Inspiring Sustainable
Growth

HeveaBoard Berhad

(275512-A)
INCORPORATED IN MALAYSIA

ISO 50001
Energy Managment System

PEFC™

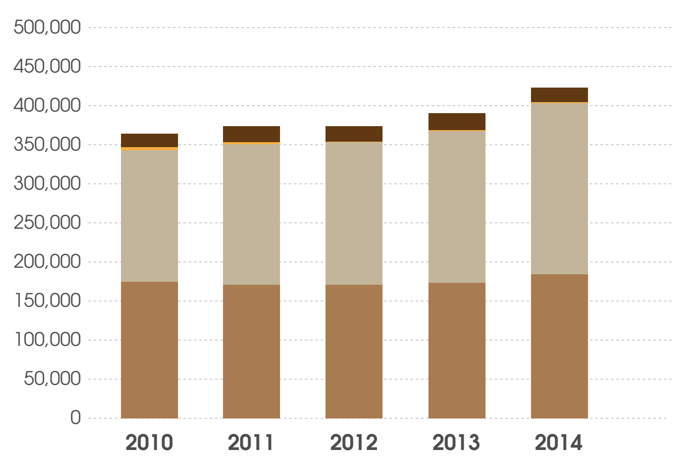
Annual Report **2014**

CONTENTS

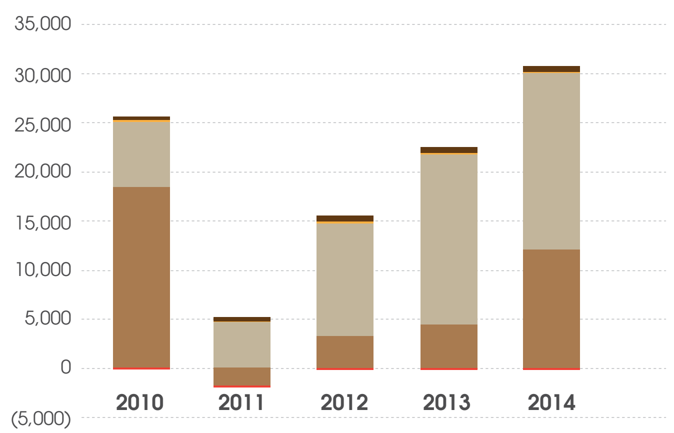
It's Good to be Green

In line with our company's sustainability thrust, this annual report cover is printed on environmentally-friendly paper. This is just one of the many initiatives being mobilised within HeveaBoard Berhad to help us play our part in preserving the environment. With your support, we will continue to uphold the highest standards of Quality, Health, Safety and Environment to deliver enhanced value to all our stakeholders.

Turnover (RM'000)



Profit After Tax (RM'000)



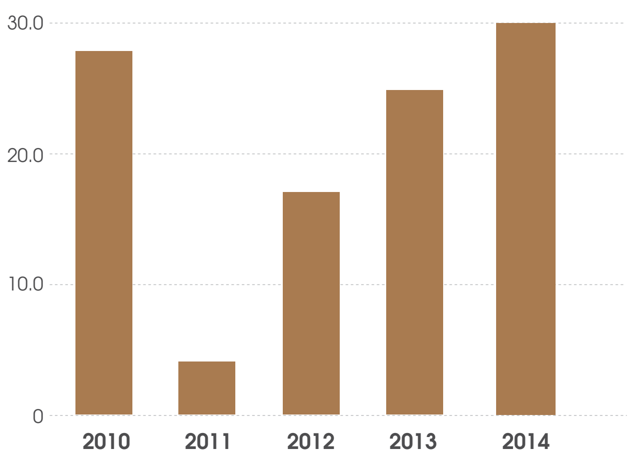
5-YEAR
FINANCIAL HIGHLIGHTS

	2014	2013	2012	2011	2010
Turnover (RM'000)	422,355	389,507	372,597	373,049	363,137
Profit Before Tax (RM'000)	32,081	23,952	13,977	3,894	28,410
Tax (RM'000)	(1,905)	(1,493)	1,500	(553)	(2,699)
Profit After Tax (RM'000)	30,176	22,459	15,477	3,341	25,711
Share Capital (RM'000)	99,449	90,400	90,400	90,400	90,400
Net Assets (RM'000)	270,679	231,054	208,595	194,022	190,681
Net Assets Per Share (RM)*	2.72	2.56	2.31	2.15	2.11
Interim Dividend (sen per ordinary share of RM1.00 each)	1.50	–	–	–	–
Proposed Final Dividend (sen per ordinary share of RM1.00 each)	2.50	2.00	–	1.00	–
Net Earnings Per Share (sen)**	31.70	24.84	17.12	3.70	28.44

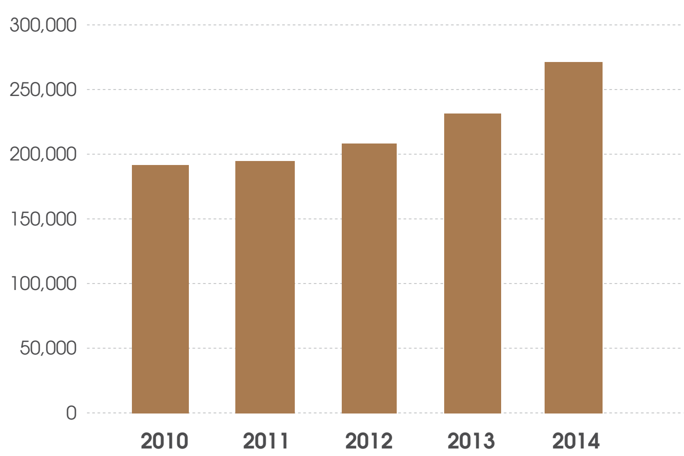
* The net assets per share of the Group is calculated based on the net assets value at the balance sheet date divided by the number of ordinary shares in issue at the balance sheet date.

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

Earnings Per Share (SEN)



Net Assets (RM'000)



HeveaBoard HeveaPac HeveaMart BocoWood Hevea OSB

STATEMENT FROM
GROUP MANAGING DIRECTOR

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of **HeveaBoard Berhad** ("**HeveaBoard**") for the financial year ended 31st December 2014.

OPERATIONS AND PERFORMANCE REVIEW

2014 was indeed a challenging and yet a rewarding year. With the onset of increase in electricity tariff and fuel price during early part of the year, most manufacturers in Malaysia were bracing for margin erosion. Furthermore, additional modern particleboard plants were also being built in our already very competitive market, necessitating better and more efficient manufacturing approaches in order to mitigate all these challenges.

I am delighted to report that despite the drastic challenges that we faced in 2014, we have achieved yet another historical milestone both in terms of revenue, and profitability. The Group reported a revenue of RM422.36 million, an increase of RM32.85 million or 8.43% as compared with the previous year. Profit Before Tax (PBT) had increased by 33.94% or RM8.13 million, from RM23.95 million in FY2013 to RM32.08 million. The much higher PBT was mostly contributed by the improved performance in the particleboard sector.

In the particleboard sector, we have been working hard on all avenues to be more efficient and innovative to stay relevant in the industry. In June 2014, we made a bold commercial decision to stop producing our "bread and butter" common range of products, and moved further up the value chain to concentrate only on the premium low emission range of products, whereby the environmental friendliness and quality requirements were much higher. With this move, we are glad that we have further enhanced our position as a premium particleboard producer. This sector had achieved a PBT of RM16.24 million, up from RM7.22 million in 2013, an increase of RM9.01 million or 124.83% despite having incurred a RM3.2 million unrealised foreign exchange loss derived from the translation of our USD term loan.

Our Ready-To-Assemble (RTA) sector had been through two (2) aggressive years of capital expenditure worth almost RM20 million in order to achieve higher automation and wider range of higher value product diversifications. With that strategic move, we were able to mitigate the labour cost increase and contribute additional revenue stream to the Group. The RTA sector had registered an 11.57% higher revenue growth and a PBT of RM19.24 million.

OUTLOOK AND PROSPECTS

As we head into 2015, oil prices are expected to remain low, and will invariably continue to affect the global economic outlook in unpredictable ways. In addition, the Ringgit has also been weakening against the greenback. Although the weak Ringgit and oil prices remain favourable to our business in the short-term, we shall continue to look towards other means of ensuring a strong financial performance in 2015 as well as in the long-term.

In preparing for the challenges and uncertainties ahead, we will continue to develop higher margin special products that are less price sensitive and more eco-friendly. We are confident that all the measures undertaken by both particleboard and RTA manufacturing sectors, will overcome these challenges.

STATEMENT FROM GROUP MANAGING DIRECTOR

I am proud to report that **HeveaBoard** has received the ASEAN Best Practices Awards for Energy Management in Buildings and Industries for the Industry Special Submission Category from the ASEAN Energy Awards 2014 (AEA). We shall continue to uphold the same level of industrial practice that prioritises efficient energy consumption.

CORPORATE SOCIAL RESPONSIBILITIES

We are committed to the preservation and protection of the environment. Our operations encompass a wide range of systematic measures to ensure that we comply with industry, legal and social standards of responsible conduct.

We successfully introduced the concept of mobile chipping to maximise fiber recovery and minimise open burning - our major contribution to maintaining clean environment. As of now, a few of our contractors have also adopted this method. Six (6) units of mobile chippers are now in operation, supplying rubberwood chips to us as raw material. With almost 100% fiber recovery, there is no residue for the conventional open burning, thus saving almost 23,000 tonnes of Carbon Dioxide from being emitted into our atmosphere per year. This has further fortified our role as an ECO friendly panel producer.

Our subsidiary HeveaPac continues their effort in donating our home made student desks for schools and this will be continued in the years to come.

DIVIDEND

The Board of Directors has announced and paid a single tier interim dividend of 1.5% in April 2015. The Board has recommended a single tier final dividend of 2.5% subject to shareholders' approval in the coming AGM, making a total dividend payout of 4% for FY2014.

CORPORATE EXERCISE

The Company had in April 2014 executed a Private Placement under Section 132D of the Companies Act, 1965. The 10% placement shares were all taken up through various tranches. The placement exercise was completed on 21 July 2014 and the proceeds of RM11 million raised were utilised for the purpose of product development, market expansion and repayment of bank loan.

APPRECIATION

On behalf of the Board of Directors, I would like to express our appreciation to the staff of **HeveaBoard** for their relentless dedication and contribution to the growth of the Group.

On behalf of my esteemed colleagues, I would also like to express my deepest gratitude to the regulatory authorities, business partners, valued shareholders, and buyers for their unwavering support.

Finally, I would like to thank my fellow colleagues on the board for their advice and unrelenting support given to me during this period.

Yoong Hau Chun
Group Managing Director

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak
Senior Independent Non-Executive Chairman

Yoong Hau Chun
Group Managing Director

Yoong Li Yen
Executive Director

Dato' Loo Swee Chew
Non-Independent Non-Executive Director

Lim Kah Poon
Independent Non-Executive Director

Bailey Policarpio
Non-Independent Non-Executive Director

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

AUDIT COMMITTEE

Lim Kah Poon *(Chairman)*
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak
Bailey Policarpio

NOMINATION COMMITTEE

Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak *(Chairman)*
Lim Kah Poon
Bailey Policarpio

REMUNERATION COMMITTEE

Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak *(Chairman)*
Yoong Hau Chun
Lim Kah Poon

TENDER BOARD COMMITTEE

Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak *(Chairman)*
Dato' Loo Swee Chew
Lim Kah Poon

COMPANY SECRETARY

Wong Youn Kim *(MAICSA 7018778)*

REGISTERED OFFICE

Level 2, Tower 1, Avenue 5
Bangsar South City, 59200 Kuala Lumpur
Wilayah Persekutuan
Tel : 03-2241 5800
Fax : 03-2282 5022

SHARE REGISTRAR

Bina Management (M) Sdn. Bhd.
(Company No. 50164-V)
Lot 10 The Highway Centre
Jalan 51/205,
46050 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7784 3922
Fax : 03-7784 1988

PRINCIPAL BANKERS

CIMB Bank Berhad *(Company No. 13491-P)*
Citibank Berhad *(Company No. 297098-M)*
Malayan Banking Berhad *(Company No. 3813-K)*
OCBC Bank (Malaysia) Berhad *(Company No. 295400-W)*

AUDITORS

Baker Tilly Monteiro Heng *(AF0117)*
Chartered Accountants
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City,
59200 Kuala Lumpur
Wilayah Persekutuan
Tel : 03-2297 1000
Fax : 03-2282 9981

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Short Name : HEVEA
Stock Code : 5095
Warrant Code : 5095WB

PROFILE OF **DIRECTORS**

TAN SRI DATO' CHAN CHOONG TACK @ CHAN CHOONG TAK

Senior Independent Non-Executive Chairman

A Malaysian aged 82, was appointed as an Independent Non-Executive Director of HeveaBoard Berhad ("HeveaBoard" or "the Company") on 1 October 2004. On 12 February 2010, he was re-designated as Independent Non-Executive Chairman of HeveaBoard. He is also the Chairman of the Nomination Committee, Remuneration Committee, Tender Board Committee and a member of the Audit Committee of the Company. A qualified Normal Class and Kirby trained teacher as well as a Barrister-at-Law, he holds a Certificate in Teacher Training, a Teachers Trainers' Certificate, an LL.B Degree with Honours, from the University of London, a Certificate of Barrister-at- Law, Lincoln's Inn and a Corporate Masters Business Administration (CMBA) Degree from Ohio University, USA. He has served as a teacher, a headmaster, the Secretary General of Parti Gerakan Rakyat Malaysia, a senator as well as the President of the Senate in Malaysia. On the corporate side, he has served as an independent non-executive director of Tenaga Nasional Berhad as well as a director of a few of its subsidiaries. Currently, he is also a director of a few private limited companies. Tan Sri Dato' Chan does not have any family relationship with any other director and/or substantial shareholders of HeveaBoard.

YOONG HAU CHUN

Group Managing Director

A Malaysian aged 39, joined HeveaBoard in 2000 and was appointed as Executive Director to HeveaBoard on 21 July 2000. He was re-designated as the Group Managing Director on 6 June 2012. He graduated from Sussex University, UK with a First Class Honours Degree in Mechanical Engineering with Business Management and a MSc in Wood Industries Technology from UPM. He is responsible for the operation of the particleboard plants and the Group of companies under HeveaBoard. He is the son of Mr Tenson Yoong, his Alternate Director and a substantial shareholder of the Company, and the brother of Ms Yoong Li Yen, the Executive Director and a substantial shareholder of the Company. Besides, he is the brother-in-law of Mr Bailey Policarpio, a Non-Independent Non-Executive Director of HeveaBoard.

DATO' LOO SWEE CHEW

Non-Independent Non-Executive Director

A Malaysian aged 67, one of the founding members of HeveaBoard and was appointed as a Non-Independent Non-Executive Director of the Company on 21 October 1997. He is also a member of the Tender Board Committee. Dato' Loo has been in the timber industry for more than 30 years. He is actively involved in timber logging, sawmill and plywood, and is one of the leading timber exporters based in Kuantan, Pahang Darul Makmur. He does not have any family relationship with any other director and/or substantial shareholders of HeveaBoard.

LIM KAH POON

Independent Non-Executive Director

A Malaysian aged 66, was appointed as an Independent Non-Executive Director of HeveaBoard on 1 October 2004. He is the Chairman of the Audit Committee and a member of the Nomination Committee, Remuneration Committee and Tender Board Committee of HeveaBoard. He is a Fellow of the Institute of Chartered Accountants in Ireland and a member of the Malaysian Institute of Accountants (MIA).

Mr Lim, a finance professional with a broad based business experience, spent the early part of his professional career with two of the big four accounting firms in Dublin and Kuala Lumpur/Penang for approximately 12 years. He joined a multinational company in Kuala Lumpur in 1983, where he held various senior finance positions over a 15 year-period, with the last one and a half years involving in audit and risk assessment on the control environment within the group companies in the Asia Pacific Region. In 1997, he joined a local company, also quoted on Bursa Malaysia Securities Berhad, as its Chief Financial Officer. He left his last company in September 2001 in order to focus on his business advisory and consultancy work. He is also a Director of Imaspro Corporation Berhad, Pineapple Resources Berhad and Chuan Huat Resources Berhad. He does not have any family relationship with any other director and/or substantial shareholders of HeveaBoard.

BAILEY POLICARPIO

Non-Independent Non-Executive Director

A Filipino aged 44, was appointed as a Non-Independent Non-Executive Director of HeveaBoard on 8 March 2007. He is a member of the Audit Committee and Nomination Committee. He graduated from De La Salle University, Philippines with a Degree in Electronics and Communications Engineering and an MSc in Manufacturing Systems from University of Nottingham, UK. His career includes being a lecturer at De La Salle University; being Directors for First Philippine Scales, Inc. (FPSI) and ProFence Systems Corporation. He is also an approved signatory of FPSI Metrology Laboratory, which is an ISO/IEC 17025 Accredited Calibration Laboratory. He is the spouse of Ms Yoong Li Yen, the Executive Director, the brother-in-law of Mr Yoong Hau Chun, the Group Managing Director, and the son-in-law of Mr Tenson Yoong, the Alternate Director to Mr Yoong Hau Chun, the substantial shareholders of the Company.

PROFILE OF DIRECTORS

YOONG LI YEN

Executive Director

A Malaysian aged 38, was appointed as an Executive Director of the Company on 18 February 2013. She graduated with a Bachelor of Administration degree from University of New Brunswick Canada and Post Graduate Diploma from Chartered Institute of Marketing (CIM), United Kingdom. Prior to joining HeveaBoard, she started her career in 1996 as a Business Analyst with New Brunswick Power, Canada. In 1998, she joined HeveaBoard as a Marketing Executive. Throughout the years, she had gained extensive experience in sales, marketing and logistics. She is also the Director of HeveaMart Sdn. Bhd., a wholly-owned subsidiary and marketing arm of HeveaBoard. She is the spouse of Mr Bailey Policarpio, a Non-Independent Non-Executive Director of HeveaBoard. She is the daughter of Mr Tenson Yoong and sister of Mr Yoong Hau Chun, the Directors and substantial shareholders of the Company.

YOONG TEIN SENG @ YONG KIAN SENG (TENSON YOONG)

Alternate Director to Yoong Hau Chun

A Malaysian aged 68, was appointed as the Alternate Director to Mr Yoong Hau Chun, the Group Managing Director, on 18 February 2013.

He has over 30 years of experience in sawmill and timber export business and is one of the founding members of HeveaBoard. He is the father of Mr Yoong Hau Chun and Ms Yoong Li Yen, the Directors and substantial shareholders of HeveaBoard. Mr Tenson Yoong is also the father-in-law of Bailey Policarpio, a Non-Independent Non-Executive Director of the Company.

Notes to Directors' Profiles:

None of the Directors has:

- * *Any conflict of interest with HeveaBoard Berhad.*
- ** *Any conviction for offences within the past ten (10) years other than traffic offences, if any.*

None of the Directors has any directorship in other public companies, except as disclosed by Mr Lim Kah Poon.

The details of the Directors' securities holdings are set out in the Analysis of Shareholdings as at 22 April 2015 as set out on pages 123 to 126 of this Annual Report.

The details of the Directors' attendance at Board and Audit Committee meetings are set out on page 13 and 21 of this Annual Report respectively.

The composition of the Board of Directors complies with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad whereby 1/3 of the Board are Independent Directors.

CORPORATE
STRUCTURE

HeveaBoard Berhad

Manufacturing of particleboards and Investment holding

100% HeveaPac Sdn. Bhd.

Manufacturing of ready-to assemble furniture

100% HeveaMart Sdn. Bhd.

Trading of particleboards and other panel board

100% BocoWood Sdn. Bhd.

Distribution and marketing of ready-to assemble furniture

100% Hevea OSB Sdn. Bhd.

Dormant

QUALITY SYSTEM
SIRIM
074
CERTIFIED TO MS ISO 9001 : 2000
REGISTRATION NO AR2045

ID No. WP MY 03 01

1st JIS Certified Particleboard Manufacturer In Malaysia

C.A.R.B.
93120.2(a) & 93120.12

STATEMENT ON **CORPORATE GOVERNANCE**

INTRODUCTION

The Board of Directors ("the Board") of HeveaBoard Berhad ("HeveaBoard" or "the Company") is pleased to report that for the financial year under review, the Company has continued to apply good governance practices in managing and directing the business of the Group by adopting the principles and the recommendations prescribed in the Malaysian Code on Corporate Governance 2012 ("the Code").

