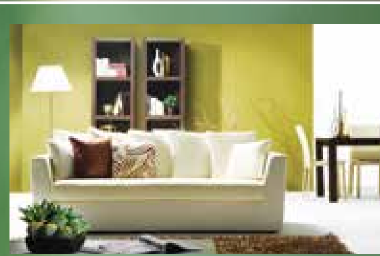
Annual Report **2013**

Greening from the Ground Up

THROUGH TECHNOLOGY AND INNOVATIONS



HeveaBoard Berhad

INCORPORATED IN MALAYSIA (275512-A)

ISO 50001 Energy Managment System

PEFC™

for more information
http://www.heveaboard.com.my

contents

HeveaBoard Berhad
Incorporated in Malaysia (275512-A)

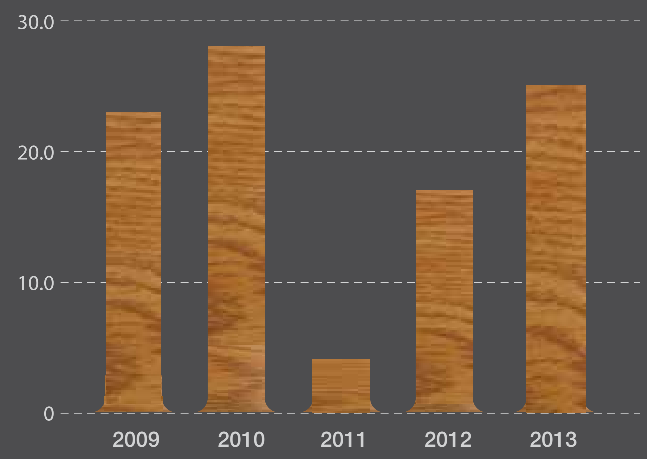
5-Year
Financial Highlights

	2013	2012	2011	2010	2009
Turnover (RM'000)	**389,507**	372,597	373,049	363,137	327,417
Profit Before Tax (RM'000)	**23,952**	13,977	3,894	28,410	18,933
Tax (RM'000)	**(1,493)**	1,500	(553)	(2,699)	1,525
Profit After Tax (RM'000)	**22,459**	15,477	3,341	25,711	20,458
Share Capital (RM'000)	**90,400**	90,400	90,400	90,400	90,400
Net Assets (RM'000)	**231,054**	208,595	194,022	190,681	161,548
Net Assets Per Share (RM)*	**2.56**	2.31	2.15	2.11	1.79
Proposed Final Dividend (sen per ordinary share of RM1.00 each)	**2.00**	–	1.00	–	–
Net Earnings Per Share (sen)**	**24.84**	17.12	3.70	28.44	23.00

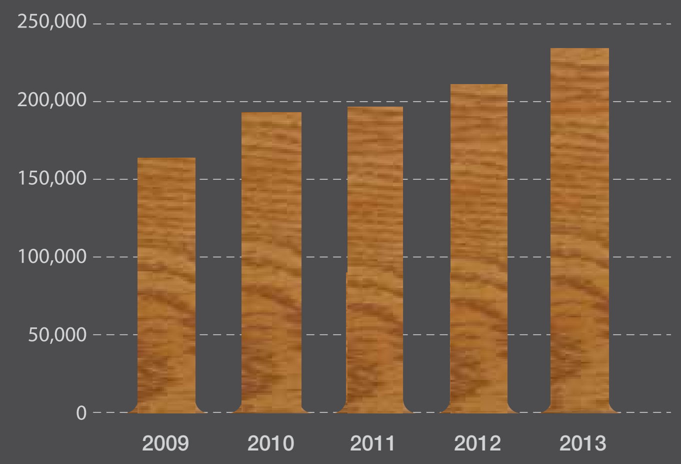
* The net assets per share of the Group is calculated based on the net assets value at the balance sheet date divided by the number of ordinary shares in issue at the balance sheet date.

** 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)



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 2013.

Yoong Hau Chun
Group Managing Director

OPERATION AND PERFORMANCE REVIEW

We entered 2013 with great uncertainties and cautiousness. Economic situations and trading conditions were not favourable in most of our exporting countries – competition was intense and product margin was under pressure. The 13th Malaysia General Election looming at the beginning of the year, together with the fluctuation of Ringgit Malaysia against the Greenback added further uncertainties to our export trades. Our Ready-To-Assemble (RTA) furniture sector had to take the full-blown impact of the implementation of minimum wage on 1st Jan 2013 for its 1,600 strong work force. Despite all the odds, I am delighted to report that **HeveaBoard** had managed to accomplish a much stronger set of financial results for FY2013.

The Group reported a revenue of RM389.51 million in FY2013, an increase of RM16.91 million or 4.5% as compared with the previous year. Profit Before Tax (PBT) increased by 71.4% or RM9.98 million, from RM13.98 million in FY2012 to RM23.95 million in FY2013. The much higher PBT was contributed by the improved performance in both particleboard and RTA sectors.

The particleboard sector achieved a PBT of RM7.22 million, up from RM2.03 million in FY2012 despite a RM4.90 million unrealised foreign exchange loss derived from the translation of its USD term loan. PBT at the RTA sector grew from RM11.19 million in FY2012 to RM18.61 million, despite having fully implemented the minimum wage ruling effective Jan 2013. The overall improvements in the financial results were attributable to our cost control, higher automation, creation of higher margin special products and innovative marketing strategies.

In April 2013, we restarted our first particleboard line that had been left idle for some months because of its higher cost structure and lower quality level as compared with the second particleboard line. This was made possible through an innovative approach taken by the management – modifying the first particleboard line for special packing board production at a very low production cost. The first line is now achieving significant savings in packing board production and bringing additional contributions to the Group.

OUTLOOK AND PROSPECT

The outlook ahead remains challenging and full of uncertainties. Electricity tariff has gone up by almost 19% since Jan 2014, and further cuts in subsidies are expected from the government in order to reduce the country's deficit. We will be proactive and innovative. As in FY2013, we shall continue to develop higher margin special products that would not only be less price sensitive, but also environmentally friendly. Last but not least, we will also continue to look for ways to keep cost low and to maximise recovery.

I am proud to report that **HeveaBoard** has just been certified with the ISO50001 energy management system, making us one of the 9 companies (as of 18th March 2014) in Malaysia certified with this prestigious certification. We also participated in Energy Efficiency Management Excellence Award (2013) organised by the Ministry of Energy, Green Technology and Water, Malaysia. We did not win the award but considering the fact that we came in third, after Intel (Malaysia) and another one of the multinational conglomerates, I take pride in our efforts towards energy efficiency management which are of international standing.

We believe with our continued focus on product management and innovations, we would be in a better position to meet and deal with the challenges ahead.

GREEN INITIATIVES AND CORPORATE SOCIAL RESPONSIBILITY

We have successfully implemented our initiative in promoting mobile chipping for higher fiber recovery, thus eliminating open burning during replanting of rubber trees. Our mobile chipping team is now on routine operations, and we will further enlarge the

Statement from Group Managing Director

operation by adding on additional equipment. Such operations would reduce significantly the impacts and consequences of the traditional open burning during replanting, and would certainly help to ease the recurring haze problem that all of us have been experiencing lately.

The Company is committed to the preservation and protection of the environment. In our endeavour to achieve our goals as an ECO responsible manufacturer, we implemented and successfully acquired the internationally recognised PEFC Chain of Custody certification. PEFC - Programme for the Endorsement of Forest Certification is the world's largest forest certification organisation. PEFC's Chain of Custody certification is a mechanism for tracking certified material from the forest to the final product to ensure that the wood, wood fibre or non-wood forest produce contained in the product or product line can be traced back to certified forests.

The Group continues to pay back to the society especially in education. **HeveaBoard** gives out high achiever student awards to the community of Gemas. HeveaPac donated new study desks produced in house to a few schools in Seremban. During the year, **HeveaBoard** participated and helped in organising blood donation campaign with Seremban General Hospital, and the response from our employees was overwhelming.

DIVIDEND

The board of directors has recommended a 2% first and final single tier dividend for FY2013 subject to shareholders' approval in the coming AGM.

CORPORATE EXERCISE

The Company had in April 2014 obtained approval from Bursa Securities for the application on Proposed Private Placement. The Company is planning to raise fund through the Proposed Private Placement of up to 10% of the issued and paid-up share capital of **HeveaBoard** for the use 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 good team effort in contributing positively to the Group. I also wish to thank our vendors, customers, bankers and professionals for their assistance and continuous support.

Finally, I would like to thank my fellow colleagues on the board for their advice and continuous 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

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 81, 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 38, 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 66, 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 the past 31 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 65, 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 4 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 and Pineapple 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 43, 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, all of whom are the substantial shareholders of the Company.

Profile of Directors

Yoong Li Yen

Executive Director

A Malaysian aged 37, 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. Through 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 67, 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. 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 as 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 25 April 2014 as set out on pages 113 to 119 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 one-third (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% Hevea OSB Sdn. Bhd.

Dormant

100% BocoWood Sdn. Bhd.

Distribution and marketing of ready-to assemble furniture

CERTIFIED TO MS ISO 9001 : 2000
REGISTRATION NO AR2063

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 judgment in safeguarding the interests of the shareholders.

During the financial year ended 31 December 2013, 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 policy. 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 http://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 currently defining and strengthening its roles and responsibilities by:-

i. extending its whistle blowing procedure to corporate level; and
ii. defining clearly the 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 comprises solely 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 comprise 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, NC conducted a meeting on 13 November 2013. In this meeting, 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; and
iii. considered the proposal to identify candidates for Independent Non-Executive Directors.

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 depended 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 13 November 2013, 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 12 September 2013.

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, Management provides information and clarification on issues raised by members of the Board during 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 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 identified 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 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 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 quarterly 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, five (5) Board meetings were held. The details of attendance of the members are as below.

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

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.

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

Director	Training Attended
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	Updates on key risk profiles
Mr. Yoong Hau Chun	Updates on key risk profiles
Ms Yoong Li Yen	Updates on key risk profiles
Dato' Loo Swee Chew	Updates on key risk profiles
Mr. Lim Kah Poon	Updates on key risk profiles
Mr. Bailey Policarpio	Corporate Fraud and Financial Protection Conference

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
RM100,000 and below	NIL	3
RM100,001 - RM150,000	NIL	1
RM400,001 - RM450,000	1	NIL
RM550,001 - RM600,000	1	NIL
RM1,400,001 - RM1,450,000	NIL	1
Total	**2**	**4**

The aggregate remuneration of the Directors of the Company for the year ended 31 December 2013 is as follows:-

	Executive Director (RM'000)	Non-Executive Director (RM'000)
Salaries, Bonus, EPF, Others	1,018	0
Fees	0	600
Other Emoluments	0	1,096
Total	**1,018**	**1,696**

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 balance view and assessment 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 meeting 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 strengthening the present risk management and internal control systems in the Group, the Board would 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 new 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 transferred from Annual Report and published in the website to avoid dilution of issues in the Annual Report or various announcements.

