Strive to deliver Value

ANNUAL REPORT 2012

HeveaBoard Berhad

INCORPORATED IN MALAYSIA (275512-A)

WHAT'S INSIDE...

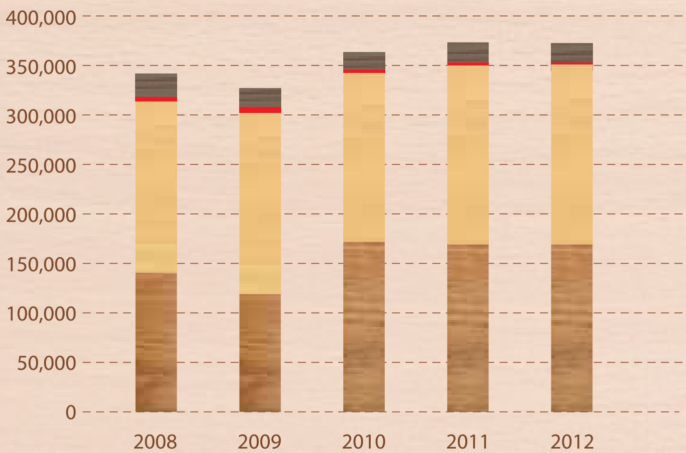
5-YEAR FINANCIAL HIGHLIGHTS

	2012	2011	2010	2009	2008
Turnover (RM'000)	**372,597**	373,049	363,137	327,417	340,912
Profit Before Tax (RM'000)	**13,977**	3,894	28,410	18,933	(182)
Tax (RM'000)	**1,500**	(553)	(2,699)	1,525	1,056
Profit After Tax (RM'000)	**15,477**	3,341	25,711	20,458	874
Share Capital (RM'000)	**90,400**	90,400	90,400	90,400	90,400
Net Assets (RM'000)	**208,595**	194,022	190,681	161,548	141,090
Net Assets Per Share (RM)*	**2.31**	2.15	2.11	1.79	1.56
Proposed Final Dividend (sen per ordinary share of RM1.00 each)	**-**	1.00	-	-	-
Net Earnings Per Share (sen)**	**17.12**	3.70	28.44	23.00	1.00

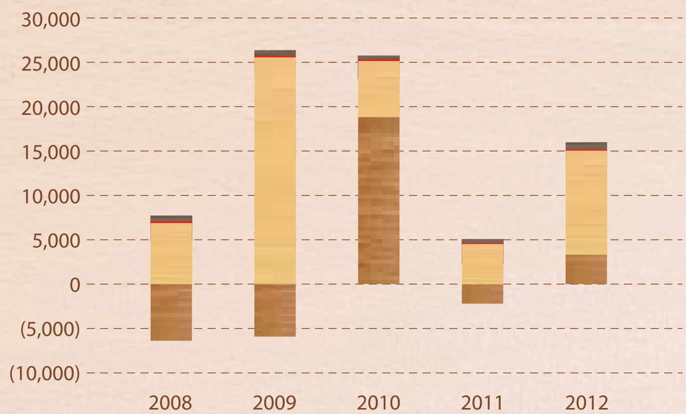
* The net assets per share of the Group is calculated based on the net assets value at the balance sheet date divided by the number of ordinary shares in issue at the balance sheet date.

** 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.

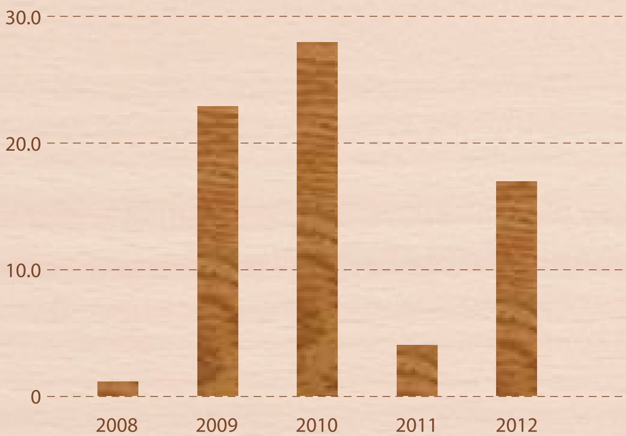
Turnover
(RM'000)



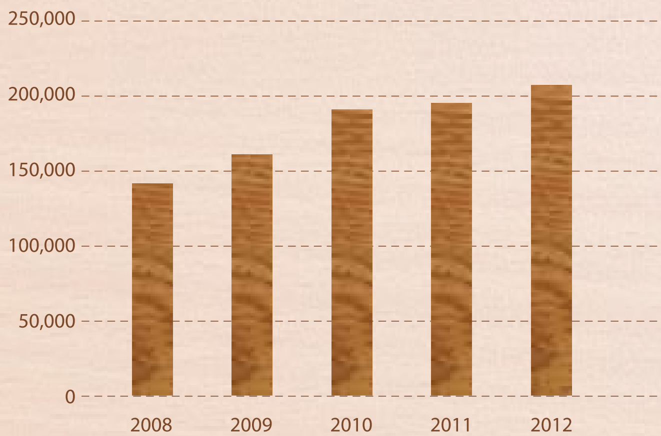
Profit After Tax
(RM'000)



Earnings Per Share
(SEN)



Net Assets
(RM'000)



HeveaBoard HeveaPac HeveaMart BocoWood Hevea OSB

STATEMENT FROM GROUP MANAGING DIRECTOR

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the 2012 Annual Report and Audited Financial Statements of **HeveaBoard Berhad ("HeveaBoard")** for the financial year ended 31 December 2012.

Firstly, I wish to extend my gratitude to our former Group Managing Director, Mr. Tenson Yoong for his many years of guidance and it is indeed his unreserved effort that has brought **HeveaBoard** to where it is today.

Operation and Performance Review

The Year 2012 had been a year full of challenges. We started the year with great uncertainties following the economic crisis that affected most European countries. Furthermore, there were elections in a few major countries such as the USA and Japan, with China also paving the way for its leadership change. All these uncertainties, to a certain extent, affected the world economic outlook as a whole. Despite the challenges and uncertainties, the HeveaBoard Group managed to achieve a revenue of RM372.60 million, a slight decrease of RM0.45 million or 0.12% compared to the previous year.

The Group reported a Profit Before Tax (PBT) of RM13.98 million as compared with a PBT of RM3.89 million in 2011, an increase of RM10.08 million or 259%. The much higher PBT was mainly attributed to the Ready-To-Assemble (RTA) furniture sector which had been able to achieve higher efficiency through the installation of automated lines in early 2012. The RTA sector saw PBT improved from RM5.11 million in 2011 to RM11.19 million in 2012.

Dividends

No dividend was declared for the financial year ended 31 December 2012 as the Board had adopted a prudent position during this uncertain time.

Outlook and Prospect

The outlook ahead remains challenging, and with the minimum wage policy for workers that came into effect on 1 January 2013, the RTA Furniture sector which employs more than 1,400 foreign workers would be bracing to face this challenge. Management of the RTA Furniture sector, however, is confident that with the addition of automated lines, and also better utilisation of manpower, the company would be able to stay competitive in the global market.

As for the Particleboard Sector, a technical tie-up has been well established with our Japanese counterpart which has further strengthened our international standing in terms of quality and technological advancement. Our strong presence in China also continues to benefit from the market's demand for high quality products. We differentiate ourselves by moving towards higher quality and greener products which would eventually provide a better way of life to our end users, and at the same time preserving the environment.

Green Initiatives

In our quest to play a leading role in preserving the environment, **HeveaBoard** has not only researched extensively into producing green products which are beneficial to end users but has also moved a step further in ensuring that we harvest the rubber wood raw material in the most responsible and environmentally friendly way.

STATEMENT FROM GROUP MANAGING DIRECTOR

The traditional way of rubber wood harvesting leaves a significant amount of wood fiber in the plantation as it was not economical to have the wood fully harvested. **HeveaBoard** has now introduced mobile chipping of the whole tree in the plantation, and with the right method and equipment, this harvesting process leaves no residue and wood fiber in the plantation. With the utilisation of this harvesting process, the recovery of wood fiber would not only increase and result in more raw materials but most importantly, this harvesting process leaves no residue in the plantation. As such, the traditional way of burning the residue after harvesting would now be eliminated.

Appreciation

On behalf of the Board of Directors, I would like to express our appreciation to the staff of **HeveaBoard** Group for their diligent service contributed to the Group. I also wish to thank our vendors, customers, bankers and professionals for their assistance and continuous support.

This would mark my first year as the Group Managing Director of **HeveaBoard**, I would like to thank our Chairman Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak for his close involvement and guidance during this period. Last but not least, I thank my fellow colleagues on the board for their advice and continuous support.

Yoong Hau Chun
Group Managing Director

CORPORATE INFORMATION

Board of Directors

Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak
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 Secretaries

Pang Chia Tyng

(MAICSA 7034545)

Ng Sally
(MAICSA 7060343)

Registered Office

10th Floor Menara Hap Seng
No. 1 & 3 Jalan P. Ramlee
50250 Kuala Lumpur
Wilayah Persekutuan
Tel : 03.2382.4288
Fax : 03.2382.4170

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
No. 22, Jalan Tun Sambanthan 3
50470 Kuala Lumpur
Tel : 03.2274.8988
Fax : 03.2260.1708

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

A Malaysian aged 80, 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 of 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

A Malaysian aged 37, 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, an Executive Director and a substantial shareholder of the Company. He is also the brother-in-law of Mr Bailey Policarpio, a Non-Independent Non-Executive Director of HeveaBoard.

Dato' Loo Swee Chew

A Malaysian aged 65, is 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.

Sitting from left to right: Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak, Yoong Hau Chun, Dato' Loo Swee Chew

Lim Kah Poon

A Malaysian aged 64, was appointed as an Independent Non-Executive Director of HeveaBoard on 1 October 2004. He is the Chairman of the Audit Committee and a member of the Nomination Committee, Remuneration Committee and Tender Board Committee of HeveaBoard. He is a Fellow of the Institute of Chartered Accountants in Ireland and a member of the Malaysian Institute of Accountants (MIA).

Mr Lim, a finance professional with a broad based business experience, spent the early part of his professional career with two of the big four accounting firms in Dublin and Kuala Lumpur/Penang for approximately 12 years. He joined a multinational company in Kuala Lumpur in 1983, where he held various senior finance positions over a 15 year-period, with the last one and a half years involved in audit and risk assessment on the control environment within the group of 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 was also appointed as Independant Non-Executive Director of (i) Jordone Group Berhad on 9 January 2012 and (ii) Pineapple Resources Berhad on 30 April 2013. He does not have any family relationship with any other director and/or substantial shareholders of HeveaBoard.

Bailey Policarpio

A Filipino aged 42, 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 a MSc in Manufacturing Systems from University of Nottingham, UK. His career included 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 substantial shareholders of the Company.

Sitting from left to right: Lim Kah Poon, Bailey Policarpio

PROFILE OF DIRECTORS

Yoong Li Yen

Malaysian aged 36, was appointed as an Executive Director of the Company on 18 February 2013. She graduated with a Bachelor of Business Administration degree from University of New Brunswick Canada and a Post Graduate Diploma from the 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 has 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)

A Malaysian aged 66, 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 the sawmill and timber export business and qualified as a registered Timber Grader. 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 26 April 2013 as set out on pages 123 to 129 of this Annual Report.

The details of the Directors' attendance at Board and Audit Committee meetings are set out on page 14 and 22 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 ("Bursa Securities") ("Main LR") whereby 1/3 of the Board are Independent Directors.