The Board has conducted a review of its current practices and proceedings against the principles and recommendations in the Code. The result of this review has been used as the basis for the Board in describing the application of the principles and the extent of compliance with the recommendations advocated therein in compliance with the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

BOARD OF DIRECTORS

It is the overall governance responsibilities of the Board to lead and control the Group. The Board plans the strategic direction, development and control of the Group and has taken initiatives to embrace the responsibilities listed in the Code, which facilitate the discharge of the Board's stewardship responsibilities. When implementing the strategic plan, the Executive Directors are responsible for making and implementing operational and corporate decisions while the Non-Executive Directors play an important role in corporate accountability by providing unbiased and independent views, advice and judgement in safeguarding the interests of the shareholders.

During the financial year ended 31 December 2014, the Board has six (6) members comprising two (2) Executive Directors, two (2) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors. The composition of the Board includes sufficient number of Independent, Executive and Non-Executive Directors as prescribed by the Listing Requirements of Bursa Securities. Therefore, the Board is of the view that the current composition of the Board facilitates effective and independent decision making.

The Board consists of members from diverse backgrounds from various fields. Together they bring a broad range of skills, experience and knowledge relevant to directing and managing the Group's businesses. In addition, there is a clear division of responsibilities between the Chairman and Group Managing Director to ensure that there is a balance of power and authority. In ensuring this balance, the positions of the Chairman and Group Managing Director are held by separate members of the Board. The Chairman is responsible for the Board's effectiveness and conduct as well as ensuring timely and necessary information is provided to members of the Company, whilst the Group Managing Director has the overall responsibilities over the Group's operating units, organisational effectiveness and implementation of Board policies and decisions.

The Board is supportive of gender equality and recognises the importance of diversity in terms of ethnicity and age. In its selection of board members, the Board provides equal opportunity to candidates who have the relevant skills, experience, competencies and other qualities vis-a-vis the Group's present business portfolios and prospective investments.

Descriptions of the background of each Director presented previously remain substantially unchanged. The profile of each Director is presented on pages 6 to 8 of this Annual Report. Pursuant to Paragraph 9.25 of the Listing Requirements, such information is also published on the corporate website at www.heveaboard.com.my for shareholders' reference.

In discharging its duties, the Board is constantly mindful of the need to safeguard the interest of the Group's stakeholders. In order to facilitate the effective discharge of its duties, the Board is guided by the Board Charter which was adopted by the Board on 18 December 2012, and the same was published on the corporate website.

The Board is now reviewing and finalising its roles and responsibilities on:

i. Whistleblowing procedures at corporate level; and

ii. Code of conduct on ethical behaviours.

BOARD COMPOSITION AND COMMITTEES

The Board has delegated specific responsibilities to the respective committees of the Board, namely Audit Committee, Nomination Committee, Remuneration Committee and Tender Board Committee, in order to enhance business and corporate efficiency and effectiveness. The Board Committees will deliberate and examine issues within the established terms of reference and report to the Board on significant matters that require the Board's attention.

Audit Committee ("AC")

The AC comprised solely of Non-Executive Directors with a majority of Independent Directors. The responsibilities, composition, terms of reference and activities of the AC are outlined in this Annual Report under the section of Audit Committee Report.

Nomination Committee ("NC")

In order to ensure that the selection and evaluation of Board members are done objectively, the NC comprised exclusively of Non-Executive Board members with a majority of Independent Directors, and the NC is chaired by a Senior Independent Non-Executive Director. The members of the NC are as follows:

i. Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak – Chairman
ii. Lim Kah Poon – Member
iii. Bailey Policarpio – Member

Functionally, the NC is responsible for reviewing and making recommendation of any appointments to the Board for approval based on the size of the Board, the mix of skills and experience and other qualities of the candidates. The NC assists the Board in reviewing the composition of the Board members annually and ensures that the current composition of the Board functions competently.

During the financial year, the NC conducted two (2) meetings on 22 April 2014 and 25 November 2014. In the meetings, the NC:

i. reviewed the appraisals of individual Director, Board Committees and the Board as a whole;
ii. assessed and recommended the re-election of Directors;
iii. assessed the independence of the Directors who have served as Independent Non-Executive Directors of the Company for a term of more than nine (9) years; and
iv. considered the proposal to identify candidates for Independent Non-Executive Directors.

STATEMENT ON CORPORATE GOVERNANCE

Remuneration Committee ("RC")

The members of the RC are as follows:

i. Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak – Chairman
ii. Lim Kah Poon – Member
iii. Yoong Hau Chun – Member

The RC reviews annually the remuneration packages of the Executive Directors and submits recommendations to the Board on specific adjustments in remuneration and/or reward payments that reflect their respective contributions for the year, and which are dependent on the performance of the Group and/or quantified organisational targets set at the beginning of each year.

The remuneration packages of the Company's Executive and Non-Executive Directors are determined by the Board as a whole, with the Director concerned abstaining from participating in the decision making in respect of his own individual remuneration.

RC meeting is held at least once a year. During the financial year, one (1) RC meeting was held on 25 November 2014, which was attended by all members.

Tender Board Committee ("TBC")

The TBC is responsible for reviewing, deliberating and considering shortlisted tenders put forward by Management. The TBC comprises mainly Non-Executive Directors. The members of the TBC are as follows:

i. Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak – Chairman
ii. Dato' Loo Swee Chew – Member
iii. Lim Kah Poon – Member

Meetings of TBC are held as and when required. During the financial year, one (1) TBC meeting was held on 23 October 2014.

Re-election of Directors

The Company's Articles of Association stipulates that all Board members who are appointed by the Board shall be subjected to election by shareholders at the first opportunity of their appointment.

The Company's Articles of Association also provides that at least one-third (1/3) of the Directors shall retire by rotation at each Annual General Meeting and that all Directors shall retire once in every three (3) years. A retiring Director shall be eligible for re-election.

Directors who are above seventy (70) years of age are required to offer themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

SUPPLY OF INFORMATION

The agenda for Board meetings together with the relevant reports and information for the Board's consideration are forwarded to all members prior to the Board meetings. During the meeting, the Management provides information and clarification on issues raised by members of the Board in their deliberations and decisions making.

The Board has unrestricted and timely access to all information necessary for the discharge of its responsibilities. All Directors have access to the services and advice of the Company Secretary, management staff and other independent professionals, at the expense of the Group in the discharge of their duties.

The Directors are notified of any corporate announcements released to Bursa Securities. They are also notified of the impending restriction in dealing with the securities of the Company at least one (1) month prior to the release of the quarterly financial results announcement.

The proceedings and resolutions reached at each Board meeting are recorded in the Minutes Book kept at the registered office. Besides Board meetings, the Board also exercises control on matters that requires its approval through the circulation of Directors' resolutions.

BOARD INDEPENDENCE

Independence is important for ensuring objectivity and fairness in the Board's decision making. The roles and responsibilities of the Chairman and Managing Director continue to be separated and the Chairman of the Board is an Independent Director.

The Board had nominated Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak to act as the Senior Independent Director to provide shareholders with an alternative to convey their concerns and seek clarifications from the Board via his e-mail address: choongtak_chan@heveaboard.com.my.

In order to uphold independence of Independent Directors, the Board has adopted the following policies:

i. Subject to the Board justification and shareholders' approval, tenure of Independent Directors should not exceed a cumulative nine (9) years; and

ii. Annual assessment of independence of its Independent Directors focusing on events that would affect the ability of Independent Directors to continue bringing independent and objective judgment to the Board deliberation and the regulatory definition of Independent Directors.

BOARD COMMITMENT

The underlying factors of Directors' commitment to the Group are devotion of time and continuous improvement of knowledge and skill.

The Board meets at least every quarter and on other occasions, as and when necessary, to, inter-alia, approve quaterly financial results, statutory financial statements, the Annual Report, business plans and budgets as well as to review the performance of the Company and its operating subsidiaries, governance matters and other business development matters. Board papers are circulated to the Board members prior to the Board meetings so as to provide the Directors with relevant and timely information to enable them to have a proper deliberation on issues raised during Board meetings.

During the financial year, six (6) Board meetings were held. The details of attendance of the members are as below.

Director	No. of Meetings Attended/No. of Meetings Held
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	6/6
Mr Yoong Hau Chun	6/6
Ms Yoong Li Yen	6/6
Dato' Loo Swee Chew	4/6
Mr Lim Kah Poon	6/6
Mr Bailey Policarpio	5/6

The Directors recognise the needs to attend training to enable them to discharge their duties effectively. The training needs of each Director would be identified and proposed by the individual Director.

STATEMENT ON CORPORATE GOVERNANCE

All the Directors of the Company had attended the Mandatory Accreditation Programme. The following are the trainings attended by Directors during the financial year in review:

Director	Trainings Attended
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	• Updates on key risk profiles • Bursa's Board Chairman Series: "The Role of Board Chairman" Workshop • Bursa's Risk Management and Internal Control Workshops
Mr Yoong Hau Chun	• Updates on key risk profiles • GST Training
Ms Yoong Li Yen	• Updates on key risk profiles • GST Training
Dato' Loo Swee Chew	• Updates on key risk profiles • GST Training
Mr Lim Kah Poon	• Updates on key risk profiles • GST Training
Mr Bailey Policarpio	• Updates on key risk profiles

DIRECTORS' REMUNERATION

Executive Directors are remunerated based on the Group's performance whilst the remunerations of the Non-Executive Directors are determined in accordance with their experience and the level of responsibilities assumed. The number of Directors whose income falls within the following bands is set out as follows:

Remuneration Band	Executive Directors	Non-Executive Directors
RM100,000 and below	NIL	2
RM100,001 – RM150,000	NIL	2
RM550,001 – RM600,000	1	NIL
RM750,001 – RM800,000	1	NIL
RM1,450,001 – RM1,500,000	NIL	1
Total	**2**	**5**

The aggregate remuneration of the Directors of the Company for the year ended 31 December 2014 is as follows:

	Executive Directors (RM'000)	Non-Executive Directors (RM'000)
Salaries, Bonus, EPF, Others	1,370	NIL
Fees	NIL	591
Other Emoluments	NIL	1,131
Total	**1,370**	**1,722**

The details of the individual Director's remuneration are not disclosed in the report as the Board considers the above disclosures satisfy the accountability and transparency aspect of the Code.

FINANCIAL REPORTING

The Board is responsible to ensure that the quarterly financial reporting of the Company presents a fair and balanced view of the Group's financial position, performance and prospects. The Board ensures that the Group's financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards. The Board is assisted by the AC in reviewing and scrutinising the information in terms of the overall accuracy, adequacy and completeness of disclosure and ensuring the Group's financial statements comply with applicable financial reporting standards.

As part of the AC's review processes, the AC has obtained written assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

Annually, the AC also reviews the appointment, performance and remuneration of the External Auditors before recommending them to the shareholders for re-appointment in the AGM. The AC would convene meetings with the External Auditors and Internal Auditors without the presence of the Executive Directors and employees of the Group as and when necessary.

RISK MANAGEMENT

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

In order to further strengthen the present risk management and internal control systems in the Group, the Board would continue to work with Management in formalising and approving the Group's Risk policy.

The Board has established an internal audit function which is currently outsourced to a professional firm. Functionally, the Internal Auditors report to the AC directly and they are responsible for conducting regular reviews and appraisals of the effectiveness of the governance, risk management and internal controls and processes within the Group. Further details of the Group's state of risk management and internal control systems are reported in the Statement on Risk Management and Internal Control on pages 17 and 18 of this Annual Report.

CORPORATE DISCLOSURE

Corporate disclosure and information are important for investors and shareholders. The Board is advised by Management, the Company Secretary and the External and Internal Auditors on the contents and timing of disclosure requirements of the Listing Requirements on the financial results and various announcements. Management is invited to attend the Board and Audit Committee meetings and to provide explanations to the Board on the operations of the Group.

The Board leverages on its corporate website to communicate, disseminate and add depth to the governance reporting. The Board Charter was formalised and published in the page on corporate governance in its present corporate website. Other principal governance information such as committees' terms of reference and directors' profile would also be eventually transferred from Annual Report and published in the website to avoid dilution of issues in the Annual Report or various announcements.

STATEMENT ON CORPORATE GOVERNANCE

SHAREHOLDERS' RIGHT

The Board recognises the need for transparency and accountability to the Company's shareholders and regular communication with its shareholders, stakeholders and investors on the performance and major developments in the Group. This is achieved through timely releases of quarterly financial results, circulars, Annual Reports, corporate announcements and press releases. In addition to the various announcements made during the period, information on the Company is available on the Company's website at www.heveaboard.com.my.

The Company would respond to meetings with institutional shareholders, analysts and members of the press to convey information regarding the Group's performance and strategic direction as and when requested. General meetings are important avenues through which shareholders can exercise their rights. The Board would ensure suitability of venue and timing of meeting and undertake other measures to encourage shareholders' participation in the meetings. Shareholders are reminded that they have the right to demand a poll vote at general meetings. Also, effective 1 June 2013, poll voting is mandated for related party transactions that require specific shareholders' approval.

STATEMENT ON
RISK MANAGEMENT AND INTERNAL CONTROL

The Board is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 31 December 2014. This Statement is prepared pursuant to paragraph 15.26(b) of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and as guided by the latest "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers" ("Guidelines") issued by the Task Force on Internal Control with the support and endorsement of Bursa Securities.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board recognises the Group's business involves the taking of appropriate risks. This is intended to achieve a proper balance between risks incurred and potential returns to shareholders. The Board therefore ensures that there are systems in place which effectively monitor and manage these risks.

The risk management processes in identifying, evaluating and managing significant risks facing the organisation are embedded into operating and business processes. These processes are undertaken by all Executive Directors and the management team members in the course of their work. Key matters covering the financial performance, operation and market are reviewed and deliberated in the EXCO meetings of the Company and in HeveaPac Sdn. Bhd.. During these EXCO Meetings, causes and reasons for performance achievement are discussed in order to identify and take the appropriate measures to manage risks effectively. Summaries of minutes of EXCO meetings outlining the key issues are presented in the quarterly board meetings for the knowledge and information of all board members when considering the overall performance of the Group.

Financial forecasts are used as performance targets for the management. In addition, the management has implemented a whistle blowing channel and reward system for reporting of employees' misbehaviours. Annually, a risk workshop is held and facilitated by the Internal Auditors. This workshop is attended by the representatives of the executive and non-executive board members and the senior management personnel. During this workshop, existing risks are re-assessed while new risks are identified, discussed and measured. In addition, the status of the existing risk management action plans is reviewed and new action plans are discussed and identified to strengthen the existing action plan when needed or to mitigate new risk exposures.

HeveaBoard Berhad continues to be certified under the quality management systems of ISO 9001:2008 and ISO14001:2004 and the environment management systems of OSHAS 18001 and MS 1722. These management systems form the guiding principles for the operational procedures. Internal quality audits are carried out and annual surveillance audits are conducted by external certification body to provide assurance of compliance with the ISO requirements.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

During the financial year in review, the Company has obtained further certifications on sustainable forest and energy management systems. These certifications are:

i) the Programme for the Endorsement of Forest Certification ("PEFC") on production of timber and non-timber forest products meetings the ecological, social and ethical standard requirements; and

ii) ISO 50001:2011 Certification for Energy Management System governing organisations in using energy more efficiently through effective energy management system.

The implementation of this management system is recognised regionally. The Company was the sole Malaysian company who has received the 2014 ASEAN Best Practices Awards for Energy Management in Buildings and Industries (for the industry special submission category).

THE REVIEW MECHANISM

There are two levels of review of systems of risk management and internal control in the organisation. The first level of the review is undertaken by the line and senior management while the second level constitutes the independent review performed by the Audit Committee. The internal audit function supports these reviews of by conducting periodic audits to assess the effectiveness of the systems of risk management and internal control, recommending actions to management for improvement and reporting the status of management control procedures to the Audit Committee.

Besides reviewing the systems of internal control, the Audit Committee also reviews the financial information and reports produced by management. In this case, the Audit Committee in consultation with management deliberates the integrity of the financial results, annual report and audited financial statements before recommending to the Board for approval.

MANAGEMENT RESPONSIBILITIES AND ASSURANCE

In accordance to the Guidelines, the management is responsible to the Board for identifying risks relevant to the business of the Group's objectives and strategies, implementing and maintaining sound systems of risk management and internal control and monitoring and reporting significant control deficiencies and changes in risks that could significantly affect the Group's achievement of its objective and performance.

The Board has received assurance from the Group Managing Director and Chief Financial Controller that, to the best of their knowledge, the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects.

BOARD ASSURANCE AND LIMITATION

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

REVIEW OF STATEMENT ON INTERNAL CONTROL BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report for the year ended 31st December 2014 and have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of the systems of risk management and internal control of the Group.

STATEMENT ON
DIRECTORS' RESPONSIBILITIES

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the income statement and cash flows of the Company and the Group for the financial year.

The Directors consider that, in preparing the financial statements of the Company and the Group for the year ended 31 December 2014, the Company has consistently applied appropriate accounting policies, and has made judgments and estimates that are reasonable and prudent. The Directors confirm that all applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The Directors are responsible for ensuring that the Company maintains adequate accounting records which disclose with reasonable accuracy the financial position of the Company and the Group to enable them to ensure that the financial statements comply with the requirements of the Companies Act, 1965.

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

ADDITIONAL **COMPLIANCE INFORMATION**

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

1. SHARE BUY-BACK

The Company had obtained its shareholders' approval at the Annual General Meeting held on 18 June 2014 for the approval to purchase its own shares. During the financial year under review, the Company did not buy back any of its own shares.

2. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company did not issue any options, warrants or convertible securities during the financial year under review.

3. DEPOSITORY RECEIPTS PROGRAMME

The Company did not sponsor any depository receipts programme during the financial year under review.

4. SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and/or its subsidiaries during the financial year under review.

5. NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Group for the financial year ended 31 December 2014 by the External Auditors or a firm or company affiliated to the External Auditors were RM47,564.40.

6. VARIATION IN RESULTS

There was no variance of ten per centum (10%) or more between the audited results for the financial year ended 31 December 2014 and the unaudited results previously announced by the Company.

7. PROFIT GUARANTEE

There was no profit guarantee given by the Company during the financial year under review.

8. MATERIAL CONTRACTS

There was no material contract entered into by the Company and its subsidiaries involving Directors and major shareholders' interests which were subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial period.

AUDIT COMMITTEE REPORT

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2014.

MEMBERSHIP

The Audit Committee comprises the following members:

1) **Mr Lim Kah Poon (Chairman)**
Independent Non-Executive Director

2) **Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak**
Senior Independent Non-Executive Director

3) **Mr Bailey Policarpio**
Non-Independent Non-Executive Director

ATTENDANCE OF MEETINGS

During the financial year ended 31 December 2014, a total of five (5) Audit Committee meetings were held. The details of attendance of each Audit Committee member are as follows:

Name of Committee Member	No. of Meetings Attended/ No. of Meetings Held
Mr Lim Kah Poon (Chairman)	5/5
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	5/5
Mr Bailey Policarpio	5/5

TERMS OF REFERENCE

The Audit Committee is established as a committee of the Board.

1. **Objective**

The primary objectives of the Audit Committee are to:

a) Reinforce the independence of the Company's External and Internal Auditors by ensuring their functions are properly conducted and recommendations are implemented effectively;

b) Review and assess the soundness and compliance of the internal control processes and risk management practices within the Group; and

c) Ensure the Group are in compliance with the Main Market Listing Requirements ("Listing Requirements"), accounting standards and other statutory requirements.

2. **Composition**

The Audit Committee shall be appointed from amongst the Board and shall comprise no fewer than three (3) members. All the Audit Committee Members must be Non-Executive Directors. The majority of them must be Independent Directors and at least one (1) member must be a member of the Malaysian Institute of Accountants or possess such other qualifications and/ or experience as approved by Bursa Malaysia Securities Berhad ("Bursa Securities").

AUDIT COMMITTEE REPORT

3. Meetings

The Audit Committee shall meet at least four (4) times in each financial year. The quorum for a meeting of the Audit Committee shall be two (2) members, provided that the majority of members present at the meeting shall be independent.

The Audit Committee may call for a meeting as and when required with reasonable notice as the Audit Committee Members deem fit.

All decisions at such meeting shall be decided on a show of hands on a majority of votes.

The Internal Auditors and the External Auditors may appear at any meeting at the invitation of the Audit Committee and shall appear before the Audit Committee when required to do so by the Audit Committee. The Internal Auditors and the External Auditors may also request a meeting if they consider it necessary.

4. Authority

The Audit Committee, whenever necessary and reasonable for the performance of its duties, shall in accordance with the procedure determined by the Board and at the Company's expenses:

(a) Have the authority to investigate any matter within its terms of reference;

(b) Have the resources which are required to perform its duties;

(c) Have full and unrestricted access to any information pertaining to the Group;

(d) Have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity;

(e) Have the right to obtain independent professional or other advice at the Company's expense;

(f) Have the right to convene meetings with the Internal Auditors and External Auditors, excluding the attendance of the other Directors or employees of the Group, whenever deemed necessary;

(g) Promptly report to Bursa Securities, or such other name(s) as may be adopted by Bursa Securities, matters which have not been satisfactorily resolved by the Board resulting in a breach of the Listing Requirements;

(h) Have the right to pass resolutions by a simple majority vote from the Audit Committee and that the Chairman shall have the casting vote should a tie arise;

(i) Meet as and when required on a reasonable notice; and

(j) The Chairman shall call for a meeting upon the request of the Internal and the External Auditors.