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 2013, which was 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 – Guideline for Directors of Listed Issuers" 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 their course of work. Key operation issues identified are further reviewed and deliberated during the weekly EXCO meetings in order to identify 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.

Budgeting and forecasting are used as performance targets for management. The actual performances are then benchmarked against the budget and forecast. In addition, 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 plans 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 and recently certified with the ISO 50001 energy management system. 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.

THE REVIEW MECHANISM

There are two aspects of review of systems of risk management and internal control in the organisation. The first aspect of the review is undertaken by the management while the second aspect constitutes the independent review performed by the Audit Committee. The presence of the internal audit function supports this review mechanism by reviewing 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.

Statement on Risk Management and Internal Control

MANAGEMENT RESPONSIBILITIES AND ASSURANCE

The management is responsible to the Board for identifying risks relevant to the business of the Group's objectives and strategies, implementing, 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 achievement of its objective and performance.

The Board has received assurance from the senior management that, to the best of their knowledge that 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 level of systems of internal control and risk management are effective to enable the Group to achieve its business objectives and there were no material losses resulted from significant control weaknesses that would require separate disclosure in the Annual Report. Nonetheless, the Board recognises that the systems of internal control and risk management 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 internal control and risk management 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 31 December 2013 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 internal control and risk management 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 2013, 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 have also general 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-BACKS

The Company had obtained its shareholders' approval at the Annual General Meeting held on 18 June 2013 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 2013 by the external auditors or a firm or company affiliated to the external auditors were RM22,575.00.

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 2013 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 2013.

MEMBERSHIP

The Audit Committee comprises the following members:-

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

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

Mr Bailey Policarpio
Non-Independent Non-Executive Director

ATTENDANCE OF MEETINGS

During the financial year ended 31 December 2013, 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	4/5

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's are in compliance with the Main Market 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").

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 2013, 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 2013, the internal audit function of the Company is 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 made 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 2013 was RM63,463.90

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 maintain a safe and healthy working environment and to conform to ISO 14001:2004 Environmental Management System, OSHAS 18001:2007 Occupational Health and Safety Assessment Series and MS 1722 Part 1:2005, the Company has introduced a safety and cleanliness competition between the various sections in the Plant and monthly audits are conducted and employees in sections with highest scores are rewarded each month.

ENVIRONMENT

Programme for the Endorsement of Forest Certification (PEFC)

In June the Company was certified with the internationally recognised Programme for the Endorsement of Forest Certification (PEFC) Chain of Custody Certification.

This certification provides a mechanism to track the material from sustainable managed forests to the final product and ensure that the material used in the product is sourced from certified forests.

Through innovations, the Company also practises maximum fibre recovery in rubber plantations to minimise residues that may need to be eliminated through burning.

The Company is also currently studying and evaluating other innovative projects to reduce energy consumption and use alternative fuels for thermal energy generation which will greatly reduce the emission of Green House Gases like Carbon Dioxide. This is in line with the Company's objective to promote and use Green Technology.

ISO 50001:2011 – Energy Management System ("EnMS")

"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)

To obtain the prestigious ISO 50001:2011 Energy Management System certification, the company conducted its own internal energy audit to meet the EnMS requirement in preparation for the certification audit.

We also participated in Energy Efficiency Management Excellence Award (2013) organised by the Ministry of Energy, Green Technology and Water, Malaysia and were named in the top three along with 2 multinational companies.

HUMAN RESOURCE DEVELOPMENT

As part of the preparation for the ISO 50001 certification, trainings and seminars were conducted in-house by industry experts and steering committee members to create awareness and train the employees with the knowledge and skills set needed to successfully implement and maintain an Energy Management System in accordance to ISO standards.

Monthly Plant Performance Reviews are conducted to give a forum for the different department staffs to present and share their achievements and discuss key issues. Matters relating to quality, safety, environment, cost, energy are some of the main topics.

Corporate Social Responsibility

Staffs at all levels are encouraged to participate as this is also part of the training to develop the public speaking skills and character development.

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

COMMUNITY

The Group recognises the importance of providing an atmosphere that is conducive to students' learning. Using the Company's environmentally friendly products, our subsidiary HeveaPac assembled desks and donated them to schools with severely worn out desks and insufficient desks due to increasing number of students. Over 800 tables were given out in the past couple of years.

The Company also made donations to support a local school's activities as well as the local Police sports welfare fund.

Providing Industrial Training for students from local universities and colleges is an ongoing programme. Over the last 5 years, 19 students were trained at the Company under this programme and 8 of them joined the Company after their training.

The Company also awarded cash prizes, plaques and certificates to the top students in STPM, SPM and PMR examinations from 2 schools in Gemas. The children of employees who achieved top grades in these exams were also given cash prizes, plaques and certificates.

The blood donation drive for the Seremban General Hospital is an annual event. The company plans to organise this event in collaboration with the neighboring companies and businesses to create more awareness and response towards the urgent need for blood donation.

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 2013.

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	22,459	6,628
Other comprehensive income	-	-
Total comprehensive income for the financial year	22,459	6,628
Profit for the year attributable to:		
Owners of the Company	22,459	6,628
Non-controlling interests	-	-
	22,459	6,628
Total comprehensive income attributable to:		
Owners of the Company	22,459	6,628
Non-controlling interests	-	-
	22,459	6,628

DIVIDEND

At the forthcoming Annual General Meeting, a final exempt (single-tier) dividend in respect of the financial year ended 31st December 2013, amounting of 2.0 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 2014.

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.

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 other than as disclosed in Note 34 to the financial statements.

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 within 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.

There were no movement in the warrants during the financial year as stated below:-

	Number of Warrants			
	At 1.1.2013	Exercised	Expired	At 31.12.2013
Warrants	42,666,666	-	-	42,666,666

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

The Company did not issue any shares or debentures during the financial year.

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 2013 are as follows:-

		Number of ordinary shares of RM1/- each			
		At 1.1.2013	**Acquired**	**Disposed**	**At 31.12.2013**
The Company					
Direct Interests					
Yoong Tein Seng @ Yong Kian Seng					
(Alternate director to Yoong Hau Chun)		170,000	-	-	170,000
Y. Bhg. Dato' Loo Swee Chew		148,000	-	-	148,000
Yoong Hau Chun		150,000	-	-	150,000
Lim Kah Poon		50,000	-	-	50,000
Bailey Policarpio		25,000	-	-	25,000
Yoong Li Yen		1,256,000	409,800	1,256,000	409,800
Indirect Interests					
Yoong Tein Seng @ Yong Kian Seng					
(Alternate director to Yoong Hau Chun)	(1)	40,872,400	1,375,500	2,930,700	39,317,200
Y. Bhg. Dato' Loo Swee Chew	(2)	28,189,000	-	-	28,189,000
Yoong Hau Chun	(3)	37,875,900	1,395,500	2,630,700	36,640,700
Tan Sri Dato' Chan Choong Tack @					
Chan Choong Tak	(4)	63,000	-	-	63,000
Lim Kah Poon	(5)	21,000	-	-	21,000
Bailey Policarpio	(6)	1,256,000	409,800	1,256,000	409,800
Yoong Li Yen	(7)	36,784,900	965,700	1,374,700	36,375,900

DIRECTORS' INTERESTS (Continued)

		Number of Warrants			
		At 1.1.2013	**Acquired**	**Disposed**	**At 31.12.2013**
The Company					
Direct Interests					
Yoong Tein Seng @ Yong Kian Seng					
(Alternate director to Yoong Hau Chun)		75,000	-	-	75,000
Y. Bhg. Dato' Loo Swee Chew		78,233	-	-	78,233
Yoong Hau Chun		25,000	-	-	25,000
Lim Kah Poon		28,600	-	-	28,600
Bailey Policarpio		6,666	-	-	6,666
Yoong Li Yen		8,333	-	-	8,333
Indirect Interests					
Yoong Tein Seng @ Yong Kian Seng					
(Alternate director to Yoong Hau Chun)	(1)	16,915,741	-	218,600	16,697,141
Y. Bhg. Dato' Loo Swee Chew	(2)	15,333,242	-	22,000	15,311,242
Yoong Hau Chun	(3)	16,969,042	-	218,600	16,750,442
Lim Kah Poon	(5)	7,000	-	-	7,000
Bailey Policarpio	(6)	8,333	-	-	8,333
Yoong Li Yen	(7)	16,989,042	-	218,600	16,770,442

(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 HeveaWood Industries Sdn. Bhd.) and by virtue of his relationship with Yoong Hau Chun, his son, Yoong Li Bing, Yoong Li Xian, 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% 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 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. and by virtue of his relationship with Loo Chin Meng (Lu Zhenming), his son.

(3) Deemed interested by virtue of his relationship with Yoong Tein Seng @ Yong Kian Seng, his father, 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.

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

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

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

(7) Deemed interested by virtue of her relationship with Yoong Tein Seng @ Yong Kian Seng, her father, 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.

DIRECTORS' INTERESTS (Continued)

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 except for any benefit which may be deemed to have arisen by virtue of the transactions as disclosed in Note 36 to the financial statements.

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 apart from the Warrant 2010/2020 issued.