Sitting from left to right: Yoong Li Yen, Yoong Tein Seng @ Yong Kian Seng (Tensen Yoong)

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 AR2045

ID No. WP MY 03 01

1st JIS Certified Particleboard Manufacturer In Malaysia

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

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

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

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 2012, the Board has six (6) members comprising one (1)* Executive Director, two (2) Independent Non-Executive Directors and three (3) Non-Independent Non- Executive Directors (*Mr Yoong Tein Seng @ Yong Kian Seng was redesignated from Group Managing Director (Executive Director) to Non-Independent Non-Executive Director on 6 June 2012). The composition of the Board includes sufficient number of Independent, Executive and Non-Executive Directors as prescribed by the "Main LR". 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 and 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 diversity 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 profiles of each Director is presented on pages 6 to 8 of this Annual Report.

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.

BOARD OF DIRECTORS (CONT'D)

Going forward, the Board intends to further define and strengthen its roles and responsibilities in due course 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 comprises 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 21 November 2012. In this meeting, the NC:

i. Reviewed the appraisals of individual director, Board Committees and the Board as a whole;
ii. Reviewed the performance appraisal of Chief Financial Officer;
iii. Assessed and recommended the re-election of Directors;
iv. Considered the proposal to identify candidates for Independent Non-Executive Directors; and
v. Assessed and recommended appointment of additional member in the Remuneration Committee.

BOARD COMPOSITION AND COMMITTEES (CONT'D)

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 (Appointed on 21 November 2012) – 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 organizational 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 21 November 2012, 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, no meeting was held.

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 Section129(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 decision makings.

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 Non-Executive Director to provide shareholders with an alternative to convey their concerns via his e-mail address: choongtack_chan@heveaboard.com.my and seek clarifications from the Board.

Going forward, 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 cummulative 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 defintion 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.

BOARD COMMITMENT (CONT'D)

The Board meets at least once 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 proper deliberation on issues raised during Board meetings.

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

Director	No. of Meetings Attended/ No of Meetings Held
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	6/6
Mr Yoong Tein Seng @ Yong Kian Seng	5/6
Mr Yoong Hau Chun	5/6
Dato' Loo Swee Chew	5/6
Mr Lim Kah Poon	6/6
Mr Bailey Policarpio	5/6

The Directors recognise the needs to attend training to enable them to discharge their duties effectively. The training needs of each Director would be identified and proposed by the individual Directors and Nomination Committee annually upon completion of Director performance appraisals.

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

Director	Training Attended
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	Making the most of the chief financial officer role: everyone's responsibility? Updates on key risk profiles
Mr Yoong Tein Seng @ Yong Kian Seng	Making the most of the chief financial officer role: everyone's responsibility?
Mr Yoong Hau Chun	Updates on key risk profiles
Dato' Loo Swee Chew	Updates on key risk profiles
Mr Lim Kah Poon	Updates on key risk profiles

BOARD COMMITMENT (CONT'D)

Director	Training Attended
Mr Bailey Policarpio	Dimensional Metrology I: Basic Measurement
Ms Yoong Li Yen	Updates on key risk profiles

DIRECTORS' REMUNERATION

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

Remuneration Band	Executive	Non-Executive
RM100,000 and below	NIL	3
RM100,001 - RM150,000	NIL	1
RM500,001- RM550,000	1	NIL
RM1,100,001- RM1,150,000*	NIL	1
Total	**1**	**5**

*Mr Yoong Tein Seng @ Yong Kian Seng was redesignated from Group Managing Director (Executive Director) to Non-Independent Non-Executive Director on 6 June 2012).

The aggregate remuneration of the Directors of the Company for the year ended 31 December 2012 is as follows:-

	Executive (RM'000)	Non-Executive (RM'000)
Salaries, Bonus, EPF, Others	800	0
Fees	0	450
Other Emoluments	0	675
Total	**800**	**1,125**

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.

STATEMENT ON CORPORATE GOVERNANCE

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 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 Audit Committee 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 18 to 19.

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 "Main LR" 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 announcement 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 an important avenue 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 2012, which was prepared pursuant to Paragraph 15.26(b) of the "Main LR" and as guided by the latest "Statement on Risk Management and Internal Control – Guideline for Directors of Listed Issuers" which was 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 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.

HeveaBoard Berhad continues to be certified under the ISO 9001:2008 and ISO14001:2004, OSHAS 18001 and MS 1722 on quality and environmental management systems respectively. 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 internal control in the organisation. The first aspect of the review is undertaken by 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.

MANAGEMENT RESPONSIBILITIES AND ASSURANCE

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's 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 problem 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 RISK MANAGEMENT AND INTERNAL CONTROL BY THE 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 2012 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 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 2012, 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 LR":

1. SHARE BUY-BACKS

The Company had obtained its shareholders' approval at the Annual General Meeting held on 1 June 2012 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 2012 by the external auditors or a firm or company affiliated to the external auditors were RM20,793.60.

6. VARIATION IN RESULTS

There was no variance of 10% or more between the audited results for the financial year ended 31 December 2012 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 2012.

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
Independent Non-Executive Director

Mr Bailey Policarpio
Non-Independent Non-Executive Director

ATTENDANCE OF MEETINGS

During the financial year ended 31 December 2012, 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
Mr Lim Kah Poon (Chairman)	5/5
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	5/5
Mr Bailey Policarpio	5/5

TERMS OF REFERENCE

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

1. Objective

The primary objectives of the Audit Committee are to:

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

TERMS OF REFERENCE (CONT'D)

1. Objective (CONT'D)

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 is in compliance with the "Main LR", 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;

TERMS OF REFERENCE (CONT'D)

4. Authority (CONT'D)

(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;

TERMS OF REFERENCE (CONT'D)

5. Duties and Responsibilities (CONT'D)

(e) To review with Management: (CONT'D)

- o interim financial information; and
- o 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:

- o changes in or implementation of major accounting policy and practices;
- o significant and / or unusual matters arising from the audit;
- o the going concern assumption;
- o compliance with accounting standards and other legal requirements; and
- o 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 2012, 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 2012, the Internal Audit function of the Company was outsourced to an external service provider, namely, IA Essential Sdn. Bhd.

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

The activities of the Internal Audit function for the year included:-

(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 2012 was RM60,915.55.

CORPORATE SOCIAL RESPONSIBILITY

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

HEALTH AND SAFETY OF EMPLOYEES

There was a greater awareness in 2012 amongst employees on the Environment, Health and Safety. This was largely due to the Company obtaining the internationally recognised Integrated Management System (IMS) incorporating the ISO 14001:2004 Environmental Management System, OSHAS 18001:2007 Occupational Health and Safety Assessment Series and MS 1722 Part 1:2005.

In order to sustain this awareness the Company organised weekly safety briefings to small groups, conducted monthly safety and cleanliness audits and periodic management "walk thru" inspections. Talks by government bodies like PERKESO were held to explain to the employees the importance of a safe working environment.

Fifty six employees were trained and certified as First Aiders.

ENVIRONMENT

Programme for the Endorsement of Forest Certification (PEFC)

The Group places a high priority on environmental concerns especially since the main raw material used in the manufacturing process is wood. There is an increasing global concern that indiscriminate deforestation for the supply of wood will have a very detrimental impact to the environment. To support these concerns the Company is working towards the Programme for the Endorsement of Forest Certification (PEFC) Chain of Custody Certification.

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

The Company is working towards obtaining certification in early 2013. The acquisition of Chain of Custody certification will reinforce the Company's commitment to the environment and natural forests.

ISO 50001:2011 – Energy Management System

The generation and use of energy has an effect on the environment and climate change. The efficient use of energy will enable the Company to reduce cost as well as conserve resources and reduce the emission of Green House Gases like carbon dioxide. The Company recognises energy management as a critical issue.

To implement an efficient energy management system, the Company is preparing to obtain the ISO 50001:2100 Energy Management System. This internationally recognised system will provide a mechanism for the efficient use of energy by developing a policy, fixing targets to meet the policy, measure results, review the policy and continually improve energy management.

CORPORATE SOCIAL RESPONSIBILITY

HUMAN RESOURCE DEVELOPMENT

As part of the company's Green initiatives, they are now working towards obtaining the PEFC Chain of Custody Certification and the ISO 50001:2011 Energy Management Certification in 2013. To prepare the staff for this, trainings in this field were conducted. The Company sent participants to the United Nations Industrial Development Organization's Industrial Energy Efficiency for Malaysian Manufacturing Sector Program (IEEMMS). As part of this capacity building programme, the International Experts will deliver intensive training to potential national experts so that they can train others.

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 writing tables to replace the severely worn out desks of a school which lacked the funding to do so. Over 450 tables were given out in 2012.

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

Nine students from local universities and colleges participated in the Industrial Training programme. Some of the students who did the Industrial Training have joined the Company and become part of the team.

The Seremban General Hospital requested for blood donations and this was organised in the Company's premises with a very positive turnout.

STAKEHOLDERS

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

FINANCIAL STATEMENTS

DIRECTORS' REPORT

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31st December 2012.

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	15,477	3,294
Other comprehensive income	-	-
Total comprehensive income for the financial year	15,477	3 ,294
Profit for the year attributable to:		
Owners of the Company	15,477	3,294
Non-controlling interests	-	-
	15,477	3,294
Total comprehensive income attributable to:		
Owners of the Company	15,477	3,294
Non-controlling interests	-	-
	15,477	3,294

DIVIDEND

On 6th July 2012, the Company paid a first and final tax exempt dividend in respect of the financial year ended 31st December 2011, of RM0.01/- of 90,400,000 ordinary shares, amounting to RM904,000/-.

The directors do not recommend any dividends in respect of the financial year ended 31st December 2012.

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

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

VALUATION METHODS

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

DIRECTORS' REPORT

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 with in this report or the financial statements of the Group and of the Company that would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

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

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

2010/2020 WARRANTS ("Warrants")

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

2010/2020 WARRANTS ("Warrants") (CONT'D)

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

	Number of Warrants			
	At 1.1.2012	Exercised	Expired	At 31.12.2012
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' REPORT

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
Lim Kah Poon
Bailey Policarpio
Yoong Li Yen -Appointed on 18.02.2013

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 2012 are as follows:-

	Number of ordinary shares of RM1/- each			
	At Date of Appointment/ 1.1.2012	Acquired	Disposed	At 31.12.2012
The Company				
Direct Interests				
Yoong Tein Seng @ Yong Kian Seng	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 (Alternate director to Yoong Tein Seng @ Yong Kian Seng)	1,256,000	-	-	1,256,000

DIRECTORS' INTERESTS (CONT'D)

		Number of ordinary shares of RM1/- each			
		At Date of Appointment/ 1.1.2012	Acquired	Disposed	At 31.12.2012
The Company					
Indirect Interests					
Yoong Tein Seng @ Yong Kian Seng	(1)	38,372,400	2,500,000	-	40,872,400
Y. Bhg. Dato' Loo Swee Chew	(2)	28,189,000	-	-	28,189,000
Yoong Hau Chun	(3)	36,619,900	-	-	36,619,900
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	-	-	1,256,000
Yoong Li Yen (Alternate director to Yoong Tein Seng @ Yong Kian Seng)	(7)	36,784,900	-	-	36,784,900

	Number of Warrants			
	At Date of Appointment/ 1.1.2012	Acquired	Disposed	At 31.12.2012
The Company				
Direct Interests				
Yoong Tein Seng @ Yong Kian Seng	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 (Alternate director to Yoong Tein Seng @ Yong Kian Seng)	8,333	-	-	8,333

DIRECTORS' INTERESTS (CONT'D)

		Number of Warrants			
		At Date of Appointment/ 1.1.2012	Acquired	Disposed	At 31.12.2012
The Company					
Indirect Interests					
Yoong Tein Seng @ Yong Kian Seng	(1)	16,915,741	-	-	16,915,741
Y. Bhg. Dato' Loo Swee Chew	(2)	15,333,242	-	-	15,333,242
Yoong Hau Chun	(3)	16,960,709	-	-	16,960,709
Lim Kah Poon	(5)	7,000	-	-	7,000
Bailey Policarpio	(6)	8,333	-	-	8,333
Yoong Li Yen (Alternate director to Yoong Tein Seng @ Yong Kian Seng)	(7)	16,989,042	-	-	16,989,042

(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 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 and Yoong Li Mian, his sisters 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 and Yoong Li Mian, her 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. and by virtue of her relationship with Bailey Policarpio, her spouse.