5. Duties and Responsibilities

(a) To review with the External Auditors on:

- the audit plan, its scope and nature;
- the audit report;
- the results of their evaluation of the accounting policies and system of internal accounting controls within the Group; and
- the assistance given by the officers of the Company to the External Auditors, including any difficulties or disputes with Management encountered during the audit.

(b) To review the adequacy of the scope, functions, competency, resources and set the standards of the internal audit function.

(c) To provide assurance to the Board on the effectiveness of the system of internal control and risk management practices of the Group.

(d) To review the internal audit programme and results of the internal audit, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.

(e) To review with Management:

- audit reports and management letters issued by the External Auditors and the implementation of audit recommendations;
- interim financial information; and
- the assistance given by the officers of the Company to the External Auditors.

(f) To monitor related party transactions entered into by the Company or the Group and to determine if such transactions are undertaken on an arm's length basis based on normal commercial terms and on terms not more favourable to the related parties than those generally available to the public, and to ensure that the Directors report such transactions annually to shareholders via the Annual Report, and to review conflicts of interest that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

(g) To review the quarterly reports on consolidated results and annual financial statements prior to submission to the Board, focusing particularly on:

- changes in or implementation of major accounting policy and practices;
- significant and / or unusual matters arising from the audit;
- the going concern assumption;
- compliance with accounting standards and other legal requirements; and
- major areas.

(h) To consider the appointment and / or re-appointment of the Internal and the External Auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person or persons as auditors.

6. Summary of Activities

During the financial year ended 31 December 2014, the Audit Committee carried out its duties in accordance with the Terms of Reference which included the following:

1. Reviewed the quarterly unaudited results, audited financial statements and annual report which are recommended for the Board's adoption;

2. Reviewed the External Auditors' audit planning memorandum of the Group;

3. Reviewed the issues and results arising from the internal and external audit and the resolutions of such issues highlighted;

4. Reviewed and ensured the adequacy of the scope and coverage of the audit plan proposed by the Internal Auditors and approved the audit plan for audit execution;

5. Reviewed the internal audit reports and the results and recommendations arising from the reviews conducted by the outsourced internal audit function; and

6. Reviewed related party transactions entered into by the Company and the Group, the approval process and disclosure of such transactions.

AUDIT COMMITTEE REPORT

INTERNAL AUDIT FUNCTION

The Board recognises the importance of the internal audit function and the independent status required for carrying out their function effectively. For the financial year ended 31 December 2014, the internal audit function of the Company was outsourced to an external service provider, namely, IA Essential Sdn. Bhd.

During the financial year, the outsourced internal audit function assisted the Audit Committee in discharging its duties and responsibilities by executing independent reviews to ensure the adequacy and effectiveness of the internal control systems of the Group.

The activities of the internal audit function for the year include:

(a) Conducting internal audit reviews in accordance with the internal audit plan approved by the Audit Committee;

(b) Reporting the results of internal audits and making recommendations for improvements to the Audit Committee on a periodic basis; and

(c) Performing follow-up visits to ensure that recommendations for improvement to the internal control systems were satisfactorily implemented.

The internal audits conducted on the Group did not reveal any weaknesses in the internal control system that would result in material losses, contingencies or uncertainties which are necessary to be disclosed in the Group's Annual Report.

The cost incurred for the internal audit function in respect of the financial year ended 31 December 2014 was RM56,009.55.

CORPORATE SOCIAL RESPONSIBILITY

The Group recognises and places great emphasis on corporate social responsibility in respect of employees' health and safety, human resource development, environment, community at large and stakeholders.

EMPLOYEES HEALTH AND SAFETY

To create awareness and to ensure all employees are trained and prepared for any incidents of fire, a fire drill and training was conducted with the assistance of the Fire department in Gemas.

A briefing was organised with SOCSO and JPJ for our employees to educate and create awareness on road safety and the role of the SOCSO.

ENVIRONMENT

ISO 50001:2011 – Energy Management System

"This International Standard specifies requirements of an energy management system (EnMS) for an organisation to develop and implement an energy policy, establish objectives, targets, and action plans, which take into account legal requirements and information related to significant energy use" (extracted from ISO 50001)

The company was awarded the prestigious ISO 50001:2011 Energy Management System certification. This award is a testimony of the efforts of all employees in the company towards the conservation of Energy.

In recognition of our commitment towards energy Management, HeveaBoard was selected by Ministry of Energy, Green Technology and Water, Malaysia to represent Malaysia in the ASEAN Best Practices Awards for Energy Management in Buildings and Industries for the Industry Special Submission Category organised by the ASEAN Energy Awards 2014 (AEA). HeveaBoard was chosen as the winner in this category.

HUMAN RESOURCE DEVELOPMENT

To provide more employment opportunities to local job seekers, the Company actively participated in job fairs organised by Jabatan Tenaga Kerja and local Technical Colleges.

The Group is committed to permeating a conducive industrial climate in order to garner the strength of its diverse workforce. As part of this commitment, the Group has undertaken the following initiatives:

- The provision of fair and equitable employment terms regardless of age, gender, ethnicity or creed.
- Increasing the representation of women in management as well as top management by continuously seeking to create a work place that attracts, retains and develops women.

CORPORATE SOCIAL RESPONSIBILITY

COMMUNITY

We organised the annual blood donation campaign for the Hospital Tuanku Jaafar in Seremban. In 2014 we also invited donors from the neighbouring businesses to participate. Our employees also made blood donations at the mobile blood donation center set up at the local hypermarket.

During our annual dinner, we presented the certificates and cash awards for the Top students in PMR, SPM and STPM from 2 schools in Gemas and top achievement awards of certificates and cash awards for the children of our employees in the government examinations.

Our employees participated in the Gotong Royong in Gemas organised by the Majlis Daerah Tampin. This involved the cleaning up of the landscape and surroundings of a housing estate in Gemas. Trees were planted as part of the green campaign and to beautify the landscape.

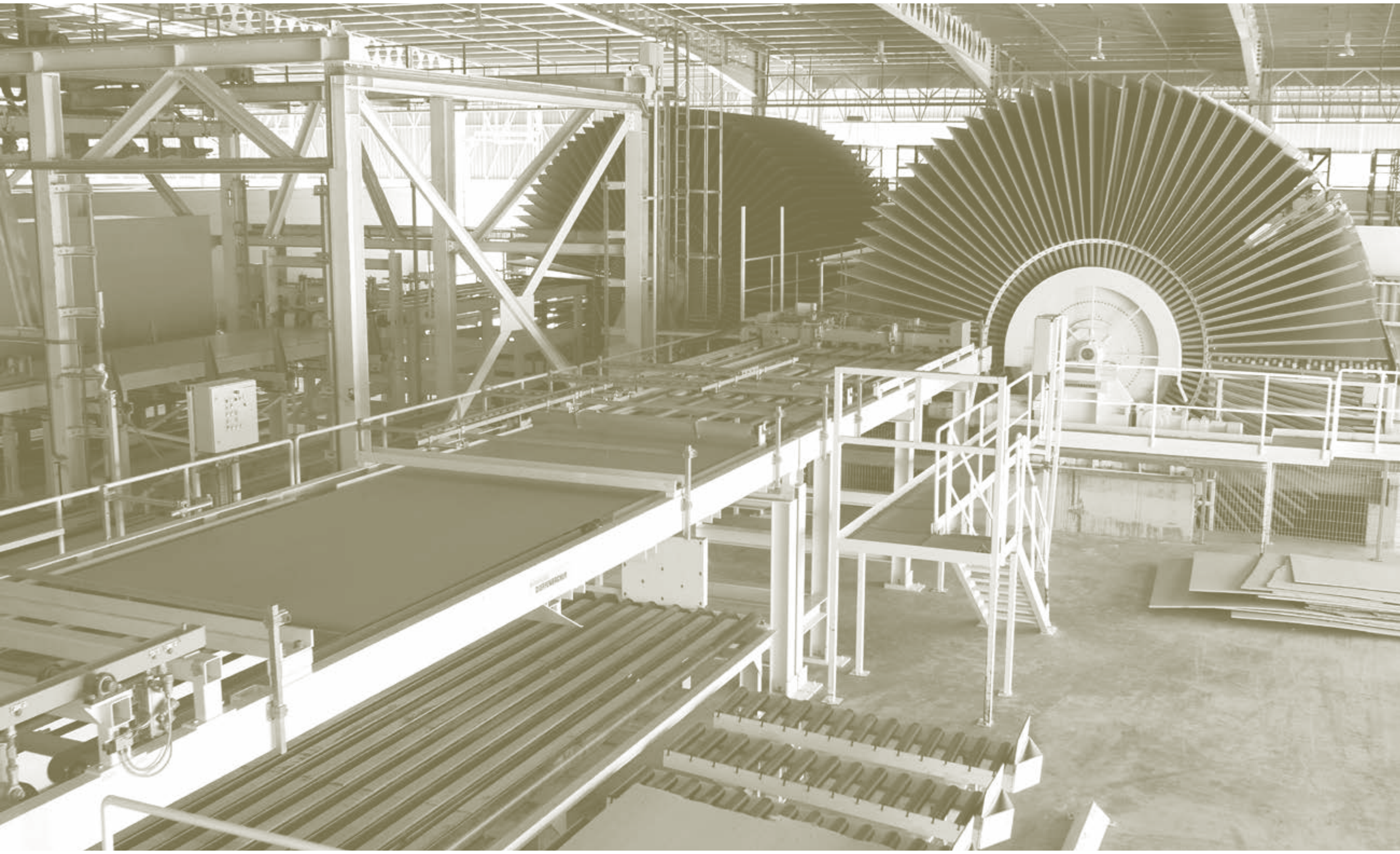
We also sponsored the prizes and participated in the Family treasure hunt organised by Persatuan Pencinta Seni Gemas – MYGEMAS which is an NGO that promotes community activities in Gemas.

Using the Company's environmentally friendly products, our subsidiary HeveaPac assembled writing tables and donated them yearly to schools in need. The Company also made donations to support a local school's activities as well as the local charities and sports welfare fund.

STAKEHOLDERS

The Group is committed to holding regular dialogue sessions with stakeholders, including shareholders, customers, employees, suppliers, regulators and others.

FINANCIAL **STATEMENTS**



DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31st December 2014.

PRINCIPAL ACTIVITIES

The principal activities of the Company are manufacturing of particleboards and investment holding. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	30,176	16,376
Other comprehensive income	–	–
Total comprehensive income for the financial year	30,176	16,376
Profit for the year attributable to:		
Owners of the Company	30,176	16,376
Non-controlling interests	–	–
	30,176	16,376
Total comprehensive income attributable to:		
Owners of the Company	30,176	16,376
Non-controlling interests	–	–
	30,176	16,376

DIVIDEND

Since the end of the previous financial year, the Company declared and paid a final (single-tier) dividend of 2.0 sen per ordinary share totalling RM1,928,000/- in respect of the financial year ended 31st December 2013 on 1st August 2014.

Subsequent to the financial year end, the Company declared an interim (single-tier) dividend of 1.5 sen per ordinary share totalling RM1,491,735/- in respect of the financial year ended 31st December 2014 on 10th April 2015. The financial statements for the current financial year do not reflect these dividends. Upon declaration, this dividend payment will be accounted for in equity as an appropriation of retained profits during the financial year ending 31st December 2015.

DIRECTORS' REPORT
(CONTINUED)

DIVIDEND (Continued)

At the forthcoming Annual General Meeting, a final (single-tier) dividend in respect of the financial year ended 31st December 2014, amounting of 2.5 sen per ordinary share of RM1.00 each will be proposed for 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 shareholders' equity as an appropriation of retained profits in the financial year ending 31st December 2015.

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL DEBTS

Before the statements of profit or loss and statements of financial position of the Group and of the Company were made out, 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 impairment, and had satisfied themselves that all known bad debts had been written off and adequate allowance had been made for impairment.

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

CURRENT ASSETS

Before the statements of profit or loss and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount that they might be expected to be realised.

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

DIRECTORS' REPORT
(CONTINUED)

CONTINGENT AND OTHER LIABILITIES

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

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

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

In the opinion of the directors, no contingent liabilities or other liabilities of the Group and of the Company have 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 substantially affect the ability of the Group and 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 that would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

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.

2010/2020 WARRANTS ("Warrants")

On 8th March 2010, the Company announced that 42,666,666 units of 2010/2020 Warrants issued pursuant to the corporate exercises were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad. The warrants were issued at an issue price of RM0.01/- per warrant. The warrants issued are constituted under a Deed Poll executed and constituted by the Company.

DIRECTORS' REPORT
(CONTINUED)

2010/2020 WARRANTS ("Warrants") (Continued)

The movement in the warrants during the financial year are as follows:

	Number of Warrants			
	At 1.1.2014	Exercised	Expired	At 31.12.2014
Warrants	42,666,666	9,000	–	42,675,666

The salient terms of the warrants are as follows:

(a) Each warrant entitles the registered holder/(s) at any time during the exercise period to subscribe for one new ordinary share of RM1/- each at an exercise price of RM1/- per ordinary share. The warrants entitlement is subject to adjustments under the terms and conditions set out in the Deed Poll.

(b) The exercise price for the warrants is fixed at RM1/- per new ordinary share of the Company, subject to adjustments under certain circumstances in accordance with the provision of the Deed Poll.

(c) The exercise period is ten years from the date of issuance until the maturity date, i.e. the date preceding the tenth anniversary of the date of issuance. Upon the expiry of the exercise period, any unexercised rights will lapse and cease to be valid for any purposes.

(d) The new ordinary shares of RM1/- each to be issued pursuant to the exercise of the warrants upon allotment and issue, rank pari passu in all respect with the existing ordinary shares of the Company except that the new ordinary shares so allotted shall not be entitled to any dividends, rights, allotment and/or other distributions declared, made or paid to shareholders, the entitlement date for which is before the date of allotment of the said new ordinary shares.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and fully paid share capital from 90,400,000 ordinary shares of RM1.00 each to 99,449,000 ordinary shares of RM1.00 each through the issuance of:

(a) 9,040,000 ordinary shares of RM1.00 each at RM1.26 per ordinary share via a private placement to eligible investors for a total cash consideration of RM11,368,000/-.

(b) 9,000 ordinary shares via the exercise of 9,000 warrants 2010/2020.

The new 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.

DIRECTORS' REPORT
(CONTINUED)

DIRECTORS

The directors of the Company in office since the date of the last report are:

Y. Bhg. Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak
Y. Bhg. Dato' Loo Swee Chew
Yoong Tein Seng @ Yong Kian Seng (Alternate director to Yoong Hau Chun)
Yoong Hau Chun
Yoong Li Yen
Lim Kah Poon
Bailey Policarpio

DIRECTORS' INTERESTS

According to the register of directors' shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia, the interests of those directors who held office at the end of the financial year in shares and warrants in the Company and its related corporations during the financial year ended 31st December 2014 are as follows:

		Number of ordinary shares of RM1/- each			
		At 1.1.2014	Acquired	Disposed	At 31.12.2014
The Company					
Direct Interests					
Yoong Hau Chun		150,000	–	–	150,000
Y. Bhg. Dato' Loo Swee Chew		148,000	–	–	148,000
Lim Kah Poon		50,000	–	–	50,000
Bailey Policarpio		25,000	–	–	25,000
Yoong Li Yen		409,800	–	–	409,800
Yoong Tein Seng @ Yong Kian Seng (Alternate director to Yoong Hau Chun)		170,000	–	170,000	–
Indirect Interests					
Yoong Hau Chun	(1)	36,640,700	624,500	170,000	37,095,200
Y. Bhg. Dato' Loo Swee Chew	(2)	28,189,000	27,400	–	28,216,400
Y. Bhg. Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	(3)	63,000	–	–	63,000
Lim Kah Poon	(4)	21,000	–	–	21,000
Bailey Policarpio	(5)	409,800	–	–	409,800
Yoong Li Yen	(6)	36,375,900	294,500	170,000	36,500,400
Yoong Tein Seng @ Yong Kian Seng (Alternate director to Yoong Hau Chun)	(7)	39,317,200	294,500	–	39,611,700

DIRECTORS' REPORT
(CONTINUED)

DIRECTORS' INTERESTS (Continued)

		Number of Warrants			
		At 1.1.2014	Acquired	Disposed	At 31.12.2014
The Company					
Direct Interests					
Yoong Hau Chun		25,000	–	–	25,000
Y. Bhg. Dato' Loo Swee Chew		78,233	–	–	78,233
Lim Kah Poon		28,600	–	28,600	–
Bailey Policarpio		6,666	–	–	6,666
Yoong Li Yen		8,333	–	–	8,333
Yoong Tein Seng @ Yong Kian Seng (Alternate director to Yoong Hau Chun)		75,000	–	–	75,000
Indirect Interests					
Yoong Hau Chun	(1)	16,750,442	–	–	16,750,442
Y. Bhg. Dato' Loo Swee Chew	(2)	15,311,242	–	47,466	15,263,776
Lim Kah Poon	(4)	7,000	–	7,000	–
Bailey Policarpio	(5)	8,333	–	–	8,333
Yoong Li Yen	(6)	16,770,442	–	–	16,770,442
Yoong Tein Seng @ Yong Kian Seng (Alternate director to Yoong Hau Chun)	(7)	16,697,141	–	–	16,697,141

(1) Deemed interested by virtue of Section 6A of the Companies Act, 1965 in Malaysia, shareholdings held through Tenson Holdings Sdn. Bhd., a substantial shareholder of both Firama Holdings Sdn. Bhd. and HeveaWood Industries Sdn. Bhd. and by virtue of his family relationship with Tan Ya Ling, his spouse and Yoong Li Yen, his sister and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100% of the votes attached to the voting shares in Gemas Ria Sdn. Bhd..

(2) Deemed interested by virtue of his substantial shareholdings in HeveaWood Industries Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965 in Malaysia and by virtue of his family relationship with Loo Chin Meng (Lu Zhenming), his son and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100% of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.

(3) Deemed interested by virtue of his relationship with Dato' Philip Chan Hon Keong, his son.

