HeveaBoard Berhad

Incorporated in Malaysia (Company No. 275512-A)

NEW ERA OF
GLOBAL
RECOGNITION

Annual Report 2010

CONTENTS

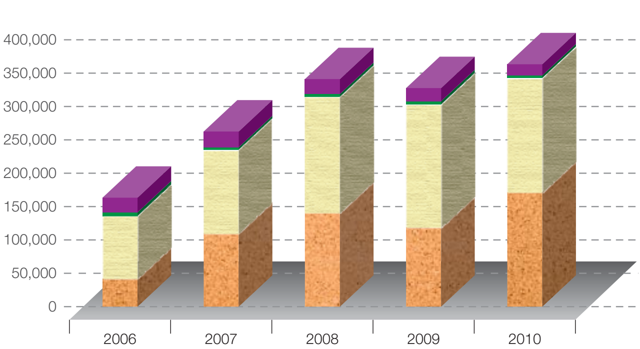
5-Year Financial Highlights

	2010	2009	2008	2007	2006
Turnover (RM'000)	**363,137**	327,417	340,912	262,238	163,125
Profit Before Tax (RM'000)	**28,410**	18,933	(182)	135	9,381
Tax (RM'000)	**(2,699)**	1,525	1,056	6,682	(1,625)
Profit After Tax (RM'000)	**25,711**	20,458	874	6,817	7,756
Share Capital (RM'000)	**90,400**	90,400	90,400	80,000	80,000
Net Assets (RM'000)	**190,681**	161,548	141,090	129,888	125,991
Net Assets Per Share (RM)*	**2.11**	1.79	1.56	1.62	1.57
Proposed Final Dividend (Sen per ordinary Share of RM1.00 each)	**–**	–	–	3.00	5.00
Net Earnings Per Share (Sen)**	**28.44**	23.00	1.00	8.52	9.70

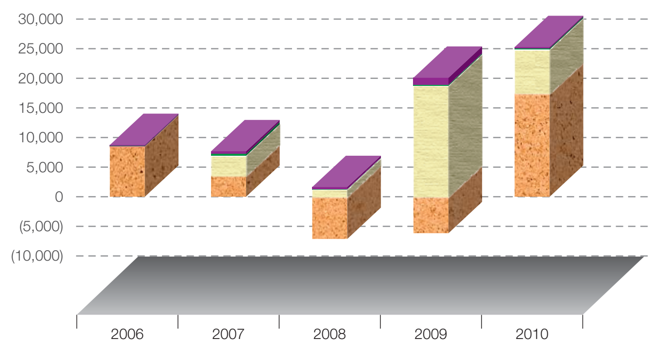
* The net assets per share of the Group is calculated based on the net assets value at the balance sheet date divided by the number of ordinary shares in issue at the balance sheet date.

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

TURNOVER (RM'000)

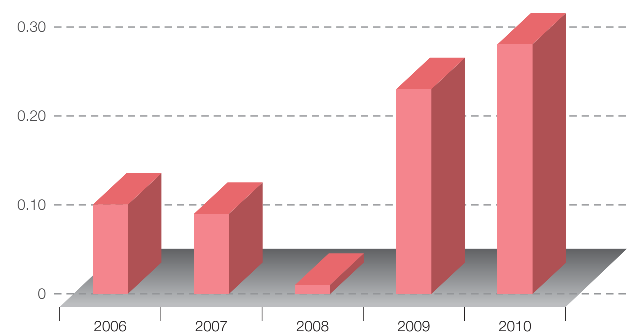


PROFIT AFTER TAX (RM'000)

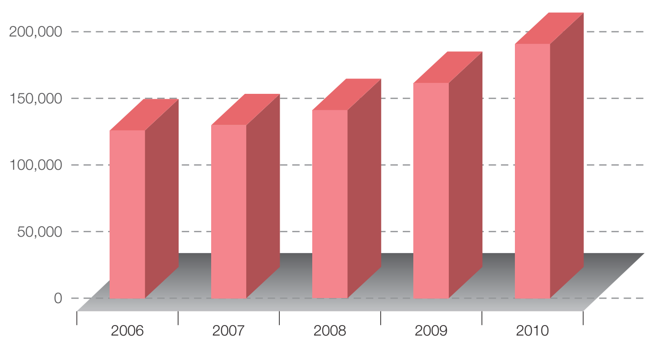


HeveaBoard HeveaPac HeveaMart BocoWood Hevea OSB

EARNINGS PER SHARE (SEN)



NET ASSETS (RM'000)



Statement from Group Managing Director

The Group recorded revenue of RM363.1 million, an increase of 10.9% from RM327.4 million in 2009, and PAT of RM25.7 million in spite of the impact of US Dollar exchange rate against the Malaysian Ringgit being lower by an average of 10% as compared with the 2009 exchange rate.

Yoong Tein Seng
(Tenson Yoong)
Group Managing Director

Dear Shareholders of **HeveaBoard**,

On behalf of the Board of Directors, I am pleased to present the Seventeenth Annual Report and the Audited Accounts of **HeveaBoard Berhad** for the financial year ended 31 December 2010.