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 2014

Statements of
Financial Position
as at 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	254,951	267,047	198,187	215,639
Prepaid lease payments	5	6,051	6,214	-	-
Investment in subsidiaries	6	-	-	40,960	40,960
Other investment	7	-	15	-	15
Goodwill on consolidation	8	2,946	2,946	-	-
		263,948	276,222	239,147	256,614
Current assets					
Inventories	9	66,893	61,960	27,772	28,579
Trade receivables	10	53,109	42,233	33,606	25,251
Other receivables, deposits and prepayments	11	5,633	2,615	3,090	796
Amount due by subsidiaries	12	-	-	2,081	2,144
Tax recoverable		577	659	577	591
Deposits placed with licensed banks	13	12,600	2,200	-	-
Cash and bank balances	14	19,695	25,511	7,098	8,131
		158,507	135,178	74,224	65,492
TOTAL ASSETS		422,455	411,400	313,371	322,106
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	15	90,400	90,400	90,400	90,400
Other reserves	16	15,926	15,926	15,926	15,926
Retained profits	17	124,728	102,269	50,066	43,438
Total equity		231,054	208,595	156,392	149,764

Statements of Financial Position
as at 31 December 2013 (continued)

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-current liabilities					
Amount due to related parties	20	2,296	2,641	2,296	2,641
Provision for retirement benefits	21	1,778	1,774	996	1,076
Loans and borrowings	22	63,393	87,379	58,137	80,016
Deferred tax liabilities	25	2,298	2,160	-	-
		69,765	93,954	61,429	83,733
Current liabilities					
Trade payables	18	38,119	39,437	26,471	30,115
Other payables and accruals	19	24,124	18,329	8,650	6,674
Amount due to subsidiaries	12	-	-	6,479	6,332
Amount due to related parties	20	610	980	404	774
Tax payable		378	567	-	-
Loans and borrowings	22	58,405	49,538	53,546	44,714
		121,636	108,851	95,550	88,609
Total liabilities		191,401	202,805	156,979	172,342
TOTAL EQUITY AND LIABILITIES		422,455	411,400	313,371	322,106

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 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Revenue	26	389,507	372,597	191,671	184,147
Cost of sales	27	(332,976)	(334,752)	(167,293)	(172,313)
Gross profit		56,531	37,845	24,378	11,834
Other income		3,247	6,850	4,133	6,803
Selling and distribution expenses		(3,243)	(4,229)	(1,863)	(1,792)
Administrative expenses		(19,618)	(16,820)	(7,552)	(6,617)
Finance costs	28	(6,620)	(7,858)	(5,954)	(7,130)
Other expenses		(6,345)	(1,811)	(5,921)	(1,068)
Profit before taxation	29	23,952	13,977	7,221	2,030
Taxation	30	(1,493)	1,500	(593)	1,264
Profit for the financial year		22,459	15,477	6,628	3,294
Other comprehensive income		-	-	-	-
Total comprehensive income for the financial year		22,459	15,477	6,628	3,294
Profit for the financial year attributable to:-					
Owners of the Company		22,459	15,477	6,628	3,294
Non-controlling interests		-	-	-	-
		22,459	15,477	6,628	3,294
Total comprehensive income attributable to:-					
Owners of the Company		22,459	15,477	6,628	3,294
Non-controlling interests		-	-	-	-
		22,459	15,477	6,628	3,294
Earnings per ordinary share attributable to owners of the Company (sen)					
- Basic earnings per share	31(a)	24.84	17.12		
- Diluted earnings per share	31(b)	16.88	17.12		

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

Statements of **Changes in Equity**

for the financial year ended 31 December 2013

		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'00**	**Total Equity RM'000**
Group						
Balance as at 1st January 2012		90,400	15,526	400	87,696	194,022
Total comprehensive income for the financial year		-	-	-	15,477	15,477
Dividend	32	-	-	-	(904)	(904)
Balance as at 31st December 2012		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
Company						
Balance as at 1st January 2012		90,400	15,526	400	41,048	147,374
Total comprehensive income for the financial year		-	-	-	3,294	3,294
Dividend	32	-	-	-	(904)	(904)
Balance as at 31st December 2012		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

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

Statements of **Cash Flows**
for the financial year ended 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		23,952	13,977	7,221	2,030
Adjustments for:-					
Amortisation for prepaid lease payments		163	163	-	-
Depreciation for property, plant and equipment		25,311	25,280	19,432	19,323
Dividend income		-	-	(2,980)	-
Gain on disposal of property, plant and equipment		(10)	(49)	-	(8)
Interest expenses		6,620	7,858	5,954	7,130
Interest income		(241)	(32)	-	(28)
Other investment written off		15	-	15	-
Property, plant and equipment written off		4	282	-	222
Provision for retirement benefits		212	181	128	99
Unrealised loss/(gain) on foreign exchange		4,897	(4,417)	4,897	(4,417)
Operating Profit before Working Capital Changes		60,923	43,243	34,667	24,351
Changes In Working Capital:-					
Inventories		(4,933)	5,704	807	1,961
Receivables		(13,894)	(737)	(10,649)	(3,026)
Payables		4,477	3,751	(1,668)	1,302
Amount due by/to subsidiaries		-	-	(1,339)	(1,036)
Cash Generated From Operations		46,573	51,961	21,818	23,552
Dividend paid		-	(904)	-	(904)
Interest paid		(6,620)	(7,858)	(5,954)	(7,130)
Retirement benefits paid		(208)	(156)	(208)	(156)
Income tax paid		(1,462)	(1,098)	(9)	(5)
Income tax refunded		-	173	-	-
Net Operating Cash Flows		38,283	42,118	15,647	15,357
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividend received		-	-	2,387	2,980
Interest received		241	32	-	28
Proceeds from disposal of property, plant and equipment		10	137	-	95
Purchase of property, plant and equipment	33	(9,782)	(3,250)	(1,625)	(2,197)
Repayment from subsidiaries		-	-	1,549	1,743
Net Investing Cash Flows		(9,531)	(3,081)	2,311	2,649

Statements of Cash Flows
for the financial year ended 31 December 2013 (continued)

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Deposits withdrawn as security values		-	2,054	-	2,054
Repayment of export credit refinancing		(566)	(2,614)	-	-
Drawdown of offshore foreign currency loan		6,720	4,374	6,720	4,374
Drawdown of term loan		-	-	-	-
Repayment to related parties		(715)	(779)	(715)	(779)
Repayment of hire purchase liabilities		(3,935)	(3,358)	(328)	(649)
Repayment of term loan		(26,345)	(25,884)	(25,341)	(24,785)
Net Financing Cash Flows		(24,841)	(26,207)	(19,664)	(19,785)
NET CHANGE IN CASH AND CASH EQUIVALENTS		3,911	12,830	(1,706)	(1,779)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		23,590	10,760	4,010	5,789
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		27,501	23,590	2,304	4,010
ANALYSIS OF CASH AND CASH EQUIVALENTS:-					
Deposits placed with licensed banks		12,600	2,200	-	-
Cash and bank balances		19,695	25,511	7,098	8,131
Bank overdrafts - secured		(4,794)	(4,121)	(4,794)	(4,121)
		27,501	23,590	2,304	4,010

The accompanying notes form an integral part of these 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, and 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 2014.

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 judgment in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgment 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

New MFRSs

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement

Revised MFRSs

MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures

Amendments/Improvements to MFRSs

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 7	Financial Instruments: Disclosures
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, Plant and Equipment
MFRS 132	Financial Instruments: Presentation
MFRS 134	Interim Financial Reporting

New IC Int

IC Int 20	Stripping Costs in the Production Phase of a Surface Mine

Amendments to IC Int

IC Int 2	Members' Shares in Co-operative Entities and Similar Instruments

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

MFRS 10 Consolidated Financial Statements and MFRS 127 Separate Financial Statements (Revised)

MFRS 10 replaces the consolidation part of the former MFRS 127 *Consolidated and Separate Financial Statements.* The revised MFRS 127 will deal only with accounting for investment in subsidiaries, joint controlled entities and associates in the separate financial statements of an investor and require the entity to account for such investments either at cost, or in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement.*

MFRS 10 brings about convergence between MFRS 127 and IC Int 12 *Consolidation-Special Purpose Entities,* which interprets the requirements of MFRS 10 in relation to special purpose entities. MFRS 10 introduces a new single control model to identify a parent-subsidiary relationship by specifying that "an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee". It provides guidance on situations when control is difficult to assess such as those involving potential voting rights, or in circumstances involving agency relationships, or where the investor has control over specific assets of the entity, or where the investee entity is designed in such a manner where voting rights are not the dominant factor in determining control.

The Group adopted MFRS 10 in the current financial year. This resulted in changes to the accounting policies as disclosed in Note 2.3(b) to the financial statements. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

MFRS 12 Disclosures of Interests in Other Entities

MFRS 12 is a single disclosure standard for interests in subsidiaries, jointly controlled entities, associates and unconsolidated structured entities. The disclosure requirements in this MFRS are aimed at providing standardised and comparable information that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows. The requirements in MFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. MFRS 12 disclosures are provided in Note 6 to the financial statements.

MFRS 119 Employee Benefits (Revised)

MFRS 119 (Revised) eliminates the corridor approach and recognise all actuarial gains and losses in other comprehensive income as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

The adoption of MFRS 119 (Revised) has no significant financial impact to the financial statements of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations (“IC Int”) and Amendments to IC Int (Continued)

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

Amendments to MFRS 101 Presentation of Financial Statements

The amendments to MFRS 101 introduces a grouping of items presented in other comprehensive income. Items that will be reclassified to profit or loss at future point in time have to be presented separately from items that will not be reclassified.

These amendments also clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Group has not included comparative information in respect of the opening statement of financial position as at 1 January 2012.

The amendments also introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments, the ‘statement of comprehensive income’ is renamed as the ‘statement of profit or loss and other comprehensive income’.

The above amendments affect presentation only and have no impact on the Group’s financial position or performance.

Amendments to MFRS 7 Financial Instruments: Disclosures

Amendments to MFRS 7 addresses disclosures to include information that will enable users of an entity’s financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity’s recognised financial assets and recognised financial liabilities, on the entity’s financial position.

Amendment to MFRS 116 Property, Plant and Equipment

Amendment to MFRS 116 clarifies that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Amendments to MFRS 10 Consolidated Financial Statements, MFRS 11 Joint Arrangements and MFRS 12 Disclosure of Interests in Other Entities

Amendments to MFRS 10 clarifies that the date of initial application is the beginning of the annual reporting period for which this MFRS is applied for the first time. Consequently, an entity is not required to make adjustments to the previous accounting if the consolidation conclusion reached upon the application of MFRS 10 is the same as previous accounting or the entity had disposed of its interests in investees during a comparative period. When applying MFRS10, these amendments also limit the requirement to present quantitative information required by Paragraph 28(f) of MFRS108 *Accounting Policies, Changes in Accounting Estimates and Errors* to the annual period immediately preceding the date of initial application. A similar relief is also provided in MFRS 11 and MFRS 12. Additionally, entities would no longer be required to provide disclosures for unconsolidated structure entities in periods prior to the first annual period that MFRS 12 is applied.

If, upon applying MFRS 10, an entity conclude that it shall consolidate an investee that was not previously consolidated and that control was obtained before the effective date of the revised versions of these standards issued by the Malaysian Accounting Standards Board in November 2011, these amendments also clarify that an entity can apply the earlier versions of MFRS 3 *Business Combinations* and MFRS 127.

These amendments are not expected to have any significant impact on the financial results and position of the Group and the Company.

Amendment to MFRS 132 Financial Instruments: Presentation

Amendment to MFRS 132 clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with MFRS 112 Income Taxes.