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

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

DIRECTORS' REPORT
(CONTINUED)

DIRECTORS' INTERESTS (Continued)

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

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

By virtue of their shareholdings in the Company, Yoong Tein Seng @ Yong Kian Seng, Y. Bhg. Dato' Loo Swee Chew, Yoong Hau Chun, Lim Kah Poon, Bailey Policarpio and Yoong Li Yen are deemed to have interests in shares in the subsidiaries to the extent of the Company's interest, in accordance with Section 6A of the Companies Act, 1965 in Malaysia.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the directors shown in 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 arrangement whose object was to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REPORT
(CONTINUED)

AUDITORS

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

On behalf of the Board,

YOONG HAU CHUN
Director

Y. BHG. DATO' LOO SWEE CHEW
Director

Kuala Lumpur
Date: 22nd April 2015

STATEMENTS OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2014

		Group		Company	
		2014	2013	2014	2013
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	240,880	254,951	184,900	198,187
Prepaid lease payments	5	5,888	6,051	–	–
Investment in subsidiaries	6	–	–	40,960	40,960
Goodwill on consolidation	7	2,946	2,946	–	–
		249,714	263,948	225,860	239,147
Current assets					
Inventories	8	60,689	66,893	21,525	27,772
Trade receivables	9	53,539	53,109	32,471	33,606
Other receivables, deposits and prepayments	10	12,352	5,633	1,987	3,090
Amount due from subsidiaries	11	–	–	1,825	2,081
Tax recoverable		612	577	536	577
Deposits placed with licensed banks	12	13,424	12,600	699	–
Cash and bank balances	13	22,208	19,695	11,964	7,098
		162,824	158,507	71,007	74,224
TOTAL ASSETS		412,538	422,455	296,867	313,371
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	14	99,449	90,400	99,449	90,400
Other reserves	15	18,254	15,926	18,254	15,926
Retained profits	16	152,976	124,728	64,514	50,066
Total equity		270,679	231,054	182,217	156,392

STATEMENTS OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2014
(CONTINUED)

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-current liabilities					
Amount due to related company	19	2,090	2,296	2,090	2,296
Provision for retirement benefits	20	1,442	1,778	716	996
Loans and borrowings	21	41,656	63,393	37,748	58,137
Deferred tax liabilities	24	2,298	2,298	–	–
		47,486	69,765	40,554	61,429
Current liabilities					
Trade payables	17	27,351	38,119	20,764	26,471
Other payables and accruals	18	25,262	24,124	9,494	8,650
Amount due to subsidiaries	11	–	–	6,402	6,479
Amount due to related company	19	510	610	304	404
Tax payable		737	378	–	–
Loans and borrowings	21	40,513	58,405	37,132	53,546
		94,373	121,636	74,096	95,550
Total liabilities		141,859	191,401	114,650	156,979
TOTAL EQUITY AND LIABILITIES		412,538	422,455	296,867	313,371

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2014

		Group		Company	
		2014	2013	2014	2013
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	25	422,355	389,507	201,743	191,671
Cost of sales	26	(359,152)	(332,976)	(171,332)	(167,293)
Gross profit		63,203	56,531	30,411	24,378
Other income		4,208	3,247	5,691	4,133
Selling and distribution expenses		(4,821)	(3,243)	(2,703)	(1,863)
Administrative expenses		(22,934)	(19,618)	(10,706)	(7,552)
Finance costs	27	(3,113)	(6,620)	(2,432)	(5,954)
Other expenses		(4,462)	(6,345)	(4,026)	(5,921)
Profit before taxation	28	32,081	23,952	16,235	7,221
Taxation	29	(1,905)	(1,493)	141	(593)
Profit for the financial year		30,176	22,459	16,376	6,628
Other comprehensive income		–	–	–	–
Total comprehensive income for the financial year		30,176	22,459	16,376	6,628
Profit for the financial year attributable to:					
Owners of the Company		30,176	22,459	16,376	6,628
Non-controlling interests		–	–	–	–
		30,176	22,459	16,376	6,628
Total comprehensive income attributable to:					
Owners of the Company		30,176	22,459	16,376	6,628
Non-controlling interests		–	–	–	–
		30,176	22,459	16,376	6,628
Earnings per ordinary share attributable to owners of the Company (sen)					
– Basic earnings per share	30(a)	31.70	24.84		
– Diluted earnings per share	30(b)	21.89	16.88		

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

STATEMENTS OF
CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2014

		Attributable to owners of the Company				
		<----------Non-distributable---------->			*Distributable*	
	Note	**Share Capital RM'000**	**Share Premium RM'000**	**Warrant Reserve RM'000**	**Retained Profits RM'000**	**Total Equity RM'000**
Group						
Balance as at 1st January 2013		90,400	15,526	400	102,269	208,595
Total comprehensive income for the financial year		–	–	–	22,459	22,459
Balance as at 31st December 2013		90,400	15,526	400	124,728	231,054
Total comprehensive income for the financial year		–	–	–	30,176	30,176
Transactions with owners:						
Issuance of share capital		9,040	2,328	–	–	11,368
Arising from exercise of warrants		9	–	–	–	9
Dividends	31	–	–	–	(1,928)	(1,928)
Total transactions with owners		9,049	2,328	–	(1,928)	9,449
Balance as at 31st December 2014		99,449	17,854	400	152,976	270,679
Company						
Balance as at 1st January 2013		90,400	15,526	400	43,438	149,764
Total comprehensive income for the financial year		–	–	–	6,628	6,628
Balance as at 31st December 2013		90,400	15,526	400	50,066	156,392
Total comprehensive income for the financial year		–	–	–	16,376	16,376
Transactions with owners:						
Issuance of share capital		9,040	2,328	–	–	11,368
Arising from exercise of warrants		9	–	–	–	9
Dividends	31	–	–	–	(1,928)	(1,928)
Total transactions with owners		9,049	2,328	–	(1,928)	9,449
Balance as at 31st December 2014		99,449	17,854	400	64,514	182,217

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		32,081	23,952	16,235	7,221
Adjustments for:					
Amortisation for prepaid lease payments		163	163	–	–
Depreciation for property, plant and equipment		25,879	25,311	19,466	19,432
Dividend income		–	–	(3,874)	(2,980)
Gain on disposal of property, plant and equipment		(122)	(10)	(55)	–
Interest expenses		3,113	6,620	2,432	5,954
Interest income		(544)	(241)	–	–
Inventories written off		2,155	–	2,155	
Net loss on financial liabilities measured at amortised cost		246	191	246	191
Other investment written off		–	15	–	15
Property, plant and equipment written off		1,328	4	1,324	–
Provision for retirement benefits		80	212	136	128
Unrealised loss on foreign exchange		3,170	4,897	3,170	4,897
Operating Profit before Working Capital Changes		67,549	61,114	41,235	34,858
Changes In Working Capital:					
Inventories		4,049	(4,933)	4,092	807
Receivables		(7,149)	(13,894)	2,238	(10,649)
Payables		(9,630)	4,477	(4,863)	(1,668)
Amount due from/to subsidiaries		–	–	93	(1,339)
Cash Generated From Operations		54,819	46,764	42,795	22,009
Dividend paid		(1,928)	–	(1,928)	–
Interest paid		(3,113)	(6,620)	(2,432)	(5,954)
Retirement benefits paid		(416)	(208)	(416)	(208)
Income tax paid		(1,785)	(1,462)	(8)	(9)
Income tax refunded		204	–	190	–
Net Operating Cash Flows		47,781	38,474	38,201	15,838

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2014
(CONTINUED)

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Deposits placed with financial licensed banks held for funded employee benefits		(1,278)	–	(699)	–
Dividend received		–	–	3,874	2,387
Interest received		544	241	–	–
Proceeds from disposal of property, plant and equipment		146	10	55	–
Purchase of property, plant and equipment	32	(10,247)	(9,782)	(6,977)	(1,625)
Repayment from subsidiaries		–	–	86	1,549
Net Investing Cash Flows		(10,835)	(9,531)	(3,661)	2,311
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceed from issuance of share capital		11,377	–	11,377	–
Repayment of export credit refinancing		–	(566)	–	–
Net (repayment)/drawdown of onshore foreign currency loan		(8,926)	6,720	(8,926)	6,720
Repayment to related company		(552)	(906)	(552)	(906)
Repayment of hire purchase liabilities		(5,657)	(3,935)	(647)	(328)
Repayment of term loan		(26,335)	(26,345)	(26,132)	(25,341)
Net Financing Cash Flows		(30,093)	(25,032)	(24,880)	(19,855)
NET CHANGE IN CASH AND CASH EQUIVALENTS		6,853	3,911	9,660	(1,706)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		27,501	23,590	2,304	4,010
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		34,354	27,501	11,964	2,304

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2014
(CONTINUED)

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
ANALYSIS OF CASH AND CASH EQUIVALENTS:					
Deposits placed with licensed banks		13,424	12,600	699	–
Cash and bank balances		22,208	19,695	11,964	7,098
Bank overdrafts - secured		–	(4,794)	–	(4,794)
		35,632	27,501	12,663	2,304
Less: Deposits placed with licensed banks held for funded employee benefits	12	(1,278)	–	(699)	–
		34,354	27,501	11,964	2,304

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

NOTES TO THE
FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The principal activities of the Company are manufacturing of particleboards and investment holding. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

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

The registered office of the Company is located at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur.

The principal place of business of the Company is located at Lot 1941 & 1942, Batu 3, Jalan Tampin, 73400 Gemas, Negeri Sembilan Darul Khusus.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22nd April 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

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.

The financial statements of the Group and of the Company have been prepared under the historical cost basis, except as disclosed in the significant accounting policies in Note 2.3 to the financial statements.

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 are significant to the financial statements are disclosed in Note 3 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int")

(a) Adoption of Amendments/Improvements to MFRSs and New IC Int

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

Amendments/Improvements to MFRSs

MFRS 10	Consolidated Financial Statements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 127	Separate Financial Statements
MFRS 132	Financial Instruments: Presentation
MFRS 136	Impairment of Assets
MFRS 139	Financial Instruments: Recognition and Measurement

New IC Int

IC Int 21	Levies

The adoption of the above amendments/improvements to MFRSs and new IC Int do not have any effect on the financial statements of the Group and of the Company except for those as discussed below:

Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosure of Interests in Other Entities and MFRS 127 Separate Financial Statements

Amendments to MFRS 10 introduces an exception to the principle that all subsidiaries shall be consolidated. The amendments define an investment entity and require a parent that is an investment entity to measure its investment in particular subsidiaries at fair value thorough profit or loss in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement* instead of consolidating those subsidiaries in its consolidated financial statements. Consequently, new disclosure requirements related to investment entities are introduced in amendments to MFRS 12 and MFRS 127.

In addition, amendments to MFRS 127 also clarifies that if a parent is required, in accordance with paragraph 31 of MFRS 10, to measure its investment in a subsidiary at fair value through profit or loss in accordance with MFRS 139, it shall also account for its investment in that subsidiary in the same way in its separate financial statements.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") (Continued)

(a) Adoption of Amendments/Improvements to MFRSs and New IC Int (Continued)

Amendments to MFRS 132 Financial Instruments: Presentation

Amendments to MFRS 132 does not change the current offsetting model in MFRS 132. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off', that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. The amendments clarify that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria. This amendment only impact the presentation in the financial statements but has no impact on the financial results and positions of the Group and of the Company.

Amendments to MFRS 136 Impairment of Assets

Amendments to MFRS 136 clarifies that disclosure of the recoverable amount (based on fair value less costs of disposal) of an asset or cash generating unit is required to be disclosed only when an impairment loss is recognised or reversed. In addition, there are new disclosure requirements about fair value measurement when impairment or reversal of impairment is recognised.

IC Int 21 Levies

IC Int 21 addresses the accounting for a liability to pay a government levy (other than income taxes and fine or other penalties that imposed for breaches of the legislation) if that liability is within the scope of MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets.* This interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers the payment of the levy, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is recognised progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specific minimum threshold is reached. The adoption of IC Int 21 has no significant impact to the financial statements of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") (Continued)

(b) New MFRSs and Amendments/Improvements to MFRSs that are issued, but not yet effective and have not been early adopted

The Group and the Company have not adopted the following new MFRSs and amendments/improvements to MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:

		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 2017
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 July 2014
MFRS 2	Share-based Payment	1 July 2014
MFRS 3	Business Combinations	1 July 2014
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2016
MFRS 7	Financial Instruments: Disclosures	1 January 2016
MFRS 8	Operating Segments	1 July 2014
MFRS 10	Consolidated Financial Statements	1 January 2016
MFRS 11	Joint Arrangements	1 January 2016
MFRS 12	Disclosure of Interests in Other Entities	1 January 2016
MFRS 13	Fair Value Measurement	1 July 2014
MRFS 101	Presentation of Financial Statements	1 January 2016
MFRS 116	Property, Plant and Equipment	1 July 2014/1 January 2016
MFRS 119	Employee Benefits	1 July 2014/1 January 2016
MFRS 124	Related Party Disclosures	1 July 2014
MFRS 127	Separate Financial Statements	1 January 2016
MFRS 128	Investments in Associates and Joint Ventures	1 January 2016
MFRS 138	Intangible Assets	1 July 2014/1 January 2016
MFRS 140	Investment Property	1 July 2014
MFRS 141	Agriculture	1 January 2016

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") (Continued)

(b) New MFRSs and Amendments/Improvements to MFRSs that are issued, but not yet effective and have not been early adopted (Continued)

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

MFRS 9 Financial Instruments

MFRS 9 introduces a package of improvements which includes a classification and measurement model, a single forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

Classification and measurement
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 statement 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 statement of financial position.

Impairment
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.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") (Continued)

(b) New MFRSs and Amendments/Improvements to MFRSs that are issued, but not yet effective and have not been early adopted (Continued)

MFRS 9 Financial Instruments (Continued)

Hedge accounting
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:

- Identify the contracts with a customer.
- Identify the performance obligation in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contract.
- Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") (Continued)

(b) New MFRSs and Amendments/Improvements to MFRSs that are issued, but not yet effective and have not been early adopted (Continued)

Amendments to MFRS 3 Business Combinations

Amendments to MFRS 3 clarifies that when contingent consideration meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132 *Financial Instruments: Presentation*. It also clarifies that contingent consideration that is classified as an asset or a liability shall be subsequently measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

In addition, amendments to MFRS 3 clarifies that MFRS 3 excludes from its scope the accounting for the formation of all types of joint arrangements (as defined in MFRS 11 *Joint Arrangements*) in the financial statements of the joint arrangement itself.

Amendments to MFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Amendments to MFRS 5 introduces specific guidance when an entity reclassifies an asset (or disposal group) from held-for-sale to held-for-distribution to owners (or vice versa), or when held-for-distribution is discontinued.

Amendments to MFRS 7 Financial Instruments: Disclosures

Amendments to MFRS 7 provides 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.

Amendments to MFRS 8 Operating Segments

Amendments to MFRS 8 requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

The Amendments also clarifies that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly to the chief operating decision maker.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") (Continued)

(b) New MFRSs and Amendments/Improvements to MFRSs that are issued, but not yet effective and have not been early adopted (Continued)

Amendments to MFRS 13 Fair Value Measurement

Amendments to MFRS 13 relates to the IASB's Basis for Conclusions which is not an integral part of the Standard. The Basis for Conclusions clarifies that when IASB issued IFRS 13, it did not remove the practical ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, if the effect of discounting is immaterial.

The Amendments also clarifies that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* or MFRS 9 *Financial Instruments,* regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132 *Financial Instruments: Presentation.*

Amendments to MFRS 101 Presentation of Financial Statements

Amendments to MFRS 101 improves the effectiveness of disclosures. The Amendments clarifies 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 clarifies the accounting for the accumulated depreciation/amortisation when an asset is revalued. It clarifies that:

- the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset; and
- the accumulated depreciation / amortisation is calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

Amendments to MFRS 116 prohibits 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 provides a practical expedient in accounting for contributions from employees or third parties to defined benefit plans.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") (Continued)

(b) New MFRSs and Amendments/Improvements to MFRSs that are issued, but not yet effective and have not been early adopted (Continued)

Amendments to MFRS 119 Employee Benefits (Continued)

If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service.

However, if the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method required by MFRS 119 for the gross benefit (i.e. either based on the plan's contribution formula or on a straight-line basis).

In addition, the Amendments clarifies 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 124 Related Party Disclosures

Amendments to MFRS 124 clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

Amendments to MFRS 127 Separate Financial Statements

Amendments to MFRS 127 allows a parent and investors to use the equity method in its separate financial statements to account for investments in subsidiaries, joint ventures and associates, in addition to the existing options.

Amendments to MFRS 138 Intangible Assets

Amendments to MFRS 138 introduces a rebuttable presumption that the revenue-based amortisation method is inappropriate (for the same reasons as per the Amendments to MFRS 116). This presumption can be overcome only in the limited circumstances:

- in which 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.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") (Continued)

(b) New MFRSs and Amendments/Improvements to MFRSs that are issued, but not yet effective and have not been early adopted (Continued)

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.

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 (whether it is housed in a subsidiary or not), as defined in MFRS 3 *Business Combinations*. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") (Continued)

(b) New MFRSs and Amendments/Improvements to MFRSs that are issued, but not yet effective and have not been early adopted (Continued)

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 addresses the following issues that have arisen in the application of the consolidation exception for investment entities:

- Exemption from presenting consolidated financial statements: the Amendments clarifies 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 clarifies 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 allows 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.

2.3 Significant Accounting Policies

(a) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has the rights, to variable returns from its involvement with the entity and has the ability affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group considers it has de factor power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investees' return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(a) Basis of Consolidation (Continued)

(ii) Business Combinations

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the financial period. The financial statements of the Company and its subsidiaries are all drawn up to the same report date.

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquire; plus
- if the business combinations is achieved in stages, the fair value of the existing equity interest in the acquire; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

For each business combination, the Group elects whether it measures the non-controlling interests in the acquire either at fair value or at the proportionate share of the acquire either at the fair value or at the proportionate share of the acquiree's identifiable net assets 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.

(iii) Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in loss of control as equity transactions between the Group and its non-controlling interests holders. Any difference between the Group's share of net assets before and after the change and any consideration received or paid is adjusted to or against Group reserves.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(a) Basis of Consolidation (Continued)

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognised the assets and liabilities of a subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) 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 are eliminated against the investment to the extent of the Group's interest in the associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Goodwill on Consolidation

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(c) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(n) to the financial statements.

Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of replacing 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 and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss as incurred.

No depreciation is provided on the freehold land as it has infinite useful life. Property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets concerned. The annual rates used for this purpose are as follows:

Leasehold land	1%
Buildings	2% - 5%
Plant, machineries and equipment	5% - 20%
Furniture, fittings and renovation	10% - 20%
Motor vehicles	20%

The residual values and useful lives of assets and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. The effects of any revisions of the residual values, useful lives and depreciation method are included in profit or loss for the financial year in which the changes arise.

Fully depreciated assets are retained in the financial statements until the assets are no longer in use.

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 included in the profit or loss in the financial year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(d) Leases

(i) Finance Leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses, if any. The corresponding liability is included in the statements of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used in the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowings rate is used.

Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets and assets under hire purchase is consistent with that for depreciable property, plant and equipment as described in Note 2.3(d) to the financial statements.

(ii) Operating Leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and comprises the cost of materials and incidentals incurred in bringing the inventories to their present location and condition.

Cost of manufactured goods includes cost of materials, labour and an appropriate proportion of production overheads.

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

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

(f) Financial Instruments

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

A financial instrument is recognised initially, at its fair value, plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

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 fair value through profit or loss if they are held for trading, including derivatives, or are designated as such upon initial recognition.

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the near future or part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking.

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. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised as other gains or losses in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(f) Financial Instruments (Continued)

(i) Financial Assets (Continued)

Loans and receivables

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

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. Interest income is recognised by applying the effective interest rate, except for short-receivables when the recognition of interest would be immaterial.

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity and the Group have the positive intention and ability to hold the investment to maturity is classified as held-to-maturity investments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Available-for-sale financial assets

Available-for-sale are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method 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.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(f) Financial Instruments (Continued)

(ii) *Financial Liabilities*

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated as fair value through profit or loss upon initial recognition.

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 cost.

Other financial liabilities categorised as fair value through profit or loss is subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) 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.

Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(iv) Derecognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(g) Equity Instruments

Ordinary Shares

Ordinary shares are recorded at the nominal value and the consideration in excess of nominal value of shares issued, if any, is accounted for as share premium. Both ordinary shares and share premium are classified as equity.

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the reporting date. A dividend proposed or declared after the reporting date, but before the financial statements are authorised for issue, is not recognised as a liability at the reporting date.

Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, if any, otherwise it is charged to profit or loss. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(h) Borrowing Costs

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. In the subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings.

Interest, dividends, losses and gains relating to a financial instrument, or a component part classified as a liability is reported within finance cost in the profit or loss.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(i) Taxation

The tax expense in the profit or loss represents the aggregate amount of current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credit can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at time of the transaction, affects neither accounting profit nor taxable profit.

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 that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the profit or loss, except when it arises from transaction which is recognised in other comprehensive income or directly in equity, in which case the deferred tax is also charged or credited in other comprehensive income or directly in equity or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or bargain purchased.

(j) Employee Benefits

(i) Short Term Employee Benefits

Wages, salaries, bonuses and social security contributions and non-monetary benefits are recognised as expenses in the financial year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences sick leave, maternity and paternity leave are recognised when absences occur.

(ii) Post-Employment Benefits

The Group contributes to the Employees' Provident Fund, the national defined contribution plan. The contributions are charged to the profit or loss in the period to which they are related. Once the contributions have been paid, the Group has no further payment obligations.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(j) Employee Benefits (Continued)

(iii) Unfunded Defined Benefits Scheme

The Group and the Company operate an unfunded defined benefits scheme in respect of key personnel.

The amount recognised in the statements of financial position represents the present value of the defined benefit obligation at each financial year end. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate of high quality corporate bonds in which the benefits will be paid.

Actuarial gains and losses arising from the changes in actuarial assumptions and experience adjustments are recognised in other comprehensive income within equity.

Net interest expenses relating to defined benefits plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past services or the gain or loss on curtailment is recognised immediately in profit or loss.

(k) Foreign Currencies

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions and Translations

Transactions in foreign currencies are translated to Ringgit Malaysia at exchange rates ruling at the transaction date. Monetary assets and liabilities in foreign currencies at the statements of financial position are translated into Ringgit Malaysia at the rates ruling at the reporting date. All exchange differences are included in the profit or loss.

Non-monetary items are measured in term of historical cost in a foreign currency or translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(l) Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents include cash in hand, bank balances, fixed deposits, demand deposit and short term, highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts, deposits pledged to financial institutions and bankers' acceptances.

(m) Revenue Recognition

The Group recognised revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below:

(i) Sale of Goods

Revenue is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

(ii) Interest Income

Interest income is recognised on an accrual basis.

