HeveaBoard Berhad

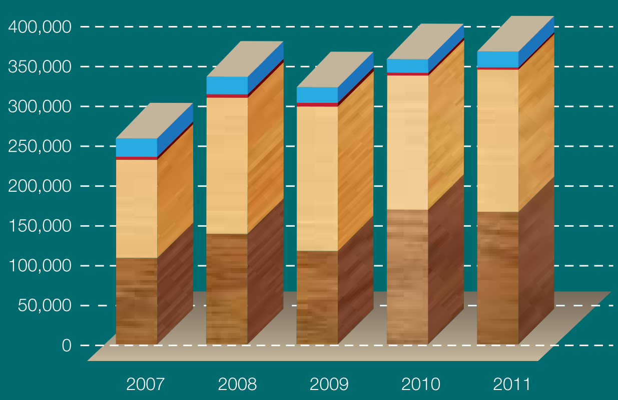
INCORPORATED IN MALAYSIA (275512-A)

ANNUAL REPORT 2011

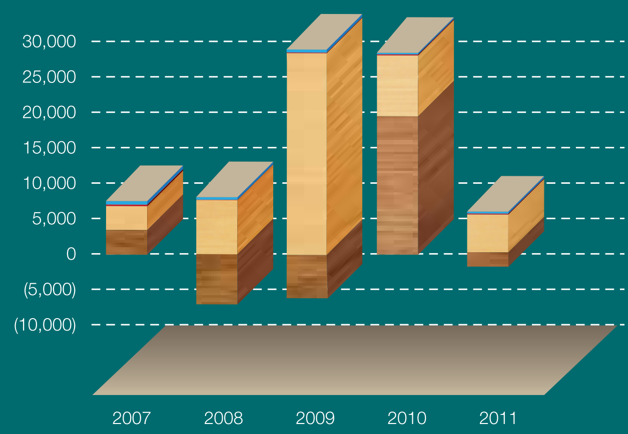
ENHANCING COMPETITIVENESS THROUGH GREEN INITIATIVES

Contents

Turnover
(RM'000)



Profit After Tax
(RM'000)



HeveaBoard HeveaPac HeveaMart BocoWood Hevea OSB

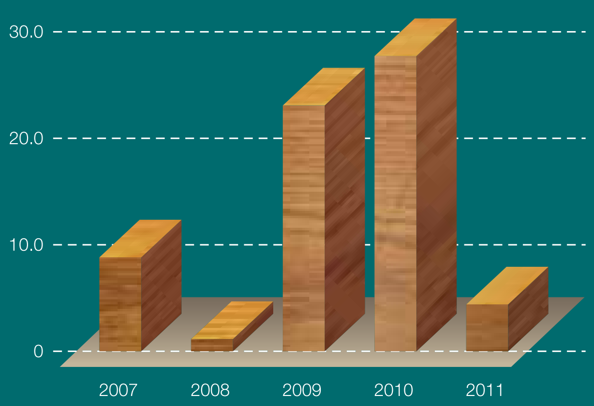
5-Year Financial Highlights

	2011	2010	2009	2008	2007
Turnover (RM'000)	**373,049**	363,137	327,417	340,912	262,238
Profit Before Tax (RM'000)	**3,894**	28,410	18,933	(182)	135
Tax (RM'000)	**(553)**	(2,699)	1,525	1,056	6,682
Profit After Tax (RM'000)	**3,341**	25,711	20,458	874	6,817
Share Capital (RM'000)	**90,400**	90,400	90,400	90,400	80,000
Net Assets (RM'000)	**194,022**	190,681	161,548	141,090	129,888
Net Assets Per Share (RM)*	**2.15**	2.11	1.79	1.56	1.62
Proposed Final Dividend (Sen per ordinary Share of RM1.00 each)	**1.00**	–	–	–	3.00
Net Earnings Per Share (Sen)**	**3.69**	28.44	23.00	1.00	8.52

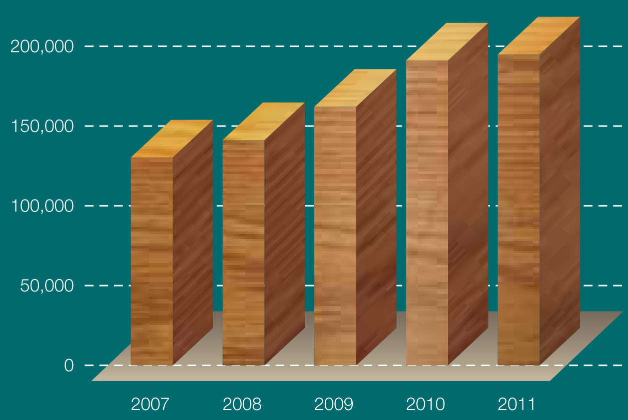
* The net assets per share of the Group is calculated based on the net assets value at the balance sheet date divided by the number of ordinary shares in issue at the balance sheet date.

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

Earnings Per Share
(SEN)



Net Assets
(RM'000)



Statement from Group Managing Director

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Eighteenth Annual Report and Audited Accounts of **HeveaBoard Berhad** for the financial year ended 31 December 2011.

Business Operation and Performance Review

The Group faced another challenging year in 2011. In addition to the unfavourable US Dollar exchange which prevailed most of the times in 2011, the downstream RTA furniture factory also faced with an acute shortage of foreign workers which impacted its performance during the year.

On 12 October 2011 the High Court of Malaya sanctioned the Termination of the Restructuring Scheme thus enabling the Company to be out of Section 176 Scheme. In the process, the Company repaid all the other Scheme Creditors under Section 176 saved for the two major financial institutional Creditors and one major Scheme Creditor who also gave their full support to the Termination. With the Termination of the Scheme, the Group is now back on normal footing in terms of public perception and relationship with financial institutions.

For the financial year ended 31 December 2011, despite the weakened US Dollar and shortage of workers, the Group achieved a revenue of RM373.05 million as compared with RM363.14 million in 2010, an increase of RM9.91 million or 2.7% attributed mainly to the RTA furniture sector which had achieved higher revenue.

The Group reported a PBT of RM3.89 million only as compared with a PBT of RM28.41 million in 2010, a decrease of RM24.52 million or 86.3%. The lower PBT was due to the weakened US Dollar exchange against the Ringgit, as more than 80% of the Group's revenues were for the export market transacted in US Dollar. In addition, the impact from the translation of the US Dollar denominated loan was significant in 2010, culminating to an unrealised exchange gain of RM11.8 million in 2010, where as in 2011, there was an unrealised exchange loss on PBT was RM2.05 million. The particleboard sector was also affected by the prolonged rainy season which had adversely affected the raw material supplies and lowered its production output.

Corporate Event

On October 15, 2011, the Company successfully organised a team building event participated by management staff and global buyers and at the same time, celebrated its 15th Anniversary with the dinner at Sunway Resort Kuala Lumpur.

Dividends

A first and final tax exempt dividend of 1.0 sen per ordinary share is proposed for FY2011.

Outlook and Prospect

The Company has now established a strong presence in China and **HeveaBoard** (亿维雅) as a brand is now well received. We are currently working closely with the top end furniture manufacturers in China, yet another effort to strengthen our presence in China.

The downstream RTA furniture sector would continue to experience shortage of workers in the foreseeable future but we do expect the impact on production due to the shortage of workers to be mitigated to some extent by the two newly installed auto lines installed and commissioned in the early part of this year, 2012.

Overall, 2012 remains to be challenging in terms of demand and pricing. Production cost efficiency continues to be our priority in order to remain competitive especially during this challenging time. Maintaining good rapport with our customers and providing excellent service and superior quality products will also be our continued focus to stay relevant with our customers.

Statement from Group Managing Director (cont'd)

Appreciation

On behalf of the Board of Directors, I wish to thank all the customers, suppliers and professionals who had given their full support to **HeveaBoard** during the year. I would also like to thank my fellow colleagues on the Board for their contributions. Finally I wish to thank the founder shareholders and the staff who had given me the trust and support all these years.

I am not seeking renewal of my contract as Group Managing Director of **HeveaBoard** but will remain as a Director and Advisor to the Company. I hope the new Group Managing Director will take **HeveaBoard** to greater heights and the Chairman and my fellow Directors will continue extending their full support to the new Group Managing Director as they extended to me in the past.

Tenson Yoong
Group Managing Director

Corporate Information

Board of Directors

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

Yoong Tein Seng @ Yong Kian Seng (Tenson Yoong)
Group Managing Director

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

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 Tein Seng @ Yong Kian Seng (Tenson Yoong)

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

Lai Chee Wah
(MAICSA 7031124)

Pang Chia Tyng
(MAICSA 7034545)

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

Messrs 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

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

The Directors do not have directorship in other public companies, except as disclosed by Lim Kah Poon.

The details of the Directors' securities holdings are set out in the Analysis of Shareholdings as at 12 April 2012 as set out on pages 102 to 106 of this Annual Report.

The details of the Directors' attendance at Board and Audit Committee meetings are set out on pages 11 and 19 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 Market LR") whereby 1/3 of the Board are Independent Directors.

Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak

A Malaysian aged 79, was appointed as an Independent Non-Executive Director of HeveaBoard on 1 October 2004. On 12 February 2010, he was redesignated as Independent Non-Executive Chairman of HeveaBoard. He is the Chairman of the Nomination Committee, Remuneration Committee, Tender Board Committee and a member of the Audit Committee of HeveaBoard Berhad. A qualified Normal Class and Kirby trained teacher as well as a Barrister-at-Law, he holds a Certificate in Teacher Training, a Teachers Trainers' Certificate, an LL.B Degree with Honours, from the University of London, a Certificate of Barrister-at-Law, Lincoln's Inn and a Corporate Masters Business Administration (CMBA) Degree from Ohio University, USA. He has served as a teacher, a headmaster, the Secretary General of Parti Gerakan Rakyat Malaysia, a senator as well as the President of the Senate in Malaysia. On the corporate side he has served as an Independent Non-Executive Director of Tenaga Nasional Berhad as well as a director of a few of its subsidiaries. Currently he is also a director of a few private limited companies. Tan Sri Dato' Chan does not have any family relationship with any other director and/or substantial shareholders of HeveaBoard Berhad.

Standing from left to right:
- **Yoong Tein Seng @ Yong Kian Seng (Tenson Yoong)**
- **Lim Kah Poon**
- **Yoong Hau Chun**

Yoong Tein Seng @ Yong Kian Seng (Tenson Yoong)

A Malaysian aged 65, is the Group Managing Director of HeveaBoard Group. He is a member of the Remuneration Committee of HeveaBoard Berhad.

He has over 30 years of experience in sawmill and timber export business. He is the father of Yoong Hau Chun, an Executive Director in HeveaBoard Berhad, and father-in-law of Bailey Policarpio, a Non-Independent Non-Executive Director of HeveaBoard Berhad.

Yoong Hau Chun

A Malaysian aged 36, joined HeveaBoard in 2000 and was appointed as Executive Director to HeveaBoard on 21 July 2000. 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. He is the son of Tenson Yoong, the Group Managing Director and substantial shareholder of HeveaBoard Berhad.

Lim Kah Poon

A Malaysian aged 63, 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 Berhad. On 9 January 2012, he was also appointed as an Independent Non-Executive Director and Chairman of Audit Committee of Jordone Group Berhad. 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 in Kuala Lumpur/Penang for approximately 12 years. He joined a multinational company in Kuala Lumpur in 1983, where he held various senior finance positions over a 15 year-period, with the last one and a half years involving in audit and risk assessment on the control environment within the group companies in the Asia Pacific Region. In 1997, he joined a local company, also quoted on Bursa Malaysia Securities Berhad, as its Chief Financial Officer. He left his last company in September 2001 in order to focus on his business advisory and consultancy work. Mr. Lim does not have any family relationship with any other director and/or substantial shareholders of HeveaBoard Berhad.

Profile of Directors

Standing from left to right:
- **Dato' Loo Swee Chew**
- **Bailey Policarpio**

Dato' Loo Swee Chew

A Malaysian aged 64, is another founding member of HeveaBoard and was appointed as a Non-Independent Non-Executive Director of HeveaBoard on 21 October 1997. He is also a member of the Tender Board Committee. Dato' Loo has also been in the timber industry for the past 30 years. He is actively involved in timber logging, sawmill and plywood, and is one of the leading timber exporters based in Kuantan, Pahang Darul Makmur. He does not have any family relationship with any other director and/or substantial shareholders of HeveaBoard Berhad.

Bailey Policarpio

A Filipino aged 41, was appointed as a Non-Independent Non-Executive Director of HeveaBoard on March 2007. He is a member of the Audit Committee and Nomination Committee. He graduated from De La Salle University, Philippines with a Degree in Electronics and Communications Engineering and an MSc in Manufacturing Systems from University of Nottingham, UK. His career includes being a lecturer at De La Salle University; being Director 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 son-in-law of Tenson Yoong, the Group Managing Director and substantial shareholder of HeveaBoard Berhad.

Yoong Li Yen

A Malaysian aged 35, was appointed as an Alternate Director to Yoong Tein Seng @ Yong Kian Seng (Tenson Yoong) on 6 April 2012. She graduated with a Bachelor of Administration degree from University of New Brunswick Canada and Post Graduate Diploma from Chartered Institute of Marketing (CIM), United Kingdom. Prior to joining HeveaBoard she started her career in 1996 as a Business Analyst with New Brunswick Power, Canada. In 1998, she joined HeveaBoard as Marketing Executive. Throughout the years, she had gained extensive experience in sales, marketing and logistics. She is the General Manager in Commercial of HeveaBoard and also the Director of HeveaMart Sdn Bhd, a wholly-owned subsidiary and marketing arm of HeveaBoard. She is the daughter of Tenson Yoong, the Group Managing Director and substantial shareholder of Heveaboard and sister of Yoong Hau Chun, the Executive Director as well as the spouse of Bailey Policarpio, Non-Independent Non-Executive Director.