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: 23rd April 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2012

	Note	Group 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	4	**267,047**	284,797	293,983
Prepaid lease payments	5	**6,214**	6,377	6,540
Other investment	7	**15**	15	15
Goodwill on consolidation	8	**2,946**	2,946	2,946
		276,222	294,135	303,484
Current assets				
Inventories	9	**61,960**	67,664	61,013
Trade receivables	10	**42,233**	42,032	47,210
Other receivables, deposits and prepayments	11	**2,615**	2,079	7,560
Tax recoverable		**659**	606	738
Deposits placed with licensed banks	13	**2,200**	2,054	2,516
Cash and bank balances	14	**25,511**	15,197	20,306
		135,178	129,632	139,343
TOTAL ASSETS		**411,400**	423,767	442,827
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	15	**90,400**	90,400	90,400
Other reserves	16	**15,926**	15,926	15,926
Retained profits	17	**102,269**	87,696	84,355
Total equity		**208,595**	194,022	190,681

	Note	31.12.2012 RM'000	Group 31.12.2011 RM'000	1.1.2011 RM'000
Non-current liabilities				
Other payables and accruals	19	**-**	-	4,949
Amount due to related parties	20	**2,641**	3,361	403
Provision for retirement benefits	21	**1,774**	1,749	1,539
Loans and borrowings	22	**87,379**	116,984	141,700
Deferred tax liabilities	25	**2,160**	4,946	5,050
		93,954	127,040	153,641
Current liabilities				
Trade payables	18	**39,437**	33,013	26,061
Other payables and accruals	19	**18,329**	21,002	25,531
Amount due to related parties	20	**980**	1,039	679
Tax payable		**567**	153	-
Loans and borrowings	22	**49,538**	47,498	46,234
		108,851	102,705	98,505
Total liabilities		**202,805**	229,745	252,146
TOTAL EQUITY AND LIABILITIES		**411,400**	423,767	442,827

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

STATEMENT OF FINANCIAL POSITION

as at 31 December 2012

	Note	Company 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	4	**215,639**	232,633	245,386
Investment in subsidiaries	6	**40,960**	40,960	40,960
Other investment	7	**15**	15	15
		256,614	273,608	286,361
Current assets				
Inventories	9	**28,579**	30,540	23,836
Trade receivables	10	**25,251**	22,962	30,103
Other receivables, deposits and prepayments	11	**796**	3,039	6,051
Amount due by subsidiaries	12	**2,144**	2,874	2,137
Tax recoverable		**592**	576	576
Deposits placed with licensed banks	13	**-**	2,054	2,516
Cash and bank balances	14	**8,131**	9,443	13,193
		65,493	71,488	78,412
TOTAL ASSETS		**322,107**	345,096	364,773
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	15	**90,400**	90,400	90,400
Other reserves	16	**15,926**	15,926	15,926
Retained profits	17	**43,438**	41,048	36,907
Total equity		**149,764**	147,374	143,233

	Note	31.12.2012 RM'000	Company 31.12.2011 RM'000	1.1.2011 RM'000
Non-current liabilities				
Other payables and accruals	19	**-**	-	4,949
Amount due to related parties	20	**2,642**	3,361	403
Provision for retirement benefits	21	**1,076**	1,133	1,000
Loans and borrowings	22	**80,016**	108,910	136,486
Deferred tax liabilities	25	**-**	1,254	1,150
		83,734	114,658	143,988
Current liabilities				
Trade payables	18	**30,115**	26,343	16,867
Other payables and accruals	19	**6,674**	9,144	16,138
Amount due to subsidiaries	12	**6,332**	6,355	6,009
Amount due to related parties	20	**774**	833	474
Loans and borrowings	22	**44,714**	40,389	38,064
		88,609	83,064	77,552
Total liabilities		**172,343**	197,722	221,540
TOTAL EQUITY AND LIABILITIES		**322,107**	345,096	364,773

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

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2012

		Group		Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Revenue	26	**372,597**	373,049	**184,147**	182,161
Cost of sales	27	**(334,752)**	(338,976)	**(172,313)**	(164,095)
Gross profit		**37,845**	34,073	**11,834**	18,066
Other income		**6,850**	5,209	**6,803**	10,465
Selling and distribution expenses		**(4,229)**	(3,474)	**(1,792)**	(1,940)
Administrative expenses		**(16,820)**	(16,496)	**(6,617)**	(8,162)
Finance costs	28	**(7,858)**	(9,394)	**(7,130)**	(8,574)
Other expenses		**(1,811)**	(6,024)	**(1,068)**	(5,600)
Profit before taxation	29	**13,977**	3,894	**2,030**	4,255
Taxation	30	**1,500**	(553)	**1,264**	(114)
Profit for the financial year		**15,477**	3,341	**3,294**	4,141
Other comprehensive income		**-**	-	**-**	-
Total comprehensive income for the financial year		**15,477**	3,341	**3,294**	4,141
Profit for the financial year attributable to:-					
Owners of the Company		**15,477**	3,341	**3,294**	4,141
Non-controlling interests		**-**	-	**-**	-
		15,477	3,341	**3,294**	4,141
Total comprehensive income attributable to:-					
Owners of the Company		**15,477**	3,341	**3,294**	4,141
Non-controlling interests		**-**	-	**-**	-
		15,477	3,341	**3,294**	4,141
Earnings per ordinary share attributable to owners of the Company (sen)					
- Basic earnings per share	31(a)	**17.12**	3.69		
- Diluted earnings per share	31(b)	**17.12**	3.69		

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2012

	Note	Share Capital RM'000	Share Premium RM'000	Warrant Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
		Attributable to owners of the Company				
Group						
Balance as at 1st January 2011		90,400	15,526	400	84,355	190,681
Total comprehensive income for the financial year		-	-	-	3,341	3,341
Balance as at 31st December 2011		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**
Company						
Balance as at 1st January 2011		90,400	15,526	400	36,907	143,233
Total comprehensive income for the financial year		-	-	-	4,141	4,141
Balance as at 31st December 2011		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**

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

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2012

		Group		Company	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		**13,977**	3,894	**2,030**	4,255
Adjustments for:-					
Amortisation for prepaid lease payments		**163**	163	**-**	-
Depreciation for property, plant and equipment		**25,280**	24,456	**19,323**	18,948
Dividend income		**-**	-	**-**	(5,960)
Gain on disposal of property, plant and equipment		**(49)**	(2)	**(8)**	-
Interest expenses		**7,858**	9,394	**7,130**	8,574
Interest income		**(32)**	(42)	**(28)**	(42)
Inventories written off		**-**	237	**-**	237
Property, plant and equipment written off		**282**	201	**222**	198
Provision for retirement benefits		**181**	210	**99**	133
Unrealised (gain)/loss on foreign exchange		**(4,417)**	2,045	**(4,417)**	2,045
Operating Profit before Working Capital Changes		**43,243**	40,556	**24,351**	28,388
Changes In Working Capital:-					
Inventories		**5,704**	(6,888)	**1,961**	(6,941)
Receivables		**(737)**	10,659	**(3,026)**	10,153
Payables		**3,751**	(2,335)	**1,302**	(2,276)
Amount due by/to subsidiaries		**-**	-	**(1,036)**	(1,092)
Cash Generated From Operations		**51,961**	41,992	**23,552**	28,232
Dividend paid		**(904)**	-	**(904)**	-
Interest paid		**(7,858)**	(9,394)	**(7,130)**	(8,574)
Retirement benefits paid		**(156)**	-	**(156)**	-
Income tax paid		**(1,098)**	(372)	**(5)**	(10)
Income tax refunded		**173**	-	-	-
Net Operating Cash Flows		**42,118**	32,226	**15,357**	19,648
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividend received		**-**	-	**2,980**	5,960
Interest received		**32**	42	**28**	42
Proceeds from disposal of property, plant and equipment		**137**	2	**95**	-
Purchase of property, plant and equipment	33	**(3,250)**	(9,256)	**(2,197)**	(5,715)
Repayment from subsidiaries		**-**	-	**802**	(13)
Net Investing Cash Flows		**(3,081)**	(9,212)	**1,708**	274

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Deposits held as security values		**-**	(2,054)	**-**	(2,054)
Deposits withdrawn as security values		**2,054**	-	**2,054**	-
Repayment of export credit refinancing		**(2,614)**	(435)	**-**	-
Drawdown of offshore foreign currency loan		**4,374**	1,042	**4,374**	1,042
Drawdown of term loan		**-**	2,500	**-**	-
(Repayment to)/advances from related parties		**(779)**	3,318	**(779)**	3,317
Net repayment of banker's acceptances		**-**	(1,244)	**-**	-
Repayment from subsidiaries		**-**	-	**941**	714
Repayment of hire purchase obligations		**(3,358)**	(3,561)	**(649)**	(2,243)
Repayment of term loans		**(25,884)**	(33,700)	**(24,785)**	(30,143)
Net Financing Cash Flows		**(26,207)**	(34,134)	**(18,844)**	(29,367)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**12,830**	(11,120)	**(1,779)**	(9,445)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		**10,760**	21,880	**5,789**	15,234
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		**23,590**	10,760	**4,010**	5,789
ANALYSIS OF CASH AND CASH EQUIVALENTS:-					
Deposits placed with licensed banks		**2,200**	2,054	**-**	2,054
Cash and bank balances		**25,511**	15,197	**8,131**	9,443
Bank overdrafts - secured		**(4,121)**	(4,437)	**(4,121)**	(3,654)
		23,590	12,814	**4,010**	7,843
Less: Deposits held as securities values		**-**	(2,054)	**-**	(2,054)
		23,590	10,760	**4,010**	5,789

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

The registered office of the Company is located at 10th Floor, Menara Hap Seng, No 1 & 3, Jalan P. Ramlee, 50250 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 23rd April 2013.

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 financial statements of the Group and of the Company for the financial year ended 31st December 2012 are the first set of financial statements prepared in accordance with the MFRSs, including MFRS 1 ***'First-time Adoption of MFRSs'***. In the previous financial year, the financial statements of the Group and the Company were prepared in accordance with the Financial Reporting Standards ("FRSs") in Malaysia.

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 (CONT'D)

2.2 New, Revised and Amendments/Improvements to Accounting Standards and IC Int

(a) Explanation of Transition to MFRSs

In conjunction with the planned convergence of FRSs with International Financial Reporting Standards as issued by the International Accounting Standards Board on 1st January 2012, the Malaysian Accounting Standards Board ("MASB") had on 19th November 2011 issued a new MASB approved accounting standards, MFRSs ("MFRSs Framework") for application in the annual periods beginning on or after 1st January 2012.

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1st January 2012, with the exception of entities subject to the application of MFRS 141 *Agriculture* and/or IC Int 15 *Agreements for the Construction of Real Estate* ("Transitioning Entities"). The Transitioning Entities are given an option to defer adoption of the MFRSs framework to financial periods beginning on or after 1st January 2014. Transitioning Entities also includes those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply the FRSs framework for annual periods beginning on or after 1st January 2012.

Accordingly, the Group and the Company which are not the Transitioning Entities have adopted the MFRSs framework including MFRS 1 *First-time Adoption of MFRSs* for the current financial year ended 31st December 2012.

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs effective for annual periods beginning on or after 1st January 2012 have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRSs.

The Group and the Company have consistently applied the same accounting policies in its opening MFRSs statement of financial position as at 1st January 2011 (date of transition) and throughout all years presented, as if these policies had always been in effect.

