAN SIMPAN LABIS, MUKIM SEMBRONG, DAERAH MERSING, JOHOR.	LEASEHOLD EXPRING ON 31/12/2066	4,410 ACRES	PLANTATION	20,846,376	JAN 11
4	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	13,916,882	02/01/2005
5	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	10,733,082	25/05/2007

NO	LOCATION	TENURE	LAND AREA	USAGE	NET CARRYING AMOUNT AS AT 31 DEC 2016 RM	YEAR OF ACQUISITION
6	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	10,629,023	31/3/2011
7	HS(D) 234508, LOT NO :MLO 6219 MUKIM OF PLENTONG ***ADDRESS*** : 11 1/2 MILES, JALAN MASAI, 81750 MASAI, JOHOR	FREEHOLD	9.998 ACRES	INDUSTRIAL LAND	8,551,701	20/12/2006
8	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	8,448,741	28/08/2007
9	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	7,903,003	28/08/2007
10	LOT NO 8, TITLE NO 152120 ***ADDRESS*** : 417/112-113, STA INDUSTRIAL PARK, MOO 1, KANJANAVANICH ROAD, SUB-DISTRICT PATHONG, DISTRICT OF HAATYAI. 90230 SONGKHLA,THAILAND	FREEHOLD	7.72 ACRES	LOG YARD AREA	5,229,928	27/05/2004

STATEMENT OF SHAREHOLDINGS

AS AT 27 MARCH 2017

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	87	3,674	0.00
100 - 1,000	325	217,931	0.03
1,001 - 10,000	3,447	18,635,701	2.20
10,001- 100,000	1,955	59,072,963	6.98
100,001 to less than 5% of issued shares	413	501,595,710	59.29
5% and above of issued shares	2	266,476,006	31.50
	6,229	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	39,205,500	4.63
4. KUO HUEI CHEN	32,526,790	3.84
5. CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK	22,216,000	2.63
6. AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	18,110,800	2.14
7. HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD	13,656,800	1.61
8. KUO-TING YER PING	13,553,094	1.60
9. HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB SMART TREASURE FUND	13,000,000	1.54
10. CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD	11,231,800	1.33
11. CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK	11,126,550	1.32
12. MAYBANK SECURITIES NOMINEES (ASING) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR MGF CAPITAL LIMITED	7,500,000	0.89

THIRTY LARGEST SHAREHOLDERS (cont'd)

	Shareholders	Number of Shares	Percentage of Shares
13.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR NG PAIK PHENG	7,264,200	0.86
14.	EVAWORLD SDN. BHD.	7,079,290	0.84
15.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	6,931,050	0.82
16.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD	6,797,500	0.80
17.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND	6,082,750	0.72
18.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC TREASURES GROWTH FUND	5,782,000	0.68
19.	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD CIMB ISLAMIC TRUSTEE BHD FOR BIMB I DIVIDEND FUND	5,310,000	0.63
20.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOSIAL	5,018,200	0.59
21.	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY FOCUS FUND	5,000,000	0.59
22.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	4,927,200	0.58
23.	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY INCOME FUND	4,802,000	0.57
24.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SUSY DING	4,623,350	0.51
25.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	4,337,450	0.51
26.	LIM CHIAN PENG	4,325,000	0.51
27.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR SIEW MUN WAI	4,127,250	0.49
28.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR UBS AG SINGAPORE (FOREIGN)	4,012,000	0.47
29.	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD CIMB-PRINCIPAL ISLAMIC ASSET MANAGEMENT SDN BHD FOR LEMBAGA TABUNG HAJI	3,897,400	0.46
30.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	3,896,300	0.46

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-Sixth Annual General Meeting** of the Company to be held at **Horizon Hills Golf & Country Club, No. 1, Jalan Eka, Horizon Hills, 79100 Nusajaya, Johor Darul Takzim, Malaysia** on **Friday, 19 May 2017** 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 payment of final single tier dividend	1		
Re-appointment of Messrs Baker Tilly Monteiro Heng as Auditors	2		
Re-election of Ms. Mary Henerietta Lim Kim Neo	3		
Re-election of Mr. Kuan Kai Seng	4		
Approval of Non-Executive Director's fees and allowance	5		
Re-appointment of Mr. Kuo Wen Chi	6		
Approval of authority to issue shares pursuant to pursuant to Section 76	7		
Approval of Proposed Authority for the Company to purchase its own shares	8		
Approval to designate Mr. Jonathan Law Ngee Song as an Independent Director	9		

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/she thinks fit.

As witness my hand this ____________ day of ____________ 2017

____
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