Corporate Structure

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

ID No. WP MY 03 01

1st JIS Certified Particleboard Manufacturer In Malaysia

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

Statement on Corporate Governance

1.1 INTRODUCTION

The Board of Directors ("the Board") of HeveaBoard Berhad ("HeveaBoard" or "The Company") is pleased to report that for the financial year under review, the Company has continued to apply good governance practices in managing and directing the business of the Group by adopting the principles and the best practices advocated by the Malaysian Code on Corporate Governance ("the Code") as appropriate. This Statement describes the application of the Principles and the extent of compliance with the Best Practices advocated therein in compliance with the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

1.2 BOARD OF DIRECTORS

1.2.1 The Board

The Board leads and controls the Group as part of their overall governance responsibilities. The Board recognises its key role in planning the strategic direction, development and control of the Group and has taken initiatives to embrace the specific responsibilities as listed in the Code, which facilitates the discharge of the Board's stewardship responsibilities.

The Executive Directors are generally 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.

1.2.2 Board Balance

During the financial year ended 31 December 2011, the Board has six (6) members comprising two (2) Executive Directors, two (2) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors. The composition of the Board includes sufficient number of independent, executive and non-executive directors as prescribed by the Listing Requirements of Bursa Securities. Therefore, the Board is of the view that the current composition of the Board facilitates effective and independent decision making.

The Board consists of members from diverse backgrounds from various fields. Together they bring a broad range of skills, experience and knowledge relevant to directing and managing the Group's businesses.

In addition, there is a clear division of responsibilities between the Chairman and Group Managing Director to ensure that there is a balance of power and authority. In ensuring this balance, the positions of the Chairman and Group Managing Director are held by separate members of the Board. The Chairman is responsible for the Board's effectiveness and conduct as well as ensuring timely and necessary information is provided to members of the Company, whilst the Group Managing Director has the overall responsibilities over the Group's operating units, organisational effectiveness and implementation of Board policies and decisions.

Responsibility is vested on the Non-Executive Directors of the Company to ensure that policies and strategies proposed by Management are fully discussed and examined, by providing unbiased and independent view, advice and judgement as well as to safeguard the interest of parties such as shareholders and employees.

The profile of each Board member is entailed on pages 6 to 8 of this Annual Report.

1.2 BOARD OF DIRECTORS (CONT'D)

1.2.3 Board Meetings

Board meetings are scheduled in advance at the beginning of the new financial year to enable Directors to plan ahead and fit the year's meeting into their own schedule. The Board meets at least every quarter and on other occasions, as and when necessary, to inter-alia approve quarterly financial results, statutory financial statements, the annual report, business plans and budgets as well as to review the performance of the Company and its operating subsidiaries, governance matters and other business development activities. Board papers are circulated to the Board members prior to the Board meetings so as to provide Directors with relevant and timely information to enable them to have proper deliberation on issues raised during Board meetings.

There were five (5) Board meetings held during the financial year ended 31 December 2011. Details of each Director's attendance are as below:

Name of Directors	No. of Meetings Attended
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	5/5
Yoong Tein Seng @ Yong Kian Seng (Tenson Yoong)	4/5
Dato' Loo Swee Chew	4/5
Lim Kah Poon	5/5
Yoong Hau Chun	5/5
Bailey Policarpio	5/5

1.2.4 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.

Statement on Corporate Governance (cont'd)

1.2.5 Appointment to the Board

The Board appoints its members through a formal and transparent selection process that is consistent with the Articles of Association of the Company via the recommendation of the Nomination Committee.

The Nomination Committee, which comprises independent Directors, is responsible for making recommendations for any new appointments to the Board. In making these recommendations, the Nomination Committee considers the required mix of skills and experience which the Board requires. Any new nomination received is put forward to the full Board for assessment and approval.

This process has been reviewed, approved and adopted by the Board. The Company Secretary will ensure that all appointments are properly made and that legal and regulatory obligations are met. Appointments of the Executive Directors are on contract basis and are subject to review upon expiry of their contract.

In addition, the Nomination Committee also assesses the effectiveness of the Board as a whole, the contribution of each Director and identifies areas of improvement.

Upon appointment, new Directors are advised of their legal and statutory responsibilities. All Directors are also regularly being updated on new requirements affecting their responsibility and are constantly reminded of their obligations.

1.2.6 Re-election of Directors

The Company's Articles of Association stipulates that all Board members who are appointed by the Board shall be subject to election by shareholders at the first opportunity of their appointment. The Company's Articles of Association also provides that at least one-third (1/3) of the Directors shall retire by rotation at each Annual General Meeting and that all Directors shall retire once in every three (3) years. A retiring Director shall be eligible for re-election. Directors who are above seventy (70) years of age are required to offer themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

1.2.7 Directors' Training

All the Directors have completed the Mandatory Accreditation Programme prescribed by Bursa Securities. All the Directors were also constantly given in-house briefings by the Company Secretaries on the various amendments to the Listing Requirements. Besides the periodical briefings as mentioned above, the Directors have attended the following which they considered useful to enhance their business acumen and skills to meet the commercial risks and challenges:

Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak

– Updates on Key Risk Profile

Yoong Tein Seng @ Yong Kian Seng (Tenson Yoong)

– Updates on Key Risk Profile

Dato' Loo Swee Chew

– Seminar Percukaian Kebangsaan 2011

Lim Kah Poon

– Updates on Key Risk Profile

Yoong Hau Chun

– Updates on Key Risk Profile

Bailey Policarpio

– Uncertainty of Measurement for Mass and Balance Application

1.3 BOARD COMMITTEES

The Board has delegated specific responsibilities to the respective committees of the Board namely the 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.

1.3.1 Audit Committee ("AC")

The AC is led by a competent Independent Director. The responsibilities, composition, terms of reference and activities of the Committee are outlined in this Annual Report under the section of Audit Committee Report.

1.3.2 Nomination Committee ("NC")

The NC is responsible for providing the Board with recommendation on candidates for Directorship in the Company to fill the seats on the Company's board committees. In addition, the NC is responsible to assess the effectiveness of the Board, Board Committees and the performance and contribution of each Director. The NC comprises entirely Non-Executive Directors, the majority of whom are independent. The members are as follows:

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

NC meeting is held at least once a year. During the financial year ended 31 December 2011, one (1) NC meeting was held on 29 November 2011, which was attended by all members of the NC.

1.3.3 Remuneration Committee ("RC")

The RC is responsible for reviewing and recommending to the Board the remuneration packages of Directors. The RC comprises mainly Non-Executive Directors. The members are as follows

i. Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak – Chairman
ii. Yoong Tein Seng @ Yong Kian Seng (Tenson Yoong) – Member
iii. Lim Kah Poon – Member

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 ended 31 December 2011, one (1) RC meeting was held on 29 November 2011, which was attended by all members of the RC.

1.3.4 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 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 ended 31 December 2011, no meeting was held.

Statement on Corporate Governance (cont'd)

1.4 DIRECTORS' REMUNERATION

1.4.1 The Level and Make-up of Remuneration

The remuneration of Directors is determined at levels which enable the Group to attract and retain the Directors with relevant experience and expertise needed to assist in managing the Group effectively. In the case of Executive Directors of the Group, their remunerations are structured to link rewards to corporate and individual performance. The aggregate remuneration of the Directors of the Board for the year ended 31 December 2011 is as follows:

Category of Remuneration	Executive Director (RM'000)	Non-Executive Director (RM'000)
Salary, Bonus & EPF	1,501	0
Fees	0	248
Other Emolument	0	0
Total	**1,501**	**248**

The numbers of Directors whose remuneration fall into each successive band are set out below:

Remuneration Band	Number of Director	
	Executive	Non-Executive
Below RM50,000	NIL	3
RM50,001 to RM100,000	NIL	2
RM400,000 to RM450,000	1	NIL
RM1,150,000 to RM1,200,000	1	NIL
Total	**2**	**5**

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

1.5 SHAREHOLDERS

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 various announcements made during the period, information on the Company is available on the Company's website at www.heveaboard.com.my.

The Company has been actively responding 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. An important forum for communication and dialogues with the shareholders is through general meetings, where shareholders are encouraged to meet and communicate with the Board at the Annual General Meeting and to vote on resolutions. The Annual Report and Notice of Annual General Meeting are forwarded to all shareholders at least twenty-one (21) days before the date of the meeting.

1.6 ACCOUNTABILITY AND AUDIT

1.6.1 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 Audit Committee in reviewing and scrutinising the information in terms of the overall accuracy, adequacy and completeness of disclosure.

1.6.2 Internal Controls

The Group's Statement on Internal Control is set out on pages XX to XX of this Annual Report to provide an overview on state of internal controls within the Group.

1.6.3 Relationship with Auditors

Through the Audit Committee, the Board has established a professional and transparent relationship with the Group's auditors, both external and internal. The auditors have continued to meet with the Audit Committee regularly to review the audit plan, the results of the audit and any other matters that require the Audit Committee's attention.

Statement on Internal Control

INTRODUCTION

The Board is pleased to present its Statement on Internal Control for the financial year ended 31 December 2011, which has been prepared pursuant to paragraph 15.26(b) of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and as guided by the Statement on Internal Control: Guidance for Directors of Public Listed Companies issued by Bursa Securities.

BOARD'S RESPONSIBILITIES

The Board acknowledges the responsibilities of maintaining a sound system of internal controls and risk management practices to safeguard shareholders' investments and the Company's assets as well as for reviewing the adequacy and effectiveness of such system of internal control. However, the Board recognises that such system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

RISK MANAGEMENT FRAMEWORK

The Board acknowledges that the Company's business involves some degree of risks and Senior Management staffs and Heads of Departments are delegated with the responsibilities to manage identified risks relevant to their respective functions. The Board confirms that during the financial ended 31 December 2011, there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group.

The Board continually reviews the adequacy and effectiveness of the risk management process across the various operating subsidiaries within the Group. This process has been in place for the whole financial year under review and is carried out through periodic Management meetings held to deliberate key issues and to determine the existence of new risks and whether the risks previously identified remain relevant. Whilst the Board maintains ultimate control over risk and control issues, it has been delegated to Senior Management the implementation of the system of risk management and internal control within an established framework.

MANAGEMENT STYLE & CONTROL ENVIRONMENT

The Board's primary objective and direction in managing the Group is to enhance the Group's ability to achieve its business objectives. To achieve this objective, the Board continues to rely on the Senior Management to ensure that the performances of their businesses are within the agreed business strategies.

The performances and profitability of the Group are monitored through the reports the Board received from Management and its involvement in operational and strategic meetings. Significant matters are brought to the attention of the Group Managing Director, who in turn, will direct these matters, if necessary, to the Board for deliberation and decision. In monitoring the performances of the Group, Management maintains a comprehensive budgeting and forecasting system. The annual business plan and budgets are reviewed and approved by the Board and the actual performance is closely monitored to ensure that the performance of the various business units can be monitored and benchmarked, and the financial targets of the Group are achieved.

The Group maintains a formal organisation structure with well-defined responsibilities and accountability to further reinforce the internal control framework to ensure its continued relevance and effectiveness. Among the management disciplines is the Group-wide authority chart which provides clear definition of delegated authority to various Management levels.

INTERNAL CONTROL MECHANISM

The Audit Committee is delegated by the Board to review the adequacy and integrity of the internal control system. The Audit Committee assesses the adequacy and integrity of the internal control system through independent reviews conducted and reports it receives from the external auditors, internal auditors and Management. On a quarterly basis, significant internal control matters are brought to the attention of the Audit Committee and subsequently highlighted to the Board, if significant. The Group continues to outsource its internal audit function to an internal audit service provider firm as part of its strategy to provide the Board with assurance on the adequacy and integrity of the Group's system of internal control. The outsourced internal audit function focuses on the review of areas which are related to the significant risks of the Group. The areas of review are set out in a risk based internal audit plan which has been approved by the Audit Committee. During the financial year, scheduled internal audit reviews were completed according to approved audit plan. Although a number of internal control weaknesses were identified during this process, none of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this annual report.

CONCLUSION

The Board is of the view that the Group's system of internal control is adequate to mitigate the risks faced by the Group in the context of the business environment the Group operates in. The existing system of internal control is adequate and effective to safeguard the interest of shareholders' investment and the Group's assets as well as to facilitate the evolution of its businesses in the current challenging business environment.

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 2011, the Company has consistently applied appropriate accounting policies, and has made judgments and estimates that are reasonable and prudent. The Directors confirm that all applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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

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

Additional Compliance Information

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

1. SHARE BUY-BACKS

During the financial year under review, the Company did not have a scheme to buy back 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.

4. SANCTIONS AND/OR PENALTIES

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

5. NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Group for the financial year ended 31 December 2011 by the external auditors or a firm or company affiliated to the external auditors were RM39,435.87.

6. VARIATION IN RESULTS

There was no variance of 10% or more between the audited results for the financial year ended 31 December 2011 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.

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 2011.

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 2011, a total of five (5) Audit Committee meetings were held. The details of attendance of each Audit Committee members are as follows:

Name of Committee Members	Attendance
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 of Directors.

1. Objectives

The primary objectives of the Audit Committee are to:

a) Reinforce the independence of the Company's external and internal auditors by ensuring their functions are properly conducted and recommendations are implemented effectively;
b) Review and assess the soundness and compliance of the internal control processes and risk management practices within the Group; and
c) Ensure the Group is in compliance with the Main Market Listing Requirements, accounting standards and other statutory requirements.

2. Composition

The Committee shall be appointed from amongst the Board and shall comprise no fewer than three (3) members. All the 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 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 Committee may call for a meeting as and when required with reasonable notice as the 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 external auditors may appear at any meeting at the invitation of the Committee and shall appear before the Committee when required to do so by the Committee. The internal auditors and external auditors may also request a meeting if they consider it necessary.

Audit Committee Report (cont'd)

4. Minutes

The Company Secretary shall be the Secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Committee and circulating them to the Audit Committee members. The Audit Committee members may inspect the minutes of the Committee at the Registered Office or such other place as may be determined by the Audit Committee.