As at 31st December 2012, all FRSs issued under the existing FRSs framework are equivalent to the MFRSs issued under MFRSs framework except for differences in relation to the transitional provisions, the adoption of MFRS 141 *Agriculture* and IC Int 15 *Agreements for the Construction of Real Estate* as well as differences in effective dates contained in certain of the existing FRSs.

The adoption of the MFRSs for the current financial year did not result in any changes in accounting policies and material adjustments to the Group's and the Company's statements of financial position, statements of comprehensive income and statements of cash flows which are reported in accordance with the previous FRSs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 New, Revised and Amendments/Improvements to Accounting Standards and IC Int (CONT'D)

(b) New, revised, amendments/improvement to accounting standards and 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 and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:-

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 9	Financial Instruments	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
Revised MFRSs		
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2013
MFRS 7	Financial Instruments: Disclosures	1 January 2013
MFRS 10	Consolidated Financial Statements	1 January 2013 and 1 January 2014
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013 and 1 January 2014
MFRS 101	Presentation of Financial Statements	1 July 2012 and 1 January 2013
MFRS 116	Property, Plant and Equipment	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2014
MFRS 132	Financial Instruments: Presentation	1 January 2013 and 1 January 2014
MFRS 134	Interim Financial Reporting	1 January 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 New, Revised and Amendments/Improvements to Accounting Standards and IC Int (CONT'D)

(b) New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted (CONT'D)

		Effective for financial periods beginning on or after
New IC Int		
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to IC Int		
IC Int 2	Members' Shares in Co-operative Entities and Similar Instruments	1 January 2013

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

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 *Financial Instruments: Recognition and Measurement.* 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 New, Revised and Amendments/Improvements to Accounting Standards and IC Int (CONT'D)

(b) New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted (CONT'D)

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 ventures and associates in the separate financial statements of an investor and requires the entity to account for such investments either at cost, or in accordance with MFRS 9.

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.

MFRS 11 Joint Arrangements

MFRS 11 supersedes the former MFRS 131 ***Interests in Joint Ventures.*** Under MFRS 11, an entity accounts for its interest in a jointly controlled entity based on the type of joint arrangement, as determined based on an assessment of its rights and obligations arising from the arrangement. There are two types of joint arrangement namely joint venture or joint operation as specified in this new standard. A joint venture recognises its interest in the joint venture as an investment and account for it using the equity method. The proportionate consolidation method is disallowed in such joint arrangement. A joint operator accounts for the assets, liabilities, revenue and expenses related to its interest directly.

MFRS 12 Disclosures of Interests in Other Entities

MFRS 12 is a single disclosure standard for interests in subsidiary companies, joint ventures, associated companies 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 New, Revised and Amendments/Improvements to Accounting Standards and IC Int (CONT'D)

(b) New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted (CONT'D)

MFRS 13 Fair Value Measurement

MFRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. As defined in this standard, fair value is 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.

MFRS 128 Investments in Associates and Joint Ventures (Revised)

This revised MFRS 128 incorporates the requirements for accounting for joint ventures into the same accounting standard as that for accounting for investments in associated companies, as the equity method was applicable for both investments in joint ventures and associates. However, the revised MFRS 128 exempts the investor from applying equity accounting where the investment in the associate or joint venture is held indirectly via venture capital organisations or mutual funds and similar entities. In such cases, the entity shall measure the investment at fair value through profit or loss, in accordance with MFRS 9.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Accounting Policies (CONT'D)

(a) Basis of Consolidation (CONT'D)

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.

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 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 power to exercise control over the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Accounting Policies (CONT'D)

(c) Goodwill on Consolidation

(i) Acquisition before 1st January 2011

Goodwill represents the excess of the cost of business combination over the Group's share of net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition. Following the initial recognition, goodwill is 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.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include carrying amount of goodwill relating to the entity sold.

Negative goodwill represents the excess of the fair value of the Group's share of net assets acquired over the cost of acquisition. Negative goodwill is recognised directly in the statement of comprehensive income.

(ii) Acquisition on or after 1st January 2011

For acquisitions on or after 1st January 2011, the Group measures goodwill at the acquisition date as:

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

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

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

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

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Accounting Policies (CONT'D)

(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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Accounting Policies (CONT'D)

(e) Leases (CONT'D)

(i) Finance Leases (CONT'D)

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.

In previous financial year, leasehold land that normally had an indefinite economic life and title was not expected to pass to the lessee by the end of the lease term was treated as operating lease.

Leasehold land which in substance is a finance lease has been reclassified measured as such retrospectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Accounting Policies (CONT'D)

(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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Accounting Policies (CONT'D)

(h) Financial Instruments (CONT'D)

(i) Financial Assets (CONT'D)

Financial assets at fair value through profit or loss (CONT'D)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Accounting Policies (CONT'D)

(h) Financial Instruments (CONT'D)

(i) *Financial Assets* (CONT'D)

Available-for-sale financial assets (CONT'D)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Accounting Policies (CONT'D)

(h) Financial Instruments (CONT'D)

(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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Accounting Policies (CONT'D)

(j) Borrowing Costs (CONT'D)

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 (CONT'D)

2.3 Significant Accounting Policies (CONT'D)

(l) Employee Benefits (CONT'D)

(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 Group and the Company's obligations under the scheme are calculated using Discounted Method. The benefit is discounted in order to determine its present value. Actuarial gains and losses are recognised as income and expense over the expected average remaining working lives of the participating employees when the cumulative actuarial gains or losses for the scheme exceeded 10% of the unfunded defined benefit obligation. Past service costs are recognised immediately to the extent that the benefits are already vested, or otherwise are amortised on a straight-line basis over the average period until the amended benefits become vested. The Group and the Company's obligations under the scheme will be reviewed on a regular basis.

The amount recognised in the statements of financial position represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, if any.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Accounting Policies (CONT'D)

(m) Foreign Currencies (CONT'D)

(ii) Foreign currency transactions and translations (CONT'D)

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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Accounting Policies (CONT'D)

(p) Impairment of Assets

(i) Impairment of Financial Assets

All financial assets (except for financial assets categorised as fair value through profit or loss, 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant Accounting Policies (CONT'D)

(p) Impairment of Assets (CONT'D)

(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.

(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.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

Classification between operating lease and finance lease for leasehold land

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

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

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

(b) Key sources of estimation uncertainty

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

(i) Useful lives of property, plant and equipment

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(b) Key sources of estimation uncertainty (CONT'D)

(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.

(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.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(b) Key sources of estimation uncertainty (CONT'D)

(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, increment rate of salaries and retirement date of the key management personnel as disclosed in Note 21 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT

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 (CONT'D)

Group 2011	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 2011	7,462	4,061	60,304	365,166	2,876	4,774	444,643
Additions	-	-	864	13,106	119	1,382	15,471
Disposals/write-offs	-	-	-	(216)	(2)	(826)	(1,044)
Reclassification	-	-	164	(164)	-	-	-
At 31st December 2011	7,462	4,061	61,332	377,892	2,993	5,330	459,070
Accumulated Depreciation							
At 1st January 2011	-	309	8,930	136,438	1,678	3,305	150,660
Depreciation for the financial year	-	44	1,350	22,158	246	658	24,456
Disposals/write-offs	-	-	-	(15)	(2)	(826)	(843)
At 31st December 2011	-	353	10,280	158,581	1,922	3,137	174,273
Carrying Amounts							
At 31st December 2011	7,462	3,708	51,052	219,311	1,071	2,193	284,797
At 1st January 2011	7,462	3,752	51,374	228,728	1,198	1,469	293,983

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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 (CONT'D)

Company 2011	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 2011	6,034	4,061	29,823	316,741	606	1,465	358,730
Additions	-	-	-	5,367	42	984	6,393
Disposals/write-offs	-	-	-	(264)	-	-	(264)
Reclassification	-	-	164	(164)	-	-	-
At 31st December 2011	6,034	4,061	29,987	321,680	648	2,449	364,859
Accumulated Depreciation							
At 1st January 2011	-	309	4,650	107,147	402	836	113,344
Depreciation for the financial year	-	44	598	17,889	49	368	18,948
Disposals/write-offs	-	-	-	(66)	-	-	(66)
At 31st December 2011	-	353	5,248	124,970	451	1,204	132,226
Carrying Amounts							
At 31st December 2011	6,034	3,708	24,739	196,710	197	1,245	232,633
At 1st January 2011	6,034	3,752	25,173	209,594	204	629	245,386

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(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		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Freehold land	**6,034**	3,414	7,462	**6,034**	3,414	6,034
Leasehold land	**3,664**	3,708	3,752	**3,664**	3,708	3,752
Buildings	**49,881**	51,052	51,374	**24,137**	24,739	25,173
Plant, machineries and equipment	**179,961**	195,340	187,911	**179,961**	195,339	187,911
Furniture and fittings	**105**	197	135	**105**	197	135
	239,645	253,711	250,634	**213,901**	227,397	223,005

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

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Plant, machineries and equipment	**12,262**	8,428	8,913	**2,186**	1,482	2,298
Motor vehicles	**1,285**	1,738	1,372	**574**	791	540
	13,547	10,166	10,285	**2,760**	2,273	2,838

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(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		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
At Cost						
Plant, machineries and equipment	**14,855**	10,009	5,876	**2,085**	811	580
Furniture and fittings	**591**	492	236	**172**	6	6
Motor vehicles	**1,791**	1,581	1,405	**649**	187	187
	17,237	12,082	7,517	**2,906**	1,004	773

5. PREPAID LEASE PAYMENTS

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
At Cost			
At 1st January/At 31st December	**7,530**	7,530	7,530
Accumulated Amortisation			
At 1st January	**1,153**	990	990
Amortisation during the financial year	**163**	163	-
At 31st December	**1,316**	1,153	990
Carrying amounts			
As at 31st December	**6,214**	6,377	6,540

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 and the Company, as disclosed in Note 22 to the financial statements.

6. INVESTMENT IN SUBSIDIARIES

	Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At Cost			
- Unquoted shares	**40,960**	40,960	40,960

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

Name of the Company	Effective Equity Interest 31.12.2012 %	31.12.2011 %	1.1.2011 %	Principal Activities
Held by the Company				
HeveaPac Sdn. Bhd.	**100**	100	100	Manufacturing and trading of ready-to-assemble furniture.
HeveaMart Sdn. Bhd. *	**100**	100	100	Trading of particleboards and other panel boards.
BocoWood Sdn. Bhd. *	**100**	100	100	Distribution and marketing of ready-to-assemble furniture.
Hevea OSB Sdn. Bhd. *	**100**	100	100	Dormant.

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

7. OTHER INVESTMENT

	Group and Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Golf Club Membership			
At Cost			
At 1st January/At 31st December	**15**	15	15

8. GOODWILL ON CONSOLIDATION

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
At 1st January/31st December	**2,946**	2,946	2,946

The recoverable amounts of cash-generating units ("CGUs") in manufacturing segment and trading segment are determined based on value in use calculations using cash flows projections on financial budgets approved by management covering a 5 years period. The cash flows were projected by the directors based on past experiences, actual operating results and the 5 years business plan. A pre-tax discount rate of 5.52% 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 RM202,216,000/- and RM20,271,000/- for manufacturing segment and trading segment respectively. The expected revenue growth in the cash flows projection was ranged from 2% to 5% per annum for year 2013 to 2015 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 7% and 26% for manufacturing segment and trading segment respectively.

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 analysis for key assumption

A decrease of 1% in the gross margin and growth rate would cause the carrying amount of CGU of manufacturing segment materially exceed its recoverable amount.