(iii) Dividend Income

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

(n) Impairment of Assets

(i) Impairment of Financial Assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries and associates) are assessed at each reporting date 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 asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(n) Impairment of Assets (Continued)

(i) Impairment of Financial Assets (Continued)

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through the profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.

(ii) Impairment of Non-financial Assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

For goodwill that has an indefinite useful life and is not available for use, the recoverable amount is estimated at each reporting date or more frequently when indicators of impairment are identified.

An asset's recoverable amount is the higher of an asset's or cash generating units ("CGUs") fair value less cost to sell 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 risk specific to the asset. Where the carrying amounts of an asset exceed its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(n) Impairment of Assets (Continued)

(ii) Impairment of Non-financial Assets (Continued)

Impairment losses recognised in respect of a CGUs 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.

An impairment loss is recognised in the profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed its carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the profit or loss.

(o) Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(p) Fair Value Measurements

From 1 January 2013, the Group adopted *FRS 13, Fair Value Measurement* which prescribed that 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 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. In accordance with the transitional provision of FRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of FRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than the additional disclosures.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the Company's accounting policies

In the process of applying the Group's and the Company's accounting policies, which are described in Note 2.3 to the financial statements, the management has made the following judgement, apart from those involving estimations, which have a significant effect on the amounts recognised in the financial statements:

Classification between operating lease and finance lease for leasehold land

The Group has developed certain criteria based on MFRS 117 Leases in making judgement whether a leasehold land should be classified either as operating lease or finance lease.

Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset and operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership. If the leasehold land meets the criteria of the financial lease, the lease will be classified as property, plant and equipment if it is for own use. Judgements are made on the individual leasehold land to determine whether the leasehold land qualifies as operating lease or finance lease.

The Group has classified the lease period of less than 50 years as operating leases as they did not met the criteria of a finance lease under MFRS 117.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material judgement to the carrying amounts of assets and liabilities within the next financial year are as stated below:

(i) Useful lives of property, plant and equipment

The Group estimate the useful lives of property, plant and equipment based on period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectation differs from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Key sources of estimation uncertainty (Continued)

(ii) Impairment of investment in subsidiaries and recoverability of amount due from subsidiaries

The Company assesses the carrying amount of its investment in subsidiaries and amount due from subsidiaries at each reporting date whether there is an indication that an asset may be impaired. More regular reviews are performed if events indicate that this is necessary. The assessment of the net tangible assets of the subsidiaries affects the result of the impairment test. The impairment made on investment in subsidiaries entails an impairment to be made to the amount due from these subsidiaries.

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

(iii) Impairment of property, plant and equipment

The Group and the Company review the carrying amount of its property, plant and equipment, to determine whether there is an indication that those assets have suffered an impairment loss in accordance with relevant accounting policies. Independent professional valuations to determine the carrying amount of these assets will be procured when the need arise.

As at the end of the financial year under review, the directors are of the view that there is no indication of impairment to these assets and therefore no independent professional valuation was procured by the Group during the financial year to determine the carrying amount of these assets. The carrying amounts of property, plant and equipment are disclosed in Note 4 to the financial statements.

(iv) Allowance for write down in inventories

Reviews are made periodically by management on damaged, obsolete and slow moving inventories. These reviews require judgement and estimates. Possible changes in these estimates may result in revisions to the valuation of inventories.

(v) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value-in-use of the cash generating units ("CGUs") to which goodwill is allocated.

When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are disclosed in Note 7 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Key sources of estimation uncertainty (Continued)

(vi) Impairment of receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's receivables at the reporting date is disclosed in Note 9 to the financial statements.

(vii) Taxation

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(viii) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax credits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(ix) Contingent liabilities

Determination of the treatment of contingent liabilities in the financial statements is based on the management's view of the expected outcome of the applicable contingency.

(x) Provision for retirement benefits

Significant estimation is required in determining the present value of the provision for retirement benefits. Estimating the provision for retirement benefits requires the management to make estimation on the discounting rate and retirement date of the key management personnel as disclosed in Note 20 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

4. PROPERTY, PLANT AND EQUIPMENT

Group 2014	Freehold Land RM'000	Leasehold Land RM'000	Buildings RM'000	Plant, Machineries and Equipments RM'000	Furniture, Fittings and Renovation RM'000	Motor Vehicles RM'000	Total RM'000
Cost							
At 1st January 2014	7,462	4,061	63,880	395,273	2,712	5,561	478,949
Additions	–	–	1,091	11,298	624	147	13,160
Disposals/write-offs	–	–	–	(3,039)	(11)	(345)	(3,395)
At 31st December 2014	7,462	4,061	64,971	403,532	3,325	5,363	488,714
Accumulated Depreciation							
At 1st January 2014	–	441	13,101	204,336	1,924	4,196	223,998
Depreciation for the financial year	–	44	1,471	23,559	222	583	25,879
Disposals/write-offs	–	–	–	(1,687)	(11)	(345)	(2,043)
At 31st December 2014	–	485	14,572	226,208	2,135	4,434	247,834
Carrying Amounts							
At 31st December 2014	7,462	3,576	50,399	177,324	1,190	929	240,880
2013							
Cost							
At 1st January 2013	7,462	4,061	61,569	384,817	2,734	5,169	465,812
Additions	–	–	2,311	10,456	60	392	13,219
Disposals/write-offs	–	–	–	–	(82)	–	(82)
At 31st December 2013	7,462	4,061	63,880	395,273	2,712	5,561	478,949
Accumulated Depreciation							
At 1st January 2013	–	397	11,688	181,268	1,823	3,589	198,765
Depreciation for the financial year	–	44	1,413	23,068	179	607	25,311
Disposals/write-offs	–	–	–	–	(78)	–	(78)
At 31st December 2013	–	441	13,101	204,336	1,924	4,196	223,998
Carrying Amounts							
At 31st December 2013	7,462	3,620	50,779	190,937	788	1,365	254,951

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group 2014	Freehold Land RM'000	Leasehold Land RM'000	Buildings RM'000	Plant, Machineries and Equipments RM'000	Furniture, Fittings and Renovation RM'000	Motor Vehicles RM'000	Total RM'000
Cost							
At 1st January 2014	6,034	4,061	29,987	325,310	694	2,869	368,955
Additions	–	–	130	7,314	59	–	7,503
Disposals/write-offs	–	–	–	(2,831)	–	(240)	(3,071)
At 31st December 2014	6,034	4,061	30,117	329,793	753	2,629	373,387
Accumulated Depreciation							
At 1st January 2014	–	441	6,453	161,409	532	1,933	170,768
Depreciation for the financial year	–	44	604	18,488	33	297	19,466
Disposals/write-offs	–	–	–	(1,507)	–	(240)	(1,747)
At 31st December 2014	–	485	7,057	178,390	565	1,990	188,487
Carrying Amounts							
At 31st December 2014	6,034	3,576	23,060	151,403	188	639	184,900
2013							
Cost							
At 1st January 2013	6,034	4,061	29,987	323,747	670	2,476	366,975
Additions	–	–	–	1,563	24	393	1,980
Disposals/write-offs	–	–	–	–	–	–	–
At 31st December 2013	6,034	4,061	29,987	325,310	694	2,869	368,955
Accumulated Depreciation							
At 1st January 2013	–	397	5,850	142,986	497	1,606	151,336
Depreciation for the financial year	–	44	603	18,423	35	327	19,432
Disposals/write-offs	–	–	–	–	–	–	–
At 31st December 2013	–	441	6,453	161,409	532	1,933	170,768
Carrying Amounts							
At 31st December 2013	6,034	3,620	23,534	163,901	162	936	198,187

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

(i) Included in property, plant and equipment of the Group and the Company are assets pledged to the licensed financial institutions to secure credit facilities granted to the Group and the Company as disclosed in Note 21 to the financial statements with carrying amounts as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Freehold land	6,034	6,034	6,034	6,034
Leasehold land	3,575	3,620	3,575	3,620
Buildings	50,288	50,778	22,952	23,535
Plant, machineries and equipments	149,285	162,466	149,285	162,466
Furniture and fittings	126	95	126	95
	209,308	222,993	181,972	195,750

(ii) Included in property, plant and equipment of the Group and of the Company are assets acquired under hire purchase instalment plans with carrying amounts as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Plant, machineries and equipments	8,630	8,202	828	488
Motor vehicles	671	867	578	483
	9,301	9,069	1,406	971

(iii) Included in property, plant and equipment of the Group and the Company are fully depreciated assets which are still in use with the following costs:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At Cost				
Plant, machineries and equipments	20,323	16,210	3,394	3,440
Furniture and fittings	848	801	389	372
Motor vehicles	2,205	2,500	1,135	1,354
	23,376	19,511	4,918	5,166

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

5. PREPAID LEASE PAYMENTS

	Group 2014 RM'000	Group 2013 RM'000
At Cost		
At 1st January/At 31st December	7,530	7,530
Accumulated Amortisation		
At 1st January	1,479	1,316
Amortisation during the financial year	163	163
At 31st December	1,642	1,479
Carrying Amounts		
As at 31st December	5,888	6,051

Pursuant to MFRS 117 Leases, the Group and the Company have determined that the leasehold land of the Group and the Company with a lease period of more than 50 years at the inception date is in substance a finance lease and has been reclassified as property, plant and equipment.

The leasehold land has been pledged as security to licensed financial institutions for bank borrowings granted to the Group, as disclosed in Note 21 to the financial statements.

6. INVESTMENT IN SUBSIDIARIES

	Company 2014 RM'000	Company 2013 RM'000
At Cost		
– Unquoted shares	40,960	40,960

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

6. INVESTMENT IN SUBSIDIARIES (Continued)

The details of the subsidiaries which are all incorporated in Malaysia are as follows:

Name of Company	Effective Ownership Interest/Voting Rights 2014 %	2013 %	Principal Activities
Held by the Company			
HeveaPac Sdn. Bhd.	100	100	Manufacturing and trading of ready-to-assemble furniture.
HeveaMart Sdn. Bhd. *	100	100	Trading of particleboards and other panel boards.
BocoWood Sdn. Bhd. *	100	100	Distribution and marketing of ready-to-assemble furniture.
Hevea OSB Sdn. Bhd. *	100	100	Dormant.

* These subsidiaries were audited by another firm of chartered accountants other than Messrs. Baker Tilly Monteiro Heng.

7. GOODWILL ON CONSOLIDATION

	Group 2014 RM'000	2013 RM'000
At 1st January / 31st December	2,946	2,946

The recoverable amounts of cash-generating units ("CGUs") in manufacturing segment and trading segment are determined based on value-in-use calculations using cash flows projections on financial budgets approved by management covering a 5 years period. The cash flows were projected by the directors based on past experiences, actual operating results and the 5 years business plan. A pre-tax discount rate of 5.88% was used in determining the value-in-used. The discount rate was estimated based on the Company's weighted average cost of capital;

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

7. GOODWILL ON CONSOLIDATION (Continued)

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

- In the first year of the 5 years business plan, revenue was projected at approximately RM245,765,000/- and RM18,740,000/- for manufacturing segment and trading segment respectively. The expected revenue growth in the cash flows projection was ranged from 0% to 5% per annum for year 2015 to 2019.
- The budgeted gross margin is based on the estimated selling prices and fixed and variable costs, adjusted for market conditions and economic conditions and internal resource efficiency. The budgeted gross margin used is 12% and 28% for manufacturing segment and trading segment respectively.
- The discount rate used is pre-tax and reflect specific risk relating to the industry.

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

Sensitivity to changes in assumptions

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

8. INVENTORIES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At Cost				
Finished goods	19,210	20,957	4,658	8,892
Raw materials	27,120	30,549	5,637	6,809
Work-in-progress	3,129	3,316	–	–
Consumables and spare parts	11,230	12,071	11,230	12,071
	60,689	66,893	21,525	27,772

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

9. TRADE RECEIVABLES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade receivables	53,539	53,144	32,471	33,606
Less: Allowance for impairment	–	(35)	–	–
	53,539	53,109	32,471	33,606

The currencies exposure profile of trade receivables are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Ringgit Malaysia	8,092	9,836	1,615	3,039
Singapore Dollar	–	38	–	–
United States Dollar	45,447	43,235	30,856	30,567
	53,539	53,109	32,471	33,606

(i) The Group's and the Company's normal trade credit terms are non-interest bearing and generally within 30 to 90 days (2013: 30 to 90 days). Other credit terms are assessed and approved on a case-to-case basis.

(ii) Included in the trade receivables of the Company is an amount of RM17,734,000/- (2013: RM19,875,000/-) which is due from a single receivable.

(iii) Ageing analysis on trade receivables

The ageing analysis of the Group's and the Company's trade receivables are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Neither past due nor impaired	50,862	47,475	29,806	27,985
Past due but not impaired:				
– 1 - 30 days	1,675	4,571	1,663	4,571
– 31 - 60 days	1,002	1,063	1,002	1,050
	2,677	5,634	2,665	5,621
Impaired	–	35	–	–
	53,539	53,144	32,471	33,606

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

9. TRADE RECEIVABLES (Continued)

(iii) Ageing analysis on trade receivables (Continued)

Receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group and the Company. The Group and the Company use aging analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 90 days, which are deemed to have higher credit risk, are monitored individually.

Receivables that are past due but not impaired

The Group and the Company believe that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

In determining the recoverability of a trade receivable, the Group and the Company consider any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The Group and the Company have policies in place to ensure that credit is extended only to customers with acceptable credit history and payment track records. Allowances for impairment are made on specific trade receivable when there is objective evidence that the Company will not able to collect the amounts due.

Receivables that are impaired

The Group's and the Company's trade receivables that are impaired at the reporting date and the movement of the impairment used to record the impairment are as follows:

	Individually impaired Group	
	2014 RM'000	2013 RM'000
Trade receivables		
– nominal amounts	–	35
Less: Allowance for impairment	–	(35)
	–	–

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

9. TRADE RECEIVABLES (Continued)

(iii) Ageing analysis on trade receivables (Continued)

Receivables that are impaired (Continued)

Movements in impairment:

	Group	
	2014 RM'000	2013 RM'000
At 1st January	35	35
Less: Written off	(35)	–
At 31st December	–	35

Receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The classification of financial assets is as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade receivables	53,539	53,109	32,471	33,606
Other receivables and deposits (Note 10)	7,721	4,560	1,725	3,084
Amount due from subsidiairies (Note 11)	–	–	1,825	2,081
Deposits placed with licensed banks	13,424	12,600	699	–
Cash and bank balances (Note 13)	22,208	19,695	11,964	7,098
Total loan and receivables	96,892	89,964	48,684	45,869

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Other receivables and deposits				
Other receivables	3,785	1,793	1,647	747
Deposits	3,936	2,767	78	2,337
	7,721	4,560	1,725	3,084
Other current assets				
Prepayments	4,631	1,073	262	6
	12,352	5,633	1,987	3,090

(i) During the financial year, included in Group's deposits is an amount of RM3.926 million (2013: RM2.272 million) paid for purchase of plant and machineries, as disclosed in Note 36 to the financial statements.

(ii) The currencies exposure profiles of other receivables are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Euro Dollar	334	201	334	201
Ringgit Malaysia	2,897	1,500	759	454
Singapore Dollar	2	40	2	40
United States Dollar	546	52	546	52
Philippines Peso	6	–	6	–
	3,785	1,793	1,647	747

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

11. AMOUNT DUE FROM/(TO) SUBSIDIARIES

	Company	
	2014 RM'000	2013 RM'000
Amount due from subsidiaries		
– Trade	1,825	2,081
Amount due to subsidiaries		
– Trade	2,008	1,845
– Non-trade	(8,410)	(8,324)
	(6,402)	(6,479)

The normal trade credit term is 90 days (2013: 90 days).

The non-trade amounts due to subsidiaries are unsecured, non-interest bearing, repayable on demand and to be settled in cash.

12. DEPOSITS PLACED WITH LICENSED BANKS

The interest rate as at the reporting date and the remaining maturities of the Group's and the Company's deposits placed with licensed banks are as follows:

	Group and Company	
	2014	2013
Interest Rate (%) (per annum)	3.00 - 3.90	2.50 - 2.95
Average maturities (months)	1 to 12	1 to 12

Included in the deposits placed with licensed banks of the Group and the Company is an amount of RM1,278,000/- and RM699,000/- respectively representing the funded amounts for the repayment of employee benefits as disclosed in Note 20 to the financial statements. The amounts are restricted from use in other operations.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

13. CASH AND BANK BALANCES

The currencies exposure profile of cash and bank balances are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Ringgit Malaysia	6,845	3,384	1,914	366
United States Dollar	15,362	16,311	10,049	6,732
Indian Rupee	1	–	1	–
	22,208	19,695	11,964	7,098

14. SHARE CAPITAL

	Group and Company			
	2014		2013	
	Number of Shares '000 unit	RM'000	Number of Shares '000 unit	RM'000
Ordinary shares of RM1/- each				
Authorised:				
At 1st January/At 31 December	500,000	500,000	500,000	500,000
Issued and fully paid:				
At 1st January	90,400	90,400	90,400	90,400
Issued for cash under private placement	9,040	9,040	–	–
Issued for cash under warrant exercised	9	9	–	–
At 31st December	99,449	99,449	90,400	90,400

During the financial year, the Company increased its issued and fully paid share capital from 90,400,000 ordinary shares of RM1.00 each to 99,449,000 ordinary shares of RM1.00 each through the issuance of:

(a) 9,040,000 ordinary shares of RM1.00 each at RM1.26 per ordinary share via a private placement to eligible investors for a total cash consideration of RM11,368,000/-.

(b) 9,000 ordinary shares via the exercise of 9,000 warrants 2010/2020.

The new 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.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

15. OTHER RESERVES

	Group and Company	
	2014 RM'000	2013 RM'000
Share premium	17,854	15,526
Warrant reserve	400	400
	18,254	15,926

(a) Share Premium

The share premium is not distributable by way of cash dividends and may be utilised in the manner as set out in Section 60(3) of the Companies Act, 1965 in Malaysia.

(b) 2010/2020 Warrants ("Warrants")

The warrants issued on 8th March 2010 are constituted under a Deed Poll executed by the Company. The warrants were issued at an issue price of RM0.01/- per warrant. The warrants are listed on the Main Market of Bursa Malaysia Securities Berhad.

The movement in the warrants during the financial year are as follows:

	Number of Warrants			
	At 1.1.2014	Exercised	Expired	At 31.12.2014
Warrants	42,666,666	9,000	–	42,675,666

The salient terms of the warrants are as follows:

(i) Each warrant entitles the registered holder/(s) at any time during the exercise period to subscribe for 1 new ordinary share of RM1/- each at an exercise price of RM1/- per ordinary share. The warrants entitlement is subject to adjustments under the terms and conditions set out in the Deed Poll.

(ii) The exercise price for the warrants is fixed at RM1/- per new ordinary share of the Company, subject to adjustments under certain circumstances in accordance with the provision of the Deed Poll.

(iii) The exercise period is 10 years from the date of issuance until the maturity date, i.e. the date preceding the 10 anniversary of the date of issuance. Upon the expiry of the exercise period, any unexercised rights will lapse and cease to be valid for any purposes.

(iv) The new ordinary shares of RM1/- each to be issued pursuant to the exercise of the warrants will upon allotment and issue rank pari passu in all respects with the existing ordinary shares of the Company except that the new ordinary shares so allotted shall not be entitled to any dividends, rights, allotment and/or other distributions declared, made or paid to shareholders, the entitlement date for which is before the date of allotment of the said new ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

16. RETAINED PROFITS

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

17. TRADE PAYABLES

(i) The normal trade credit term granted to the Group and the Company range from 30 to 90 days (2013: 30 to 90 days).

(ii) The foreign currencies exposure profile of the trade payables is as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Euro Dollar	87	437	87	363
Japanese Yen	–	6	–	–
Ringgit Malaysia	26,197	37,008	20,569	25,974
Singapore Dollar	27	17	8	17
United States Dollar	1,012	651	72	117
Swiss Francs	28	–	28	–
	27,351	38,119	20,764	26,471

(iii) The classification of financial liabilities is as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade payables	27,351	38,119	20,764	26,471
Other payables and accruals (Note 18)	25,262	24,124	9,494	8,650
Amount due to subsidiaries (Note 11)	–	–	6,402	6,479
Amount due to related company (Note 19)	2,600	2,906	2,394	2,700
Loans and borrowings (Note 21)	82,169	121,798	74,880	111,683
Total financial liabilities carried at amortised cost	137,382	186,947	113,934	155,983

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

18. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Other payables	9,574	10,015	6,043	5,744
Accruals	15,688	14,109	3,451	2,906
	25,262	24,124	9,494	8,650

19. AMOUNT DUE TO RELATED COMPANY

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-current				
Amount due to related company	2,090	2,296	2,090	2,296
Current	510	610	304	404
Amount due to related company	2,600	2,906	2,394	2,700

(a) The non-current amount due to related company is non-trade in nature, unsecured, interest-free, to be settled in cash by the year of 2017.