5. 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) 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 as well as direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;

(d) have the right to obtain external legal or independent professional or other advice;

(e) 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;

(f) 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 of Directors resulting in a breach of the listing requirements;

6. Duties and Responsibilities

(a) To review with the external auditors on:

- o the audit plan, its scope and nature;
- o the audit report;
- o the results of their evaluation of the accounting policies and system of internal accounting controls within the Group; and
- o the assistance given by the officers of the Company to 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 of Directors 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:

- o audit reports and management letters issued by the external auditors and the implementation of audit recommendations;
- o interim financial information; and
- o the assistance given by the officers of the Company to 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 which are 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.

6. **Duties and Responsibilities (continued)**

(g) To review the quarterly reports on consolidated results and annual financial statements prior to submission to the Board of Directors, 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 auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person or persons as auditors.

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 2011, the internal audit function of the Company was outsourced to an external service provider, namely, Audex Governance Sdn Bhd.

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

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

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

(b) Reporting the results of internal audits and making recommendations for improvements to the 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 2011 was RM62,018.05.

Corporate Social Responsibility

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

EMPLOYEES HEALTH AND SAFETY

In 2011, the Company placed Health, Safety and Environment as its mission on Corporate Social Responsibilities. In order to create an awareness among its employees and to standardise its environmental protection practices, HeveaBoard worked towards 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 Malaysian Health & Safety Standards. Certification was obtained in October 2011. With this certification all aspects and stages of manufacturing take environmental impact into consideration and employees are trained and guided likewise. It is the first company in Malaysia in the Wood Panel industry to be certified with MS 1722 Part1:2005.

The regular Health and Safety Awareness campaign and seminars were again conducted by various government departments and agencies including DOE, DOSH and Bomba. The Safety Committee is a very active group comprising members from various sections and levels in the Company.

HUMAN RESOURCE DEVELOPMENT

The main focus in 2011 was the trainings conducted to prepare employees for the OSHAS 18001:2007 and ISO 14001:2004 certification. Internal and external trainers trained employees on Safety and Environment audits, First Aid, Forklift Handling, Hazardous Material Handling, Storage and Disposal of Wastes. Apart from this, monthly small group discussions were held on specific topics to share views and opinions.

EMPLOYEE SUGGESTION SCHEME

The **Employee Suggestion Scheme (ESS)** which was officially launched in 2010 has been very successful. Many suggestions and ideas on how to improve work environment, safety, health productivity, quality, security, cost etc. were received from employees. The suggestions that were mutually beneficial to employer and employee were adopted and implemented.

ENVIRONMENT

Environmental concerns are very important to the Company. In line with the Government's initiatives towards Sustainable Energy Development, the Company is in discussion with several companies on production of electricity from Solar Energy. This will not only be sustainable and environmental friendly but will also generate revenue by selling electricity back to TNB through the Feed In Tariff System. The Company has also started to utilise wood wastes and residues from rubber plantations by doing mobile chipping. These wastes will be otherwise burned in the fields as a means to dispose them thus affecting the environment. The Company has successfully implemented the pilot mobile chipping project and is currently working towards large scale operations.

Continuous research and development is being conducted to develop and produce the next generation of particleboards with zero emission using alternate formaldehyde free resins. These resins are non-oil based resins thus reducing the dependence on oil. Trials have been conducted and results are very encouraging. Commercial production will start in 2012.

COMMUNITY

The Industrial Training of University students are an ongoing project. Some of the students who did the Industrial Training have joined the Company and become part of the team.

The blood donation campaign organised by the Company and the Seremban General Hospital has become an annual event. In 2011 the Company and its employees answered a call for urgent blood donations during the festival season. The employees feel very proud to be donors knowing their generosity is saving lives.

The Company organised a dialogue with the Tampin Police Department, Kem Syed Sirajjudin, Gemas and the log and wood transporters to discuss the Road Safety Guidelines when transporting the wood from the plantations. The police did a briefing to all the lorry drivers on proper procedures and safety measures to prevent road accidents to road users.

STAKEHOLDERS

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

Financial Statements

Directors' Report

The directors hereby submit their report together with the audited financial statements of HeveaBoard Berhad ("the Company") and its subsidiaries ("the Group") for the financial year ended 31st December 2011.

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	3 ,341	4 ,141
Attributable to:-		
Owners of the Company	3 ,341	4 ,141
Non-controlling interests	–	–
	3 ,341	4 ,141

DIVIDEND

At the forthcoming Annual General Meeting, a final tax exempt (single-tier) dividend in respect of the financial year ended 31st December 2011, of 1% of 90,400,000 ordinary shares, amounting to dividend payable of RM904,000/- (one cent per ordinary share) will be proposed for shareholders' approval. The financial statements for current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year 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.

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

CHANGE OF CIRCUMSTANCES

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

Directors' Report (cont'd)

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.

ISSUE OF SHARES AND DEBENTURES

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

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 issued are constituted under a Deed Poll executed and constituted by the Company.

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

	Number of Warrants			
	At 1.1.2011	**Exercised**	**Expired**	**At 31.12.2011**
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 (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.

(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 (10) years from the date of issuance until the maturity date, i.e. the date preceding the tenth (10th) 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.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this 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
Yoong Hau Chun
Lim Kah Poon
Bailey Policarpio
Yoong Li Yen (Alternate director to Yoong Tein Seng @ Yong Kian Seng) - Appointed on 06.04.2012

DIRECTORS' INTERESTS

According to the register of directors' shareholdings kept by the Company under Section 134 of the Companies Act, 1965, 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 2011 are as follows:-

	Number of ordinary shares of RM1/- each				
	At 1.1.2011		Acquired	Disposed	At 31.12.2011
The Company					
HeveaBoard Berhad					
Direct Interests					
Yoong Tein Seng @ Yong Kian Seng	150,000		20,000	–	170,000
Y. Bhg. Dato' Loo Swee Chew	34,000		114,000	–	148,000
Yoong Hau Chun	150,000		–	–	150,000
Lim Kah Poon	50,000		–	–	50,000
Bailey Policarpio	25,000		–	–	25,000
Indirect Interests					
Yoong Tein Seng @ Yong Kian Seng	36,438,900	(1)	1,933,500	–	38,372,400
Y. Bhg. Dato' Loo Swee Chew	28,189,000	(2)	–	–	28,189,000
Yoong Hau Chun	36,422,400	(3)	197,500	–	36,619,900
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	63,000	(4)	–	–	63,000
Lim Kah Poon	21,000	(5)	–	–	21,000
Bailey Policarpio	56,000	(6)	1,200,000	–	1,256,000

Directors' Report (cont'd)

DIRECTORS' INTERESTS (Continued)

	Number of Warrants				
	At 1.1.2011		Acquired	Disposed	At 31.12.2011
The Company					
HeveaBoard Berhad					
Direct Interests					
Yoong Tein Seng @ Yong Kian Seng	75,000		–	–	75,000
Y. Bhg. Dato' Loo Swee Chew	36,333		41,900	–	78,233
Yoong Hau Chun	25,000		–	–	25,000
Lim Kah Poon	28,600		–	–	28,600
Bailey Policarpio	6,666		–	–	6,666
Indirect Interests					
Yoong Tein Seng @ Yong Kian Seng	17,047,141	(1)	–	(131,400)	16,915,741
Y. Bhg. Dato' Loo Swee Chew	15,333,242	(2)	–	–	15,333,242
Yoong Hau Chun	17,100,442	(3)	–	(139,733)	16,960,709
Lim Kah Poon	7,000	(5)	–	–	7,000
Bailey Policarpio	8,333	(6)	–	–	8,333

(1) Deemed interested by virtue of Section 6A of the Companies Act, 1965 ("the Act") (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 Yen and Yoong Li Mian, his daughters and deemed interested by virtue of HeveaWood Industries Sdn. Bhd. being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn. Bhd..

(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 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 per cent 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.

By virtue of their shareholdings in the Company, Yoong Tein Seng @ Yong Kian Seng, Y. Bhg. Dato' Loo Swee Chew and Yoong Hau Chun 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.

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 33 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.

SIGNIFICANT EVENT

The significant event during the financial year of the Group and of the Company is disclosed in Note 34 to the financial statements.

AUDITORS

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

On behalf of the Board,

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YOONG HAU CHUN
Director

....

Y. BHG. DATO' LOO SWEE CHEW
Director

Kuala Lumpur

Date: 23rd April 2012

Statements of Financial Position

as at 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	**284,797**	293,983	**232,633**	245,386
Prepaid lease payments	5	**6,377**	6,540	**–**	–
Investment in subsidiaries	6	**–**	–	**40,960**	40,960
Other investment		**15**	15	**15**	15
Goodwill on consolidation	7	**2,946**	2,946	**–**	–
Total non-current assets		**294,135**	303,484	**273,608**	286,361
Current assets					
Inventories	8	**67,664**	61,013	**30,540**	23,836
Trade receivables	9	**42,032**	47,210	**22,962**	30,103
Other receivables, deposits and prepayments	10	**2,079**	7,560	**3,039**	6,051
Amount due by subsidiaries	11	**–**	–	**2,874**	2,137
Tax recoverable		**606**	738	**576**	576
Deposits placed with licensed banks	12	**2,054**	2,516	**2,054**	2,516
Cash and bank balances	13	**15,197**	20,306	**9,443**	13,193
Total current assets		**129,632**	139,343	**71,488**	78,412
TOTAL ASSETS		**423,767**	442,827	**345,096**	364,773
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	14	**90,400**	90,400	**90,400**	90,400
Retained earnings	15	**87,696**	84,355	**41,048**	36,907
Other reserves	16	**15,926**	15,926	**15,926**	15,926
Total equity		**194,022**	190,681	**147,374**	143,233

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Non-current liabilities					
Other payables and accruals	18	**–**	4,949	**–**	4,949
Amount due to related parties	19	**3,361**	403	**3,361**	403
Provision for retirement benefits	20	**1,749**	1,539	**1,133**	1,000
Loans and borrowings	21	**116,984**	141,700	**108,910**	136,486
Deferred tax liabilities	24	**4,946**	5,050	**1,254**	1,150
Total non-current liabilities		**127,040**	153,641	**114,658**	143,988
Current liabilities					
Trade payables	17	**33,013**	26,061	**26,343**	16,867
Other payables, deposits and accruals	18	**21,002**	25,531	**9,144**	16,138
Amount due to subsidiaries	11	**–**	–	**6,355**	6,009
Amount due to related parties	19	**1,039**	679	**833**	474
Tax payable		**153**	–	**–**	–
Loans and borrowings	21	**47,498**	46,234	**40,389**	38,064
Total current liabilities		**102,705**	98,505	**83,064**	77,552
Total liabilities		**229,745**	252,146	**197,722**	221,540
TOTAL EQUITY AND LIABILITIES		**423,767**	442,827	**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 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Revenue	25	**373,049**	363,137	**182,161**	183,306
Cost of sales	26	**(338,976)**	(315,240)	**(164,095)**	(155,224)
Gross profit		**34,073**	47,897	**18,066**	28,082
Other income		**5,209**	12,777	**10,465**	15,552
Selling and distribution expenses		**(3,474)**	(3,670)	**(1,940)**	(2,339)
Administrative expenses		**(16,496)**	(15,692)	**(8,162)**	(7,321)
Finance costs	27	**(9,394)**	(11,710)	**(8,574)**	(10,656)
Other expenses		**(6,024)**	(1,192)	**(5,600)**	(577)
Profit before taxation	28	**3,894**	28,410	**4,255**	22,741
Taxation	29	**(553)**	(2,699)	**(114)**	(1,150)
Profit for the financial year		**3,341**	25,711	**4,141**	21,591
Other comprehensive income		**–**	–	**–**	–
Total comprehensive income for the financial year		**3,341**	25,711	**4,141**	21,591
Profit for the financial year attributable to:-					
Owners of the Company		**3,341**	25,711	**4,141**	21,591
Non-controlling interests		**–**	–	**–**	–
		3,341	25,711	**4,141**	21,591
Total comprehensive income attributable to:-					
Owners of the Company		**3,341**	25,711	**4,141**	21,591
Non-controlling interests		**–**	–	**–**	–
		3,341	25,711	**4,141**	21,591
Earnings per ordinary share attributable to owners of the Company (sen)					
- Basic earnings per share	30	**3.69**	28.44		
- Diluted earnings per share	30	**3.69**	28.44		

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

Statements of Changes in Equity

for the financial year ended 31 December 2011

	I-------- Attributable to owners of the Company -------I				
	I--------- Non-distributable ---------I			I- Distributable -I	
	Share Capital RM'000	**Share Premium RM'000**	**Warrant Reserve RM'000**	**Retained Earnings RM'000**	**Total Equity RM'000**
Group					
Balance as at 1st January 2010,					
as previously stated	90,400	15,526	–	55,622	161,548
– Effect of adopting FRS 139	–	–	–	3,022	3,022
Balance as at 1st January 2010, as restated	90,400	15,526	–	58,644	164,570
Subscription of warrants	–	–	400	–	400
Total comprehensive income for the financial year	–	–	–	25,711	25,711
Balance as at 31st December 2010	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**
Company					
Balance as at 1st January 2010,	90,400	15,526	–	12,294	118,220
as previously stated					
- Effect of adopting FRS 139	–	–	–	3,022	3,022
Balance as at 1st January 2010, as restated	90,400	15,526	–	15,316	121,242
Subscription of warrants	–	–	400	–	400
Total comprehensive income for the financial year	–	–	–	21,591	21,591
Balance as at 31st December 2010	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**