A change in gross margin and growth rate would not cause the carrying amount of CGU of trading segment materially exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

9. INVENTORIES

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At Cost						
Finished goods	**23,381**	29,965	25,353	**12,280**	16,591	15,828
Raw materials	**24,935**	23,778	25,561	**5,431**	4,608	912
Work-in-progress	**2,776**	4,580	3,003	**-**	-	-
Spare parts and consumables	**10,868**	9,341	7,096	**10,868**	9,341	7,096
	61,960	67,664	61,013	**28,579**	30,540	23,836

10. TRADE RECEIVABLES

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Trade receivables	**42,268**	42,067	47,245	**25,251**	22,962	30,103
Less: Allowance for impairment	**(35)**	(35)	(35)	**-**	-	-
	42,233	42,032	47,210	**25,251**	22,962	30,103

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

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Ringgit Malaysia	**9,650**	9,147	9,635	**3,170**	2,452	3,739
Singapore Dollar	**6**	26	57	**-**	-	-
United States Dollar	**32,612**	32,894	37,553	**22,081**	20,510	26,364
	42,268	42,067	47,245	**25,251**	22,962	30,103

10. TRADE RECEIVABLES (CONT'D)

(i) The Group's and the Company's normal trade credit terms are non-interest bearing and generally within 30 to 90 days (31.12.2011: 30 to 90 days and 1.1.2011: 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 RM13,074,000/- (31.12.2011: RM11,317,000/- and 1.1.2011: RM7,881,000/-) which is due from a single receivable.

(iii) Ageing analysis on trade receivables

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

	Group			Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Neither past due nor impaired	**38,630**	40,910	45,581	**21,707**	22,962	29,475
Past due but not impaired:						
-1 - 30 days	**3,593**	1,122	1,163	**3,544**	-	625
- 31 - 60 days	**10**	-	466	**-**	-	3
	3,603	1,122	1,629	**3,544**	-	628
Impaired	**35**	35	35	**-**	-	-
	42,268	42,067	47,245	**25,251**	22,962	30,103

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 ageing 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.

10. TRADE RECEIVABLES (CONT'D)

(iii) Ageing analysis on trade receivables (CONT'D)

Receivables that are past due but not impaired (CONT'D)

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		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Trade receivables			
- nominal amounts	**35**	35	35
Less: Allowance for impairment	**(35)**	(35)	(35)
	-	-	-

Movements in impairment:-

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
At 1st January/31st December	**35**	35	35

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

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Other receivables	**705**	91	6,037	**705**	2,926	5,874
Deposits	**163**	1,458	416	**83**	97	98
Prepayments	**1,747**	530	1,107	**8**	16	79
	2,615	2,079	7,560	**796**	3,039	6,051

(i) In the previous financial year, included in Group's refundable deposits is an amount of RM1.136 million paid for purchase of plant and machineries, as disclosed in Note 37 to the financial statements.

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

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Euro Dollar	**400**	-	-	**400**	-	-
Ringgit Malaysia	**209**	91	6,037	**209**	2,926	5,874
United States Dollar	**96**	-	-	**96**	-	-
	705	91	6,037	**705**	2,926	5,874

12. AMOUNT DUE BY/(TO) SUBSIDIARIES

	Company		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
Amount due by subsidiaries			
- Trade	**2,144**	2,072	1,348
- Non-trade	**-**	802	789
	2,144	2,874	2,137
Amount due to subsidiaries			
- Trade	**443**	(521)	(889)
- Non-trade	**(6,775)**	(5,834)	(5,120)
	(6,332)	(6,355)	(6,009)

The normal trade credit term is 90 days (31.12.2011: 90 days and 1.1.2011: 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

(i) In the previous financial year, included in deposits placed with licensed bank is amount of RM2,054,300/- pledged to licensed banks to secure credit facilities granted to the Company, as disclosed in Note 22 to the financial statements.

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

	Group and Company		
	31.12.2012	**31.12.2011**	**1.1.2011**
Interest Rate (%) (per annum)	**2.50**	2.00	1.91
Average maturities (days)	**7 - 8**	31	31 - 365

14. CASH AND BANK BALANCES

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

	Group			Company		
	31.12.2012	**31.12.2011**	**1.1.2011**	**31.12.2012**	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**2,776**	3,723	1,911	**556**	1,227	776
United States Dollar	**22,735**	11,474	18,395	**7,575**	8,216	12,417
	25,511	15,197	20,306	**8,131**	9,443	13,193

15. SHARE CAPITAL

	Group and Company					
	31.12.2012		**31.12.2011**		**1.1.2011**	
	Number of Shares '000 unit	**RM'000**	**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	500,000	500,000
Issued and fully paid:-						
At 1 January/ At 31 December	**90,400**	**90,400**	90,400	90,400	90,400	90,400

16. OTHER RESERVES

	Group and Company		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
Share premium	**15,526**	15,526	15,526
Warrant reserve	**400**	400	400
	15,926	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.

(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 1.1.2012	**Exercised**	**Expired**	**At 31.12.2012**
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.

16. OTHER RESERVES (CONT'D)

(b) 2010/2020 Warrants ("Warrants") (CONT'D)

(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 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. Accordingly, during the transitional period, the Company may utilise the Section 108 balance as at 31st December 2012 to distribute cash dividend payments to ordinary shareholders as defined under Finance Act 2007.

Subject to agreement with the Inland Revenue Board, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt account under Section 12 of the Income Tax (Amendment) Act, 1999 to frank the distribution of its entire retained profits as at 31st December 2012 by way of dividends.

18. TRADE PAYABLES

(i) The normal trade credit term granted to the Group and the Company range from 30 to 90 days (31.12.2011: 30 to 90 days and 1.1.2011: 30 to 90 days).

18. TRADE PAYABLES (CONT'D)

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

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Chinese Renminbi	**80**	-	-	**80**	-	-
Euro Dollar	**167**	82	1,193	**167**	82	1,193
Japanese Yen	**2**	-	647	**-**	-	-
Ringgit Malaysia	**38,756**	32,880	23,226	**29,782**	26,261	15,674
United States Dollar	**432**	51	995	**86**	-	-
	39,437	33,013	26,061	**30,115**	26,343	16,867

19. OTHER PAYABLES AND ACCRUALS

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Non-current						
Other payables	**-**	-	4,949	**-**	-	4,949
Current						
Other payables	**7,580**	10,770	16,634	**4,768**	5,616	12,564
Accruals	**9,234**	6,812	5,433	**391**	114	110
Provision	**1,515**	3,420	3,464	**1,515**	3,414	3,464
	18,329	21,002	25,531	**6,674**	9,144	16,138
	18,329	21,002	30,480	**6,674**	9,144	21,087

19. OTHER PAYABLES AND ACCRUALS (CONT'D)

(i) As at 1st January 2011, included in the other payables and accruals of the Group and of the Company is an amount due to a supplier of approximately RM5.6 million for the supply, installation and commissioning of a plant for the production of particleboard.

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

	Group			Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Euro Dollar	**27**	20	5,560	**-**	-	5,560
Ringgit Malaysia	**18,259**	20,982	24,850	**6,631**	9,144	15,457
Singapore Dollar	**-**	-	17	**-**	-	17
Swiss Franc	**-**	-	41	**-**	-	41
United States Dollar	**43**	-	12	**43**	-	12
	18,329	21,002	30,480	**6,674**	9,144	21,087

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		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At 1st January	**1,749**	1,539	1,340	**1,133**	1,000	1,000
Charged for the financial year (Note 29)	**181**	210	199	**99**	133	-
Benefits paid during the financial year	**(156)**	-	-	**(156)**	-	-
At 31st December	**1,774**	1,749	1,539	**1,076**	1,133	1,000
The retirement benefit obligations are expected to settled as follows:-						
Non-current:-						
- later than 5 years	**1,774**	1,749	1,539	**1,076**	1,133	1,000

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

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Current service costs	**126**	147	225	**58**	87	154
Interest on obligation	**131**	123	77	**97**	103	57
Past service costs	**1,517**	1,479	1,237	**921**	943	789
	1,774	1,749	1,539	**1,076**	1,133	1,000

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 RM54,800/- (31.12.2011: RM74,280/- and 1.1.2011: RM73,000/-) was in respect of retirement benefits for the Company's Directors.

21. PROVISION FOR RETIREMENT BENEFITS (CONT'D)

The principal actuarial assumptions used are as follows:-

	Group and Company		
	31.12.2012	31.12.2011	1.1.2011
	%	%	%
Discount rate	**5**	5	5
Expected rate of salary increases	**3 to 5**	3 to 5	3 to 5

22. LOANS AND BORROWINGS

	Group			Company		
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current (secured)						
Bank overdrafts	**4,121**	4,437	942	**4,121**	3,654	475
Bankers' acceptances	**-**	-	1,244	**-**	-	-
Export credit refinancing	**566**	3,180	3,615	**-**	-	-
Hire purchase payables (Note 23)	**3,580**	2,557	3,386	**304**	510	2,116
Offshore foreign currency loan	**15,325**	10,951	9,909	**15,325**	10,951	9,909
Term loan (Note 24)	**25,946**	26,373	27,138	**24,964**	25,274	25,564
	49,538	47,498	46,234	**44,714**	40,389	38,064
Non-current (secured)						
Hire purchase payables (Note 23)	**4,762**	4,493	1,010	**399**	401	360
Term loan (Note 24)	**82,617**	112,491	140,690	**79,617**	108,509	136,126
	87,379	116,984	141,700	**80,016**	108,910	136,486
Total loans and borrowings	**136,917**	164,482	187,934	**124,730**	149,299	174,550

22. LOANS AND BORROWINGS (CONT'D)

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

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Ringgit Malaysia	**38,249**	58,007	66,522	**26,062**	42,824	53,138
United States Dollar	**98,668**	106,475	121,412	**98,668**	106,475	121,412
	136,917	164,482	187,934	**124,730**	149,299	174,550

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

	Group			Company		
	31.12.2012 %	31.12.2011 %	1.1.2011 %	31.12.2012 %	31.12.2011 %	1.1.2011 %
Bank overdrafts	**7.85 - 8.10**	7.4 - 8.10	7.10 - 7.55	**7.85**	7.40 - 7.85	7.10 - 7.55
Bankers' acceptances	**-**	4.25	4.75	**-**	-	-
Export credit refinancing	**4.25**	4.25	3.80	**-**	-	-
Hire purchase payable	**2.55 - 3.75**	2.55 - 3.75	2.88 - 3.75	**2.55 - 3.75**	2.55 - 3.75	2.88 - 3.75
Offshore foreign currency loan	**1.57 - 2.72**	1.85 - 2.69	2.12	**1.57 - 2.72**	1.85 - 2.69	2.12
Term loan	**4.36 - 8.60**	4.49 - 9.10	4.50 - 8.80	**4.36 - 8.60**	4.49 - 8.10	4.50 - 8.80

(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;

(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; and

(d) fixed deposits amounting to RM2,054,300/- in the previous financial year, as disclosed in Note 13 to the financial statements.