(b) The current amounts due are non-trade in nature, unsecured, interest-free, repayable on demand and are to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

20. PROVISION FOR RETIREMENT BENEFITS

The movement in present value of defined benefit obligation are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1st January	1,778	1,774	996	1,076
Charged for the financial year (Note 28)	80	212	136	128
Benefits paid during the financial year	(416)	(208)	(416)	(208)
At 31st December	1,442	1,778	716	996
The retirement benefit obligations are expected to settled as follows:				
Non-current:				
– later than 5 years	1,442	1,778	716	996

The Group and the Company established an unfunded defined benefit plan for key management personnel since the financial year ended 31st December 2004. Under the scheme, eligible employees are entitled to retirement benefits of one month salary for every completed year of service, calculated from the date of probationary appointment until the date of resignation, termination, retrenchment, retirement, death or incapability of personnel.

With effective from 1st April 2014, as a retirement benefit, the Group and the Company shall contribute to the Employees Provident Fund as additional monthly contribution of 8.33% (of monthly basic salary only excluding bonus or allowances) until the employee attains the age of 60 years. The accumulated retirement benefits up to 31st March 2014 will be paid by the Company into a designated fixed deposit account as disclosed in Note 12 to the financial statements and such amount shall only be paid to the employee upon his/her retirement together with the interest earned.

Retirement benefits charged for the financial year have been included in administrative expenses. Of this amount, approximately RM71,020/- (2013: RM64,565/-) was in respect of retirement benefits for the Company's Directors.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

21. LOANS AND BORROWINGS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current (secured)				
Bank overdrafts	–	4,794	–	4,794
Hire purchase liabilities (Note 22)	2,806	4,562	383	429
Onshore foreign currency loan	13,119	22,045	13,119	22,045
Term loan (Note 23)	24,588	27,004	23,630	26,278
	40,513	58,405	37,132	53,546
Non-current (secured)				
Hire purchase liabilities (Note 22)	2,294	3,282	226	301
Term loan (Note 23)	39,362	60,111	37,522	57,836
	41,656	63,393	37,748	58,137
Total loans and borrowings	82,169	121,798	74,880	111,683

(i) The currencies exposure profile of loans and borrowings are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Ringgit Malaysia	7,899	15,638	610	5,523
United States Dollar	74,270	106,160	74,270	106,160
	82,169	121,798	74,880	111,683

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

	Group		Company	
	2014 %	2013 %	2014 %	2013 %
Bank overdrafts	8.35	7.85	8.35	7.85
Hire purchase liabilities	2.48 - 3.50	2.48 - 3.57	2.48 - 3.50	2.48 - 3.50
Onshore foreign currency loan	1.75 - 2.00	1.64 - 2.00	1.75 - 2.00	1.64 - 2.00
Term loan	0.95 - 8.35	0.94 - 8.60	0.95 - 4.80	0.94 - 8.60

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

21. LOANS AND BORROWINGS (Continued)

(iii) The term loan, bank overdrafts, bankers' acceptances, export credit refinancing and onshore foreign currency loan are secured by:

(a) fixed charges over certain property, plant and equipment of the Group and of the Company, as disclosed in Note 4 to the financial statements;

(b) fixed charges over certain properties of a substantial corporate shareholder;

(c) fixed charges over leasehold land of the Group and of the Company, as disclosed in Note 5 to the financial statements; and

(d) corporate guarantees by the Company given to the financial institutions for credit facilities granted to a subsidiary company, as disclosed in Note 33 to the financial statements.

22. HIRE PURCHASE LIABILITIES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Minimum hire purchase payments				
– not later than one year	3,234	5,037	409	459
– later than one year and not later than five years	2,271	3,496	203	316
– later than five years	31	–	31	–
	5,536	8,533	643	775
Less: Amount representing future finance charges	(436)	(689)	(34)	(45)
Present value of minimum hire purchase payment	5,100	7,844	609	730
Represented by:				
Current (Note 21)				
– not later than one year	2,806	4,562	383	429
Non-current (Note 21)				
– later than one year and not later than five years	2,264	3,282	196	301
– later than five years	30	–	30	–
	2,294	3,282	226	301
	5,100	7,844	609	730

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

22. HIRE PURCHASE LIABILITIES (Continued)

Obligations under hire purchase arrangement

(i) Interest rates are fixed at the inception of the hire purchase arrangement;

(ii) Certain hire purchase arrangements of the Group are secured by joint and several guarantee by the directors of the Company; and

(iii) The hire purchase liabilities are effectively secured on the rights of the assets under hire purchase arrangement.

23. TERM LOAN

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current liabilities:				
– repayable within one year	24,588	27,004	23,630	26,278
Non-current liabilities:				
– not later than two years	24,481	23,095	23,630	22,310
– later than two years and not later than five years	14,881	36,779	13,892	35,526
– later than five years	–	237	–	–
	39,362	60,111	37,522	57,836
	63,950	87,115	61,152	84,114

24. DEFERRED TAX LIABILITIES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1st January	2,298	2,160	–	–
Transfer to profit or loss (Note 29)	–	138	–	–
At 31st December	2,298	2,298	–	–

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

24. DEFERRED TAX LIABILITIES (Continued)

(i) Recognised deferred tax liabilities/(assets)

The components of the recognised deferred tax assets and liability are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deferred tax liability:				
– Accelerated capital allowances	2,433	2,433	–	–
	2,433	2,433	–	–
Deferred tax assets:				
– Provision for retirement benefits	(135)	(135)	–	–
	(135)	(135)	–	–
	2,298	2,298	–	–

(ii) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Excess of carrying amount over corresponding tax written down value	(149,569)	(164,458)	(149,569)	(164,458)
Provision for retirement benefits	716	996	716	996
Unabsorbed allowances on:				
– increased exports	7,646	20,417	–	–
– capital allowances	135,897	164,979	135,897	164,979
– investment tax allowances	248,805	248,805	248,805	248,805
Unutilised tax losses	1,327	1,327	1,327	1,327
	244,822	272,066	237,176	251,649
Potential deferred tax assets not recognised at 24% (2013: 24%)	58,757	65,296	56,922	60,396

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

24. DEFERRED TAX LIABILITIES (Continued)

(ii) Unrecognised deferred tax assets (Continued)

The unabsorbed tax losses, unutilised capital allowances, unabsorbed reinvestment allowances, unabsorbed investment tax allowances and unabsorbed allowances for exports increase are available indefinitely to offset against future taxable profits of the Group and the Company in which those items arose.

25. REVENUE

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

26. COST OF SALES

Cost of sales represents the costs of inventories sold.

27. FINANCE COSTS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest expenses:				
– bank overdrafts	211	205	196	190
– export credit refinancing	–	17	–	–
– onshore foreign currency loan	262	334	262	334
– hire purchase	504	394	52	37
– term loan	2,136	5,670	1,922	5,393
	3,113	6,620	2,432	5,954

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

28. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
After charging:				
Amortisation of prepaid lease payments	163	163	–	–
Auditors' remuneration:				
– Statutory:				
– current year	90	90	38	38
– (over)/underprovision in prior year	– *	2	–	–
– Non-statutory	65	63	65	64
Depreciation of property, plant and equipment	25,879	25,311	19,466	19,432
Directors' remunerations:				
• Directors of the Company				
– Directors' allowances	144	39	144	39
– Directors' fees	591	576	591	576
– Directors' emoluments:				
– salaries and bonus	1,092	832	1,092	832
– defined contribution plan	163	122	163	122
• Directors of the subsidiaries				
– Directors' fees	24	24	–	–
– Directors' emoluments:				
– salaries and bonus	2,260	2,002	–	–
– defined contribution plan	409	363	–	–
– other benefits	3,184	3,084	–	–
Loss on foreign exchange:				
– realised	–	185	–	185
– unrealised	3,170	4,897	3,170	4,897
Inventories written off	2,155	–	2,155	–
Net loss on financial liabilities measured at amortised cost	246	191	246	191
Staff costs:				
– salaries, wages and bonuses	55,045	46,929	12,549	10,424
– defined contribution plan	1,888	2,042	1,154	1,023
– other staff related expenses	2,509	2,160	856	861
Other investment written off	–	15	–	15

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

28. PROFIT BEFORE TAXATION (Continued)

Profit before taxation has been arrived at: (Continued)

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
After charging: (Continued)				
Retirement benefits:				
– directors	150	148	71	64
– others	89	64	89	64
Property, plant and equipment written off	1,328	4	1,324	–
Rental of equipment	23	23	23	23
Rental of premises	209	210	53	185
Rental of land	180	–	180	–
And crediting:				
Dividend income	–	–	(3,874)	(2,980)
Gain on disposal of plant and equipment	(122)	(10)	(55)	–
Gain on foreign exchange:				
– realised	(5,330)	(1,841)	(277)	–
Interest income	(544)	(241)	–	–
Rental income	(120)	–	–	–

* Represented by amount less than RM1,000/-.

The estimated monetary value of benefits-in-kind received and receivable by a director other than cash from the Company amounted to RM21,250/- (2013: Nil).

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

29. TAXATION

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Income tax				
– current year	(2,023)	(1,275)	–	(593)
– over/(under)provision in prior year	118	(80)	141	–
	(1,905)	(1,355)	141	(593)
Deferred taxation (Note 24)				
– current year	–	(424)	–	–
– overprovision in prior year	–	286	–	–
	–	(138)	–	–
	(1,905)	(1,493)	141	(593)

The income tax is calculated at the statutory tax rate of 25% (2013: 25%) of the estimated taxable profit for the fiscal year.

The reconciliation of income tax expense applicable to profit before taxation at the statutory tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit before taxation	32,081	23,952	16,235	7,221
Taxation at applicable tax rate of 25% (2013: 25%)	(8,020)	(5,988)	(4,059)	(1,805)
Tax effects arising from				
– non-deductible expenses	(1,906)	(1,623)	(1,632)	(1,257)
– non-taxable income	1,070	2,572	2,072	1,563
– reversal of deferred tax assets not recognised in the financial statements	6,539	5,937	3,473	3,520
– difference on tax rate	294	(2,597)	146	(2,614)
– overprovision in prior years	118	206	141	–
	(1,905)	(1,493)	141	(593)

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

30. EARNINGS PER SHARE

(a) Basic earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the profits for the financial year attributable to the owners of the Company by the weighted average number of ordinary shares in issued during the financial year.

	Group	
	2014	2013
Profit for the financial year attributable to owners of the Company (RM'000)	30,176	22,459
Weighted average number of shares (`000 units)	95,187	90,400
Basic earnings per ordinary share (sen)	31.70	24.84

(b) Diluted earnings per ordinary share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group's dilutive potential ordinary shares are 2010/2020 Warrants ("Warrants").

For the purpose of calculating diluted earnings per share, the 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 have been adjusted for the dilutive effects of all potential ordinary shares, arising from Warrants.

	Group	
	2014 RM'000	2013 RM'000
Profit for the financial year attributable to owners of the Company	30,176	22,459

	Number of shares	
	2014 Unit'000	2013 Unit'000
Weighted average number of ordinary shares in issue	95,187	90,400
Add: Effect of dilution of share warrants	42,676	42,667
At 31st December	137,863	133,067
Diluted earning per share (sen)	21.89	16.88

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

31. DIVIDENDS

	Group	
	2014 RM'000	2013 RM'000
Dividend paid:		
Ordinary dividends in respect of the financial year ended 31st December 2013		
– First and final tax exempt dividend of RM0.02/- per ordinary share	1,928	–

Subsequent to the financial year, on 13th March 2015, the directors declared a single tier interim dividend of 1.5 sen per ordinary share, amounting to RM1,491,735/- in respect of the financial year ended 31st December 2014. The dividends was paid on 10th April 2015.

32. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Purchase of property, plant and equipment	13,160	13,219	7,503	1,980
Financed by hire purchase arrangements	(2,913)	(3,437)	(526)	(355)
Cash payments on purchase of property,plant and equipment	10,247	9,782	6,977	1,625

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

33. FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

As at 31st December 2014, the Group and the Company are contingently liable for the following:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Guarantees issued in favour of third parties	15,340	14,463	14,614	13,666
Corporate guarantees given to financial institutions credit facilities granted to subsidiaries	–	–	7,257	10,072
	15,340	14,463	21,871	23,738

The Group's and the Company's bank guarantees are secured over certain properties as disclosed in Note 4 to the financial statements.

At the end of the reporting period, it was unlikely that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the fair value of the corporate guarantee is nil.

34. SIGNIFICANT RELATED PARTY TRANSACTIONS

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with the Group and the Company or that have an interest in the Group and the Company that give it significant influence over the Group's and the Company's financial operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in the Group and the Company resides with, directly or indirectly.

The Company has a related party relationship with:

(i) its subsidiaries as disclosed in Note 6 to the financial statements;

(ii) the director who are the key management personnel; and

(iii) entities controlled by certain key management personnel, directors and/or substantial shareholders, namely Gemas Ria Sdn. Bhd..

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

34. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

During the financial year under review, the significant related party transactions were as follows:

(a) Transactions with related parties

	Group	
	2014 RM'000	**2013 RM'000**
Dividend income from a subsidiary		
– HeveaPac Sdn. Bhd.	3,874	2,980
Sales to subsidiaries		
– HeveaPac Sdn. Bhd.	20,277	20,154
– HeveaMart Sdn. Bhd.	345	1,334

(b) Key management personnel compensation

The remuneration of key management personnel, which includes the director's remuneration, is disclosed as follows:

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Short term employees benefits payable to key management personnel:				
– salaries and bonus	2,033	1,605	2,033	1,605
– defined contribution plans	280	239	280	239
– other benefits	141	128	141	128
	2,454	1,972	2,454	1,972

Key management personnel comprise persons including the directors and members of senior management team of the Company, having the authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

35. DIRECTORS' REMUNERATION

The aggregate amount of remuneration received and receivable by the directors of the Group and of the Company during the financial year are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Directors of the Company				
Executive Directors:				
– salaries, bonus, incentive and defined contribution plans	1,293	1,018	1,293	1,018
Non-Executive Directors:				
– fees	615	600	591	576
– other emoluments	1,238	1,096	177	68
	1,853	1,696	768	644
Total Directors' remuneration	3,146	2,714	2,061	1,662
Retirement benefits for Executive Directors	150	148	71	64

36. CAPITAL COMMITMENT

The outstanding commitment in respect of capital expenditure incurred on property, plant and equipment is as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Capital expenditure commitment				
Property, plant and equipment:				
– Approved and but not contracted for	6,800	3,081	2,469	3,081

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

37. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Board of directors/ respective Executive Committee as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group's operating segments are classified according to the nature of activities as follows:

Manufacturing segment	:	Involved in the business of manufacturing particleboards and manufacturing of ready-to-assemble furniture;
Trading segment	:	Involved in the trading of particleboards, other panel boards and trading of ready-to-assemble furniture; and
Others	:	Investment holding.

The Board of directors/respective Executive Committee assess the performance of the operating segments based on operating profit or loss which is measured differently from those disclosed in the consolidated financial statements.

Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly tax refundable, tax payable and deferred tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

37. OPERATING SEGMENTS (Continued)

Group 2014	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000		Total RM'000	
REVENUE							
External revenue	403,139	19,216	–	–		422,355	
Inter-segment revenue	33,427	–	–	(33,427)	A	–	
Total revenue	436,566	19,216	–	(33,427)		422,355	
RESULTS							
Segment results	38,589	699	(4)	(4,090)	B	35,194	
Finance costs	(3,111)	(2)	–	–		(3,113)	
Profit before taxation	35,478	697	(4)	(4,090)		32,081	
Taxation						(1,905)	
Profit after taxation						30,176	
Non-controlling interest						–	
Profit attributable to owners of the Company						30,176	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION							
Segment assets #	444,071	7,965	6,141	(46,251)	C	411,926	
Unallocated corporate assets						612	
Total assets						412,538	
Segment liabilities ^	145,472	1,981	24	(8,653)	D	138,824	
Unallocated corporate liabilities						3,035	
Total liabilities						141,859	
OTHER INFORMATION							
Capital expenditure	13,014	146	–	–		13,160	
Depreciation and amortisation	26,015	27	–	–		26,042	
Non-cash items other than depreciation and amortisation	3,483	–	–	–		3,483	E

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

37. OPERATING SEGMENTS (Continued)

Group 2013	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000		Total RM'000	
REVENUE							
External revenue	367,531	21,976	–	–		389,507	
Inter-segment revenue	34,603	–	–	(34,603)	A	–	
Total revenue	402,134	21,976	–	(34,603)		389,507	
RESULTS							
Segment results	31,858	914	(3)	(2,197)	B	30,572	
Finance costs	(6,618)	(2)	–	–		(6,620)	
Profit before taxation	25,240	912	(3)	(2,197)		23,952	
Taxation						(1,493)	
Profit after taxation						22,459	
Non-controlling interest						–	
Profit attributable to owners of the Company						22,459	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION							
Segment assets #	454,266	9,279	6,155	(47,822)	C	421,878	
Unallocated corporate assets						577	
Total assets						422,455	
Segment liabilities ^	195,425	3,741	34	(10,475)	D	188,725	
Unallocated corporate liabilities						2,676	
Total liabilities						191,401	
OTHER INFORMATION							
Capital expenditure	13,218	1	–	–		13,219	
Depreciation and amortisation	25,451	23	–	–		25,474	
Non-cash items other than depreciation and amortisation	19	–	–	–		19	E

\# Segment assets comprise total current and non-current assets, less tax recoverable.

^ Segment liabilities comprise total current and non-current liabilities, less tax payable and deferred tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

37. OPERATING SEGMENTS (Continued)

Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements are as follows:

A Inter-segment revenue are eliminated on consolidation

B The following items are added in/(deduct from) segment results to arrive at profit before taxation:

	2014 RM'000	2013 RM'000
Dividend income	(3,874)	(2,980)
Tax expense on dividend income	–	593
Unrealised profits on inventories	(216)	190
	(4,090)	(2,197)

C The following items are added in/(deduct from) segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2014 RM'000	2013 RM'000
Investment in subsidiaries	(38,014)	(38,014)
Inter-segment assets	(8,653)	(10,475)
Unrealised profits on inventories	(216)	–
Consolidation adjustment	632	667
	(46,251)	(47,822)

D The following items are added in/(deduct from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2014 RM'000	2013 RM'000
Inter-segment liabilities	(8,653)	(10,475)
	(8,653)	(10,475)

E Non-cash items consist of:

	2014 RM'000	2013 RM'000
Inventories written off	2,155	–
Property, plant and equipment written off	1,328	4
Other investment written off	–	15
	3,483	19

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

37. OPERATING SEGMENTS (Continued)

Geographical information

In presenting the information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	Revenue	
	2014	2013
	RM'000	RM'000
Australia	20,378	16,092
Bahrain	54	–
Bangladesh	–	121
China	78,039	47,979
Europe	7,032	1,476
France	11,285	15,947
Hong Kong	3,628	3,286
India	12,268	20,009
Indonesia	6,011	9,644
Italy	76	215
Japan	147,787	135,268
Korea	33,785	31,622
Malaysia	35,275	40,361
Morocco	2,046	2,713
Myammar	352	428
Oman	2,202	2,049
Philippines	24,543	27,662
Portugal	–	766
Singapore	2,270	1,593
Sri Lanka	3,349	3,510
Taiwan	841	577
Thailand	324	412
United Arab Emirates	6,106	7,624
United Kingdom	13,113	11,636
United States of America	7,953	6,720
Vietnam	853	1,635
Others	2,785	162
	422,355	389,507

Major customers

Two major customers with revenue equal to more than 10% of Group revenue, amounted to approximately RM121,378,000/- (2013: RM112,295,000/-) arising from manufacturing segment.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair Value Hierarchy

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(b) Fair Values of Financial Instruments not carried at Fair Values

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (current)	9 - 10
Trade and other payables (current)	17 - 18
Bank overdrafts	21
Onshore foreign currency loan	21
Term loan	23
Amount due from/(to) subsidiaries	11
Amount due to related parties (current)	19
Deposit placed with licensed bank	12
Cash and bank balances	13

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date therefore the fair value hierarchy is not presented.

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

38. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Fair Values of Financial Instruments not carried at Fair Values (Continued)

The fair value of other financial liabilities together with the carrying amount shown in the statements of financial position are as follows:

	2014		2013	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Group				
Financial liabilities				
Amount due to related company	2,600	2,600	2,906	2,906
Hire purchase liabilities	5,100	5,127	7,844	7,844
Company				
Financial liabilities				
Amount due to related company	2,394	2,394	2,700	2,700
Hire purchase liabilities	609	607	730	730

The fair value of amount due to related company and hire purchase liabilities are estimated by discounting the expected future cash flows using the current interest rates for similar risk profiles. The amount due to related company and hire purchase liabilities are measured at Level 3 under the measurement hierarchy.