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

Statements of Cash Flows

for the financial year ended 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		**3,894**	28,410	**4,255**	22,741
Adjustments for:-					
Amortisation for prepaid lease payments		**163**	164	**–**	–
Depreciation for property, plant and equipment		**24,456**	24,292	**18,948**	18,766
Dividend income		**–**	–	**(5,960)**	(2,980)
Gain on disposal of equipment		**(2)**	(228)	**–**	(23)
Interest expenses		**9,394**	11,710	**8,574**	10,656
Interest income		**(42)**	(34)	**(42)**	(34)
Inventories written off		**237**	–	**237**	–
Property, plant and equipment written off		**201**	–	**198**	–
Provision for retirement benefits		**210**	199	**133**	127
Unrealised loss/(gain) on foreign exchange		**2,045**	(11,826)	**2,045**	(11,826)
Operating Profit before Working Capital Changes		**40,556**	52,687	**28,388**	37,427
Changes In Working Capital:-					
Inventories		**(6,888)**	(10,531)	**(6,941)**	(3,304)
Receivables		**10,659**	(15,629)	**10,153**	(17,664)
Payables		**(2,335)**	1,920	**(2,276)**	2,894
Amount due by/to subsidiaries		**–**	–	**(1,092)**	339
Cash Generated From Operations		**41,992**	28,447	**28,232**	19,692
Interest paid		**(9,394)**	(9,965)	**(8,574)**	(8,911)
Tax paid		**(372)**	(1,223)	**(10)**	(3)
Net Operating Cash Flows		**32,226**	17,259	**19,648**	10,778
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividend received		**–**	–	**5,960**	2,980
Interest received		**42**	34	**42**	34
Proceeds from disposal of property, plant and equipment		**2**	228	**–**	23
Purchase of property, plant and equipment	31	**(9,256)**	(4,003)	**(5,715)**	(1,522)
Repayment from subsidiaries		**–**	–	**(13)**	15
Net Investing Cash Flows		**(9,212)**	(3,741)	**274**	1,530

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Deposits held as security values	**(2,054)**	–	**(2,054)**	–
Repayment of export credit refinancing	**(435)**	(355)	**–**	–
Drawdown of offshore foreign currency loan	**1,042**	9,909	**1,042**	9,909
Drawdown of term loan	**2,500**	–	**–**	–
Net advances from/(to) to related parties	**3,318**	(457)	**3,317**	(457)
Net repayment of banker's acceptances	**(1,244)**	(540)	**–**	–
Proceeds from subscription of warrants	**–**	400	**–**	400
Repayment from subsidiaries	**–**	–	**714**	151
Repayment of hire purchase obligations	**(3,561)**	(6,000)	**(2,243)**	(2,780)
Repayment of term loans	**(33,700)**	(4,920)	**(30,143)**	(3,678)
Net Financing Cash Flows	**(34,134)**	(1,963)	**(29,367)**	3,545
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(11,120)**	11,555	**(9,445)**	15,853
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	**21,880**	10,325	**15,234**	(619)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**10,760**	21,880	**5,789**	15,234
ANALYSIS OF CASH AND CASH EQUIVALENTS:-				
Deposits placed with licensed banks	**2,054**	2,516	**2,054**	2,516
Cash and bank balances	**15,197**	20,306	**9,443**	13,193
Bank overdrafts - secured	**(4,437)**	(942)	**(3,654)**	(475)
	12,814	21,880	**7,843**	15,234
Less: Deposits held as securities values	**(2,054)**	–	**(2,054)**	–
	10,760	21,880	**5,789**	15,234

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 2012.

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 Financial Reporting Standards ("FRSs") and the Companies Act, 1965 in Malaysia.

At the beginning of current financial year, the Group and the Company adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1st January 2011 as described fully in Note 2.2(a) to the financial statements.

The financial statements are expressed in Ringgit Malaysia and all values are rounded to the nearest thousand ("000") except when otherwise stated.

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

The preparation of financial statements in conformity with FRSs 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 revenue and expenses during the reported period. It also requires the directors' best knowledge of current events and actions, and therefore actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs")

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

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

Revised FRSs	
FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements
Amendments/Improvements to FRSs	
FRS 1	First-time Adoption of Financial Reporting Standards
FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 7	Financial Instruments : Disclosures
FRS 101	Presentation of Financial Statements
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments : Presentation
FRS 134	Interim Financial Reporting
FRS 138	Intangible Assets
FRS 139	Financial Instruments : Recognition and Measurement
New IC Int	
IC Int 4	Determining Whether an Arrangement contains a Lease
IC Int 12	Service Concession Arrangements
IC Int 16	Hedges of a Net Investment in a Foreign Operation
IC Int 17	Distribution of Non-cash Assets to Owners
IC Int 18	Transfers of Assets from Customers
Amendments to IC Int	
IC Int 9	Reassessment of Embedded Derivatives
IC Int 13	Customer Loyalty Programmes

Notes to the Financial Statements (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)

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

The main effects of the adoption of the above revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int are summarised below:-

FRS 3 Business Combinations (Revised)

The adoption of the FRS 3 affects the way in which the Group accounts for business combinations. The main changes made in this revised standard were:-

- All the acquisition-related costs incurred by the acquirer in connection with the business combination shall be recognised as expense in the profit or loss in the period in which the costs are incurred (rather than included in goodwill);
- All considerations transferred by the acquirer, including contingent considerations, in a business combination shall be measured at fair value as at the acquisition date. Subsequent changes in the fair value of contingent consideration classified as liabilities are recognised in accordance with FRS 139, FRS 137 or other FRSs, as appropriate (rather than by adjusting goodwill);
- An acquirer is no longer permitted to recognise contingencies acquired in a business combination that do not meet the definition of a liability;
- For each business combination, the acquirer must measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Previously, only the latter was permitted;
- For a business combination achieved in stages, the equity interests held by the acquirer in the acquiree immediately before achieving control are re-measured at its acquisition-date fair value with any corresponding gain or loss recognised in profit or loss; and
- Goodwill arising from the business combination is measured as the difference between the aggregate fair value of consideration transferred, any non-controlling interest in the acquiree, and the fair value at acquisition date of any previously-held equity interest in the acquiree, and the fair value of identifiable assets acquired and liabilities assumed (including contingent liabilities) at acquisition date.

This revised FRS 3 shall be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2010. There is no financial impact on the financial statements of the Group for the current financial year as there were no business combinations during the financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)

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

FRS 127 Separate Financial Statements (Revised)

The revised FRS 127 requires that any changes in a parent's ownership interest in a subsidiary company that do not result in the loss of control are accounted for within equity. When the Group loses control of a subsidiary company, any remaining interest retained in the former subsidiary company will be measured at fair value and any resulting gain or loss is recognised in profit or loss. Total comprehensive income will be proportionately allocated to the owners of the parent and to the non-controlling interests even if it results in the non-controlling interests having a deficit balance.

The revised FRS 127 shall be applied prospectively to business combinations for which the acquisition date is on or after 1st July 2010. There is no financial impact on the financial statements of the Group for the current financial year as there were no business combinations during the financial year.

Amendments to FRS 7 Financial Instruments: Disclosures

Disclosures on fair value and liquidity have been enhanced upon the adoption of this amendment. In particular, financial instruments measured at fair value are disclosed by class in a three-level fair value measurement hierarchy, with specific disclosures related to transfers between levels in the hierarchy and detailed disclosures on level three of the fair value hierarchy. Certain disclosures on liquidity are also modified. The adoption of this amendment resulted in additional disclosures in the financial statements but did not have any financial impact on the Group and the Company.

IC Int 4 Determining Whether an Arrangement Contains a Lease

This IC Int clarifies that when the fulfilment of an arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, then the arrangement should be accounted for as a lease under FRS 117, even though it does not take the legal form of a lease. This interpretation did not have any financial impact on the Group and the Company.

Notes to the Financial Statements (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)

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

The Group and Company have not adopted the following new and revised FRSs, amendments/improvements to FRSs, 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
<u>New FRSs</u>		
FRS 9	Financial Instruments	1 January 2015
FRS 10	Consolidated Financial Statements	1 January 2013
FRS 11	Joint Arrangements	1 January 2013
FRS 12	Disclosures of Interests in Other Entities	1 January 2013
FRS 13	Fair Value Measurement	1 January 2013
<u>Revised FRSs</u>		
FRS 119	Employee Benefits	1 January 2013
FRS 124	Related Party Disclosures	1 January 2012
FRS 127	Separate Financial Statements	1 January 2013
FRS 128	Investments in Associates and Joint Ventures	1 January 2013
<u>Amendments/Improvements to FRSs</u>		
FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2012
FRS 7	Financial Instruments : Disclosures	1 January 2012 and 1 January 2013
FRS 101	Presentation of Financial Statements	1 July 2012
FRS 112	Income Taxes	1 January 2012
FRS 132	Financial Instruments : Presentation	1 January 2014
<u>New IC Int</u>		
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
<u>Amendments to IC Int</u>		
IC Int 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 July 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)

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

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

FRS 9 Financial Instruments

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

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

FRS 10 replaces the consolidation part of the former FRS 127 Consolidated and Separate Financial Statements. The revised FRS 127 will deal only with accounting for investment in subsidiaries, joint ventures and associates in the separate financial statements of an investor and require the entity to account for such investments either at cost, or in accordance with FRS 9.

FRS 10 brings about convergence between FRS 127 and SIC-12, which interprets the requirements of FRS 10 in relation to special purpose entities. FRS 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.

FRS 12 Disclosures of Interests in Other Entities

FRS 12 is a single disclosure standard for interests in subsidiary companies, joint ventures, associated companies and unconsolidated structured entities. The disclosure requirements in this FRS 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.

Notes to the Financial Statements (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)

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

FRS 13 Fair Value Measurements

FRS 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.

Amendments to FRS 112 Income Taxes

This amendment to FRS 112 addresses the measurement approach for deferred tax assets and liabilities in respect of investment properties which are measured at fair value. The amendment introduces a rebuttable presumption that the investment property is recovered entirely through sale. In such cases, deferred tax assets or liabilities are provided at tax rates applicable when recovering the property entirely through sale. If this presumption is rebutted, deferred tax assets or liabilities are provided based on tax rates applicable when consuming substantially the economic benefits embodied in the property over a period of time (for example via rental income).

(c) MASB Approved Accounting Standards, 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 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 for an additional one year. 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 Transitioning Entities are required to adopt the MFRSs framework for the next financial year, being the first set of financial statements prepared in accordance with the MFRSs framework.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)

(c) MASB Approved Accounting Standards, MFRSs (Continued)

As at 31st December 2011, 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. As such, except those as discussed below, the main effects arising from the transition to the MFRSs Framework has been discussed in Note 2.2 (b) to the financial statements. The effect is based on the Group's and the Company's best estimates at reporting date. The financial effect may change or additional effects may be identified, prior to the completion of the Group's and the Company's first MFRSs based financial statements.

Application of MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards ("MFRS 1")

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 are currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adoption of MFRS 1 cannot be determined and estimated reliably until the process is completed.

MFRS 141 Agriculture

MFRS 141 requires a biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except where the fair value cannot be measured reliably. MFRS 141 also requires agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Gains or losses arising on initial recognition of a biological asset and the agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in the profit or loss for the period in which it arises. The Group does not expect any impact on the financial statements arising from the adoption of this standard.

IC Int 15 Agreements for the Construction of Real Estate

IC Int 15 establishes the developer will have to evaluate whether control and significant risks and rewards of the ownership of work in progress, can be transferred to the buyer as construction progresses before revenue can be recognised. The Group does not expect any impact on the financial statements arising from the adoption of this interpretation.

Notes to the Financial Statements (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies

(a) Basis of Consolidation

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

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

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

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

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

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 statements of comprehensive income and within equity in the consolidated statements 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(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.

(c) Goodwill on Consolidation

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

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

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

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

Goodwill is not amortised but is reviewed for impairment, annually or more frequently for impairment in value and is written down where it is considered necessary. Gain or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Gain on bargain purchase represents the excess of the fair value of the Group's share of net assets acquired over the cost of acquisition. Gain on bargain purchase is recognised directly in the profit or loss.

(d) Property, Plant and Equipment and Depreciation

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

Notes to the Financial Statements (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(d) Property, Plant and Equipment and Depreciation (Continued)

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, machinery 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(e) Leases (Continued)

(i) Finance Leases (Continued)

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.

(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.

Notes to the Financial Statements (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(h) Financial Instruments

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

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

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

(i) Financial Assets

Financial assets at fair value through profit or loss

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

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

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised as other gains or losses in profit or loss.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(h) Financial Instruments (Continued)

(i) Financial Assets (Continued)

Available-for-sale financial assets

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

After initial recognition, available-for-sale financial assets are measured at fair value with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

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

(ii) Financial Liabilities

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

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

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.

Notes to the Financial Statements (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(h) Financial Instruments (Continued)

(iii) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

(iv) Derecognition

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

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

(i) Equity Instruments

Ordinary shares

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(j) Borrowing Costs

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

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

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

(k) Taxation

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

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the profit or loss, except when it arises from transaction which is recognised in other comprehensive income or directly in equity, in which case the deferred tax is also charged or credited in other comprehensive income or directly in equity or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or bargain purchased.

(l) Employee Benefits

(i) Short Term Employee Benefits

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

Notes to the Financial Statements (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(l) Employee Benefits (Continued)

(ii) Post-Employment Benefits

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

(iii) Unfunded Defined Benefits Scheme

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

The 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(n) Cash and Cash Equivalents

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

(o) Revenue Recognition

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

(i) Sale of Goods

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

(ii) Interest Income

Interest income is recognised on an accrual basis.

(iii) Dividend Income

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

(p) Impairment of Assets

(i) Impairment of Financial Assets

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

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

Notes to the Financial Statements (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(p) Impairment of Assets (Continued)

(i) Impairment of Financial Assets (Continued)

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

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

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

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

(ii) Impairment of Non-financial Assets

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

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

An asset's recoverable amount is the higher of an asset's or cash generating units ("CGUs") fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Where the carrying amounts of an asset exceed its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(p) Impairment of Assets (Continued)

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

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 FRS 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 assets 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 or will be classified as investment property if it is to earn rentals or for capital appreciation or both. 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 leases as operating leases as they did not met the criteria of a finance lease under FRS 117.

Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Key sources of estimation uncertainty

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

(i) Useful lives of property, plant and equipment

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

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

The Company tests investment in subsidiary companies and amount due by subsidiary companies 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 subsidiary companies affects the result of the impairment test. The impairment made on investment in subsidiary companies entails an impairment to be made to the amount due by these subsidiary companies.

Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiary companies, 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 subsidiary companies.