23. HIRE PURCHASE PAYABLES

	Group			Company		
	31.12.2012 **RM'000**	**31.12.2011** **RM'000**	**1.1.2011** **RM'000**	**31.12.2012** **RM'000**	**31.12.2011** **RM'000**	**1.1.2011** **RM'000**
Minimum hire purchase payments						
- not later than one year	**3,980**	2,867	3,665	**336**	539	2,211
- later than one year and not later than five years	**5,169**	4,769	1,116	**414**	425	369
- later than five years	**4**	128	-	**-**	-	-
	9,153	7,764	4,781	**750**	964	2,580
Less: Amount representing future finance charges	**(811)**	(714)	(385)	**(47)**	(53)	(104)
Present value of minimum hire purchase payment	**8,342**	7,050	4,396	**703**	911	2,476
Represented by:-						
Current (Note 22)						
- not later than one year	**3,580**	2,557	3,386	**304**	510	2,116
Non-current (Note 22)						
- later than one year and not later than five years	**4,762**	4,426	1,010	**399**	401	360
- later than five years	**-**	67	-	**-**	-	-
	4,762	4,493	1,010	**399**	401	360
	8,342	7,050	4,396	**703**	911	2,476

23. HIRE PURCHASE PAYABLES (CONT'D)

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 LOANS

	Group			Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Current liabilities:						
- repayable within one year	**25,946**	26,373	27,138	**24,964**	25,274	25,564
Non-current liabilities:						
- not later than two years	**25,748**	26,256	26,857	**25,023**	25,274	25,564
- later than two years and not later than five years	**56,332**	71,897	72,844	**54,594**	69,711	70,593
- later than five years	**537**	14,338	40,989	**-**	13,524	39,969
	82,617	112,491	140,690	**79,617**	108,509	136,126
	108,563	138,864	167,828	**104,581**	133,783	161,690

25. DEFERRED TAX LIABILITIES

	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000	Company 31.12.2012 RM'000	Company 31.12.2011 RM'000	Company 1.1.2011 RM'000
At 1st January	**4,946**	5,050	5,050	**1,254**	1,150	1,150
Transfer to profit or loss (Note 30)	**(2,786)**	(104)	-	**(1,254)**	104	-
At 31st December	**2,160**	4,946	5,050	**-**	1,254	1,150

(i) Recognised deferred tax liabilities/(assets)

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

	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000	Company 31.12.2012 RM'000	Company 31.12.2011 RM'000	Company 1.1.2011 RM'000
Deferred tax liability:						
- Accelerated capital allowances	**2,283**	52,470	49,625	**-**	48,670	45,632
	2,283	52,470	49,625	**-**	48,670	45,632
Deferred tax assets:						
- Provision for retirement benefits	**(123)**	(391)	(343)	**-**	(283)	(250)
- Unutilised tax losses	**-**	-	(332)	**-**	-	(332)
- Unabsorbed capital allowances	**-**	(47,133)	(43,900)	**-**	(47,133)	(43,900)
	(123)	(47,524)	(44,575)	**-**	(47,416)	(44,482)
	2,160	4,946	5,050	**-**	1,254	1,150

25. DEFERRED TAX LIABILITIES (CONT'D)

(ii) Unrecognised deferred tax liabilities/(assets)

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

	Group			Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Excess of carrying amount over corresponding tax written down value	**(177,871)**	-	-	**(177,888)**	-	-
Provision for retirement benefits	**1,076**	-	-	**1,076**	-	-
Unabsorbed allowances on:						
- exports increase	**19,243**	27,780	27,779	**-**	-	-
- capital allowances	**184,600**	-	-	**184,600**	-	-
- investment tax allowances	**248,805**	248,805	248,805	**248,805**	248,805	248,805
- reinvestment allowances	**-**	368	4,926	**-**	-	-
Unutilised tax losses	**1,327**	1,327	1,327	**1,327**	1,327	1,327
	277,180	278,280	282,837	**257,920**	250,132	250,132
Potential deferred tax assets not recognised at 25%	**69,295**	69,570	70,709	**64,480**	62,533	62,533

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, production costs, direct material, labour costs and related overheads.

28. FINANCE COSTS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest expenses:				
- bank overdrafts	**271**	141	**261**	136
- bankers' acceptances	**-**	27	**-**	-
- export credit refinancing	**71**	167	**-**	-
- hire purchase	**360**	281	**70**	84
- term loans	**7,156**	8,778	**6,799**	8,354
	7,858	9,394	**7,130**	8,574

29. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at:-

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
After charging:-				
Amortisation of prepaid lease payments	**163**	163	**-**	-
Auditors' remuneration:				
- Statutory:				
- current year	**90**	79	**40**	30
- underprovision in prior year	**6**	9	**4**	1
- Non-statutory	**69**	56	**68**	56
Depreciation of property, plant and equipment	**25,280**	24,456	**19,323**	18,948
Directors' allowances	**74**	12	**74**	12
Directors' fees	**450**	236	**426**	216
Directors' emoluments:				
- salaries and bonus	**2,254**	2,407	**644**	1,024
- defined contribution plan	**376**	324	**97**	174
- other benefits	**1,882**	843	**21**	34

NOTES TO THE FINANCIAL STATEMENTS

29. PROFIT BEFORE TAXATION (CONT'D)

Profit before taxation has been arrived at:- (CONT'D)

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
After charging:- (CONT'D)				
Inventories written off	**-**	237	**-**	237
Loss on foreign exchange:				
- realised	**246**	-	**-**	-
- unrealised	**-**	2,045	**-**	2,045
Net loss on financial liabilities measured at amortised cost	**132**	2,909	**132**	2,909
Staff costs:				
- salaries, wages and bonuses	**37,609**	40,705	**10,862**	10,788
- defined contribution plan	**1,920**	1,941	**1,116**	1,083
- other staff related expenses	**3,452**	4,328	**771**	683
Provision for retirement benefits:				
- directors	**38**	151	**38**	74
- others	**143**	59	**61**	59
Property, plant and equipment written off	**282**	201	**222**	198
Rental of equipment	**208**	313	**208**	313
Rental of premises	**177**	172	**153**	148

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
And crediting:-				
Dividend income	**-**	-	**-**	(5,960)
Gain on disposal of plant and equipment	**(49)**	(2)	**(8)**	-
Gain on foreign exchange:				
- realised	**(1,132)**	(2,609)	**(1,132)**	(1,916)
- unrealised	**(4,417)**	-	**(4,417)**	-
Interest income	**(32)**	(42)	**(28)**	(42)
Net gain on financial liabilities measured at amortised cost	**-**	(1,636)	**-**	(1,636)

30. TAXATION

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Income tax				
- current year	**(1,161)**	(682)	**-**	(10)
- overprovision in prior year	**(125)**	25	**10**	-
	(1,286)	(657)	**10**	(10)
Deferred taxation (Note 25)				
- current year	**131**	(1,478)	**-**	(1,254)
- overprovision in prior years	**2,655**	1,582	**1,254**	1,150
	2,786	104	**1,254**	(104)
	1,500	(553)	**1,264**	(114)

The income tax is calculated at the statutory tax rate of 25% (2011: 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 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Profit before taxation	**13,977**	3,894	**2,030**	4,255
Taxation at applicable tax rate of 25% (2011: 25%)	**(3,494)**	(974)	**(508)**	(1,064)
Tax effects arising from				
- non-deductible expenses	**(511)**	(3,070)	**(240)**	(945)
- non-taxable income	**2,700**	745	**2,695**	745
- origination/(reversal) of deferred tax assets not recognised in the financial statements	**275**	1,139	**(1,947)**	-
- overprovision in prior years	**2,530**	1,607	**1,264**	1,150
	1,500	(553)	**1,264**	(114)

31. EARNINGS PER SHARE

(a) Basic earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the profit 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	
	2012 RM'000	**2011 RM'000**
Profit for the financial year attributable to owners of the Company (RM'000)	**15,477**	3,341
Weighted average number of shares ('000 units)	**90,400**	90,400
Basic earnings per ordinary share (sen)	**17.12**	3.69

(b) Diluted earnings per ordinary share

The diluted earnings per ordinary shares are equals to the basic earnings per share because the outstanding warrants are anti-dilutive as the market value of the Company's shares are lower than the exercise price of the warrants.

32. DIVIDEND

	Company	
	2012 RM'000	**2011 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	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Purchase of property, plant and equipment	**7,900**	15,471	**2,638**	6,393
Financed by hire purchase arrangements	**(4,650)**	(6,215)	**(441)**	(678)
Cash payment on purchase of property, plant and equipment	**3,250**	9,256	**2,197**	5,715

34. CONTINGENT LIABILITIES

As at 31st December 2012, the Group and the Company are contingently liable for the followings:-

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Issued in favour of third parties	**3,695**	3,819	10,681	**3,040**	3,319	10,154
Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries	**-**	-	-	**12,131**	17,300	17,300
	3,695	3,819	10,681	**15,171**	20,619	27,454

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	
	2012	**2011**
	RM'000	**RM'000**
Dividend income from a subsidiary		
- HeveaPac Sdn. Bhd.	**-**	5,960
Sales to subsidiaries		
- HeveaPac Sdn. Bhd.	**14,659**	11,087
- HeveaMart Sdn. Bhd.	**1,113**	2,411

35. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

(b) Key management personnel compensation

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short term employees benefits payable to key management personnel:-				
- salaries and bonus	**1,261**	1,964	**1,142**	1,862
- defined contribution plans	**192**	283	**174**	267
- other benefits	**156**	468	**147**	190
	1,609	2,715	**1,463**	2,319

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	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Directors of the Company				
Executive Directors:-				
- salaries, bonus, incentive and EPF	**800**	1,501	**800**	1,232
Non-Executive Directors:-				
- fees	**450**	248	**426**	228
- other emoluments	**675**	-	**74**	-
	1,125	248	**500**	228
Total Directors' remuneration	**1,925**	1,749	**1,300**	1,460
Retirement benefits for Executive Directors	**38**	74	**38**	74

37. CAPITAL COMMITMENT

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

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Capital expenditure commitment						
Property, plant and equipment:-						
- Approved and but not contracted for	**6,252**	7,044	-	**6,252**	6,320	-

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.

38. OPERATING SEGMENTS (CONT'D)

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.

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)	**-**
Total revenue	380,622	20,689	-	(28,714)	**372,597**
RESULTS					
Segment results	21,069	801	(3)	(32)	**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**

38. OPERATING SEGMENTS (CONT'D)

Group 2012 (CONT'D)	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Total RM'000
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
Segment assets #	444,424	8,895	6,155	(48,733)	**410,741**
Unallocated corporate assets					**659**
Total assets					**411,400**
Segment liabilities ^	207,204	4,004	30	(11,160)	**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**

Group 2011	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Total RM'000
REVENUE					
External revenue	349,941	23,108	-	-	373,049
Inter-segment revenue	27,750	-	-	(27,750)	-
Total revenue	377,691	23,108	-	(27,750)	373,049

38. OPERATING SEGMENTS (CONT'D)

Group **2011** (CONT'D)	**Manufacturing RM'000**	**Trading RM'000**	**Others RM'000**	**Eliminations RM'000**	**Total RM'000**
RESULTS					
Segment results	18,721	544	(3)	(5,974)	13,288
Finance costs	(9,360)	(34)	-	-	(9,394)
Profit before taxation	9,361	510	(3)	(5,974)	3,894
Taxation					(553)
Profit after taxation					3,341
Non-controlling interest					-
Profit attributable to owners of the Company					3 ,341
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
Segment assets #	461,124	8,884	6,155	(53,002)	423,161
Unallocated corporate assets					606
Total assets					423,767
Segment liabilities ^	235,435	4,646	27	(15,462)	224,646
Unallocated corporate liabilities					5,099
Total liabilities					229,745
OTHER INFORMATION					
Capital expenditure	15,469	2	-	-	15,471
Depreciation and amortisation	24,572	47	-	-	2 4,619
Non cash expenses other than depreciation and amortisation	2,671	22	-	-	2,693

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.

38. OPERATING SEGMENTS (CONT'D)

Geographical information

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

	Revenue	
	2012	**2011**
	RM'000	**RM'000**
Australia	**14,452**	10,966
Bangladesh	**156**	87
Canada	**-**	153
China	**44,696**	44,219
France	**13,300**	13,115
India	**29,289**	44,848
Indonesia	**12,550**	22,616
Italy	**577**	1,392
Japan	**127,604**	135,009
Korea	**20,639**	9,718
Malaysia	**43,927**	53,439
Morocco	**1,030**	-
Oman	**2,588**	1,931
Philippines	**20,666**	2,288
Singapore	**2,077**	1,735
Sri Lanka	**2,810**	2,432
Taiwan	**718**	414
United Arab Emirates	**5,885**	4,966
United Kingdom	**9,230**	5,858
United States of America	**5,265**	6,179
Vietnam	**5,537**	8,547
Others	**9,601**	3,137
	372,597	373,049

Major customers

Two major customers with revenue equal to more than 10% of Group revenue, amounts to approximately RM100,170,000/- (2011: RM107,020,000/-) 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

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.