39. FINANCIAL RISK MANAGEMENT AND OBJECTIVES

The operations of the Group and of the Company are subject to a variety of financial risks, including credit risk, foreign currency risk, liquidity risk and interest rate risk. The Group and the Company have formulated a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

(i) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, cash and bank balances and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group and the Company does not hold any collateral as security and other credit enhancements for the above financial assets.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

39. FINANCIAL RISK MANAGEMENT AND OBJECTIVES (Continued)

(i) Credit Risk (Continued)

The management has a credit policy in place to monitor and minimise the exposure of default. The Group and the Company trade only with recognised and credit worthy third parties. Trade receivables are monitored on an ongoing basis.

At the reporting date, the concentration of credit risk in the Group is disclosed in Note 9(ii) to the financial statements. The maximum exposure to credit risk for the Group is represented by the carrying amount of each financial instrument.

The exposure of credit risk for trade receivables by geographical region is as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Australia	1,140	1,429	253	–
Brunei	1,093	–	1,093	–
China	23,644	19,875	23,644	19,875
Europe	–	318	–	–
France	357	1,498	–	–
Hong Kong	207	–	–	–
India	1,953	5,480	1,824	5,238
Indonesia	1,368	650	1,048	650
Japan	11,973	7,196	1,214	113
Korea	420	3,235	420	3,235
Malaysia	7,839	9,519	1,249	2,926
Oman	589	–	589	–
Philippines	235	605	235	605
Portugal	–	19	–	–
Singapore	57	–	–	–
Sri Lanka	384	288	384	91
Taiwan	147	–	–	–
United Arab Emirates	532	1,072	518	847
United Kingdom	1,109	1,473	–	–
United States of America	184	425	–	–
Others	308	27	–	26
	53,539	53,109	32,471	33,606

39. FINANCIAL RISK MANAGEMENT AND OBJECTIVES (Continued)

(i) Credit Risk (Continued)

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 9 to the financial statements. Deposits with banks that are neither past due nor impaired are placed with reputable financial institutions with no history of default.

Financial assets that are impaired

Information regarding financial assets that are impaired is disclosed in Note 9 to the financial statements.

Information regarding financial assets that are past due but not impaired is disclosed in Note 9 to the financial statements. The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

(ii) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group and the Company have transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currency of Group entities, primarily Ringgit Malaysia. The foreign currency in which these transactions are denominated is primarily United States Dollar, Japanese Yen, Singapore Dollar, Euro Dollar, Swiss Francs, Indian Rupee and Philippines Peso.

Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. On occasion, the Group enters into forward foreign currency contracts to hedge against its foreign currency risk.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

39. FINANCIAL RISK MANAGEMENT AND OBJECTIVES (Continued)

(ii) Foreign Currency Risk (Continued)

The Group's exposure to foreign currency (a currency which is other than currency of the Group entities) risk, based on carrying amounts as at the end of reporting period is as follows:

	Euro Dollar RM'000	Indian Rupee RM'000	Japanese Yen RM'000	Philippines Peso RM'000	Singapore Dollar RM'000	Swiss Franc RM'000	United States Dollar RM'000
Group							
2014							
Trade receivables	–	–	–	–	–	–	45,447
Other receivables	334	–	–	6	2	–	546
Trade payables	(87)	–	–	–	(27)	(28)	(1,012)
Cash and bank balances	–	1	–	–	–	–	15,362
Loans and borrowings	–	–	–	–	–	–	(74,270)
	247	1	–	6	(25)	(28)	(13,927)
2013							
Trade receivables	–	–	–	–	38	–	43,235
Other receivables	201	–	–	–	40	–	52
Trade payables	(437)	–	(6)	–	(17)	–	(651)
Cash and bank balances	–	–	–	–	–	–	16,311
Loans and borrowings	–	–	–	–	–	–	(106,160)
	(236)	–	(6)	–	61	–	(47,213)

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

39. FINANCIAL RISK MANAGEMENT AND OBJECTIVES (Continued)

(ii) Foreign Currency Risk (Continued)

	Euro Dollar RM'000	Indian Rupee RM'000	Japanese Yen RM'000	Philippines Peso RM'000	Singapore Dollar RM'000	Swiss Franc RM'000	United States Dollar RM'000
Company							
2014							
Trade receivables	–	–	–	–	–	–	30,856
Other receivables	334	–	–	6	2	–	546
Trade payables	(87)	–	–	–	(8)	(28)	(72)
Cash and bank balances	–	1	–	–	–	–	10,049
Loans and borrowings	–	–	–	–	–	–	(74,270)
	247	1	–	6	(6)	(28)	(32,891)
2013							
Trade receivables	–	–	–	–	–	–	30,567
Other receivables	201	–	–	–	40	–	52
Trade payables	(363)	–	–	–	(17)	–	(117)
Cash and bank balances	–	–	–	–	–	–	6,732
Loans and borrowings	–	–	–	–	–	–	(106,160)
	(162)	–	–	–	23	–	(68,926)

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

39. FINANCIAL RISK MANAGEMENT AND OBJECTIVES (Continued)

(ii) Foreign Currency Risk (Continued)

Sensitivity analysis for foreign currency risk

A 10% strengthening/ weakening of the United States Dollar, Japanese Yen, Philippines Peso, Singapore Dollar and Euro Dollar against the Ringgit Malaysia at the end of the financial year would have increased/(decreased) profit or loss and equity by the amounts shown below.

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:

	Group		Company	
	2014 Increase/ (Decrease) RM'000	2013 Increase/ (Decrease) RM'000	2014 Increase/ (Decrease) RM'000	2013 Increase/ (Decrease) RM'000
Effects on profit or loss and equity				
United States Dollar:				
– strengthened by 10%	(1,393)	(4,721)	(3,289)	(6,893)
– weakened by 10%	1,393	4,721	3,289	6,893
Japanese Yen:				
– strengthened by 10%	–	(1)	–	–
– weakened by 10%	–	1	–	–
Philippines Peso:				
– strengthened by 10%	1	–	1	–
– weakened by 10%	(1)	–	(1)	–
Singapore Dollar:				
– strengthened by 10%	(3)	6	(1)	2
– weakened by 10%	3	(6)	1	(2)
Euro Dollar:				
– strengthened by 10%	25	(24)	25	(16)
– weakened by 10%	(25)	24	(25)	16
Swiss Franc:				
– strengthened by 10%	(3)	–	(3)	–
– weakened by 10%	3	–	3	–

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

39. FINANCIAL RISK MANAGEMENT AND OBJECTIVES (Continued)

(iii) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

	Carrying Amount RM'000	Contractual interest rate %	Contractual cash flow RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	More than 5 Years RM'000
Group						
Financial Liabilities						
2014						
Trade payables	27,351	–	27,351	27,351	–	–
Other payables and accruals	25,262	–	25,262	25,262	–	–
Amount due to related company	2,600	–	2,600	510	2,090	
Loans and borrowings:						
– Hire purchase	5,100	2.48 - 3.50	5,536	3,234	2,271	31
– Term loan	63,950	0.95 - 8.35	63,950	24,588	39,362	–
– Onshore foreign currency loan	13,119	1.75 - 2.00	13,119	13,119	–	–
	137,382		137,818	94,064	43,723	31
2013						
Trade payables	38,119	–	38,119	38,119	–	–
Other payables and accruals	24,124	–	24,124	24,124	–	–
Amount due to related company	2,906	–	2,906	610	2,296	–
Loans and borrowings:						
– Hire purchase	7,844	2.48 - 3.57	8,533	5,037	3,496	–
– Term loan	87,115	0.94 - 8.60	87,115	27,004	59,874	237
– Onshore foreign currency loan	22,045	1.64 - 2.00	22,045	22,045	–	–
– Bank overdrafts	4,794	7.85	4,794	4,794	–	–
	186,947		187,636	121,733	65,666	237

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

39. FINANCIAL RISK MANAGEMENT OBJECTIVES (Continued)

(iii) Liquidity Risk (Continued)

	Carrying Amount RM'000	Contractual interest rate %	Contractual cash flow RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	More than 5 Years RM'000
Company						
Financial Liabilities						
2014						
Trade payables	20,764	–	20,764	20,764	–	–
Other payables and accruals	9,494	–	9,494	9,494	–	–
Amount due to subsidiaries	6,402	–	6,402	6,402	–	–
Amount due to related company	2,394	–	2,394	304	2,090	–
Loans and borrowings:						
– Hire purchase	609	2.48 - 3.50	643	409	203	31
– Term loan	61,152	0.95 - 4.80	61,152	23,630	37,522	–
– Onshore foreign currency loan	13,119	1.75 - 2.00	13,119	13,119	–	–
	113,934		113,968	74,122	39,815	31
2013						
Trade payables	26,471	–	26,471	26,471	–	–
Other payables and accruals	8,650	–	8,650	8,650	–	–
Amount due to subsidiaries	6,479	–	6,479	6,479	–	–
Amount due to related company	2,700	–	2,700	404	2,296	–
Loans and borrowings:						
– Hire purchase	730	2.48 - 3.50	775	459	316	–
– Term loan	84,114	0.94 - 8.60	84,114	26,278	57,836	–
– Onshore foreign currency loan	22,045	1.64 - 2.00	22,045	22,045	–	–
– Bank overdrafts	4,794	7.85	4,794	4,794	–	–
	155,983		156,028	95,580	60,448	–

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

39. FINANCIAL RISK MANAGEMENT AND OBJECTIVES (Continued)

(iv) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their deposits placed with licensed banks and loans and borrowings.

The Group and the Company manage the net exposure to interest rate risks by maintaining sufficient lines of credit to obtain acceptable lending costs and by monitoring the exposure to such risks on an on-going basis. Management does not enter into interest rate hedging transactions since it considers that the cost of such instruments outweigh the potential risk of interest rate fluctuation.

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as the end of the reporting period was:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Fixed rate instruments				
Financial liabilities				
Hire purchase liabilities	5,100	7,844	609	730
Onshore foreign currency loan	13,119	22,045	13,119	22,045
Financial asset				
Deposits placed with licensed banks	13,424	12,600	699	–
Floating rate instruments				
Financial liabilities				
Bank overdrafts	–	4,794	–	4,794
Term loan	63,950	87,115	61,152	84,114

The information on maturity dates and interest rate of financial assets and liabilities are disclosed in their respective notes.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

39. FINANCIAL RISK MANAGEMENT AND OBJECTIVES (Continued)

(iv) Interest Rate Risk (Continued)

Sensitivity analysis for interest rate risk

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets at fair value through profit or loss and equity. Therefore, a change in interest rates at the reporting date would not affect profit or loss and equity.

Cash flow sensitivity analysis for variable rate instruments

A change of 1% in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss and Equity			
	2014		2013	
	Increase 1% RM'000	Decrease 1% RM'000	Increase 1% RM'000	Decrease 1% RM'000
Group				
Variable rate instruments	(640)	640	(919)	919
Company				
Variable rate instruments	(612)	612	(889)	889

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

40. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings less cash and cash equivalents.

The debt-to-equity ratio of the Group and the Company as at the end of the reporting period was as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Total borrowings	82,169	121,798	74,880	111,683
Less:				
Deposits placed with licensed banks	(13,424)	(12,600)	(699)	–
Cash and bank balances	(22,208)	(19,695)	(11,964)	(7,098)
Net debt	46,537	89,503	62,217	104,585
Equity attributable to owners of the Company	270,679	231,054	182,217	156,392
Debt-to-equity ratio(times)	0.17	0.39	0.34	0.67

There were no changes in the Group's approach to capital management during the financial year.

SUPPLEMENTARY INFORMATION ON THE **BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES**

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

On 20th December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

Pursuant to the directive, the amounts of realised and unrealised profits or losses included in the retained profits of the Group and the Company as at 31st December 2014 are as follows:

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
The retained profits of the Group and of the Company:				
– Realised	145,904	116,015	61,344	45,169
– Unrealised	5,468	7,195	3,170	4,897
	151,372	123,210	64,514	50,066
Add: Consolidation adjustments	1,604	1,518	–	–
Total Group retained profits as per statements of financial position	152,976	124,728	64,514	50,066

The determination of realised and unrealised profits or losses is based on Guidance of 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,* issued by the Malaysian Institute of Accountants on 20th December 2010.

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

STATEMENT BY **DIRECTORS**

We, **YOONG HAU CHUN** and **Y. BHG. DATO' LOO SWEE CHEW**, being two of the directors of HeveaBoard Berhad, do hereby state that, in the opinion of the directors, the financial statements set out on pages 36 to 115 are properly drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31st December 2014 and of the financial performance and cash flows of the Group and of the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The supplementary information set out on page 116 have been prepared in accordance with the Guidance of 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,* issued by the Malaysian Institute of Accountants.

On behalf of the Board,

YOONG HAU CHUN
Director

Y. BHG. DATO' LOO SWEE CHEW
Director

Kuala Lumpur
Date: 22nd April 2015

STATUTORY **DECLARATION**

I, **YOONG HAU CHUN**, being the Director primarily responsible for the financial management of HeveaBoard Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 36 to 115, and the supplementary information set out on page 116 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.

YOONG HAU CHUN

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 22nd April 2015.

Before me,

ZULKIFLA MOHD DAHLIM (W541)

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE **MEMBERS OF HEVEABOARD BERHAD**
(INCORPORATED IN MALAYSIA)

Report on the Financial Statements

We have audited the financial statements of HeveaBoard Berhad, which comprise the statements of financial position as at 31st December 2014 of the Group and of the Company, and the statements of profit or loss and other 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 a summary of significant accounting policies and other explanatory information, as set out on pages 36 to 115.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to 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 controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation of financial statements that give a true and fair view 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 Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31st December 2014 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HEVEABOARD BERHAD (INCORPORATED IN MALAYSIA)

(CONTINUED)

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 financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements;

(c) We are satisfied that the financial statements 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; and

(d) The audit reports on the financial statements 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 in page 116 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 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 ("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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HEVEABOARD BERHAD (INCORPORATED IN MALAYSIA)

(CONTINUED)

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. AF 0117
Chartered Accountants

Ng Boon Hiang
No. 2916/03/16 (J)
Chartered Accountant

Kuala Lumpur
Date: 22nd April 2015

LIST OF PROPERTIES

Registered Owner	Location	Description/ Existing Use	Tenure of Land	Land Area	Audited Net Book Value as at 31st December 2014
HeveaBoard	Lot 1941 & 1942, Batu Tiga, Jalan Tampin, 73400 Gemas Negeri Sembilan Darul Khusus	Factory, Office and Warehouse	Freehold	31,580 sq. m	8,847
	Lot 4577/8, Batu Tiga, Jalan Tampin, 73400 Gemas Negeri Sembilan Darul Khusus	Factory and Warehouse	Leasehold (Expires on 13-8-2095)	81,824 sq. m	20,974
	Lot 4184, 4185 & 4186 Jalan Tampin, 73400 Gemas Negeri Sembilan Darul Khusus	Storage Yard for logs and wood slabs	Freehold	39,225 sq. m	2,740
	PT 2584/2585/2586/2587 Mukim of Gemas Daerah Tampin Negeri Sembilan Darul Khusus	Staff Quarters	Leasehold (Expires on 21-2-2090)	1,104 sq. m	210
Hevea OSB	Lot 1943, Batu Tiga Jalan Tampin, 73400 Gemas Negeri Sembilan Darul Khusus	Vacant Land	Freehold	20,234 sq.m	1,429
HeveaPac	PT 414, Kawasan Perindustrian Sg. Gadut KM 11, Jalan Tampin, 71450 Seremban, Negeri Sembilan	Factory Buildings and Office Blocks	Leasehold (Expires on 22-1-2047)	39,659 sq. m	12,136
	PT 406, Kawasan Perindustrian Sg. Gadut KM 11, Jalan Tampin, 71450 Seremban, Negeri Sembilan Darul Khusus	Factory Buildings and Office Blocks	Leasehold (Expires on 24-3-2046)	40,468 sq. m	14,198
	PT 403, Kawasan Perindustrian Sg. Gadut KM 11, Jalan Tampin, 71450 Seremban, Negeri Sembilan Darul Khusus	Warehouse Hostel	Leasehold (Expires on 21-3-2045)	21,044 sq. m	5,848

ANALYSIS OF SHAREHOLDINGS

A.

Authorised Share Capital	:	RM500,000,000.00
Issued and Fully Paid-up Capital	:	RM99,449,000.00
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	Every member of the Company, present in person or by proxy, shall have on a show of hands, one (1) vote or on a poll, one (1) vote for each share held

B. DISTRIBUTION OF SHAREHOLDINGS AS AT 22 APRIL 2015

Size of Shareholdings	No. of Holders	%	No. of Shares	%
Less than 100	11	0.53	365	0.00
100 – 1,000	728	35.27	281,850	0.28
1,001 – 10,000	872	42.25	4,154,990	4.18
10,001 – 100,000	343	16.62	11,463,695	11.53
100,001 – 4,972,449 (less than 5% of issued shares)	108	5.23	56,548,100	56.86
4,972,450 (5% of issued shares) and above	2	0.10	27,000,000	27.15
Total	**2,064**	**100.00**	**99,449,000**	**100.00**

C. SUBSTANTIAL SHAREHOLDERS AS AT 22 APRIL 2015

	Name	Direct No. of Shares	%	Indirect No. of Shares	%	
1.	HeveaWood Industries Sdn. Bhd.	27,075,000	27.23	962,400	0.97	@
2.	Firama Holdings Sdn. Bhd.	4,942,500	4.97	31,382,900	31.56	*
3.	Liang Chong Wai	315,100	0.32	28,037,400	28.19	~
4.	Yoong Tein Seng @ Yong Kian Seng	–	–	39,611,700	39.83	***
5.	Yoong Hau Chun	150,000	0.15	37,095,200	37.30	#
6.	Dato' Loo Swee Chew	148,000	0.15	28,216,400	28.37	❖
7.	Tenson Holdings Sdn. Bhd.	–	–	36,325,400	36.53	**
8.	Mah Fah Victor Group Sdn. Bhd.	–	–	36,325,400	36.53	**
9.	Yoong Li Yen	409,800	0.41	36,500,400	36.70	****

@ Deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.

* Deemed interested by virtue of its substantial shareholdings in both HeveaWood Industries Sdn. Bhd. and Firama Engineering Bhd. pursuant to Section 6A of the Companies Act, 1965 ("the Act") and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.

ANALYSIS OF SHAREHOLDINGS

C. SUBSTANTIAL SHAREHOLDERS AS AT 22 APRIL 2015 (Continued)

~ Deemed interested by virtue of his substantial shareholdings in HeveaWood Industries Sdn. Bhd. pursuant to Section 6A of the Act and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.

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

Deemed interested by virtue of Section 6A of the Act (shareholdings held through Tenson Holdings Sdn. Bhd., a substantial shareholder of both Firama Holdings Sdn. Bhd. and HeveaWood Industries Sdn. Bhd.) and by virtue of his family relationship with Tan Ya Ling, his spouse and Yoong Li Yen, his sister and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.

❖ Deemed interested by virtue of his substantial shareholdings in HeveaWood Industries Sdn. Bhd. pursuant to Section 6A of the Act and by virtue of his family relationship with Loo Chin Meng (Lu Zhenming), his son and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.

** Deemed interested by virtue of its substantial shareholdings in HeveaWood Industries Sdn. Bhd., Firama Holdings Sdn. Bhd. and Firama Engineering Bhd. (shareholdings held through Firama Holdings Sdn. Bhd.) pursuant to Section 6A of the Act and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.

**** Deemed interested by virtue of her family relationship with Bailey Policarpio, her spouse, Yoong Hau Chun, her brother and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.

D. DIRECTORS' SHAREHOLDINGS AS AT 22 APRIL 2015

	Name	Direct No. of Shares	%	Indirect No. of Shares	%
1.	Yoong Hau Chun	150,000	0.15	37,095,200(1)	37.30
2.	Dato' Loo Swee Chew	148,000	0.15	28,216,400(2)	28.37
3.	Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	–	–	63,000(3)	0.06
4.	Lim Kah Poon	50,000	0.05	21,000(4)	0.02
5.	Bailey Policarpio	25,000	0.03	409,800(5)	0.41
6.	Yoong Li Yen	409,800	0.41	36,500,400(6)	36.70
7.	Yoong Tein Seng @ Yong Kian Seng (Alternate Director to Yoong Hau Chun)	–	–	39,611,700(7)	39.83

ANALYSIS OF SHAREHOLDINGS

D. DIRECTORS' SHAREHOLDINGS AS AT 22 APRIL 2015 (Continued)

(1) Deemed interested by virtue of Section 6A of the Act (shareholdings held through Tenson Holdings Sdn. Bhd., a substantial shareholder of both Firama Holdings Sdn. Bhd. and HeveaWood Industries Sdn. Bhd.) and by virtue of his family relationship with Tan Ya Ling, his spouse and Yoong Li Yen, his sister and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.