(iii) Impairment of property, plant and equipment

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

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

(iv) Allowance for write down in inventories

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Key sources of estimation uncertainty (Continued)

(v) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires and estimation of the value-in-use of the cash generating units ("CGUs") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimation of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(vi) Impairment of receivables

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

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

(vii) Taxation

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

(viii) Deferred tax assets

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

(ix) Contingent liabilities

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

(x) Provision for retirement benefits

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

Notes to the Financial Statements (cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

Group 2011	Freehold Land RM'000	Leasehold Land RM'000	Buildings RM'000	Plant, Machinery & Equipment RM'000	Furniture, Fittings & 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 charge 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**
Net Book Value at 31st December 2011	**7,462**	**3,708**	**51,052**	**219,311**	**1,071**	**2,193**	**284,797**

Group 2010	Freehold Land RM'000	Leasehold Land RM'000	Buildings RM'000	Plant, Machinery & Equipment RM'000	Furniture, Fittings & Renovation RM'000	Motor Vehicles RM'000	Total RM'000
Cost							
At 1st January 2010	7,462	4,061	59,939	362,365	2,635	5,596	442,058
Additions	–	–	365	3,156	313	989	4,823
Disposals/write-offs	–	–	–	(355)	(72)	(1,811)	(2,238)
At 31st December 2010	7,462	4,061	60,304	365,166	2,876	4,774	444,643
Accumulated Depreciation							
At 1st January 2010	–	265	7,565	114,614	1,513	4,649	128,606
Depreciation charge for the financial year	–	44	1,365	22,179	237	467	24,292
Disposals/write-offs	–	–	–	(355)	(72)	(1,811)	(2,238)
At 31st December 2010	–	309	8,930	136,438	1,678	3,305	150,660
Net Book Value at 31st December 2010	7,462	3,752	51,374	228,728	1,198	1,469	293,983

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company 2011	Freehold Land RM'000	Leasehold Land RM'000	Buildings RM'000	Plant, Machinery & Equipment RM'000	Furniture, Fittings & 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**
Write-off	**–**	**–**	**–**	**(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 charge for the financial year	**–**	**44**	**598**	**17,889**	**49**	**368**	**18,948**
Write-off	**–**	**–**	**–**	**(66)**	**–**	**–**	**(66)**
At 31st December 2011	**–**	**353**	**5,248**	**124,970**	**451**	**1,204**	**132,226**
Net Book Value at 31st December 2011	**6,034**	**3,708**	**24,739**	**196,710**	**197**	**1,245**	**232,633**

Company 2010	Freehold Land RM'000	Leasehold Land RM'000	Buildings RM'000	Plant, Machinery & Equipment RM'000	Furniture, Fittings & Renovation RM'000	Motor Vehicles RM'000	Total RM'000
Cost							
At 1st January 2010	6,034	4,061	29,823	315,707	627	3,187	359,439
Additions	–	–	–	1,389	44	89	1,522
Disposals	–	–	–	(355)	(65)	(1,811)	(2,231)
At 31st December 2010	6,034	4,061	29,823	316,741	606	1,465	358,730
Accumulated Depreciation							
At 1st January 2010	–	265	4,051	89,670	421	2,402	96,809
Depreciation charge for the financial year	–	44	599	17,832	46	245	18,766
Disposals	–	–	–	(355)	(65)	(1,811)	(2,231)
At 31st December 2010	–	309	4,650	107,147	402	836	113,344
Net Book Value at 31st December 2010	6,034	3,752	25,173	209,594	204	629	245,386

Notes to the Financial Statements (cont'd)

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

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 with net book values as follows:-

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Freehold land	**3,414**	7,462	**3,414**	6,034
Leasehold land	**3,708**	3,752	**3,708**	3,752
Buildings	**51,052**	51,374	**24,739**	25,173
Plant, machinery and equipment	**195,340**	187,911	**195,339**	187,911
Furniture and fittings	**197**	135	**197**	135
	253,711	250,634	**227,397**	223,005

Included in property, plant and equipment of the Group and of the Company are assets acquired under hire purchase instalment plans with net book values as follows:-

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At Net Book Value				
Plant and machinery	**8,428**	8,913	**1,482**	2,298
Motor vehicles	**1,738**	1,372	**791**	540
	10,166	10,285	**2,273**	2,838

5. PREPAID LEASE PAYMENTS

	Group	
	2011 RM'000	2010 RM'000
At Cost		
At 1st January/At 31st December	**7,530**	7,530
Accumulated Amortisation		
At 1st January	**990**	826
Amortisation during the financial year	**163**	164
At 31st December	**1,153**	990
Carrying amount as at 31st December	**6,377**	6,540

5. PREPAID LEASE PAYMENTS (Continued)

In pursuant to FRS 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.

6. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2011 RM'000	**2010 RM'000**
Unquoted shares, at cost	**40,960**	40,960

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

Name of the Companies	Effective Equity Interest 2011 %	2010 %	Principal Activities
Held by the Company			
HeveaPac Sdn. Bhd.	**100**	100	Manufacturing and trading of ready-to-assemble furniture.
HeveaMart Sdn. Bhd. *	**100**	100	Trading of particleboards and other panel boards.
BocoWood Sdn. Bhd. *	**100**	100	Distribution and marketing of ready-to-assemble furniture.
Hevea OSB Sdn. Bhd. *	**100**	100	Dormant.

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

7. GOODWILL ON CONSOLIDATION

	Group	
	2011 RM'000	**2010 RM'000**
Goodwill on consolidation	**2,946**	2,946

The goodwill on consolidation arose from the investment in HeveaPac Sdn. Bhd. and BocoWood Sdn. Bhd. of RM2,666,000/- and RM280,000/- (2010: RM2,666,000/- and RM280,000/-) respectively.

Notes to the Financial Statements (cont'd)

7. GOODWILL ON CONSOLIDATION (Continued)

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations using cash flows forecast based on the financial budgets approved by directors covering a five (5) years period. The key assumptions used for value-in-use calculations are:-

- Cash flows were projected by the directors based on past experiences, actual operating results and the 5 years business plan;

- Revenue was projected at about RM233,062,000/- in the first year of the 5 years business plan. The expected revenue growth in the cash flows projection was 5% per annum for year 2012 to 2014 and remains status quo thereon;

- A pre-tax discount rate of 14.20% was used in determining the value-in-used of the subsidiaries. The discount rate was estimated based on the Company's weighted average cost of capital;

- The budgeted gross margin used is 5.18% based on the estimated selling prices and fixed and variable costs, adjusted for market conditions and economic conditions and internal resource efficiency; and

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

The above estimates are particularly sensitive in the gross margin. A decrease of 3 percentage points for a consecutive 5 years in the gross margin would have resulted the Group to make a full provision for impairment loss of RM2,946,000/-.

8. INVENTORIES

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
At Cost				
Finished goods	**29,965**	25,353	**16,591**	15,828
Raw materials	**23,778**	25,561	**4,608**	912
Work-in-progress	**4,580**	3,003	**–**	–
Spare parts and consumables	**9,341**	7,096	**9,341**	7,096
	67,664	61,013	**30,540**	23,836

9. TRADE RECEIVABLES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Current				
Trade receivables				
Trade receivables	**42,067**	47,245	**22,962**	30,103
Less: Accumulated impairment loss	**(35)**	(35)	**–**	–
Total trade receivables	**42,032**	47,210	**22,962**	30,103

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Ringgit Malaysia	**9,147**	9,635	**2,452**	3,739
Singapore Dollar	**26**	57	**–**	–
United States Dollar	**32,894**	37,553	**20,510**	26,364
	42,067	47,245	**22,962**	30,103

The Group's and the Company's normal trade credit terms are non-interest bearing and generally within 30 to 90 days (2010: 30 to 90 days). Other credit terms are assessed and approved on a case-to-case basis.

Notes to the Financial Statements (cont'd)

9. TRADE RECEIVABLES (Continued)

Ageing analysis on trade receivables

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Neither past due nor impaired:				
- 0 - 30 days	**21,518**	26,713	**9,140**	14,772
- 31 - 60 days	**13,459**	12,996	**9,371**	10,189
- 61 - 90 days	**5,933**	5,872	**4,451**	4,514
	40,910	45,581	**22,962**	29,475
Past due:				
- 91 - 120 days	**1,122**	1,163	**–**	625
- more than 120 days	**–**	466	**–**	3
	1,122	1,629	**–**	628
Impaired	**35**	35	**–**	–
	42,067	47,245	**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.

9. TRADE RECEIVABLES (Continued)

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		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Trade receivables				
- nominal amounts	**35**	35	**–**	–
Less: Accumulated impairment loss	**(35)**	(35)	**–**	–
	–	–	**–**	–

Movements in impairment:-

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At 1st January	**35**	35	**–**	–
Charge for the financial year	**–**	–	**–**	–
At 31st December	**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.

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Current				
Other receivables	**91**	6,037	**2,926**	5,874
Deposits	**1,458**	416	**97**	98
Prepayments	**530**	1,107	**16**	79
	2,079	7,560	**3,039**	6,051

Included in Group's refundable deposits of RM1.136 million (2010: Nil) was deposits paid for purchase of plant and machinery.

Notes to the Financial Statements (cont'd)

11. AMOUNT DUE BY/(TO) SUBSIDIARIES

	Company	
	2011 RM'000	2010 RM'000
Amount owing by subsidiaries		
- Trade	**2,072**	1,348
- Non-trade	**802**	789
	2,874	2,137
Amount owing to subsidiaries		
- Trade	**(521)**	(889)
- Non-trade	**(5,834)**	(5,120)
	(6,355)	(6,009)

The normal trade credit term is 90 days (2010: 90 days).

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

12. DEPOSITS PLACED WITH LICENSED BANKS

The weighted average effective interest rate ("WAEIR") as at the reporting date and the remaining maturities of the Group and the Company deposits with licensed banks are as follows:-

	Group and Company	
	2011	2010
WAEIR (%)	**2.00**	1.91
Average maturities (days)	**31**	31 - 365

Included in fixed deposits placed with licensed bank is amount of RM2,054,300/- (2010: Nil) pledged to licensed bank to secure credit facilities granted to the Company.

13. CASH AND BANK BALANCES

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Ringgit Malaysia	**3,723**	1,911	**1,227**	776
United States Dollar	**11,474**	18,395	**8,216**	12,417
	15,197	20,306	**9,443**	13,193

14. SHARE CAPITAL

	Group and Company			
	Number of shares of RM1/- each		Amount	
	2011 '000 unit	2010 '000 unit	2011 RM'000	2010 RM'000
Authorised:-				
Ordinary shares				
At 1 January/At 31 December	**500,000**	500,000	**500,000**	500,000
Issued and fully paid:-				
Ordinary shares				
At 1 January/At 31 December	**90,400**	90,400	**90,400**	90,400

15. RETAINED EARNINGS

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 pay 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 2011 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 earnings as at 31st December 2011 by way of dividends.

Notes to the Financial Statements (cont'd)

16. OTHER RESERVES

	Group and Company	
	2011 RM'000	2010 RM'000
Share premium	**15,526**	15,526
Warrant reserve	**400**	400
	15,926	15,926

(a) Share Premium

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

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

The warrants issued on 8th March 2010 are constituted under a Deed Poll executed by the Company. 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 1.1.2011	Exercised	Expired	At 31.12.2011
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 one (1) new ordinary share of RM1/- each at an exercise price of RM1/- per ordinary share. The warrants entitlement is subject to adjustments under the terms and conditions set out in the Deed Poll.

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

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

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

17. TRADE PAYABLES

The normal trade credit term granted to the Group and the Company range from 30 to 90 days (2010: 30 to 90 days).

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Ringgit Malaysia	**32,880**	23,226	**26,261**	15,674
Euro	**82**	1,193	**82**	1,193
Japanese Yen	**–**	647	**–**	–
United States Dollar	**51**	995	**–**	–
	33,013	26,061	**26,343**	16,867

18. OTHER PAYABLES AND ACCRUALS

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Ringgit Malaysia	**20,982**	24,850	**9,144**	15,457
Euro	**20**	5,560	**–**	5,560
Singapore Dollar	**–**	17	**–**	17
Swiss Franc	**–**	41	**–**	41
United States Dollar	**–**	12	**–**	12
	21,002	30,480	**9,144**	21,087

Included in the other payables and accruals of the Group and of the Company is an amount due to a creditor of approximately Nil (2010: RM5.6 million) for the supply, installation and commissioning of a plant for the production of particleboard.

19. 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.

Notes to the Financial Statements (cont'd)

20. PROVISION FOR RETIREMENT BENEFITS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At 1st January	**1,539**	1,340	**1,000**	873
Charged for the financial year (Note 28)	**210**	199	**133**	127
At 31st December	**1,749**	1,539	**1,133**	1,000
The retirement benefit obligations are expected to be settled as follows:-				
Non-current:-				
- later than 5 years	**1,749**	1,539	**1,133**	1,000

The amounts recognised in the profits or losses are as follows:-

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Current service costs	**147**	225	**87**	154
Interest costs	**123**	77	**103**	57
Past service costs	**1,479**	1,237	**943**	789
	1,749	1,539	**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 RM74,280/- (2010: RM73,000/-) was in respect of retirement benefits for Executive Directors.