(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.

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management and Objectives (CONT'D)

(i) Credit Risk (CONT'D)

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

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Australia	**339**	1,077	-	**107**	25	-
Canada	**-**	-	303	**-**	-	-
China	**13,166**	11,311	7,881	**13,074**	11,311	7,881
France	**68**	101	295	**-**	-	-
India	**5,207**	5,241	12,834	**5,162**	5,241	12,833
Indonesia	**563**	1,810	1,735	**563**	1,810	1,735
Japan	**8,514**	8,870	9,193	**-**	-	142
Korea	**1,633**	-	1,089	**1,633**	-	1,089
Malaysia	**9,615**	9,147	9,080	**3,170**	2,452	3,739
Philippines	**512**	381	831	**512**	381	258
Sri Lanka	**387**	324	170	**387**	324	170
United Arab Emirates	**321**	320	808	**322**	320	808
United Kingdom	**1,081**	684	-	**-**	-	-
United States of America	**182**	1,462	522	**-**	-	-
Vietnam	**-**	1,003	1,448	**-**	1,003	1,448
Others	**645**	301	1,021	**321**	95	-
	42,233	42,032	47,210	**25,251**	22,962	30,103

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.

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management and Objectives (CONT'D)

(i) Credit Risk (CONT'D)

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

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 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 (CONT'D)

(a) Financial Risk Management and Objectives (CONT'D)

(ii) Foreign Currency Risk (CONT'D)

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	United States Dollar RM'000
Group			
31.12.2012			
Trade receivables	**-**	**-**	**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)**	**(43,700)**
31.12.2011			
Trade receivables	-	-	32,894
Trade payables	(82)	-	(51)
Other payables and accruals	(20)	-	-
Cash and bank balances	-	-	11,474
Loans and borrowings	-	-	(106,475)
	(102)	-	(62,158)
1.1.2011			
Trade receivables	-	-	37,553
Trade payables	(1,193)	(647)	(995)
Other payables and accruals	(5,560)	-	(12)
Cash and bank balances	-	-	18,395
Loans and borrowings	-	-	(121,412)
	(6,753)	(647)	(66,471)

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management and Objectives (CONT'D)

(ii) Foreign Currency Risk (CONT'D)

	Euro Dollar RM'000	Japanese Yen RM'000	United States Dollar RM'000
Company			
31.12.2012			
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)**
31.12.2011			
Trade receivables	-	-	20,510
Trade payables	(82)	-	-
Cash and bank balances	-	-	8,216
Loans and borrowings	-	-	(106,475)
	(82)	-	(77,749)
1.1.2011			
Trade receivables	-	-	26,364
Trade payables	(1,193)	-	-
Other payables and accruals	(5,560)	-	(12)
Cash and bank balances	-	-	12,417
Loans and borrowings	-	-	(121,412)
	(6,753)	-	(82,643)

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management and Objectives (CONT'D)

(ii) Foreign Currency Risk (CONT'D)

Sensitivity analysis for foreign currency risk

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

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

	Group			Company		
	31.12.2012 Increase/ (Decrease) RM'000	**31.12.2011 Increase/ (Decrease) RM'000**	**1.1.2011 Increase/ (Decrease) RM'000**	**31.12.2012 Increase/ (Decrease) RM'000**	**31.12.2011 Increase/ (Decrease) RM'000**	**1.1.2011 Increase/ (Decrease) RM'000**
Effects on profit or loss and equity						
United States Dollar:-						
- strengthened by 10%	**4,370**	6,216	6,647	**6,905**	7,775	8,264
- weakened by 10%	**(4,370)**	(6,216)	(6,647)	**(6,905)**	(7,775)	(8,264)
Japanese Yen:-						
- strengthened by 10%	**-**	-	65	**-**	-	-
- weakened by 10%	**-**	-	(65)	**-**	-	-
Euro Dollar:-						
- strengthened by 10%	**(21)**	10	675	**(23)**	8	675
- weakened by 10%	**21**	(10)	(675)	**23**	(8)	(675)

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management and Objectives (CONT'D)

(iii) Liquidity Risk

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

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

	Total RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	More than 5 Years RM'000
Group				
Financial Liabilities				
31.12.2012				
Trade payables	**39,437**	**39,437**	**-**	**-**
Other payables and accruals	**18,329**	**18,329**	**-**	**-**
Amount due to related parties	**3,621**	**980**	**2,641**	**-**
Loans and borrowings	**136,917**	**49,538**	**86,842**	**537**
	198,304	**108,284**	**89,483**	**537**
31.12.2011				
Trade payables	33,013	33,013	-	-
Other payables and accruals	21,002	21,002	-	-
Amount due to related parties	4,400	1,039	2,796	565
Loans and borrowings	164,482	47,498	102,579	14,405
	222,897	102,552	105,375	14,970
1.1.2011				
Trade payables	26,061	26,061	-	-
Other payables and accruals	30,480	25,531	3,689	1,260
Amount due to related parties	1,082	679	403	-
Loans and borrowings	187,934	46,234	100,711	40,989
	245,557	98,505	104,803	42,249

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management and Objectives (CONT'D)

(iii) Liquidity Risk (CONT'D)

	Total RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	More than 5 Years RM'000
Company				
Financial Liabilities				
31.12.2012				
Trade payables	**30,115**	**30,115**	**-**	**-**
Other payables and accruals	**6,674**	**6,674**	**-**	**-**
Amount due to subsidiaries	**6,332**	**6,332**	**-**	**-**
Amount due to related parties	**3,416**	**774**	**2,642**	**-**
Loans and borrowings	**124,730**	**44,714**	**80,016**	**-**
	171,267	**88,609**	**82,658**	**-**
31.12.2011				
Trade payables	26,343	26,343	-	-
Other payables and accruals	9,144	9,144	-	-
Amount due to subsidiaries	6,355	6,355	-	-
Amount due to related parties	4,194	833	2,796	565
Loans and borrowings	149,299	40,389	95,386	13,524
	195,335	83,064	98,182	14,089
1.1.2011				
Trade payables	16,867	16,867	-	-
Other payables and accruals	21,087	16,138	3,689	1,260
Amount due to subsidiaries	6,009	6,009	-	-
Amount due to related parties	877	474	403	-
Loans and borrowings	174,550	38,064	96,517	39,969
	219,390	77,552	100,609	41,229

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management and Objectives (CONT'D)

(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		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Fixed rate instruments						
Financial liabilities						
Banker's acceptance	**-**	-	1,244	**-**	-	-
Export credit refinancing	**566**	3,180	3,615	**-**	-	-
Hire purchase payables	**8,342**	7,050	4,396	**703**	911	2,476
Offshore foreign currency loan	**15,325**	10,951	9,909	**15,325**	10,951	9,909
Financial asset						
Deposits placed with licensed banks	**2,200**	2,054	2,516	**-**	2,054	2,516
Floating rate instruments						
Financial liabilities						
Bank overdrafts	**4,121**	4,437	942	**4,121**	3,654	475
Term loan	**108,563**	138,864	167,828	**104,581**	133,783	161,690

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

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management and Objectives (CONT'D)

(iv) Interest Rate Risk (CONT'D)

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					
	31.12.2012		**31.12.2011**		**1.1.2011**	
	Increase 1% RM'000	**Decrease 1% RM'000**	**Increase 1% RM'000**	**Decrease 1% RM'000**	**Increase 1% RM'000**	**Decrease 1% RM'000**
Group						
Variable rate instruments	**(1,127)**	**1,127**	(1,433)	1,433	(1,688)	1,688
Company						
Variable rate instruments	**(1,087)**	**1,087**	(1,374)	1,374	(1,622)	1,622

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.

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

		Group			**Company**	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Total borrowings	**136,917**	164,482	187,934	**124,730**	149,299	174,550
Less:						
Deposits placed with licensed banks	**(2,200)**	(2,054)	(2,516)	**-**	(2,054)	(2,516)
Cash and bank balances	**(25,511)**	(15,197)	(20,306)	**(8,131)**	(9,443)	(13,193)
Net debt	**109,206**	147,231	165,112	**116,599**	137,802	158,841
Equity attributable to owners of the Company	**208,595**	194,022	190,681	**149,764**	147,374	143,233
Debt-to-equity ratio (times)	**0.52**	0.76	0.87	**0.78**	0.94	1.11

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 2012 are as follows:-

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
The retained profits of the Group and of the Company:-				
- Realised	**103,198**	79,346	**47,855**	37,749
- Unrealised	**(2,257)**	6,991	**(4,417)**	3,299
	100,941	86,337	**43,438**	41,048
Add: Consolidation adjustments	**1,328**	1,359	**-**	-
Total Group retained profits as per statements of financial position	**102,269**	87,696	**43,438**	41,048

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 38 to 116 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 2012 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 117 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: 23rd April 2013

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 38 to 116, and the supplementary information set out on page 117 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 23rd April 2013.

Before me,

Arshad Abdullah (W 550)
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 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 38 to 116.

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 2012 and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITOR'S REPORT

to the members of **HeveaBoard Berhad**
(Incorporated 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 117 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

1. As stated in Note 2 to the financial statements, HeveaBoard Berhad adopted the Malaysian Financial Reporting Standards on 1st January 2012 with a transition date of 1st January 2011. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statements of financial position as at 31st December 2011 and 1st January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31st December 2011 and its related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31st December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1st January 2012 do not contain misstatements that materially affect the financial position as at 31st December 2012 and the financial performance and cash flows for the financial year then ended.

2. 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

Heng Ji Keng
No. 578/05/14 (J/PH)
Chartered Accountant

Kuala Lumpur

Date: 23rd April 2013

LIST OF PROPERTIES

Registered Owner	Location	Description/ existing use	Tenure of Land	Land Area	Audited Net Book Value as at 31 December 2012
HeveaBoard	Lot 1941 & 1942, Batu Tiga Jalan Tampin, 73400 Gemas Negeri Sembilan Darul Khusus	Factory, Office and Warehouse	Freehold	31,580 sq. m	9,203
	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	21,892
	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	225
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 Darul Khusus	Factory Buildings and Office Blocks	Leasehold (Expires on 22-1-2047)	39,659 sq. m	8,733
	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	14,500
	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	3,492

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 26 APRIL 2013

Size of Shareholdings	No. of Holders	%	No. of Shares	%
Less than 100	8	0.44	438	0.00
100 - 1,000	695	38.29	208,450	0.23
1,001 - 10,000	660	36.36	4,043,400	4.47
10,001 - 100,000	384	21.16	12,393,800	13.71
100,001 - 4,519,999 (less than 5% of issued shares)	65	3.58	41,784,912	46.22
4,520,000 (5% of issued shares) and above	3	0.17	31,969,000	35.36
Total	**1,815**	**100.00**	**90,400,000**	**100.00**

C. SUBSTANTIAL SHAREHOLDERS AS AT 26 APRIL 2013

	Name	Direct No. of Shares	Direct %	Indirect No. of Shares	Indirect %	
1.	HeveaWood Industries Sdn. Bhd.	27,075,000	29.95	962,400	1.06	@
2.	Firama Holdings Sdn. Bhd.	5,202,500	5.75	31,237,400	34.55	*
3.	Liang Chong Wai	2,588,600	2.86	28,037,400	31.01	~
4.	Yoong Tein Seng @ Yong Kian Seng	170,000	0.19	39,624,000	43.83	***
5.	Yoong Hau Chun	150,000	0.17	36,627,500	40.52	#
6.	Dato' Loo Swee Chew	148,000	0.16	28,037,400	31.01	~
7.	Tenson Holdings Sdn. Bhd.	-	-	36,439,900	40.31	**
8.	Mah Fah Victor Group Sdn. Bhd.	-	-	36,439,900	40.31	**
9.	Yoong Li Yen	7,600	0.01	36,784,900	40.69	****

ANALYSIS OF SHAREHOLDINGS

C. SUBSTANTIAL SHAREHOLDERS AS AT 26 APRIL 2013 (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 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 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 his family 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 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 under through Firama Holdings Sdn. Bhd.) pursuant to Section 6A 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 Yoong Tein Seng @ Yong Kian Seng, her father, Yoong Hau Chun , her brother, 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. and by virtue of her relationship with Bailey Policarpio, her spouse.