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Int 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, amendments/improvements to MFRSs and new IC Int 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	To be announced by the MASB

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

		Effective for financial periods beginning on or after
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 7	Financial Instruments: Disclosures	Applies when MFRS 9 is applied
MFRS 8	Operating Segments	1 July 2014
MFRS 9	Financial Instruments	To be announced by the MASB
MFRS 10	Consolidated Financial Statements	1 January 2014
MFRS 12	Disclosure of Interests in Other Entities	1 January 2014
MFRS 13	Fair Value Measurement	1 July 2014
MFRS 116	Property, Plant and Equipment	1 July 2014
MFRS 119	Employee Benefits	1 July 2014
MFRS 124	Related Party Disclosures	1 July 2014
MFRS 127	Separate Financial Statements	1 January 2014
MFRS 132	Financial Instruments: Presentation	1 January 2014
MFRS 136	Impairment of Assets	1 January 2014
MFRS 138	Intangible Assets	1 July 2014
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2014
MFRS 139	Financial Instruments: Recognition and Measurement	Applies when MFRS 9 is applied
MFRS 140	Investment Property	1 July 2014
New IC Int		
IC Int 21	Levies	1 January 2014

A brief discussion on the above significant new MFRS, amendments/improvements to MFRSs and new IC Int 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

MFRS 9 Financial Instruments

MFRS 9 specifies how an entity should classify and measure financial assets and financial liabilities.

This standard requires all financial assets to be classified based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial asset. Financial assets are to be initially measured at fair value. Subsequent to initial recognition, depending on the business model under which these assets are acquired, they will be measured at either fair value or at amortised cost.

In respect of the financial liabilities, the requirements are generally similar to the former MFRS 139. However, this standard requires that for financial liabilities designated as at fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income, whereas the remaining amount of the change in fair value will be presented in the profit or loss.

MFRS 9 Financial Instruments (Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139)

The new hedge accounting model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements. The most significant improvements apply to those that hedge non-financial risk, and they are expected to be of particular interest to non-financial institutions. As a result of these changes, users of the financial statements will be provided with better information about risk management and about the effect of hedge accounting on the financial statements. The MFRS 9 hedge accounting model, if adopted, applies prospectively with limited exceptions.

As part of the Amendments, an entity is now allowed to change the accounting for liabilities that it has elected to measure at fair value, before applying any of the other requirements in MFRS 9. This change in accounting would mean that gains caused by a worsening in the entity's own credit risk on such liabilities are no longer recognised in profit or loss. The Amendments will facilitate earlier application of this long-awaited improvement to financial reporting.

The Amendments also remove the mandatory effective date from MFRS 9.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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.

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 introduce 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 through 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 MFRS139, it shall also account for its investment in that subsidiary in the same way in its separate financial statements.

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.*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Amendments to MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets

Amendments to MFRS 116 and MFRS 138 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 119 Employee Benefits

Amendments to MFRS 119 provides a practical expedient in accounting for contributions from employees or third parties to defined benefit plans.

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).

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 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Amendments to MFRS 139 Financial Instruments: Recognition and Measurement

Amendments to MFRS 139 provides relief from discontinuing hedge accounting in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. As a result of the amendments, continuation of hedge accounting is permitted if as a consequence of laws or regulations, the parties to hedging instrument agree to have one or more clearing counterparties replace their original counterparty and the changes to the terms arising from the novation are consistent with the terms that would have existed if the novated derivative were originally cleared with the central counterparty.

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.

2.3 Significant Accounting Policies

(a) Basis of Consolidation

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

The financial statements of the subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(a) Basis of Consolidation (Continued)

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of the non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statements of financial position. The accounting policy for goodwill is set out in the Note 2.3(c) to the financial statements. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Transactions with non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

(b) Subsidiaries

Subsidiaries are entities in which the Group has control. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has ability to affect those through its power over the entity.

An investment in subsidiaries which is eliminated on consolidation, is stated in the Company's separate financial statements at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(p) to the financial statements. On disposal of such an investment, the difference between the net disposal proceeds and its carrying amount is recognised in the profit or loss.

(c) Goodwill on Consolidation

Goodwill is measured as the excess of consideration transferred, any non-controlling interest and the acquisition date fair value of any previously-held equity interest over the fair value of the Group's share of the identifiable net assets acquired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(c) Goodwill on Consolidation (Continued)

Goodwill is stated at cost less any accumulated impairment losses. For the purpose of impairment assessment, goodwill is allocated to cash-generating units ("CGU") which are expected to benefit from the synergies of the business combination. Each CGU represents the lowest level at which the goodwill is monitored for internal management purposes and is not larger than an operating segment in accordance with MFRS 8 *Operating Segments*. The carrying amount of goodwill is assessed annually for impairment, or more frequently if events or changes in carrying amount of its net assets, including attributable goodwill. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Where the fair value of the Group's share of identifiable net assets acquired exceed the amount of consideration transferred, any non-controlling interest and the acquisition-date fair value of any previously-held equity interest, the entire resulting gain is recognised immediately in the statement of profit or loss.

(d) 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(p) 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% - 10%
Furniture and fittings and renovation	10%
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 statement 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(e) 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.

(f) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(f) Inventories (Continued)

In the current financial year, the Group adopted the amendments to MFRS 116, *Property, Plant and Equipment* (Annual improvements 2009-2011 Cycle) and classified spare parts as inventories unless the item of spare part is held for own use and expected to be used during more than one period in which it is classified as property, plant and equipment. In the previous financial years, all spare parts were classified as inventories. The change in accounting policy has been applied retrospectively. Nevertheless, there is no significant impact to the financial statements.

(g) Investments

Other investments are stated at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(p) to the financial statements.

On disposal of an investment, the difference between the disposal proceeds and its carrying amount is charged or credited to the profit or loss.

(h) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(h) 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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(h) Financial Instruments (Continued)

(ii) Financial Liabilities (Continued)

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.

(i) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(j) 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.

(k) 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.

(l) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(l) Employee Benefits (Continued)

(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.

(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.

(m) 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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(n) 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.

(o) 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.

(p) 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(p) Impairment of Assets (Continued)

(i) Impairment of Financial Assets (Continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(q) Segmental Reporting

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.

(r) 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.

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.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(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.

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

The Company tests investment in subsidiaries and amount due by subsidiaries for impairment on annually in accordance with its accounting policy. Reviews are performed regularly 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 by 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.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Key sources of estimation uncertainty (Continued)

(v) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires and estimation of the value-in-use of the cash generating units ("CGUs") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimation of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(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 receivable at the reporting date is disclosed in Note 10 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 21 to the financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

Group 2013	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 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

4. **PROPERTY, PLANT AND EQUIPMENT (Continued)**

Group 2012	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 2012	7,462	4,061	61,332	377,892	2,993	5,330	459,070
Additions	-	-	237	7,425	126	112	7,900
Disposals/write-offs	-	-	-	(500)	(385)	(273)	(1,158)
At 31st December 2012	7,462	4,061	61,569	384,817	2,734	5,169	465,812
Accumulated Depreciation							
At 1st January 2012	-	353	10,280	158,581	1,922	3,137	174,273
Depreciation for the financial year	-	44	1,408	22,878	226	724	25,280
Disposals/write-offs	-	-	-	(191)	(325)	(272)	(788)
At 31st December 2012	-	397	11,688	181,268	1,823	3,589	198,765
Carrying Amounts							
At 31st December 2012	7,462	3,664	49,881	203,549	911	1,580	267,047

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company 2013	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 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

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company 2012	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 2012	6,034	4,061	29,987	321,680	648	2,449	364,859
Additions	-	-	-	2,567	22	49	2,638
Disposals/write-offs	-	-	-	(500)	-	(22)	(522)
At 31st December 2012	6,034	4,061	29,987	323,747	670	2,476	366,975
Accumulated Depreciation							
At 1st January 2012	-	353	5,248	124,970	451	1,204	132,226
Depreciation for the financial year	-	44	602	18,207	46	424	19,323
Disposals/write-offs	-	-	-	(191)	-	(22)	(213)
At 31st December 2012	-	397	5,850	142,986	497	1,606	151,336
Carrying Amounts							
At 31st December 2012	6,034	3,664	24,137	180,761	173	870	215,639

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 22 to the financial statements with carrying amounts as follows:-

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Freehold land	6,034	6,034	6,034	6,034
Leasehold land	3,620	3,664	3,620	3,664
Buildings	50,778	49,881	23,535	24,137
Plant, machineries and equipments	162,466	179,961	162,466	179,961
Furniture and fittings	95	105	95	105
	222,993	239,645	195,750	213,901

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

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Plant, machineries and equipments	8,202	12,262	488	2,186
Motor vehicles	867	1,285	483	574
	9,069	13,547	971	2,760

(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	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
At Cost				
Plant, machineries and equipments	16,210	14,855	3,440	2,085
Furniture and fittings	801	591	372	172
Motor vehicles	2,500	1,791	1,354	649
	19,511	17,237	5,166	2,906

5. PREPAID LEASE PAYMENTS

	Group	
	2013 RM'000	2012 RM'000
At Cost		
At 1st January/ At 31st December	7,530	7,530
Accumulated Amortisation		
At 1st January	1,316	1,153
Amortisation during the financial year	163	163
At 31st December	1,479	1,316
Carrying Amounts		
As at 31st December	6,051	6,214

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 22 to the financial statements.

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2013 RM'000	2012 RM'000
At Cost		
- Unquoted shares	40,960	40,960

6. INVESTMENT IN SUBSIDIARIES (Continued)

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

Name of the Company	Effective Equity Interest 2013 %	2012 %	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.

** Subsidiaries not audited by Messrs. Baker Tilly Monteiro Heng.*

7. OTHER INVESTMENT

	Group and Company 2013 RM'000	2012 RM'000
Golf Club Membership		
At Cost		
At 1st January	15	15
Less: Write-off during the year	(15)	-
At 31st December	-	15

8. GOODWILL ON CONSOLIDATION

	Group 2013 RM'000	2012 RM'000
At 1st January/ 31st December	2,946	2,946

8. GOODWILL ON CONSOLIDATION (Continued)

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 6.68% was used in determining the value-in-used. The discount rate was estimated based on the Company's weighted average cost of capital;

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 RM220,985,000/- and RM21,267,000/- 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 2014 and remains status quo thereon.

- 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 11% and 26% 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.