The assumptions used are as follows:-

	Group and Company	
	2011 %	2010 %
Discount rate	**5**	5
Expected rate of salary increases	**3 to 5**	3 to 5

21. LOANS AND BORROWINGS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Current (secured)				
Bank overdrafts	**4,437**	942	**3,654**	475
Bankers' acceptances	**–**	1,244	**–**	–
Export credit refinancing	**3,180**	3,615	**–**	–
Hire purchase payables (Note 22)	**2,557**	3,386	**510**	2,116
Offshore foreign currency loan	**10,951**	9,909	**10,951**	9,909
Floating rate - Term loan (Note 23)	**26,373**	27,138	**25,274**	25,564
	47,498	46,234	**40,389**	38,064
Non-current (secured)				
Hire purchase payables (Note 22)	**4,493**	1,010	**401**	360
Floating rate - Term loan (Note 23)	**112,491**	140,690	**108,509**	136,126
	116,984	141,700	**108,910**	136,486
Total loans and borrowings	**164,482**	187,934	**149,299**	174,550

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Ringgit Malaysia	**58,007**	66,522	**42,824**	53,138
United States Dollar	**106,475**	121,412	**106,475**	121,412
	164,482	187,934	**149,299**	174,550

The effective interest rates at the end of the reporting period for the loans and borrowings were as follows:-

	Group		Company	
	2011 %	2010 %	2011 %	2010 %
Bank overdrafts	**7.4 - 8.1**	7.10 - 7.55	**7.4 - 7.85**	7.10 - 7.55
Bankers' acceptances	**4.25**	4.75	**–**	–
Export credit refinancing	**4.25**	3.80	**–**	–
Hire purchase payables	**2.55 - 3.75**	2.88 - 3.75	**2.55 - 3.75**	2.88 - 3.75
Offshore foreign currency loan	**1.85 - 2.69**	2.12	**1.85 - 2.69**	2.12
Term loan	**4.49 - 9.10**	4.50 - 8.80	**4.49 - 8.10**	4.50 - 8.80

Notes to the Financial Statements (cont'd)

21. LOANS AND BORROWINGS (Continued)

The bank overdrafts, bankers' acceptances, export credit refinancing, offshore foreign currency loan and term loans are secured by:

(i) fixed deposits of RM2,054,300/- (2010: Nil);
(ii) fixed charges over certain property, plant and equipment of the Group and of the Company;
(iii) fixed charges over certain properties of a substantial corporate shareholder; and
(iv) a corporate guarantee by the Company.

22. HIRE PURCHASE PAYABLES

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Minimum hire purchase payments				
- not later than one year	**2,867**	3,665	**539**	2,211
- later than one year and not later than five years	**4,769**	1,116	**425**	369
- later than five years	**128**	–	**–**	–
	7,764	4,781	**964**	2,580
Less: Amount representing future finance charges	**(714)**	(385)	**(53)**	(104)
Present value of minimum hire purchase payment	**7,050**	4,396	**911**	2,476
Represented by:-				
Current (Note 21)				
- not later than one year	**2,557**	3,386	**510**	2,116
Non-current (Note 21)				
- later than one year and not later than five years	**4,426**	1,010	**401**	360
- later than five years	**67**	–	**–**	–
	4,493	1,010	**401**	360
	7,050	4,396	**911**	2,476

22. HIRE PURCHASE PAYABLES (Continued)

Obligations under hire purchase

The effective interest rates of the hire purchase of the Group and the Company at the end of the reporting period were as follows:-

	Group		Company	
	2011	**2010**	**2011**	**2010**
Hire purchase payables (%)	**2.55 - 3.75**	2.88 - 3.75	**2.55 - 3.75**	2.88 - 3.75

Interest rates are fixed at the inception of the hire purchase arrangement.

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

23. TERM LOANS

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Current				
- repayable within one year	**26,373**	27,138	**25,274**	25,564
Non-current portion				
- not later than two years	**26,256**	26,857	**25,274**	25,564
- later than two years and not later than five years	**71,897**	72,844	**69,711**	70,593
- later than five years	**14,338**	40,989	**13,524**	39,969
	112,491	140,690	**108,509**	136,126
	138,864	167,828	**133,783**	161,690

The term loans bear interest at the rates of 4.49% to 9.1% (2010: 4.50% to 8.80%) per annum and are repayable by fixed monthly instalments.

The secured term loans of the Group and of the Company were secured over the followings:-

(i) fixed charges over certain property, plant and equipment of the Group and of the Company;
(ii) fixed charges over certain properties of a substantial corporate shareholder; and
(iii) a corporate guarantee by the Company.

Notes to the Financial Statements (cont'd)

23. TERM LOANS (Continued)

Details of repayment terms are as follows:-

Term Loans	Number of monthly instalment	Commencement date of repayment	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
1	180	26 October 2004	**1,920**	2,102	**–**	–
2	120	1 March 2005	**–**	2,394	**–**	–
3	84	15 January 2011	**15,743**	18,621	**15,743**	18,621
4	28 (quarterly)	15 January 2011	**92,556**	105,540	**92,556**	105,540
5	28 (quarterly)	15 January 2011	**6,524**	7,439	**6,524**	7,439
6	28 (quarterly)	15 January 2011	**7,395**	8,433	**7,395**	8,433
7	84	29 December 2006	**633**	931	**–**	–
8	60	26 January 2007	**–**	173	**–**	–
9	60	15 January 2010	**11,565**	15,859	**11,565**	15,859
10	60	15 January 2010	**–**	4,436	**–**	4,436
11	60	15 January 2010	**–**	1,362	**–**	1,362
12	36	July 2010	**161**	538	**–**	–
13	60	1 October 2011	**2,367**	–	**–**	–
			138,864	167,828	**133,783**	161,690

Term loan 4, 5 and 6 are dominated in US Dollar.

24. DEFERRED TAX LIABILITIES

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Balance as at 1st January	**5,050**	3,079	**1,150**	–
Transfer to profit or loss (Note 29)	**(104)**	1,971	**104**	1,150
Balance as at 31st December	**4,946**	5,050	**1,254**	1,150

24. DEFERRED TAX LIABILITIES (Continued)

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

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Deferred tax liability:-				
- Accelerated capital allowance	**52,470**	49,625	**48,670**	45,632
	52,470	49,625	**48,670**	45,632
Deferred tax assets:-				
- Provision for retirement benefits	**(391)**	(343)	**(283)**	(250)
- Unutilised tax losses	**–**	(332)	**–**	(332)
- Unabsorbed capital allowances	**(47,133)**	(43,900)	**(47,133)**	(43,900)
	(47,524)	(44,575)	**(47,416)**	(44,482)
	4,946	5,050	**1,254**	1,150

25. REVENUE

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

26. COST OF SALES

Cost of sales represents the costs of inventories sold, production costs, direct material, labour costs and related overheads.

27. FINANCE COSTS

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Interest expenses				
- bank overdrafts	**141**	179	**136**	170
- bankers' acceptances	**27**	40	**–**	–
- export credit refinancing	**167**	123	**–**	–
- hire purchase	**281**	674	**84**	268
- term loans	**8,778**	10,694	**8,354**	10,218
	9,394	11,710	**8,574**	10,656

Notes to the Financial Statements (cont'd)

28. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at:-

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
After charging:-				
Amortisation of prepaid lease payments	**163**	164	**–**	–
Audit fee				
- current year	**79**	76	**30**	35
- underprovision in prior year	**9**	9	**1**	–
- non-statutory	**56**	38	**56**	37
Depreciation of property, plant and equipment	**24,456**	24,292	**18,948**	18,766
Directors' fees	**248**	209	**228**	209
Directors' non-fee emoluments				
- salaries and bonus	**2,407**	1,030	**1,024**	1,030
- defined contribution plan	**324**	153	**174**	153
- other benefits	**843**	458	**34**	21
Inventories written off	**237**	–	**237**	–
Staff costs				
- salaries, wages and bonuses	**40,705**	37,815	**10,788**	10,537
- defined contribution plan	**1,941**	2,037	**1,083**	1,056
- other staff related expenses	**4,328**	4,485	**683**	742
Provision for retirement benefits				
- directors	**151**	73	**74**	73
- others	**59**	126	**59**	54
Loss on foreign exchange				
- realised	**–**	355	**–**	46
- unrealised	**2,045**	–	**2,045**	–
Net loss on financial liabilities measured at amortised cost	**2,909**	–	**2,909**	–
Property, plant and equipment written off	**201**	–	**198**	–
Rental of equipment	**313**	356	**313**	356
Rental of premises	**172**	262	**148**	112
And crediting:-				
Dividend income	**–**	–	**(5,960)**	(2,980)
Gain on foreign exchange				
- realised	**(2,609)**	–	**(1,916)**	–
- unrealised	**–**	(11,826)	**–**	(11,826)
Gain on disposal of equipment	**(2)**	(228)	**–**	(23)
Interest income	**(42)**	(34)	**(42)**	(34)

The benefits-in-kind received by the directors of the Group and of the Company was RM12,000/- (2010: RM7,200/-).

29. TAXATION

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Income tax				
- current year	**(682)**	(731)	**(10)**	–
- overprovision in prior year	**25**	3	**–**	–
	(657)	(728)	**(10)**	–
Deferred taxation (Note 24)				
- origination of temporary differences	**(1,478)**	(3,124)	**(1,254)**	(2,960)
- overprovision in prior years	**1,582**	1,153	**1,150**	1,810
	104	(1,971)	**(104)**	(1,150)
	(553)	(2,699)	**(114)**	(1,150)

The income tax is calculated at the statutory tax rate of 25% (2010: 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 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Profit before taxation	**3,894**	28,410	**4,255**	22,741
Taxation at applicable tax rate of 25%	**(974)**	(7,103)	**(1,064)**	(5,685)
Tax effects arising from				
- non-deductible expenses	**(2,853)**	(1,137)	**(945)**	(989)
- non-taxable income	**745**	3,004	**745**	3,714
- utilisation of previously unrecognised deferred tax assets	**922**	1,381	**–**	–
- Over provision in prior years	**1,607**	1,156	**1,150**	1,810
	(553)	(2,699)	**(114)**	(1,150)

Notes to the Financial Statements (cont'd)

30. EARNINGS PER SHARE

(a) Basic earnings per ordinary share

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

	Group	
	2011	**2010**
	RM'000	**RM'000**
Profits for the financial year attributable to owners of the Company (RM'000)	**3,341**	25,711
Weighted average number of shares ('000 units)	**90,400**	90,400
Basic earnings per ordinary share (sen)	**3.69**	28.44

(b) Diluted earnings per ordinary share

The diluted earnings per ordinary shares is equal 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.

31. 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	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Purchase of property, plant and equipment	**15,471**	4,823	**6,393**	1,522
Financed by hire purchase arrangements	**(6,215)**	(820)	**(678)**	–
Cash payment on purchase of property, plant and equipment	**9,256**	4,003	**5,715**	1,522

32. CONTINGENT LIABILITIES

As at 31st December 2011, the Group and the Company are contingently liable for the followings:-

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Corporate guarantees issued in favour of third parties	**3,819**	10,681	**3,319**	10,154

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.

33. 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.

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

(a) Transactions with related parties

	Company	
	2011 RM'000	2010 RM'000
Dividend income from a subsidiary		
- HeveaPac Sdn. Bhd.	**5,960**	2,980
Sales to subsidiaries		
- HeveaPac Sdn. Bhd.	**11,087**	11,242
- HeveaMart Sdn. Bhd.	**2,411**	664

The directors of the Company are of the opinion that the above transactions have been entered into the normal course of business and the terms are no less favourable than those arranged with third parties.

Notes to the Financial Statements (cont'd)

33. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Key management personnel compensation

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Short term employees benefits payable to key management personnel:-				
- salaries and bonus	**1,964**	1,030	**1,862**	1,030
- defined contribution plans	**283**	153	**267**	153
- other benefits	**468**	458	**190**	21

34. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The Company on 31st March 2011 and 4th April 2011 announced that it had obtained consent in-principle from two of its principal bankers i.e. Malayan Banking Berhad and Kreditanstalt fur Wiederaufbau ("MBB" and "KfW"), on its proposal to pay in advance all the Scheme Creditors, save for MBB and KfW, pursuant to Section 176 of the Companies Act, 1965 in accordance with the Court Order dated 14 December 2009 ("Scheme") with a view to terminate the Scheme.

Thereafter, the Company had on 29th September 2011 and 10th October 2011, obtained the resolutions by the scheme creditors approving the proposal to terminate the Restructuring Scheme ("Scheme") under Section 176 of the Companies Act, 1965 ("Termination") and court order from the High Court of Malaya sanctioning the termination respectively. The Company had lodged the resolutions and the court sanction with the Registrar of Companies on 12th October 2011.

35. DIRECTORS' REMUNERATION

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

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Directors of the Company				
Executive Directors:-				
- salaries, bonus, incentive and EPF	**1,501**	1,621	**1,232**	1,184
Total Executive Directors' remuneration	**1,501**	1,621	**1,232**	1,184
Non-Executive Directors:-				
- fees	**248**	209	**228**	209
- other emoluments	**–**	21	**–**	21
Total Non-Exective Directors' remuneration	**248**	230	**228**	230
Total Directors' remuneration	**1,749**	1,851	**1,460**	1,414
Retirement benefits for Executive Directors	**74**	73	**74**	73

Remuneration of the Directors of the Company in respect of services rendered to the Company and its subsidiaries is represented by the following bands:-

	Group		Company	
	2011	**2010**	**2011**	**2010**
	No. of Directors		**No. of Directors**	
Executive Directors:-				
RM350,001 to RM400,000	**–**	1	**–**	1
RM400,001 to RM450,000	**1**	–	**1**	–
RM750,001 to RM800,000	**–**	–	**–**	1
RM850,001 to RM900,000	**–**	–	**1**	–
RM1,150,001 to RM1,200,000	**1**	–	**–**	–
RM1,200,001 to RM1,250,000	**–**	1	**–**	–
	2	2	**2**	2
Non-Executive Directors:-				
Below RM50,000	**3**	3	**3**	3
RM50,001 to RM100,000	**1**	1	**1**	1
	6	6	**6**	6

Notes to the Financial Statements (cont'd)

36. CAPITAL COMMITMENT

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Capital expenditure commitment				
Property, plant and equipment:-				
- Approved and but not contracted for	**7,044**	–	**6,320**	–

37. OPERATING SEGMENTS

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

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

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

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

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

37. OPERATING SEGMENTS (Continued)

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**
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	–	–	**24,619**
Non cash expenses other than depreciation and amortisation	2,671	22	–	–	**2,693**

Notes to the Financial Statements (cont'd)

37. OPERATING SEGMENTS (Continued)

Group 2010	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Total RM'000
REVENUE					
External revenue	342,291	20,846	–	–	363,137
Inter-segment revenue	23,987	–	–	(23,987)	–
Total revenue	366,278	20,846	–	(23,987)	363,137
RESULTS					
Segment results	42,439	524	(4)	(2,839)	40,120
Finance costs	(11,661)	(49)	–	–	(11,710)
Profit before taxation	30,778	475	(4)	(2,839)	28,410
Taxation					(2,699)
Profit after taxation					25,711
Non-controlling interest					–
Profit attributable to owners of the Company					25,711
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
Segment assets #	476,239	7,662	6,155	(47,967)	442,089
Unallocated corporate assets					738
Total assets					442,827
Segment liabilities ^	256,671	3,822	23	(13,420)	247,096
Unallocated corporate liabilities					5,050
Total liabilities					252,146
OTHER INFORMATION					
Capital expenditure	4,823	–	–	–	4,823
Depreciation and amortisation	24,379	77	–	–	24,456
Non cash expenses other than depreciation and amortisation	180	19	–	–	199

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.