D. DIRECTORS' SHAREHOLDINGS AS AT 26 APRIL 2013

	Name	Direct No. of Shares	Direct %	Indirect No. of Shares	Indirect %
1.	Yoong Hau Chun	150,000	0.17	36,627,500[1]	40.52
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	7,600[5]	0.01
6.	Yoong Li Yen	7,600	0.01	36,784,900[6]	40.69
7.	Yoong Tein Seng @ Yong Kian Seng (Alternate Director to Yoong Hau Chun)	170,000	0.19	39,624,000[7]	43.83

[1] Deemed interested by virtue of his family 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 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, 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. and by virtue of his relationship with Loo Chin Meng (Lu Zhenming), his son.

[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 Yoong Tein Seng @ Yong Kian Seng, her father, Yoong Hau Chun, her brother, 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. and by virtue of her relationship with Bailey Policarpio, her spouse.

[7] 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 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.

ANALYSIS OF SHAREHOLDINGS

E. LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 26 APRIL 2013

	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.	Cimsec Nominees (Tempatan) Sdn. Bhd. - CIMB Bank for HeveaWood Industries Sdn. Bhd. (Banking)	9,000,000	9.96
3.	TA Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Firama Holdings Sdn. Bhd.	4,969,000	5.50
4.	Solid Earnings Sdn. Bhd.	4,381,800	4.85
5.	Liang Chong Wai	2,588,600	2.86
6.	HDM Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Yap Kiew @ Yap Chin Fook	2,396,000	2.65
7.	Liau Chern Yee	2,000,000	2.21
8.	Firama Engineering Berhad	1,890,000	2.09
9.	Syed Mohd Yusof bin Tun Syed Nasir	1,600,000	1.77
10.	Lee Ka Yong	1,489,000	1.65
11.	Yen Woon @ Low Sau Chee	1,476,000	1.63
12.	HLIB Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Sanur Sdn. Bhd.	1,435,000	1.59
13.	Firama Engineering Berhad	1,310,000	1.45
14.	Liau Choon Hwa & Sons Sdn. Bhd.	1,232,500	1.36
15.	Yoong Li Mian	1,026,500	1.14
16.	Ah Kayu Moy @ Lee Kay Moy	1,000,000	1.11
17.	Kenanga Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Mak Sze Ling	1,000,000	1.11
18.	Syed Mohd Yusof bin Tun Syed Nasir	1,000,000	1.11
19.	Yoong Li Bing	1,000,000	1.11
20.	Yoong Li Xian	1,000,000	1.11
21.	RHB Capital Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Nur Jazman bin Mohamed (CEB)	980,000	1.08
22.	Gemas Ria Sdn. Bhd.	962,400	1.06
23.	Lancar Indah Sdn. Bhd.	882,000	0.98
24.	Yong Kee Sin	845,000	0.93
25.	Fizwah Pembinaan Sdn. Bhd.	840,000	0.93
26.	Y.A.M. Tunku Imran Ibni Tuanku Ja'afar	580,000	0.64
27.	Malaysia Nominees (Tempatan) Sendirian Berhad - Pledged Securities Account for Liau Thai Min	500,000	0.55
28.	Yee Kong Yin	453,900	0.50
29.	Quah Lake Jen	430,300	0.48
30.	Choong Siew Loong	420,000	0.46
		66,688,000	73.77

ANALYSIS OF WARRANT B HOLDINGS

A. DISTRIBUTION OF WARRANTHOLDINGS AS AT 26 APRIL 2013

Size of Warrantholdings	No. of Holders	%	No. of Warrants	%
Less than 100	29	5.38	928	0.00
100 - 1,000	59	10.95	24,333	0.06
1,001 - 10,000	171	31.73	1,047,336	2.46
10,001 - 100,000	227	42.12	8,408,496	19.71
100,001 - 2,133,333 (less than 5% of issued warrants)	49	9.09	15,845,030	37.13
2,133,334 (5% of issued warrants) and above	4	0.74	17,340,543	40.64
Total	**539**	**100.00**	**42,666,666**	**100.00**

B. LIST OF THIRTY (30) LARGEST WARRANT B HOLDERS AS AT 26 APRIL 2013

	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.	Cimsec Nominees (Tempatan) Sdn. Bhd.		
	- CIMB Bank for HeveaWood Industries Sdn. Bhd. (Banking)	3,000,000	7.03
4.	Solid Earnings Sdn. Bhd.	2,414,233	5.66
5.	Liang Chong Wai	1,349,166	3.16
6.	Firama Engineering Berhad	1,300,000	3.05
7.	Lim Chin Hong	902,433	2.12
8.	Maybank Nominees (Tempatan) Sdn. Bhd.	800,000	1.88
9.	Chu Eng Hock	600,000	1.41
10.	Tan Ah Lim	600,000	1.41
11.	Maybank Securities Nominees (Asing) Sdn. Bhd.	550,000	1.29
12.	Mak Sze Ling	506,500	1.19
13.	Yen Woon @ Low Sau Chee	492,000	1.15
14.	Liau Choon Hwa & Sons Sdn. Bhd.	483,333	1.13
15.	Liau Chern Yee	478,666	1.12
16.	Maybank Nominees (Tempatan) Sdn. Bhd.		
	- Pledged Securities Account for Lam Ngek Keow	415,000	0.97
17.	Ong Siok Liang	400,000	0.94
18.	Wong Wai Keung Raymond	372,500	0.87
19.	Yoong Kee Sin	358,200	0.84
20.	Gemas Ria Sdn. Bhd.	337,466	0.79

ANALYSIS OF WARRANT B HOLDINGS

B. LIST OF THIRTY (30) LARGEST WARRANT B HOLDERS AS AT 26 APRIL 2013 (CONT'D)

Name	No. of Warrants Held	%
21. RHB Nominees (Tempatan) Sdn. Bhd. - OSK Capital Sdn. Bhd. for Sanur Sdn. Bhd.	317,066	0.74
22. JS Nominees (Tempatan) Sdn. Bhd. - Amara Investment Management Sdn. Bhd. for Lam Kim Seong (JS782)	313,400	0.73
23. Yap Nyok Lian	280,000	0.66
24. AmBank (M) Berhad - Pledged Securities Account for Wong Ah Yong (Smart)	250,000	0.59
25. Cimsec Nominees (Tempatan) Sdn. Bhd. - CIMB Bank for Wong Ah Yong (MY1278)	250,000	0.59
26. Wong Ah Yong	250,000	0.59
27. Chen Weng Fatt	248,000	0.58
28. Lee Kee Huat	244,000	0.57
29. Chong Kah Leong	235,000	0.55
30. Tay Yong Chuen	211,000	0.49
	29,884,273	70.04

C. DIRECTORS' WARRANTHOLDINGS AS AT 26 APRIL 2013

		Direct		Indirect	
	Name	No. of Warrants	%	No. of Warrants	%
1.	Yoong Hau Chun	25,000	0.06	16,969,042[(1)]	39.77
2.	Dato' Loo Swee Chew	78,233	0.18	15,311,242[(2)]	35.89
3.	Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	-	-	-	-
4.	Lim Kah Poon	28,600	0.07	7,000[(3)]	0.02
5.	Bailey Policarpio	6,666	0.02	8,333[(4)]	0.02
6.	Yoong Li Yen	8,333	0.02	16,989,042[(5)]	39.82
7.	Yoong Tein Seng @ Yong Kian Seng (Alternate Director to Yoong Hau Chun)	75,000	0.18	16,915,741[(6)]	39.65

C. DIRECTORS' WARRANTHOLDINGS AS AT 26 APRIL 2013 (CONT'D)

(1) Deemed interested by virtue of his family 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 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, 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. and by virtue of his relationship with Loo Chin Meng (Lu Zhenming), his son.

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

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

(5) Deemed interested by virtue of her family relationship with Yoong Tein Seng @ Yong Kian Seng, her father, Yoong Hau Chun, her brother, 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. and by virtue of her relationship with Bailey Policarpio, her spouse.

(6) 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 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.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Nineteenth (19th) 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 Tuesday, 18 June 2013 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 2012 together with the Reports of the Directors and Auditors thereon. *[Please refer to Explanatory Note 1]*

2. To approve the payment of Directors' fees of RM425,500.00 for the financial year ended 31 December 2012. *Ordinary Resolution 1*

3. To re-elect Mr Lim Kah Poon, the Director who is retiring pursuant to Article 123 of the Company's Articles of Association, and being eligible, offered himself for re-election. *Ordinary Resolution 2*

4. To re-elect Ms Yoong Li Yen, the Director who is retiring pursuant to Article 128 of the Company's Articles of Association, and being eligible, offered herself for re-election. *Ordinary Resolution 3*

5. 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 4*

6. To re-appoint Messrs Baker Tilly Monteiro Heng as Auditors of the Company and to authorise the Directors to fix their remuneration. *Ordinary Resolution 5*

Special Business

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

7. **Authority to Issue Shares**

"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 percent (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 6*

8. **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.

NOTICE OF ANNUAL GENERAL MEETING

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

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

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

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

whichever occurs first.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement or to effect the purchase(s) of the shares with full power to assent to any condition, modification, variation and/or amendment as may be imposed by the relevant authorities and to take all such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto." *Ordinary Resolution 7*

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

BY ORDER OF THE BOARD
PANG CHIA TYNG (MAICSA 7034545)
NG SALLY (MAICSA 7060343)
Company Secretaries

Kuala Lumpur
27 May 2013

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 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 appoint 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 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 10th Floor, Menara Hap Seng, No. 1 & 3 Jalan P. Ramlee, 50250 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 19th 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 2013. 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 4 – Re-appointment of Director pursuant to Section 129(6) of the Companies Act, 1965

   The re-appointment of Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak, being over the age of seventy (70) years as Director of the Company to hold office until the conclusion of the next AGM of the Company shall take effect if the Resolution 4 has been passed by a majority of not less than three-fourth (3/4) of such members as being entitled to vote in person or, where proxies are allowed, by proxy, at the 19th AGM of which not less than twenty one (21) days' notice has been duly given.

   (iii) Ordinary Resolution 6 - Authority to Issue Shares

   The proposed Ordinary Resolution 6, 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 ("the previous mandate"). The previous mandate was not utilised and no proceeds were raised. The purpose of this general mandate sought will provide flexibility to the Company for any possible fundraising 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.

   (iv) Ordinary Resolution 7 - Proposed Renewal of Authority for Purchase of Own Shares by the Company

   The proposed Ordinary Resolution 7, 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 Statement to Shareholders dated 27 May 2013 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 appoint

*(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 Nineteenth (19th) 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 Tuesday, 18 June 2013 at 10.00 a.m. or at any adjournment thereof and to vote as indicated below:

	Resolutions	For	Against
Ordinary Resolutions			
1.	Approval of Directors' Fees		
2.	Re-election of Mr Lim Kah Poon as Director		
3.	Re-election of Ms Yoong Li Yen as Director		
4.	Re-appointment of Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak as Director		
5.	Re-appointment of Messrs Baker Tilly Monteiro Heng as Auditors		
6.	Authority to Issue Shares		
7.	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 casted 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 ____________ 2013

____
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 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 appoint 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 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 10th Floor, Menara Hap Seng, No. 1 & 3 Jalan P. Ramlee, 50250 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 19th 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 2013. 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.

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AFFIX
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HERE

HeveaBoard Berhad (275512-A)
10th Floor, Menara Hap Seng
No. 1 & 3, Jalan P. Ramlee
50250 Kuala Lumpur, Malaysia

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