(2) Deemed interested by virtue of his substantial shareholdings in HeveaWood Industries Sdn. Bhd. pursuant to Section 6A of the Act and by virtue of his family relationship with Loo Chin Meng (Lu Zhenming), his son and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.

(3) Deemed interested by virtue of his relationship with Dato' Philip Chan Hon Keong, his son.

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

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

(6) Deemed interested by virtue of her family relationship with Bailey Policarpio, her spouse, Yoong Hau Chun, her brother and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.

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

E. LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 22 APRIL 2015

	Name	No. of Shares Held	%
1.	RHB Nominees (Tempatan) Sdn. Bhd.		
	- OSK Capital Sdn. Bhd. for HeveaWood Industries Sdn. Bhd.	18,000,000	18.10
2.	HeveaWood Industries Sdn. Bhd.	9,000,000	9.05
3.	TA Nominees (Tempatan) Sdn. Bhd.		
	- Pledged Securities Account for Firama Holdings Sdn. Bhd.	4,709,000	4.74
4.	Affin Hwang Nominees (Tempatan) Sdn. Bhd.		
	- Pledged Securities Account for Yap Kiew @ Yap Chin Fook	2,196,000	2.21
5.	Firama Engineering Berhad	1,890,000	1.90
6.	Maybank Nominees (Tempatan) Sdn. Bhd.		
	- Maybank Trustees Berhad for CIMB-Principal Small Cap Fund	1,865,000	1.88
7.	Kumpulan Wang Simpanan Guru-Guru	1,850,000	1.86
8.	Lee Ka Yong	1,489,000	1.50
9.	Firama Engineering Berhad	1,460,000	1.47
10.	Citigroup Nominees (Tempatan) Sdn. Bhd.		
	- Kumpulan Wang Persaraan (Diperbadankan) (RHB Inv)	1,245,200	1.25

ANALYSIS OF SHAREHOLDINGS

E. LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 22 APRIL 2015 (Continued)

Name	No. of Shares Held	%
11. DB (Malaysia) Nominee (Asing) Sdn. Bhd.		
- State Street London Fund D283 for Desjardins Global Small Cap Equity Fund	1,228,500	1.24
12. DB (Malaysia) Nominee (Asing) Sdn. Bhd.		
- SSBT Fund 59DQ for Oregon Public Employees Retirement System	1,102,100	1.11
13. Citigroup Nominees (Tempatan) Sdn. Bhd.		
- Universal Trustee (Malaysia) Berhad for CIMB Islamic Small Cap Fund	1,061,300	1.07
14. Ah Kayu Moy @ Lee Kay Moy	1,000,000	1.01
15. Maybank Nominees (Tempatan) Sdn. Bhd.		
- Maybank Trustees Berhad for RHB-OSK Capital Fund	1,000,000	1.01
16. Yoong Li Bing	1,000,000	1.01
17. Yoong Li Xian	1,000,000	1.01
18. Gemas Ria Sdn. Bhd.	962,400	0.97
19. Sanur Sdn. Bhd.	960,000	0.97
20. RHB Capital Nominees (Tempatan) Sdn. Bhd.		
- Pledged Securities Account for Fong Siling	900,000	0.90
21. Citigroup Nominees (Tempatan) Sdn. Bhd.		
- Universal Trustee (Malaysia) Berhad for CIMB-Principal Equity Fund 2	898,200	0.90
22. Yoong Kee Sin	845,000	0.85
23. Kumpulan Wang Simpanan Guru-Guru	820,000	0.82
24. Liau Choon Hwa & Sons Sdn. Bhd.	812,500	0.82
25. CIMB Group Nominees (Tempatan) Sdn. Bhd.		
- CIMB-Principal Asset Management Berhad for Lembaga Tabung Haji (CAFM)	790,100	0.79
26. HSBC Nominees (Asing) Sdn. Bhd.		
- HSBC-FS I for Asean Growth Fund (Manufacturers L)	790,000	0.79
27. Yoong Li Mian	726,500	0.73
28. Citigroup Nominees (Tempatan) Sdn. Bhd.		
- Universal Trustee (Malaysia) Berhad for CIMB-Principal Equity Fund	648,400	0.65
29. HLIB Nominees (Tempatan) Sdn. Bhd.		
- Pledged Securities Account for Koon Yew Yin (M)	629,300	0.63
30. Maybank Nominees (Tempatan) Sdn. Bhd.		
- Pledged Securities Account for Tan Kit Pheng	627,100	0.63
	61,505,600	**61.87**

ANALYSIS OF
WARRANT B HOLDINGS

A. DISTRIBUTION OF WARRANTHOLDINGS AS AT 22 APRIL 2015

Size of Warrantholdings	No. of Holders	%	No. of Warrants	%
Less than 100	35	3.68	1,103	0.00
100 – 1,000	80	8.42	52,328	0.12
1,001 – 10,000	492	51.79	2,567,694	6.02
10,001 – 100,000	293	30.84	9,547,899	22.38
100,001 – 2,132,882 (less than 5% of issued warrants)	47	4.95	15,562,332	36.48
2,132,883 (5% of issued warrants) and above	3	0.32	14,926,310	35.00
Total	**950**	**100.00**	**42,657,666**	**100.00**

B. LIST OF THIRTY (30) LARGEST WARRANT B HOLDERS AS AT 22 APRIL 2015

Name	No. of Warrants Held	%
1. RHB Nominees (Tempatan) Sdn. Bhd.		
- OSK Capital Sdn. Bhd. for HeveaWood Industries Sdn. Bhd.	7,122,000	16.70
2. HeveaWood Industries Sdn. Bhd.	4,804,310	11.26
3. HeveaWood Industries Sdn. Bhd.	3,000,000	7.03
4. Kenanga Nominees (Tempatan) Sdn. Bhd.		
- Pledged Securities Account for Koon Yew Yin	1,592,100	3.73
5. UOB Kay Hian Nominees (Asing) Sdn. Bhd.		
- Exempt An for UOB Kay Hian Pte. Ltd.	1,177,500	2.76
6. Cimsec Nominees (Tempatan) Sdn. Bhd.		
- CIMB Bank for Koon Yew Yin	1,160,400	2.72
7. Alliancegroup Nominees (Tempatan) Sdn. Bhd.		
- Pledged Securities Account for Ronie Tan Choo Seng	800,000	1.88
8. Maybank Nominees (Tempatan) Sdn. Bhd.		
- Pledged Securities Account for Koon Yew Yin	743,600	1.74
9. RHB Capital Nominees (Tempatan) Sdn. Bhd.		
- Pledged Securities Account for Fong Siling	700,000	1.64
10. Maybank Nominees (Tempatan) Sdn. Bhd.		
- Pledged Securities Account for Law Teck Peng	596,600	1.40
11. Alliancegroup Nominees (Tempatan) Sdn. Bhd.		
- Pledged Securities Account for Ooi Chin Hock	511,900	1.20
12. Chu Eng Hock	450,000	1.05
13. Ooi Chin Hock	446,900	1.05
14. Cartaban Nominees (Tempatan) Sdn. Bhd.		
- TMF Trustees Malaysia Berhad for RHB-OSK Enterpreneur Fund	400,000	0.94
15. Koay Wan Fing @ Koay Gian Peng	400,000	0.94
16. Gemas Ria Sdn. Bhd.	337,466	0.79
17. Cimsec Nominees (Tempatan) Sdn. Bhd.		
- CIMB Bank for Ronie Tan Choo Seng	308,000	0.72

ANALYSIS OF WARRANT B HOLDINGS

B. LIST OF THIRTY (30) LARGEST WARRANT B HOLDERS AS AT 22 APRIL 2015 (Continued)

Name	No. of Warrants Held	%
18. Liau Chern Yee	307,566	0.72
19. Toh Yew Peng	300,000	0.70
20. Yoong Kee Sin	300,000	0.70
21. Ong Kek Bing	250,000	0.59
22. See Choo @ See Guat Kiok	238,000	0.56
23. HLIB Nominees (Tempatan) Sdn. Bhd.		
- Pledged Securities Account for Tan Kit Pheng	221,400	0.52
24. Alliancegroup Nominees (Tempatan) Sdn. Bhd.		
- Pledged Securities Account for Ronie Tan Choo Seng	220,000	0.52
25. Maybank Securities Nominees (Tempatan) Sdn. Bhd.		
- Pledged Securities Account for Ronie Tan Choo Seng	220,000	0.52
26. Maybank Nominees (Tempatan) Sdn. Bhd.		
- Pledged Securities Account for Chong Khong Shoong	216,000	0.51
27. Teh Kee Sin	216,000	0.51
28. Alliancegroup Nominees (Tempatan) Sdn. Bhd.		
- Pledged Securities Account for Lam Kim Chiap	209,100	0.49
29. Goh In Koon	208,000	0.49
30. RHB Nominees (Asing) Sdn. Bhd.		
- Pledged Securities Account for Tan Lee Gek	205,000	0.48
	27,661,842	**64.86**

C. DIRECTORS' WARRANTHOLDINGS AS AT 22 APRIL 2015

Name	Direct No. of Shares	%	Indirect No. of Shares	%
1. Yoong Hau Chun	25,000	0.06	15,275,442(1)	35.81
2. Dato' Loo Swee Chew	78,233	0.18	15,263,776(2)	35.78
3. Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	–	–	–	–
4. Lim Kah Poon	–	–	–	–
5. Bailey Policarpio	6,666	0.02	8,333(3)	0.02
6. Yoong Li Yen	8,333	0.02	15,295,442(4)	35.86
7. Yoong Tein Seng @ Yong Kian Seng (Alternate Director to Yoong Hau Chun)	–	–	15,297,141(5)	35.86

C. DIRECTORS' WARRANTHOLDINGS AS AT 22 APRIL 2015 (Continued)

(1) Deemed interested by virtue of Section 6A of the Act (shareholdings held through Tenson Holdings Sdn. Bhd., a substantial shareholder of HeveaWood Industries Sdn. Bhd.) and by virtue of his family relationship with Tan Ya Ling, his spouse and Yoong Li Yen, his sister and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.

(2) Deemed interested by virtue of his substantial shareholdings in HeveaWood Industries Sdn. Bhd. pursuant to Section 6A of the Act and by virtue of his family relationship with Loo Chin Meng (Lu Zhenming), his son and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd.

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-First (21st) Annual General Meeting ("AGM") of **HeveaBoard Berhad** will be held at The Royale Bintang Resort & Spa Seremban, Ampangan Room, Mezzanine Floor, Jalan Dato' A.S. Dawood, 70100 Seremban, Negeri Sembilan on Friday, 19 June 2015 at 10.00 a.m., for the purpose of considering the following businesses:

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2014 together with the Reports of the Directors and Auditors thereon. **(Please refer to Explanatory Note 1)**

2. To approve a single-tier final dividend of 2.5 sen per ordinary share of RM1.00 each for the financial year ended 31 December 2014. **Ordinary Resolution 1**

3. To approve the payment of Directors' fees of RM591,050.00 for the financial year ended 31 December 2014. **Ordinary Resolution 2**

4. To re-elect Mr Lim Kah Poon, the Director who is retiring pursuant to Article 123 of the Company's Articles of Association, and being eligible, offered himself for re-election. **Ordinary Resolution 3**

5. To re-elect Mr Bailey Policarpio, the Director who is retiring pursuant to Article 123 of the Company's Articles of Association, and being eligible, offered himself for re-election. **Ordinary Resolution 4**

6. To re-appoint Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak, the Director who is over the age of seventy (70) years, and is retiring pursuant to Section 129 (6) of the Companies Act, 1965, and being eligible, offered himself for re-appointment. **Ordinary Resolution 5**

7. To re-appoint Messrs Baker Tilly Monteiro Heng as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 6**

Special Business

To consider and if thought fit, to pass the following Ordinary Resolutions, with or without modifications:

8. **Authority to Issue Shares** **Ordinary Resolution 7**

"THAT subject always to the Companies Act, 1965, Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/ regulatory bodies, where such approval is necessary, authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965 to issue and allot not more than ten per centum (10%) of the issued share capital of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company and that the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof."

9. **Proposed Renewal of Authority for Purchase of Own Shares by the Company ("Proposed Renewal of Authority")** **Ordinary Resolution 8**

"THAT subject to the Companies Act, 1965 (the "Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares of RM1.00 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

(i) the aggregate number of shares purchased does not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company as quoted on Bursa Securities as at the point of purchase;

(ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall be backed by an equivalent amount of retained profits and share premium; and

(iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends.

NOTICE OF
ANNUAL GENERAL MEETING

AND THAT the authority conferred by this resolution will commence after the passing of this ordinary resolution and will continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM after that date is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement or to effect the purchase(s) of the shares with full power to assent to any condition, modification, variation and/or amendment as may be imposed by the relevant authorities and to take all such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto."

10. **Retention of Independent Non-Executive Directors Pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012**

"THAT subject to the passing of Resolution 3 and pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012, Mr Lim Kah Poon who has served the Board as an Independent Non-Executive Director of the Company for a term of more than nine (9) years since 1 October 2004 be and is hereby retained as an Independent Non-Executive Director of the Company." **Ordinary Resolution 9**

"THAT subject to the passing of Resolution 5 and pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012, Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak who has served the Board as an Independent Non-Executive Director of the Company for a term of more than nine (9) years since 1 October 2004 be and is hereby retained as an Independent Non-Executive Director of the Company." **Ordinary Resolution 10**

Any Other Business

11. To transact any other ordinary business of which due notice shall have been given.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the Twenty-First (21st) AGM, a single-tier final dividend of 2.5 sen per ordinary share of RM1.00 each for the financial year ended 31 December 2014 will be payable on 3 August 2015 to holders of ordinary shares registered in the Record of Depositors at the close of business on 6 July 2015.

A depositor shall qualify for entitlement only in respect of:

a. Shares transferred into the Depositor's Securities Account on or before 4.00 p.m. on 6 July 2015 in respect of ordinary transfers; and

b. Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Securities.

BY ORDER OF THE BOARD

WONG YOUN KIM (MAICSA 7018778)
Company Secretary

Kuala Lumpur
28 May 2015

Notes:

1. A member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint any person as his/her proxy to attend and vote instead of the member at the meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.

2. The instrument appointing a proxy shall be in writing executed by or on behalf of the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.

3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

5. **GENERAL MEETING RECORD OF DEPOSITORS**

   For the purposes of determining a member who shall be entitled to attend this Twenty-First (21st) AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 74 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 15 June 2015. Only a depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting or appoint proxies to attend and/or vote on his/her behalf.

6. **EXPLANATORY NOTES ON ORDINARY/SPECIAL BUSINESS**

   (i) Item 1 of the Agenda

   This Agenda item is meant for discussion only, as the provision of Section 169(1) of the Act does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

   (ii) **Ordinary Resolution 5** – Re-appointment of Director pursuant to Section 129(6) of the Companies Act, 1965

   The re-appointment of Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak, being over the age of seventy (70) years as Director of the Company to hold office until the conclusion of the next AGM of the Company shall take effect if the Resolution 4 has been passed by a majority of not less than three-fourth (3/4) of such members as being entitled to vote in person or, where proxies are allowed, by proxy, at the Twenty-First (21st) AGM of which not less than twenty one (21) days' notice has been duly given.

   (iii) **Ordinary Resolution 7** – Authority to Issue Shares

   The proposed Ordinary Resolution 7, if passed, will give flexibility to the Directors of the Company to issue shares up to a maximum of ten per centum (10%) of the issued share capital of the Company at the time of such issuance of shares and for such purposes as they consider would be in the best interest of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

NOTICE OF ANNUAL GENERAL MEETING

This is the renewal of the mandate obtained from the shareholders at the last AGM held on 18 June 2014 ("the previous mandate"). The purpose of this general mandate sought will provide flexibility to the Company for any possible fund raising activities but not limited for futher placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

Pursuant to the Private Placement proposal approved by Bursa Malaysia Securities Berhad ("Bursa Securities") on 17 April 2014 for listing of and quotation for up to 13,306,667 new ordinary shares of RM1.00 each in the Company, the Company had issued 9,040,000 Placement Shares representing ten per centum (10%) of the issued and paid-up capital of the Company during the period from May to July 2014, whereby a total of 2,700,000 ordinary shares of RM1.00 each and 6,340,000 ordinary shares of RM1.00 each were issued pursuant to the previous mandates granted to the Directors at the AGMs held on 18 June 2013 and 18 June 2014 respectively. The total proceeds raised from the private placement exercise amounting to RM11,368,000.00 was fully utilised in the following manner:

Details of utilisation	RM'000
Capital expenditures	3,500
Repayment of bank borrowings	4,000
Working capital	3,568
Listing expenses	300
Total	**11,368**

(iv) **Ordinary Resolution 8** – Proposed Renewal of Authority for Purchase of Own Shares by the Company

The proposed Ordinary Resolution 8, if passed, will empower the Company to purchase and/or hold up to ten per centum (10%) of the issued and paid-up share capital of the Company. This authority unless revoked or varied by the Company at a general meeting will expire at the next AGM. Please refer to the Circular to Shareholders dated 22 April 2015 for further information.

(v) **Ordinary Resolutions 9 and 10** – Retention of Independent Non-Executive Directors Pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012

The Nomination Committee has assessed the independence of Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak and Mr Lim Kah Poon, who both have served as Independent Non-Executive Directors of the Company for a term of more than nine (9) years and recommended both of them to continue to act as Independent Non-Executive Directors of the Company on the following justifications:

(a) Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak and Mr Lim Kah Poon have fulfilled the criteria stated under the definition of Independent Director as defined in the Listing Requirements of Bursa Securities and they would be able to provide proper check and balance thus bringing an element of objectivity to the Board;

(b) Their length of services on the Board of more than nine (9) years each do not in any way interfere with the exercise of objective judgement or their ability to act in the best interest of the Company and the Group. In fact, Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak and Mr Lim Kah Poon, having been with the Company for more than nine (9) years, are familiar with the Group's business operations and have always actively participated in Board and Board Committee discussions and have continuously provided an independent view to the Board; and

(c) They have exercised due care during their tenures as Independent Directors of the Company and have discharged their duties with reasonable skill and competence, bringing independent judgement into the decision making of the Board and in the best interest of the Company and its shareholders.

PROXY FORM

Number of Shares Held

HeveaBoard Berhad

(275512-A)
(Incorporated in Malaysia)

I/We ____
(full name in block letters)

of ____
(full address)

______________________________ being a member of **HeveaBoard Berhad**, hereby apoint

____
(full name)

of ____
(full address)

or failing him/her, ____
(full name)

of ____
(full address)

or failing which, the Chairman of the Meeting* as my/our proxy to attend and vote for me/us on my/our behalf at the Twenty-First (21st) Annual General Meeting of the Company to be held at The Royale Bintang Resort & Spa Seremban, Ampangan Room, Mezzanine Floor, Jalan Dato' A.S. Dawood, 70100 Seremban, Negeri Sembilan on Friday, 19 June 2015 at 10.00 a.m. or at any adjournment thereof and to vote as indicated below:

	Resolutions	For	Against
Ordinary Resolutions			
1	Approval of Single – Tier Final Dividend		
2	Approval of Directors' Fees		
3	Re-election of Mr Lim Kah Poon as Director		
4	Re-election of Mr Bailey Policarpio as Director		
5	Re-appointment of Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak as Director		
6	Re-appointment of Messrs Baker Tilly Monteiro Heng as Auditors		
7	Authority to Issue Shares		
8	Proposed Renewal of Authority for Purchase of Own Shares by the Company		
9	Retention of Mr Lim Kah Poon as Independent Non-Executive Director		
10	Retention of Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak as Independent Non-Executive Director		

* *if you wish to appoint any person other than the Chairman of the Meeting to be your proxy, kindly delete the words "the Chairman of the Meeting" and insert the name of the person desired.*

(Please indicate with a cross (X) in the space provided, how you wish your vote to be cast in respect of the above resolutions. If you do not do so, the proxy may vote or abstain at his/her discretion.)

Signed this ____________ day of ______________ 2015

____
Signature/Common Seal of Shareholder

Notes:

1. A member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint any person as his/her proxy to attend and vote instead of the member at the meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
2. The instrument appointing a proxy shall be in writing executed by or on behalf of the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
5. **GENERAL MEETING RECORD OF DEPOSITORS**

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AFFIX
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HERE

HeveaBoard Berhad (275512-A)
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Bangsar South City
59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia

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