37. OPERATING SEGMENTS (Continued)

Geographical information

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

	Revenue	
	2011	**2010**
	RM'000	**RM'000**
Australia	**10,966**	14,304
Bangladesh	**87**	1,170
Canada	**153**	2,923
China	**44,219**	34,723
France	**13,115**	12,595
India	**44,848**	36,823
Indonesia	**22,616**	28,944
Italy	**1,392**	4,028
Japan	**135,009**	111,061
Korea	**9,718**	15,097
Malaysia	**53,439**	42,743
Oman	**1,931**	2,282
Philippines	**2,288**	11,462
Singapore	**1,735**	2,318
Sri Lanka	**2,432**	–
Taiwan	**414**	1,410
United Arab Emirates	**4,966**	3,243
United Kingdom	**5,858**	9,367
United States of America	**6,179**	7,715
Vietnam	**8,547**	12,439
Others	**3,137**	8,490
	373,049	363,137

Major customers

A major customer with revenue equal to more than 10% of Group revenue, amounts to approximately RM63,168,000/- (2010: RM48,882,000/-) arising from sales by the manufacturing segment.

Notes to the Financial Statements (cont'd)

38. 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)	9 - 10
Trade and other payables (current)	17 - 18
Loans and borrowings	21 - 23

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.

39. 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.

39. FINANCIAL INSTRUMENTS (Continued)

(a) Financial Risk Management and Objectives (Continued)

(i) Credit Risk

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

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

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

At the reporting date, there were not significant concentrations of credit risk in the Group. The maximum exposure to credit risk for the Group is represented by the carrying amount of each financial instrument.

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

	Group 2011 RM'000	Company 2011 RM'000
Australia	**1,077**	**25**
China	**11,311**	**11,311**
France	**101**	**–**
India	**5,241**	**5,241**
Indonesia	**1,810**	**1,810**
Japan	**8,870**	**–**
Malaysia	**9,147**	**2,452**
Philipines	**381**	**381**
Sri Lanka	**324**	**324**
United Arab Emirates	**320**	**320**
United Kingdom	**684**	**–**
United States of America	**1,462**	**–**
Vietnam	**1,003**	**1,003**
Others	**301**	**95**
	42,032	**22,962**

Notes to the Financial Statements (cont'd)

39. FINANCIAL INSTRUMENTS (Continued)

(a) Financial Risk Management and Objectives (Continued)

(i) Credit Risk (Continued)

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are past due or impaired is disclosed in Note 9 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 ("RM"). The foreign currency in which these transactions are denominated is primarily US Dollar ("USD"), Japanese Yen ("YEN") and Euro ("EURO").

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.

39. FINANCIAL INSTRUMENTS (Continued)

(a) Financial Risk Management and Objectives (Continued)

(ii) Foreign Currency Risk (Continued)

Sensitivity analysis for foreign currency risk

A 10% strengthening of the USD, Yen and EURO against the RM 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	
	2011 Increase/ (Decrease) RM'000	**2010 Increase/ (Decrease) RM'000**	**2011 Increase/ (Decrease) RM'000**	**2010 Increase/ (Decrease) RM'000**
Effects on profit or loss and equity				
United States Dollar:-				
- strengthened by 10%	**(6,013)**	(4,861)	**(7,523)**	(6,067)
- weakened by 10%	**6,013**	4,861	**7,523**	6,067
Japanese Yen:-				
- strengthened by 10%	**–**	(48)	**–**	–
- weakened by 10%	**–**	48	**–**	–
EURO:-				
- strengthened by 10%	**(6)**	(636)	**(4)**	(636)
- weakened by 10%	**6**	636	**4**	636

Notes to the Financial Statements (cont'd)

39. FINANCIAL INSTRUMENTS (Continued)

(a) Financial Risk Management and Objectives (Continued)

(iii) Liquidity Risk

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

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

Group 2011	Carrying amount RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	More than 5 Years RM'000
Financial Liabilities				
Trade payables	**33,013**	**33,013**	**–**	**–**
Other payables and accruals	**21,002**	**21,002**	**–**	**–**
Amount owing 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**

Group 2010	Carrying amount RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	More than 5 Years RM'000
Financial Liabilities				
Trade payables	26,061	26,061	–	–
Other payables and accruals	30,480	25,531	3,689	1,260
Amount owing 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

39. FINANCIAL INSTRUMENTS (Continued)

(a) Financial Risk Management and Objectives (Continued)

(iii) Liquidity Risk (Continued)

Company 2011	Carrying amount RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	More than 5 Years RM'000
Financial Liabilities				
Trade payables	**26,343**	**26,343**	**–**	**–**
Other payables and accruals	**9,144**	**9,144**	**–**	**–**
Amount owing to subsidiaries	**6,355**	**6,355**	**–**	**–**
Amount owing 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**

Company 2010	Carrying amount RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	More than 5 Years RM'000
Financial Liabilities				
Trade payables	16,867	16,867	–	–
Other payables and accruals	21,087	16,138	3,689	1,260
Amount owing to subsidiaries	6,009	6,009	–	–
Amount owing to related parties	877	474	403	–
Loan and borrowings	174,550	38,064	96,517	39,969
	219,390	77,552	100,609	41,229

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

Notes to the Financial Statements (cont'd)

39. FINANCIAL INSTRUMENTS (Continued)

(a) Financial Risk Management and Objectives (Continued)

(iv) Interest Rate Risk (Continued)

Sensitivity analysis for interest rate risk

Fair value sensitivity analysis for fixed rate instruments

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

Cash flows sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss and equity			
	2011		2010	
	100bp Increase RM'000	100bp Decrease RM'000	100bp Increase RM'000	100bp Decrease RM'000
Group				
Variable rate instruments	**(1,433)**	**1,433**	(1,213)	1,213
Company				
Variable rate instruments	**(1,374)**	**1,374**	(1,165)	1,165

40. CAPITAL MANAGEMENT

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

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

40. CAPITAL MANAGEMENT (Continued)

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Bank overdrafts	**4,437**	942	**3,654**	475
Bankers' acceptances	**–**	1,244	**–**	–
Export credit refinancing	**3,180**	3,615	**–**	–
Hire purchase payables	**7,050**	4,396	**911**	2,476
Floating rate - Term loans	**138,864**	167,828	**133,783**	161,690
Offshore foreign currency loan	**10,951**	9,909	**10,951**	9,909
Total borrowings	**164,482**	187,934	**149,299**	174,550
Less: Fixed deposits placed with licensed banks	**(2,054)**	(2,516)	**(2,054)**	(2,516)
Less: Cash and bank balances	**(15,197)**	(20,306)	**(9,443)**	(13,193)
Net debt	**147,231**	165,112	**137,802**	158,841
Equity attributable to owners of the Company	**194,022**	190,681	**147,374**	143,233
Debt-to-equity ratio (times)	**0.76**	0.87	**0.94**	1.11

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

41. TERMINATION OF RESTRUCTURING SCHEME UNDER SECTION 176

The Company had on 12th October 2011 announced that a sealed copy of the order from the High Court of Malaya sanctioning the Termination of the restructuring scheme under Section 176 of the Companies Act, 1965 had been lodged with the Registrar of Companies.

Details of the Scheme Creditors and the scheme debts arose from prior year are as follows:-

	Group and Company	
	2011	**2010**
	RM'000	**RM'000**
Class A Creditors	**–**	145,593
Class B Creditors	**–**	21,657
Class C Creditors	**–**	1,649
Class D Creditors	**–**	476
	–	169,375

Notes to the Financial Statements (cont'd)

41. TERMINATION OF RESTRUCTURING SCHEME UNDER SECTION 176 (Continued)

	Group and Company	
	2011 RM'000	2010 RM'000
Class A Creditors		
Current		
- not later than one year	–	21,021
Non-current		
- later than one year	–	20,943
- later than one year and not later than five years	–	62,400
- later than five years	–	41,229
	–	124,572
	–	145,593
Represented by:		
- term loans	–	140,033
- other payables and accruals	–	5,560
	–	145,593

	Group and Company	
	2011 RM'000	2010 RM'000
Class B Creditors		
Current		
- not later than one year	–	5,551
Non-current		
- later than one year	–	5,551
- later than one year and not later than five years	–	10,555
	–	16,106
	–	21,657
Represented by:		
- term loans	–	21,657

41. TERMINATION OF RESTRUCTURING SCHEME UNDER SECTION 176 (Continued)

	Group and Company 2011 RM'000	2010 RM'000
Class C Creditors		
Current		
- not later than one year	–	849
Non-current		
- later than one year	–	800
	–	800
	–	1,649
Represented by:		
- term loans	–	819
- other payables and accruals	–	830
	–	1,649

	Group and Company 2011 RM'000	2010 RM'000
Class D Creditors		
Current:-		
- not later than one year	–	476
Represented by:		
- Bank overdrafts	–	476

The moratorium period and the settlements of the Scheme of Creditors as contained in the Scheme are as follows:-

Class A Creditors

(a) The Class A Creditors shall grant to the Company a moratorium of:-

(i) One (1) year for the payment of interest payables, commencing 1st January 2009 and ending 31st December 2009; and

(ii) Two (2) years for the repayment of principal outstanding, commencing 1st January 2009 and ending 31st December 2010.

Notes to the Financial Statements (cont'd)

41. TERMINATION OF RESTRUCTURING SCHEME UNDER SECTION 176 (Continued)

Class A Creditors (Continued)

(b) The scheme debts owing to the Class A Creditors shall be repaid over a period of seven (7) years.

Class B Creditors

(a) The Class B Creditors shall grant to the Company a moratorium of one (1) year, commencing 1st January 2009 and ending 31st December 2009, for the repayment of both principal and interest outstanding. The first repayment both principal and payment of interest payable will commence on 15th January 2010.

(b) The scheme debts owing to the Class B Creditors shall be repaid over a period of five (5) years by monthly instalments.

Class C Creditors

(a) The Class C Creditors shall grant to the Company a moratorium of one (1) year, commencing 1st January 2009 and ending 31st December 2009, for the repayment of Scheme Debt owing to the respective Class C Creditors. The first repayment of principal amount outstanding will commence on 15th January 2010.

(b) The scheme debts owing to the Class C Creditors shall be repaid over a period of three (3) years by monthly instalments.

Class D Creditors

(a) There is no moratorium period applicable for the Class D Creditors.

(b) Class D Creditors shall continue to grant and/or make available the working capital facilities and maintain the current limit of the working capital facilities to the Company for the entire tenure of the repayment period for so long as no event of default has occurred. The working capital facilities shall be serviced in accordance with the existing facility documents.

42. COMPARATIVE FIGURES

The comparative figures have been audited by a firm of Chartered Accountants other than Messrs. Baker Tilly Monteiro Heng.

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 earnings 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 earnings of the Group and the Company as at 31st December 2011 are as follows:-

	Group		Company	
	2011 RM'000	2010 RM'000	**2011 RM'000**	2010 RM'000
The retained earnings of the Group and the Company:-				
- Realised	**79,346**	70,356	**37,749**	22,962
- Unrealised	**6,991**	9,645	**3,299**	13,945
	86,337	80,001	**41,048**	36,907
Add: Consolidation adjustments	**1,359**	4,354	**–**	–
Total Group retained earnings as per statements of financial position	**87,696**	84,355	**41,048**	36,907

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 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 2011 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

The supplementary information set out on page 97 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 2012

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 and the supplementary information set out on page 97 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 2012.

Before me,

....

Arshad Abdullah (W550)
Pesuruhjaya Sumpah

Independent Auditors' Report

to the Members of **HeveaBoard Berhad**

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 2011 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 30 to 96.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and 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 the 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' 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 have been properly drawn up in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31st December 2011 and of their financial performance and cash flows for the financial year then ended.

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 a 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.

Independent Auditors' Report (cont'd)

to the Members of **HeveaBoard Berhad**

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (Continued)

(d) The auditors' 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 on page 97 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

The financial statements of the Group and of the Company for the financial year ended 31st December 2010 were audited by another firm of chartered accountants whose report dated 25th April 2011 expressed an unmodified opinion on those financial statements.

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Heng Ji Keng
No. 578/05/12 (J/PH)
Partner

Kuala Lumpur

Date: 23rd April 2012

List of Properties

Registered Owner	Location	Description/ existing use	Tenure of Land	Land Area	Audited Net Book Value as at 31 December 2011
HeveaBoard	Lot 1941 & 1942, Batu Tiga Jalan Tampin, 73400 Gemas Negeri Sembilan Darul Khusus	Factory, Office and Warehouse	Freehold	31,580 sq. m	9,380
	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	22,163
	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	232
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	8,923
	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	14,844
	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	3,597

Analysis of Shareholdings

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

DISTRIBUTION OF SHAREHOLDINGS
as at 12 April 2012

Size of Shareholdings	No. of Holders	%	No. of Shares	%
Less than 100	8	0.47	438	0.00
100 – 1,000	692	40.33	210,450	0.23
1,001 – 10,000	587	34.21	3,363,100	3.72
10,001 – 100,000	355	20.69	11,044,800	12.23
100,001 – 4,519,999 (less than 5% of issued shares)	71	4.14	43,812,212	48.46
4,520,000 (5% of issued shares) and above	3	0.17	31,969,000	35.36
Total	**1,716**	**100.00**	**90,400,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS
as at 12 April 2012

		Direct		Indirect	
	Name	No. of Shares	%	No. of Shares	%
1.	HeveaWood Industries Sdn Bhd	27,075,000	29.95	962,400	1.06 @
2.	Firama Holdings Sdn Bhd	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	39,872,400	44.11 ***
5.	Yoong Hau Chun	150,000	0.17	37,875,900	41.90 #
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 (Alternate Director to Yoong Tein Seng @ Yong Kian Seng)	1,256,000	1.39	36,784,900	40.69 ****

@ 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 and Yoong Li Beng, 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.