9. INVENTORIES

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
At Cost				
Finished goods	20,957	23,381	8,892	12,280
Raw materials	30,549	24,935	6,809	5,431
Work-in-progress	3,316	2,776	-	-
Consumables and spare parts	12,071	10,868	12,071	10,868
	66,893	61,960	27,772	28,579

10. TRADE RECEIVABLES

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Trade receivables	53,144	42,268	33,606	25,251
Less: Allowance for impairment	(35)	(35)	-	-
	53,109	42,233	33,606	25,251

The currencies exposure profile of trade receivables are as follows:-

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Ringgit Malaysia	9,836	9,650	3,039	3,170
Singapore Dollar	38	6	-	-
United States Dollar	43,235	32,612	30,567	22,081
	53,109	42,268	33,606	25,251

(i) The Group's and the Company's normal trade credit terms are non-interest bearing and generally within 30 to 90 days (2012: 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 RM19,875,000/- (2012: RM13,074,000/-) 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 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Neither past due nor impaired	47,475	38,630	27,985	21,707
Past due but not impaired:				
- 1 - 30 days	4,571	3,593	4,571	3,544
- 31 - 60 days	1,063	10	1,050	-
	5,634	3,603	5,621	3,544
Impaired	35	35	-	-
	53,144	42,268	33,606	25,251

10. 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 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.

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The Company has 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	
	2013 RM'000	**2012 RM'000**
Trade receivables		
- nominal amounts	35	35
Less: Allowance for impairment	(35)	(35)
	-	-

Movements in impairment:-

	Group	
	2013 RM'000	**2012 RM'000**
At 1st January/ 31st December	35	35

10. TRADE RECEIVABLES (Continued)

(iii) Ageing analysis on trade receivables (Continued)

Receivables that are impaired (Continued)

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	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Trade receivables	53,109	42,233	33,606	25,251
Other receivables, deposits (Note 11)	4,560	868	3,084	788
Amount due by subsidiaries (Note 12)	-	-	2,081	2,144
Deposits placed with licensed banks (Note 13)	12,600	2,200	-	-
Cash and bank balances (Note 14)	19,695	25,511	7,098	8,131
Total loan and receivables	89,964	70,812	45,869	36,314

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Other receivables	1,793	705	747	705
Deposits	2,767	163	2,337	83
Prepayments	1,073	1,747	6	8
	5,633	2,615	3,090	796

(i) During the financial year, included in Group's deposits is an amount of RM2.272 million paid for purchase of plant and machineries, as disclosed in Note 37 to the financial statements.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Euro Dollar	201	400	201	400
Ringgit Malaysia	1,500	209	454	209
Singapore Dollar	40	-	40	-
United States Dollar	52	96	52	96
	1,793	705	747	705

12. AMOUNT DUE BY/(TO) SUBSIDIARIES

	Company	
	2013 RM'000	2012 RM'000
Amount due by subsidiaries		
- Trade	2,081	2,144
Amount due to subsidiaries		
- Trade	1,845	443
- Non-trade	(8,324)	(6,775)
	(6,479)	(6,332)

The normal trade credit term is 90 days (2012: 90 days).

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

13. DEPOSITS PLACED WITH LICENSED BANKS

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

	Group and Company	
	2013 RM'000	2012 RM'000
Interest Rate (%) (per annum)	2.50-2.95	2.50
Average maturities (days)	7-8	7-8

14. CASH AND BANK BALANCES

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Ringgit Malaysia	3,384	2,776	366	556
United States Dollar	16,311	22,735	6,732	7,575
	19,695	25,511	7,098	8,131

15. SHARE CAPITAL

	Group and Company			
	2013		2012	
	Number of Shares '000 unit	RM'000	Number of Shares '000 unit	RM'000
Ordinary shares of RM1/- each				
Authorised:-				
At 1 January/At 31 December	500,000	500,000	500,000	500,000
Issued and fully paid:-				
At 1 January/At 31 December	90,400	90,400	90,400	90,400

16. OTHER RESERVES

	Group and Company	
	2013 RM'000	2012 RM'000
Share premium	15,526	15,526
Warrant reserve	400	400
	15,926	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.

16. OTHER RESERVES (Continued)

(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.

There were no movement in the warrants during the financial year as stated below:-

	Number of Warrants			
	At 1.1.2013	Exercised	Expired	At 31.12.2013
Warrants	42,666,666	-	-	42,666,666

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.

17. RETAINED PROFITS

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28th December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividend will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31st December 2013, to allow companies to franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the tax credits under Section 108 of the Income Tax Act, 1967 ("Section 108 balance") and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31st December 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance.

The Company will be able to distribute dividends out of its entire retained profits subsequent to 31st December 2013 under the single tier system upon expiry of Section 108 on 31st December 2013.

18. TRADE PAYABLES

(i) The normal trade credit term granted to the Group and the Company range from 30 to 90 days (2012: 30 to 90 days).

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Chinese Renminbi	-	80	-	80
Euro Dollar	437	167	363	167
Japanese Yen	6	2	-	-
Ringgit Malaysia	37,008	38,756	25,974	29,782
Singapore Dollar	17	-	17	-
United States Dollar	651	432	117	86
	38,119	39,437	26,471	30,115

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade payables	38,119	39,437	26,471	30,115
Other payables and accruals (Note 19)	24,124	18,329	8,650	6,674
Amount due to subsidiaries (Note 12)	-	-	6,479	6,332
Amount due to related parties (Note 20)	2,906	3,621	2,700	3,415
Loans and borrowings (Note 22)	121,798	136,917	111,683	124,730
Total financial liabilities carried at amortised cost	186,947	198,304	155,983	171,266

19. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Other payables	10,015	7,580	5,744	4,768
Accruals	14,109	10,749	2,906	1,906
	24,124	18,329	8,650	6,674

19. OTHER PAYABLES AND ACCRUALS (Continued)

The foreign currencies exposure profile of the other payables and accruals is as follows:-

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Euro Dollar	-	27	-	-
Ringgit Malaysia	24,124	18,259	8,650	6,631
United States Dollar	-	43	-	43
	24,124	18,329	8,650	6,674

20. AMOUNT DUE TO RELATED PARTIES

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

21. PROVISION FOR RETIREMENT BENEFITS

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At 1st January	1,774	1,749	1,076	1,133
Charged for the financial year (Note 29)	212	181	128	99
Benefits paid during the financial year	(208)	(156)	(208)	(156)
At 31st December	1,778	1,774	996	1,076
The retirement benefit obligations are expected to settled as follows:-				
Non-current:-				
- later than 5 years	1,778	1,774	996	1,076

21. PROVISION FOR RETIREMENT BENEFITS (Continued)

The total amount recognised in the statements of financial position is as follows:

	Group		Company	
	2013 **RM'000**	**2012** **RM'000**	**2013** **RM'000**	**2012** **RM'000**
Current service costs	138	126	70	58
Interest on obligation	156	131	81	97
Past service costs	1,484	1,517	845	921
	1,778	1,774	996	1,076

The Group and the Company established an unfunded defined benefit plan for key management personnel during 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.

Retirement benefits charged for the financial year have been included in administrative expenses. Of this amount, approximately RM64,565/- (2012: RM54,800/-) was in respect of retirement benefits for the Company's Directors.

The principal actuarial assumption used is as follows:-

	Group and Company	
	2013 **%**	**2012** **%**
Discount rate	5	5

22. LOANS AND BORROWINGS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current (secured)				
Bank overdrafts	4,794	4,121	4,794	4,121
Export credit refinancing	-	566	-	-
Hire purchase liabilities (Note 23)	4,562	3,580	429	304
Offshore foreign currency loan	22,045	15,325	22,045	15,325
Term loan (Note 24)	27,004	25,946	26,278	24,964
	58,405	49,538	53,546	44,714
Non-current (secured)				
Hire purchase liabilities (Note 23)	3,282	4,762	301	399
Term loan (Note 24)	60,111	82,617	57,836	79,617
	63,393	87,379	58,137	80,016
Total loans and borrowings	121,798	136,917	111,683	124,730

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Ringgit Malaysia	15,638	38,249	5,523	26,062
United States Dollar	106,160	98,668	106,160	98,668
	121,798	136,917	111,683	124,730

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

	Group		Company	
	2013 %	2012 %	2013 %	2012 %
Bank overdrafts	7.85	7.85 - 8.10	7.85	7.85
Export credit refinancing	-	4.25	-	-
Hire purchase liabilities	2.48 - 3.57	2.55 - 3.75	2.48 - 3.50	2.55 - 3.75
Offshore foreign currency loan	1.64 - 2.00	1.57 - 2.72	1.64 - 2.00	1.57 - 2.72
Term loan	3.67 - 8.60	4.36 - 8.60	3.67 - 8.6	4.36 - 8.60

22. LOANS AND BORROWINGS (Continued)

(iii) The term loan, bank overdrafts, bankers' acceptances, export credit refinancing and offshore 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; and

(c) corporate guarantees by the Company given to the financial institutions for credit facilities granted to a subsidiary company, as disclosed in Note 34 to the financial statements.

23. HIRE PURCHASE LIABILITIES

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Minimum hire purchase payments				
- not later than one year	5,037	3,980	459	336
- later than one year and not later than five years	3,496	5,169	316	414
- later than five years	-	4	-	-
	8,533	9,153	775	750
Less: Amount representing future finance charges	(689)	(811)	(45)	(47)
Present value of minimum hire purchase payment	7,844	8,342	730	703
Represented by:-				
Current (Note 22)				
- not later than one year	4,562	3,580	429	304
Non-current (Note 22)				
- later than one year and not later than five years	3,282	4,762	301	399
- later than five years	-	-	-	-
	3,282	4,762	301	399
	7,844	8,342	730	703

Obligations under hire purchase

(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.

24. TERM LOAN

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current liabilities:				
- repayable within one year	27,004	25,946	26,278	24,964
Non-current liabilities:				
- not later than two years	23,095	25,748	22,310	25,023
- later than two years and not later than five years	36,779	56,332	35,526	54,594
- later than five years	237	537	-	-
	60,111	82,617	57,836	79,617
	87,115	108,563	84,114	104,581

25. DEFERRED TAX LIABILITIES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At 1st January	2,160	4,946	-	1,254
Transfer to profit or loss (Note 30)	138	(2,786)	-	(1,254)
At 31st December	2,298	2,160	-	-

(i) Recognised deferred tax liabilities/(assets)

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deferred tax liability:				
- Accelerated capital allowances	2,433	2,283	-	-
	2,433	2,283	-	-
Deferred tax assets:				
- Provision for retirement benefits	(135)	(123)	-	-
	(135)	(123)	-	-
	2,298	2,160	-	-

25. DEFERRED TAX LIABILITIES (Continued)

(ii) Unrecognised deferred tax liabilities/(assets)

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Excess of carrying amount over corresponding tax written down value	(158,896)	(173,532)	(158,896)	(173,561)
Provision for retirement benefits	996	1,076	996	1,076
Unabsorbed allowances on:				
- exports increase	10,004	19,243	-	-
- capital allowances	169,234	187,441	169,234	187,441
- investment tax allowances	248,805	248,805	248,805	248,805
Unutilised tax losses	1,327	1,327	1,327	1,327
	271,470	284,360	261,466	265,088
Potential deferred tax assets not recognised at 24% (2012: 25%)	65,153	71,090	62,752	66,272

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.

26. REVENUE

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

27. COST OF SALES

Cost of sales represents the costs of inventories sold.

28. FINANCE COSTS

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Interest expenses:				
- bank overdrafts	205	271	190	261
- export credit refinancing	17	71	-	-
- offshore foreign currency loan	334	-	334	-
- hire purchase	394	360	37	70
- term loan	5,670	7,156	5,393	6,799
	6,620	7,858	5,954	7,130

29. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at:-

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
After charging:-				
Amortisation of prepaid lease payments	163	163	-	-
Auditors' remuneration:				
- Statutory:				
- current year	90	90	38	40
- underprovision in prior year	2	6	-	4
- Non-statutory	63	69	64	68
Depreciation of property, plant and equipment	25,311	25,280	19,432	19,323
Directors' remunerations:				
• Directors of the Company				
- Directors' allowances	39	74	39	74
- Directors' fees	576	426	576	426
- Directors' emoluments:				
- salaries and bonus	832	644	832	644
- defined contribution plan	122	97	122	97
- other benefits	-	21	-	21
• Directors of the subsidiaries				
- Directors' fees	24	24	-	-
- Directors' emoluments:				
- salaries and bonus	2,002	1,610	-	-
- defined contribution plan	363	279	-	-
- other benefits	3,084	1,861	-	-
Loss on foreign exchange:				
- realised	185	246	185	-
- unrealised	4,897	-	4,897	-
Net loss on financial liabilities measured at amortised cost	191	132	191	132

29. PROFIT BEFORE TAXATION (Continued)

Profit before taxation has been arrived at:- (Continued)

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
After charging:- (Continued)				
Staff costs:				
- salaries, wages and bonuses	46,929	37,609	10,424	10,862
- defined contribution plan	2,042	1,920	1,023	1,116
- other staff related expenses	2,160	3,452	861	771
Other investment written off	15	-	15	-
Provision for retirement benefits:				
- directors	148	38	64	38
- others	64	143	64	61
Property, plant and equipment written off	4	282	-	222
Rental of equipment	23	208	23	208
Rental of premises	210	177	185	153
And crediting:-				
Dividend income	-	-	(2,980)	-
Gain on disposal of plant and equipment	(10)	(49)	-	(8)
Gain on foreign exchange:				
- realised	(1,841)	(1,132)	-	(1,132)
- unrealised	-	(4,417)	-	(4,417)
Interest income	(241)	(32)	-	(28)

30. TAXATION

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Income tax				
- current year	(1,275)	(1,161)	(593)	-
- (under)/overprovision in prior year	(80)	(125)	-	10
	(1,355)	(1,286)	(593)	10
Deferred taxation (Note 25)				
- current year	(424)	131	-	-
- overprovision in prior years	286	2,655	-	1,254
	(138)	2,786	-	1,254
	(1,493)	1,500	(593)	1,264

30. TAXATION (Continued)

The income tax is calculated at the statutory tax rate of 25% (2012: 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	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Profit before taxation	23,952	13,977	7,221	2,030
Taxation at applicable tax rate of 25% (2012: 25%)	(5,988)	(3,494)	(1,805)	(508)
Tax effects arising from				
- non-deductible expenses	(1,623)	(511)	(1,257)	(240)
- non-taxable income	2,572	2,700	1,563	2,695
- reversal/(origination) of deferred tax assets not recognised in the financial statements	5,937	275	3,520	(1,947)
- differences on tax rate	(2,597)	-	(2,614)	-
- overprovision in prior years	206	2,530	-	1,264
	(1,493)	1,500	(593)	1,264

31. 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	
	2013 RM'000	**2012 RM'000**
Profit for the financial year attributable to owners of the Company (RM'000)	22,459	15,477
Weighted average number of shares ('000 units)	90,400	90,400
Basic earnings per ordinary share (sen)	24.84	17.12

31. EARNINGS PER SHARE (Continued)

(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 warrants.

	Group	
	2013 RM'000	**2012 RM'000**
Profit for the financial year attributable to owners of the Company	22,459	15,477

	Number of Shares	
	2013 Unit'000	**2012 Unit'000**
Weighted average number of ordinary shares in issue	90,400	90,400
Add: Effect of dilution of share warrants	42,667	-
At 31st December	133,067	90,400
Diluted earning per share (sen)	16.88	17.12

32. DIVIDENDS

	Company	
	2013 RM'000	**2012 RM'000**
Dividend paid:		
Ordinary dividends in respect of the financial year ended 31st December 2011		
- First and final tax exempt dividend of RM0.01/- per ordinary share	-	904

33. 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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Purchase of property, plant and equipment	13,219	7,900	1,980	2,638
Financed by hire purchase arrangements	(3,437)	(4,650)	(355)	(441)
Cash payments on purchase of property, plant and equipment	9,782	3,250	1,625	2,197

34. CONTINGENT LIABILITIES

As at 31st December 2013, the Group and the Company are contingently liable for the following:-

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Issued in favour of third parties	14,463	3,695	13,666	3,040
Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries	-	-	10,072	12,131
	14,463	3,695	23,738	15,171

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 not probable that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the fair value of the corporate guarantee is nil.

35. 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.

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

(a) Transactions with related parties

	Company	
	2013 RM'000	**2012 RM'000**
Dividend income from a subsidiary		
- HeveaPac Sdn. Bhd.	2,980	-
Sales to subsidiaries		
- HeveaPac Sdn. Bhd.	20,154	14,659
- HeveaMart Sdn. Bhd.	1,334	1,113

35. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Key management personnel compensation

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Short term employees benefits payable to key management personnel:-				
- salaries and bonus	1,605	1,261	1,605	1,142
- defined contribution plans	239	192	239	174
- other benefits	128	156	128	147
	1,972	1,609	1,972	1,463

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.

36. 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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Directors of the Company				
Executive Directors:-				
- salaries, bonus, incentive and defined contribution plans	1,018	800	1,018	800
Non-Executive Directors:-				
- fees	600	450	576	426
- other emoluments	1,096	675	68	74
	1,696	1,125	644	500
Total Directors' remuneration	2,714	1,925	1,662	1,300

36. DIRECTORS' REMUNERATION (Continued)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Retirement benefits for Executive Directors	148	38	64	38

37. CAPITAL COMMITMENT

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Capital expenditure commitment				
Property, plant and equipment:-				
- Approved and but not contracted for	3,081	6,253	3,081	6,253

38. 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.

38. 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 expenses other than depreciation and amortisation	199	17	-	-	216

38. OPERATING SEGMENTS (Continued)

Group 2012	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000		Total RM'000
REVENUE						
External revenue	351,908	20,689	-	-		372,597
Inter-segment revenue	28,714	-	-	(28,714)	A	-
Total revenue	380,622	20,689	-	(28,714)		372,597
RESULTS						
Segment results	21,069	801	(3)	(32)	B	21,835
Finance costs	(7,850)	(8)	-	-		(7,858)
Profit before taxation	13,219	793	(3)	(32)		13,977
Taxation						1,500
Profit after taxation						15,477
Non-controlling interest						-
Profit attributable to owners of the Company						15,477
CONSOLIDATED STATEMENT OF FINANCIAL POSITION						
Segment assets #	444,424	8,895	6,155	(48,733)	C	410,741
Unallocated corporate assets						659
Total assets						411,400
Segment liabilities ^	207,204	4,004	30	(11,160)	D	200,078
Unallocated corporate liabilities						2,727
Total liabilities						202,805
OTHER INFORMATION						
Capital expenditure	7,826	74	-	-		7,900
Depreciation and amortisation	25,401	42	-	-		25,443
Non cash expenses other than depreciation and amortisation	442	21	-	-		463

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.

Note *Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements*

38. OPERATING SEGMENTS (Continued)

A Inter-segment revenues are eliminated on consolidation

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

	2013 RM'000	2012 RM'000
Dividend income	(2,980)	-
Taxable on dividend income	593	-
Unrealised profit on inventories	190	(32)
	(2,197)	(32)

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

	2013 RM'000	2012 RM'000
Investment in subsidiaries	(38,014)	(38,014)
Inter-segment assets	(10,475)	(11,160)
Unrealised profit on inventories	(190)	(226)
Consolidation adjustment	857	667
	(47,822)	(48,733)

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

	2013 RM'000	2012 RM'000
Inter-segment liabilities	(10,475)	(11,160)
	(10,475)	(11,160)

38. 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	
	2013 RM'000	2012 RM'000
Australia	16,092	14,452
Bangladesh	121	156
China	47,979	44,696
Europe	1,476	-
France	15,947	13,300
Hong Kong	3,286	-
India	20,009	29,289
Indonesia	9,644	12,550
Italy	215	577
Japan	135,268	127,604
Korea	31,622	20,639
Malaysia	40,361	43,927
Morocco	2,713	1,030
Myammar	428	-
Oman	2,049	2,588
Philippines	27,662	20,666
Portugal	766	-
Singapore	1,593	2,077
Sri Lanka	3,510	2,810
Taiwan	577	718
Thailand	412	-
United Arab Emirates	7,624	5,885
United Kingdom	11,636	9,230
United States of America	6,720	5,265
Vietnam	1,635	5,537
Others	162	9,601
	389,507	372,597

Major customers

Two major customers with revenue equal to more than 10% of Group revenue, amounts to approximately RM112,295,000/- (2012: RM100,170,000/-) arising from manufacturing segment.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

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)	10 – 11
Trade and other payables (current)	18 – 19
Loans and borrowings	22 – 24
Amount due by/(to) subsidiaries	12
Amount due to related parties	20

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).

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.

The fair values of current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

The following summarises the methods used in determining the fair values of the financial instruments:-

(i) The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.

(ii) The fair values of the hire purchase payables and term loans are determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period.

40. FINANCIAL INSTRUMENTS

(a) 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.

40. FINANCIAL INSTRUMENTS (Continued)

(a) Financial Risk Management and Objectives (Continued)

(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.

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 10(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	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Australia	1,429	339	-	107
China	19,875	13,166	19,875	13,074
Europe	318	-	-	-
France	1,498	68	-	-
India	5,480	5,207	5,238	5,162
Indonesia	650	563	650	563
Japan	7,196	8,514	113	-
Korea	3,235	1,633	3,235	1,633
Malaysia	9,519	9,615	2,926	3,170
Philippines	605	512	605	512
Portugal	19	-	-	-
Sri Lanka	288	387	91	387
United Arab Emirates	1,072	321	847	322
United Kingdom	1,473	1,081	-	-
United States of America	425	182	-	-
Others	27	645	26	321
	53,109	42,233	33,606	25,251

40. FINANCIAL INSTRUMENTS (Continued)

(a) 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 10 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 either past due or impaired

Information regarding financial assets that are past due or impaired is disclosed in Note 10 to the financial statements.