DIRECTORS' SHAREHOLDINGS

as at 12 April 2012

		Direct		Indirect	
	Name	No. of Shares	%	No. of Shares	%
1.	Yoong Tein Seng @ Yong Kian Seng	170,000	0.19	39,872,400(1)	40.11
2.	Yoong Hau Chun	150,000	0.17	37,875,900(2)	41.90
3.	Dato' Loo Swee Chew	148,000	0.16	28,189,000(3)	31.18
4.	Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	–	–	63,000(4)	0.07
5.	Lim Kah Poon	50,000	0.06	21,000(5)	0.02
6.	Bailey Policarpio	25,000	0.03	1,256,000(6)	1.39
7.	Yoong Li Yen (Alternate Director to Yoong Tein Seng @ Yong Kian Seng	1,256,000	1.39	36,784,900(7)	40.69

(1) Deemed interested by virtue of Section 6A of the Act (shareholdings held through Tenson Holdings Sdn Bhd, a substantial shareholder of HeveaWood Industries Sdn Bhd) and by virtue of his family relationship with Yoong Hau Chun, his son, Yoong Li Yen, Yoong Li Mian and Yoong Li Beng, 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.

(2) 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.

(3) 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.

(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 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.

Analysis of Shareholdings (cont'd)

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

as at 12 April 2012

	Name	No. of Shares Held	%
1.	OSK Nominees (Tempatan) Sdn Berhad – 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	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	4,381,000	4.85
5.	Liau Chern Yee	3,019,500	3.34
6.	Liang Chong Wai	2,588,600	2.86
7.	HDM Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Yap Kiew @ Yap Chin Fook	2,396,000	2.65
8.	Firama Engineering Berhad	1,890,000	2.09
9.	Syed Mohd Yusof Bin Tun Syed Nasir	1,600,000	1.77
10.	Yen Woon @ Low Sau Chee	1,476,000	1.63
11.	HLG Nominee (Tempatan) Sdn Bhd – Pledged Securities Account for Sanur Sdn Bhd	1,435,000	1.59
12.	Firama Engineering Berhad	1,310,000	1.45
13.	Liau Choon Hwa & Sons Sdn Bhd	1,292,500	1.43
14.	Yoong Li Yen	1,256,000	1.39
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.	RHB Capital Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Nur Jazman Bin Mohamed	980,000	1.08
21.	Fizwah Pembinaan Sdn Bhd	970,000	1.07
22.	Lancar Indah Sdn Bhd	882,000	0.98
23.	Yoong Kee Sin	845,000	0.93
24.	Gemas Ria Sdn Bhd	744,900	0.82
25.	Malaysia Nominees (Tempatan) Sendirian Berhad – Pledged Securities Account for Liau Thai Min	720,000	0.80
26.	Leong Kok Cheong	672,200	0.74
27.	Y.A.M. Tunku Imran Ibni Tuanku Ja'afar	580,000	0.64
28.	Choong Siew Loong	515,000	0.57
29.	Yee Kong Yin	453,900	0.50
30.	Quah Lake Jen	430,300	0.48
		67,434,200	74.60

Analysis of Warrant B Holdings

A. DISTRIBUTION OF WARRANT HOLDINGS
as at 12 April 2012

Size of Warrantholdings	No. of Holders	%	No. of Warrants	%
Less than 100	28	4.86	915	0.00
100 – 1,000	63	10.94	28,082	0.07
1,001 – 10,000	194	33.68	1,145,471	2.69
10,001 – 100,000	245	42.54	9,294,092	21.78
100,001 – 2,133,333 (less than 5% of issued warrants)	42	7.29	14,857,563	34.82
2,133,334 (5% of issued warrants) and above	4	0.69	17,340,543	40.64
Total	**576**	**100.00**	**42,666,666**	**100.00**

B. LIST OF THIRTY (30) LARGEST WARRANT B HOLDERS
as at 12 April 2012

	Name	No. of Warrants Held	%
1.	OSK Nominees (Tempatan) Sdn Berhad – 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	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.	Liau Chern Yee	1,039,166	2.44
8.	Lim Chin Hong	869,433	2.04
9.	Ng Sim Tang @ Wong Seng Tong	752,400	1.76
10.	Chu Eng Hock	600,000	1.41
11.	Mayban Securities Nominees (Asing) Sdn Bhd – Exempt An for UOB Kay Hian Pte Ltd	550,000	1.29
12.	Yen Woon @ Low Sau Chee	492,000	1.15
13.	Liau Choon Hwa & Sons Sdn Bhd	483,333	1.13
14.	HLG Nominee (Tempatan) Sdn Bhd – Pledged Securities Account for Sanur Sdn Bhd	478,333	1.12
15.	Mayban Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Lam Ngek Keow	415,000	0.97
16.	Ong Siok Liang	400,000	0.94
17.	Chiat Moh Sdn Bhd	368,100	0.86
18.	Mayban Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Siow Chock Shume	362,800	0.85
19.	Yoong Kee Sin	358,200	0.84
20.	OSK Nominees (Tempatan) Sdn Bhd – OSK Capital Sdn Bhd for Sanur Sdn Bhd	317,066	0.74
21.	RHB Capital Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Nur Jazman Bin Mohamed	316,666	0.74

Analysis of Warrant B Holdings (cont'd)

B. LIST OF THIRTY (30) LARGEST WARRANT B HOLDERS (CONT'D)
as at 12 April 2012

	Name	No. of Warrants Held	%
22.	Yap Nyok Lian	300,00	0.70
23.	JS Nominees (Tempatan) Sdn Bhd – Amara Investment Management Sdn Bhd for Lam Kim Seong	294,500	0.69
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	250,000	0.59
26.	Wong Ah Yong	250,000	0.59
27.	Gemas Ria Sdn Bhd	248,300	0.58
28.	Chen Weng Fatt	248,000	0.58
29.	TA Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Firama Holdings Sdn Bhd	218,600	0.51
30.	Esther Keong Pei Pei	200,000	0.47
		30,051,606	70.43

C. DIRECTORS' WARRANT HOLDINGS
as at 12 April 2012

		Direct		Indirect	
	Name	No. of Warrants	%	No. of Warrants	%
1.	Yoong Tein Seng @ Yong Kian Seng	75,000	0.18	16,915,741(1)	39.65
2.	Yoong Hau Chun	25,000	0.06	16,969,042(2)	39.77
3.	Dato' Loo Swee Chew	78,233	0.18	15,333,242(3)	35.94
4.	Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	–	–	–	–
5.	Lim Kah Poon	28,600	0.07	7,000(4)	0.02
6.	Bailey Policarpio	6,666	0.02	8,333(5)	0.02
7.	Yoong Li Yen (Alternate Director to Yoong Tein Seng @ Yong Kian Seng	8,333	0.02	16,989,042(6)	39.82

(1) Deemed interested by virtue of Section 6A of the Act (shareholdings held through Tenson Holdings Sdn Bhd, a substantial shareholder of HeveaWood Industries Sdn Bhd) and by virtue of his family relationship with Yoong Hau Chun, his son, Yoong Li Yen, Yoong Li Mian and Yoong Li Beng, 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.

(2) 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.

(3) 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.

(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.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eighteenth (18th) Annual General Meeting 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 Friday, 1 June 2012 at 10.00 a.m., for the purpose of considering the following businesses:

AGENDA

Ordinary Business

1. To lay the Audited Financial Statements for the financial year ended 31 December 2011 together with the Reports of the Directors and Auditors thereon. *[Please refer to Explanatory Note 1]*

2. To approve a first and final tax exempt dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2011. *Ordinary Resolution 1*

3. To approve the payment of Directors' fees of RM227,500.00 for the financial year ended 31 December 2011. *Ordinary Resolution 2*

4. To re-elect the following Directors who are retiring pursuant to Article 123 of the Company's Articles of Association, and being eligible, offered themselves for re-election:

   4.1 Mr Yoong Tein Seng @ Yong Kian Seng (Tenson Yoong). *Ordinary Resolution 3*

   4.2 Mr Bailey Policarpio. *Ordinary Resolution 4*

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

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 6*

Special Business

To consider and if thought fit, pass the following resolution:

7. **Ordinary Resolution**
   Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965

   "THAT pursuant to Section 132D of the Companies Act, 1965 ("the Act"), the Directors be and are hereby empowered to issue shares in the Company, at any time until the conclusion of the next Annual General Meeting ("AGM") and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued does not exceed ten per centum (10%) of the issued capital of the Company at the time of issue and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued, subject to the Act, the Articles of Association of the Company and approval from Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant bodies where such approval is necessary."

   Ordinary Resolution 7

Notice of Annual General Meeting (cont'd)

8. **Ordinary Resolution**
   Proposed Share Buy-Back of up to Ten per Centum (10%) of the Issued and Paid-up Share Capital of the Company ("Proposed Share Buy-Back Authority")

   "THAT, subject always to the Act, the provisions of the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Securities ("the Listing Requirement") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised 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 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) an amount not exceeding the Company's audited retained profit of RM41.048 million for the financial year ended 31 December 2011 at the time of the purchase(s) will be allocated by the Company for the purchase of own shares; 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;

   THAT the authority conferred by this resolution shall commence immediately and shall continue to be in force until the conclusion of the next AGM of the Company following the passing of this Ordinary Resolution, unless earlier revoked or varied by an Ordinary Resolution of the shareholders of the Company in a general meeting;

   AND THAT authority be and is hereby given to the Directors of the Company to act and take all such steps and do all things as are necessary or expedient to implement, finalise and give full effect to the aforesaid purchase." *Ordinary Resolution 8*

9. **Special Resolution**
   Proposed Amendments to the Articles of Association of the Company ("Proposed Amendments")

   "THAT, the Proposed Amendments as set out in Part B of the Circular to Shareholders dated 10 May 2012 be and are hereby approved and adopted.

   AND THAT the Directors and Company Secretaries be and are hereby authorised to take all such steps as they may deem necessary and expedient in order to implement, finalise and give full effect to the Proposed Amendments." *Special Resolution*

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

Notice of Dividend Entitlement

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the Eighteenth (18th) AGM, a first and final tax exempt dividend of 1 sen per ordinary share for the financial year ended 31 December 2011 will be paid on 6 July 2012 to holders of ordinary shares registered in the Record of Depositors at the close of business on 29 June 2012.

a) Shares transferred into the Depositor's Securities Account on or before 4.00 p.m. on 29 June 2012 in respect of ordinary transfers; and

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

BY ORDER OF THE BOARD

LAI CHEE WAH (MAICSA 7031124)
PANG CHIA TYNG (MAICSA 7034545)
Company Secretaries

Kuala Lumpur
10 May 2012

Notes:

1. Every member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him/her but such attendance shall automatically revoke the proxy's authority. A proxy may but need not be a member of the Company. If the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.

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. 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.

4. **GENERAL MEETING RECORD OF DEPOSITORS**
For the purposes of determining a member who shall be entitled to attend this Eighteenth 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 28 May 2012. 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.

5. **EXPLANATORY NOTES ON SPECIAL BUSINESS**

(i) Item 1 of the Agenda

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

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

The re-appointment of Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak, being over the age of seventy (70) years as Director of the Company to hold office until the conclusion of the next AGM of the Company shall take effect if the Resolution 5 has been passed by a majority of not less than three-fourth (3/4) of such members as being entitled to vote in person or, where proxies are allowed, by proxy, at the Eighteenth AGM of which not less than twenty one (21) days' notice has been duly given.

(iii) Ordinary Resolution 7 - Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965

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

This is the renewal of the mandate obtained from the shareholders at the last AGM ("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 fund raising activities but not limited for futher placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

(iv) Ordinary Resolution 8 - Proposed Share Buy-Back of up to ten per centum (10%) of the Issued and paid-up share capital of the Company.

The proposed Ordinary Resolution 8, if passed, will empower the Company to purchase and/or hold up to ten per centum (10%) of the issued and paid-up share capital of the Company. This authority unless revoked or varied by the Company at a general meeting will expire at the next AGM. Please refer to the Circular to Shareholders dated 10 May 2012 for further information.

(v) Special Resolution - Proposed Amendments to the Articles of Association of the Company

The Proposed Amendments to the Articles of Association of the Company are to comply with the amendments made in Chapter 7 of the Listing Requirements in relation to the Appointment of Multiple Proxies by an Exempt Authorised Nominee, Qualification of Proxy and Rights of Proxy to Speak. Please refer to the Circular to Shareholders dated 10 May 2012 for further information.

Statement Accompanying Notice of Annual General Meeting

Further details of the Directors standing for re-election or re-appointment in Agenda items 3 and 4 of the Notice of the Eighteenth AGM are set out in the Profile of Directors appearing on pages 6 to 8 of this Annual Report.

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 Eighteenth (18th) 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 Friday, 1 June 2012 at 10.00 a.m. or at any adjournment thereof and to vote as indicated below:

	Resolutions	**For**	**Against**
Ordinary Resolutions			
1.	Approval of First and Final Tax Exempt Dividend		
2.	Approval of Directors' Fees		
3.	Re-election of Mr Yoong Tein Seng @ Yong Kian Seng (Tenson Yoong) as Director		
4.	Re-election of Mr Bailey Policarpio as Director		
5.	Re-appointment of Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak as Director		
6.	Re-appointment of Messrs Baker Tilly Monteiro Heng as Auditors		
7.	Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965		
8.	Proposed Share Buy-Back of up to Ten per Centum (10%) of the Issued and Paid-up Share Capital of the Company		
Special Resolution	- Proposed Amendments to the Articles of Association of 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 __________________ 2012.

____
Signature/Common Seal of Shareholder

Notes:

1. Every member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him/her but such attendance shall automatically revoke the proxy's authority. A proxy may but need not be a member of the Company. If the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.
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. 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.

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

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REGISTERED OFFICE
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