Financial assets that are past due but not impaired

Information regarding financial assets that are past due but not impaired is disclosed in Note 10 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 and Euro Dollar.

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.

40. FINANCIAL INSTRUMENTS (Continued)

(a) 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	Japanese Yen RM'000	Singapore Dollar RM'000	United States Dollar RM'000
Group				
2013				
Trade receivables	-	-	38	43,235
Other receivables	2,473	-	40	52
Trade payables	(437)	(6)	(17)	(651)
Cash and bank balances	-	-	-	16,311
Loans and borrowings	-	-	-	(106,160)
	2,036	(6)	61	(47,213)
2012				
Trade receivables	-	-	6	32,612
Other receivables	400	-	-	96
Trade payables	(167)	(2)	-	(432)
Other payables and accruals	(27)	-	-	(43)
Cash and bank balances	-	-	-	22,735
Loans and borrowings	-	-	-	(98,668)
	206	(2)	6	(43,700)
Company				
2013				
Trade receivables	-	-	-	30,567
Other receivables	2,473	-	40	52
Trade payables	(363)	-	(17)	(117)
Cash and bank balances	-	-	-	6,732
Loans and borrowings	-	-	-	(106,160)
	2,110	-	23	(68,926)

40. FINANCIAL INSTRUMENTS (Continued)

(a) Financial Risk Management and Objectives (Continued)

(ii) Foreign Currency Risk (Continued)

	Euro Dollar RM'000	Japanese Yen RM'000	Singapore Dollar RM'000	United States Dollar RM'000
Company (Continued)				
2012				
Trade receivables	-	-	-	22,081
Other receivables	400	-	-	96
Trade payables	(167)	-	-	(86)
Other payables and accruals	-	-	-	(43)
Cash and bank balances	-	-	-	7,575
Loans and borrowings	-	-	-	(98,668)
	233	-	-	(69,045)

Sensitivity analysis for foreign currency risk

A 10% strengthening/ weakening of the United States Dollar, Japanese Yen, 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.

40. FINANCIAL INSTRUMENTS (Continued)

(a) Financial Risk Management and Objectives (Continued)

(ii) Foreign Currency Risk (Continued)

Sensitivity analysis for foreign currency risk (Continued)

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	
	2013 Increase/ (Decrease) RM'000	**2012 Increase/ (Decrease) RM'000**	**2013 Increase/ (Decrease) RM'000**	**2012 Increase/ (Decrease) RM'000**
Effects on profit or loss and equity				
United States Dollar:-				
- strengthened by 10%	(4,721)	(4,370)	(6,893)	(6,905)
- weakened by 10%	4,721	4,370	6,893	6,905
Japanese Yen:-				
- strengthened by 10%	(1)	-	-	-
- weakened by 10%	1	-	-	-
Singapore Dollar:-				
- strengthened by 10%	6	1	-	-
- weakened by 10%	(6)	(1)	-	-
Euro Dollar:-				
- strengthened by 10%	204	21	211	23
- weakened by 10%	(204)	(21)	(211)	(23)

(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.

40. FINANCIAL INSTRUMENTS (Continued)

(a) Financial Risk Management and Objectives (Continued)

(iii) Liquidity Risk (Continued)

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):-

	Total 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						
2013						
Trade payables	38,119	-	38,119	38,119	-	-
Other payables and accruals	24,124	-	24,124	24,124	-	-
Amount due to related parties	2,906	-	2,906	610	2,296	-
Loans and borrowings:-						
- Hire Purchase	7,844	2.48 - 3.50	8,533	5,037	3,496	-
- Term loan	87,115	3.67 - 8.60	111,901	27,902	83,999	-
- Offshore foreign currency loan	22,045	1.64 - 2.00	22,045	22,045	-	-
- Bank overdraft	4,794	7.85	4,794	4,794	-	-
	186,947		212,422	122,631	89,791	-
2012						
Trade payables	39,437	-	39,437	39,437	-	-
Other payables and accruals	18,329	-	18,329	18,329	-	-
Amount due to related parties	3,621	-	3,621	980	2,641	-
Loans and borrowings:-						
- Hire Purchase	8,342	2.55 - 3.75	9,153	3,980	5,169	4
- Term loan	108,563	4.36 - 8.60	138,568	27,376	111,192	-
- Offshore foreign currency loan	15,325	1.57 - 2.72	15,325	15,325	-	-
- Bank overdraft	4,121	7.85 - 8.10	4,121	4,121	-	-
- Export credit refinancing	566	4.25	566	566	-	-
	198,304		229,120	110,114	119,002	4

40. FINANCIAL INSTRUMENTS (Continued)

(a) Financial Risk Management and Objectives (Continued)

(iii) Liquidity Risk (Continued)

	Total 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						
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 parties	2,700	-	2,700	404	2,296	-
Loans and borrowings:-						
- Hire Purchase	730	2.48 - 3.50	775	459	316	-
- Term loan	84,114	3.67 - 8.60	107,614	26,967	80,647	-
- Offshore foreign currency loan	22,045	1.64 - 2.00	22,045	22,045	-	-
- Bank overdraft	4,794	7.85	4,794	4,794	-	-
	155,983		179,528	96,269	83,259	-
2012						
Trade payables	30,115	-	30,115	30,115	-	-
Other payables and accruals	6,674	-	6,674	6,674	-	-
Amount due to subsidiaries	6,332	-	6,332	6,332	-	-
Amount due to related parties	3,415	-	3,415	774	2,641	-
Loans and borrowings:-						
- Hire Purchase	703	2.55 - 3.75	750	336	414	-
- Term loan	104,581	4.36 - 8.60	133,649	26,087	107,562	-
- Offshore foreign currency loan	15,325	1.57 - 2.72	15,325	15,325	-	-
- Bank overdraft	4,121	7.85	4,121	4,121	-	-
	171,266		200,381	89,764	110,617	-

40. FINANCIAL INSTRUMENTS (Continued)

(a) 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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Fixed rate instruments				
Financial liabilities				
Export credit refinancing	-	566	-	-
Hire purchase liabilities	7,844	8,342	730	703
Offshore foreign currency loan	22,045	15,325	22,045	15,325
Financial asset				
Deposits placed with licensed banks	12,600	2,200	-	2,054
Floating rate instruments				
Financial liabilities				
Bank overdrafts	4,794	4,121	4,794	4,121
Term loan	87,115	108,563	84,114	104,581

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

40. FINANCIAL INSTRUMENTS (Continued)

(a) 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			
	2013		2012	
	Increase 1% RM'000	Decrease 1% RM'000	Increase 1% RM'000	Decrease 1% RM'000
Group				
Variable rate instruments	(919)	919	(1,127)	1,127
Company				
Variable rate instruments	(889)	889	(1,087)	1,087

41. 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.

41. CAPITAL MANAGEMENT (Continued)

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total borrowings	121,798	136,917	111,683	124,730
Less:				
Deposits placed with licensed banks	(12,600)	(2,200)	-	-
Cash and bank balances	(19,695)	(25,511)	(7,098)	(8,131)
Net debt	89,503	109,206	104,585	116,599
Equity attributable to owners of the Company	231,054	208,595	156,392	149,764
Debt-to-equity ratio (times)	0.39	0.52	0.67	0.78

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 2013 are as follows:-

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
The retained profits of the Group and of the Company:-				
- Realised	116,015	103,198	45,169	47,855
- Unrealised	7,195	(2,257)	4,897	(4,417)
	123,210	100,941	50,066	43,438
Add: Consolidation adjustments	1,518	1,328	-	-
Total Group retained profits as per statements of financial position	124,728	102,269	50,066	43,438

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 34 to 106 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 2013 and of their 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 107 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 2014

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 34 to 106, and the supplementary information set out on page 107 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 2014.

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 2013 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 34 to 106.

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 2013 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.

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.

(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 107 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.

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

Ong Teng Yan
No. 3076/07/15 (J)
Chartered Accountant

Kuala Lumpur
Date: 22nd April 2014

List of **Properties**

Registered Owner	Location	Description/ existing use	Tenure of Land	Land Area	Audited Net Book Value as at 31 December 2013
HeveaBoard	Lot 1941 & 1942, Batu Tiga, Jalan Tampin, 73400 Gemas, Negeri Sembilan Darul Khusus	Factory, Office and Warehouse	Freehold	31,580 sq. m	9,025
	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	21,423
	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	217
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	12,592
	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	14,150
	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	5,501

Analysis of Shareholdings

A. Authorised Share Capital : RM500,000,000.00
Issued and Fully Paid-up Capital : RM90,400,000.00
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 25 APRIL 2014

Size of Shareholdings	No. of Holders	%	No. of Shares	%
Less than 100	10	0.42	460	0.00
100 – 1,000	725	30.27	237,550	0.26
1,001 – 10,000	1,102	46.01	6,393,390	7.07
10,001 – 100,000	476	19.87	15,668,300	17.33
100,001 – 4,519,999 (less than 5% of issued shares)	79	3.30	36,391,300	40.26
4,520,000 (5% of issued shares) and above	3	0.13	31,709,000	35.08
Total	2,395	100.00	90,400,000	100.00

C. SUBSTANTIAL SHAREHOLDERS AS AT 25 APRIL 2014

		Direct		Indirect		
	Name	No. of Shares	%	No. of Shares	%	
1.	HeveaWood Industries Sdn. Bhd.	27,075,000	29.95	962,400	1.06	@
2.	Firama Holdings Sdn. Bhd.	4,942,500	5.47	31,088,400	34.39	*
3.	Liang Chong Wai	2,185,100	2.42	28,037,400	31.01	~
4.	Yoong Tein Seng @ Yong Kian Seng	–	–	39,317,200	43.49	***
5.	Yoong Hau Chun	150,000	0.17	36,470,700	40.34	#
6.	Dato' Loo Swee Chew	148,000	0.16	28,189,000	31.18	❖
7.	Tenson Holdings Sdn. Bhd.	–	–	36,030,900	39.86	**
8.	Mah Fah Victor Group Sdn. Bhd.	–	–	36,030,900	39.86	**
9.	Yoong Li Yen	409,800	0.45	36,205,900	40.05	****

C. SUBSTANTIAL SHAREHOLDERS AS AT 25 APRIL 2014 (CONT'D)

@ 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. 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.

~ 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 25 APRIL 2014

	Name	Direct No. of Shares	Direct %	Indirect No. of Shares	Indirect %
1.	Yoong Hau Chun	150,000	0.17	36,470,700[1]	40.34
2.	Dato' Loo Swee Chew	148,000	0.16	28,189,000[2]	31.18
3.	Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	–	–	63,000[3]	0.07
4.	Lim Kah Poon	50,000	0.06	21,000[4]	0.02
5.	Bailey Policarpio	25,000	0.03	409,800[5]	0.45
6.	Yoong Li Yen	409,800	0.45	36,205,900[6]	40.05
7.	Yoong Tein Seng @ Yong Kian Seng (Alternate Director to Yoong Hau Chun)	–	–	39,317,200[7]	43.49

[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 25 APRIL 2014

	Name	No. of Shares Held	%
1.	RHB Nominees (Tempatan) Sdn. Bhd.		
	- OSK Capital Sdn. Bhd. for HeveaWood Industries Sdn. Bhd.	18,000,000	19.91
2.	HeveaWood Industries Sdn. Bhd.	9,000,000	9.96
3.	TA Nominees (Tempatan) Sdn. Bhd.		
	- Pledged Securities Account for Firama Holdings Sdn. Bhd.	4,709,000	5.21
4.	HDM Nominees (Tempatan) Sdn. Bhd.		
	- Pledged Securities Account for Yap Kiew @ Yap Chin Fook	2,307,000	2.55
5.	Liang Chong Wai	2,185,100	2.42
6.	Firama Engineering Berhad	1,890,000	2.09
7.	Lee Ka Yong	1,489,000	1.65
8.	HLIB Nominees (Tempatan) Sdn. Bhd.		
	- Pledged Securities Account for Sanur Sdn. Bhd.	1,435,000	1.59
9.	Cimsec Nominees (Tempatan) Sdn. Bhd.		
	- CIMB Bank for Looi Boon Han	1,400,000	1.55
10.	Firama Engineering Berhad	1,161,000	1.28
11.	Syed Mohd Yusof Bin Tun Syed Nasir	1,100,000	1.22
12.	Liau Choon Hwa & Sons Sdn. Bhd.	1,072,500	1.19
13.	Ah Kayu Moy @ Lee Kay Moy	1,000,000	1.11
14.	Syed Mohd Yusof Bin Tun Syed Nasir	1,000,000	1.11
15.	Yoong Li Bing	1,000,000	1.11
16.	Yoong Li Xian	1,000,000	1.11
17.	TM Rahmat Sdn. Bhd.	980,000	1.08
18.	Gemas Ria Sdn. Bhd.	962,400	1.06
19.	Yoong Kee Sin	845,000	0.93
20.	Yoong Li Mian	726,500	0.80
21.	RHB Capital Nominees (Tempatan) Sdn. Bhd.		
	- Pledged Securities Account for Fong Siling	660,000	0.73
22.	Inter-Pacific Equity Nominees (Tempatan) Sdn. Bhd.		
	- Pledged Securities Account for Lee See Kwan	650,000	0.72
23.	Solid Earnings Sdn. Bhd.	597,500	0.66
24.	Y.A.M. Tunku Imran Ibni Tuanku Ja'afar	580,000	0.64
25.	Fizwah Pembinaan Sdn. Bhd.	507,000	0.56
26.	Kenanga Nominees (Tempatan) Sdn. Bhd.		
	- Pledged Securities Account for Mak Sze Ling	500,000	0.55
27.	Yee Kong Yin	453,900	0.50
28.	Yoong Li Yen	409,800	0.45
29.	Denver Corporation Sdn. Bhd.	402,000	0.44
30.	Cimsec Nominees (Tempatan) Sdn. Bhd.		
	- CIMB Bank for Lee See Kwan	400,000	0.44
		58,422,700	64.63

Analysis of
Warrant B Holdings

A. DISTRIBUTION OF WARRANTHOLDINGS AS AT 25 APRIL 2014

Size of Warrantholdings	No. of Holders	%	No. of Warrants	%
Less than 100	33	4.06	1,094	0.00
100 – 1,000	57	7.01	26,144	0.06
1,001 – 10,000	324	39.85	2,195,590	5.15
10,001 – 100,000	346	42.56	11,643,030	27.29
100,001 – 2,133,333 (less than 5% of issued warrants)	49	6.03	11,071,565	25.95
2,133,334 (5% of issued warrants) and above	4	0.49	17,729,243	41.55
Total	813	100.00	42,666,666	100.00

B. LIST OF THIRTY (30) LARGEST WARRANT B HOLDERS AS AT 25 APRIL 2014

	Name	No. of Warrants Held	%
1.	RHB Nominees (Tempatan) Sdn. Bhd.		
	- OSK Capital Sdn. Bhd. for Heveawood Industries Sdn. Bhd.	7,122,000	16.69
2.	Heveawood Industries Sdn. Bhd.	4,804,310	11.26
3.	Heveawood Industries Sdn. Bhd.	3,000,000	7.03
4.	Solid Earnings Sdn. Bhd.	2,802,933	6.57
5.	Tan Ah Lim	849,400	1.99
6.	Cimsec Nominees (Tempatan) Sdn. Bhd.		
	- CIMB Bank for Looi Boon Han	700,000	1.64
7.	Chu Eng Hock	600,000	1.41
8.	Wong Wai Keung Raymond	495,800	1.16
9.	UOB Kay Hian Nominees (Asing) Sdn. Bhd.		
	- Exempt An for UOB Kay Hian Pte. Ltd.	450,000	1.05
10.	Sinar Maju Enterprise Sdn. Bhd.	378,100	0.89
11.	Gemas Ria Sdn. Bhd.	337,466	0.79
12.	Yoong Kee Sin	328,200	0.77
13.	Liau Chern Yee	307,566	0.72
14.	Alliance Group Nominees (Tempatan) Sdn. Bhd.		
	- Pledged Securities Account for Lam Kim Chiap	283,700	0.66
15.	Ambank (M) Berhad		
	- Pledged Securities Account for Wong Ah Yong	250,000	0.59
16.	Cimsec Nominees (Tempatan) Sdn. Bhd.		
	- CIMB Bank for Wong Ah Yong	250,000	0.59
17.	Wong Ah Yong	250,000	0.59
18.	HLB Nominees (Tempatan) Sdn. Bhd.		
	- Pledged Securities Account for Teoh Choon Meng	240,000	0.56
19.	Low Woei Chen	230,000	0.54
20.	Tey Bin Soon	220,000	0.52
21.	Lam Ngek Keow	219,100	0.51
22.	JF Apex Nominees (Tempatan) Sdn. Bhd.		
	- Pledged Securities Account for Seow Soon Fat	208,000	0.49

B. LIST OF THIRTY (30) LARGEST WARRANT B HOLDERS AS AT 25 APRIL 2014 (Cont'd)

	Name	No. of Warrants Held	%
23.	Affin Nominees (Tempatan) Sdn. Bhd.		
	- Pledged Securities Account for Cheah Yaw Tong	200,000	0.47
24.	Low Poh Wan	200,000	0.47
25.	Low Sou Pang	200,000	0.47
26.	N Anantharajan A/L S Nadarajan	200,000	0.47
27.	Ong Ah Moi @ Ong Sook Kim	200,000	0.47
28.	Wong Yon Yam	200,000	0.47
29.	Tan Ah Lim	190,900	0.45
30.	Mohamad Suhailizan Bin Sulaiman	182,000	0.43
		25,899,475	60.70

C. DIRECTORS' WARRANTHOLDINGS AS AT 25 APRIL 2014

		Direct		Indirect	
	Name	No. of Warrants	%	No. of Warrants	%
1.	Yoong Hau Chun	25,000	0.06	15,275,442[(1)]	35.80
2.	Dato' Loo Swee Chew	78,233	0.18	15,303,842[(2)]	35.87
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)]	35.85
7.	Yoong Tein Seng @ Yong Kian Seng				
	(Alternate Director to Yoong Hau Chun)	–	–	15,297,141[(5)]	35.85

[(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.

C. DIRECTORS' WARRANTHOLDINGS AS AT 25 APRIL 2014 (Cont'd)

(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 Twentieth (20th) Annual General Meeting ("AGM") of **HeveaBoard Berhad** will be held at Tawau Room, Ground Floor, Menara Hap Seng, No. 1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur, Wilayah Persekutuan on Wednesday, 18 June 2014 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 2013 together with the Reports of the Directors and Auditors thereon.	**[Please refer to Explanatory Note 1]**
2. To approve a single-tier first and final dividend of 2 sen per ordinary share in respect of the financial year ended 31 December 2013.	**Ordinary Resolution 1**
3. To approve the payment of Directors' fees of RM575,500.00 for the financial year ended 31 December 2013.	**Ordinary Resolution 2**
4. To re-elect Dato' Loo Swee Chew, 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 Yoong Hau Chun, 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 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 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."

Ordinary Resolution 8

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

"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.

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. 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 Twentieth (20th) AGM, a single-tier first and final dividend of 2 sen per ordinary share for the financial year ended 31 December 2013 will be payable on 1 August 2014 to holders of ordinary shares registered in the Record of Depositors at the close of business on 4 July 2014.

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 4 July 2014 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
27 May 2014

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 Twentieth (20th) 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 11 June 2014. 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 5 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 Twentieth (20th) 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.

   This is the renewal of the mandate obtained from the shareholders at the last AGM held on 18 June 2013 ("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 further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

   As at the latest practicable date of this Notice, private placements of total 1,000,000 ordinary shares of RM1.00 each were issued pursuant to the previous mandate granted to the Directors at the last AGM held on 18 June 2013 and the previous mandate will lapse at the conclusion of this Twentieth (20th) AGM. The total proceeds raised from the first and second tranches of the private placement was amounted to RM1,245,000.00. Upon the completion of the private placement, the estimated proceeds will be RM11,662,000.00 which will be utilised as follows:-

Details of utilisation	RM'000
Capital expenditures	3,500
Repayment of bank borrowings	4,000
Working capital	3,862
Estimated expenses in relation to the private placement	300
Total	**11,662**

   (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 27 May 2014 for further information.

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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 Twentieth (20th) Annual General Meeting of the Company to be held at Tawau Room, Ground Floor, Menara Hap Seng, No. 1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur, Wilayah Persekutuan on Wednesday, 18 June 2014 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 First and Final Dividend		
2	Approval of Directors' Fees		
3	Re-election of Dato' Loo Swee Chew as Director		
4	Re-election of Mr Yoong Hau Chun 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		

* *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 ______________ 2014

____
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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HeveaBoard Berhad (275512-A)

Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia

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Malaysia

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