OPERATIONS REVIEW

2010 has been both a challenging year and a year of rebound for **HeveaBoard**. The unprecedented drastic fluctuation in currency exchange rates against the US Dollars at the end of 2008/early 2009 continued to cause a severe deterioration in our business operation in the first quarter of 2010. To overcome the adverse impacts on the operation, a Restructuring Scheme under Section 176 of the Companies Act 1965 pursuant to the Court Order dated 14 December 2009 was undertaken by the Company with the Scheme Creditors. The operation saw a rebound in the second quarter with the business of the Group stabilising and continuing to improve for the rest of the year under review. By the end of first quarter of 2011 the Company has obtained the consent in principle from its two principal bankers to enable the Company to repay in advance the debts owing to all other Scheme Creditors and proceed to carry out our proposal to terminate the Scheme, subject to certain conditions to be put in place.

For the financial year ended 31 December 2010, the particleboard manufacturing sector made an impressive Profit After Tax ("PAT") of RM21.6 million since the inauguration of its second particleboard line expansion commissioned in 2007. The Group recorded revenue of RM363.1 million, an increase of 10.9% from RM327.4 million in 2009. In spite of the impact of US

Dollar exchange rate against the Malaysian Ringgit being lower by an average of 10% as compared with the 2009 exchange rate, the Group achieved a PAT of RM25.7 million with a profit margin of 7.1% and an Earnings Before Interest, Tax, Depreciation and Amortisation of RM64.6 million for the financial year under review with the debt ratio of the Group brought down to 88% from the height of 183% in 2006.

The Ready to Assemble ("RTA") furniture sector had recorded higher production output units despite limited expansion applied in the capital expenditure constrained by the economic uncertainty over the past two years. The impact of the weakened US Dollars against Malaysian Ringgit during the year by about 10% as compared with the preceding year had resulted in lower revenue achieved by the RTA furniture sector of RM183.0 million and a lower Profit Before Tax of RM8.0 million as compared with RM198.3 million and RM27.4 million achieved in the preceding year respectively.

CORPORATE DEVELOPMENT

HeveaBoard announced the issue of 42,666,666 new Hevea 2010/2020 Warrants, which were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 8 March 2010. Out of the total issue, 30,133,333 new Hevea Warrants were issued to the existing shareholders and 12,533,333 new Hevea Warrants were issued to the unexercised 2004/2009 warrants holders on the basis of One (1) for Three (3) shares and warrants.

In the earlier part of the year, the Group intended to apply for a Main Board Listing in Bursa Malaysia for its wholly-owned subsidiary, HeveaPac Sdn Bhd ("HeveaPac"), whose principle activity is in the manufacturing of RTA furniture. The proposal had to be put aside in the mid year due to the volatility and downward trend of US Dollars having a significant impact on our sales proceeds, causing significantly lower revenue and profit for the year under review.

On 8 March 2011 the Company announced its intent to consider the acquisition proposal for the particleboard manufacturing assets of the Company by an interested party. The preliminary due diligence exercise was carried out after payment of a refundable earnest deposit. The proposed acquisition was discontinued after certain conditions were imposed by the Company due to the request for time extension of the preliminary due diligence. The conditions comprised the revised acquisition consideration of the Assets and payment of disbursement to defray the cost incurred by the Company in the event that the proposed acquisition was not consummated.

Statement from Group Managing Director

BUSINESS ENVIRONMENT

Our marketing efforts and strategies of promoting HeveaBoard Brand of quality particleboard to the high-end domestic market in China for the past two years have proven to be successful and rewarding. The tie-up between HeveaBoard and an exclusive local partner in the distribution of HeveaBoard Brand of quality particleboard in the Chinese domestic market is a great success. The product quality and the physical properties of HeveaBoard Brand of particleboard had been tested and approved by a number of Quality Standard Certification Institutions in China. HeveaBoard products are well accepted by many leading furniture manufacturers in China who value top quality products and supply stability enshrined by HeveaBoard and its local partnership. 50% of HeveaBoard particleboard export volume will be allocated to China whereas the balance will be supplied to the traditional customers in India, Indonesia, Korea, Japan and other countries.

HeveaPac has positioned itself for expansion by further automation to meet the additional volume demand of its RTA furniture while maintaining its current 1,600 workers workforce. The RTA furniture orders are increasingly driven by the reconstruction needs after the severe flooding in Australia and tsunami in Japan recently.

We are optimistic that in 2011 we would see a significant growth in the revenue and earnings of the Group.

DIVIDENDS

No dividend was declared for the financial year. Your board will review the future dividend payable when the proposed termination of the S176 Scheme is completed.

ACKNOWLEDGEMENTS

I would like to thank our customers, suppliers, bankers and advisors for their indulgence and cooperation during the difficult period caused by the financial turmoil. To all our employees, our deep appreciation for the efforts, dedication and loyalty rendered. Last but not least, I thank my fellow colleagues on Board for their contribution and support throughout the year.

Yours sincerely

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

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

Lim Ming Toong (MAICSA 7000281)

Ng Lai Yee (MAICSA 7031768)

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)

RHB Bank Berhad (Company No. 6171-M)

AUDITORS

Messrs Crowe Horwath (AF1018)
Chartered Accountants
Level 16 Tower C, Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel : 03.2166.0000
Fax : 03.2166.1000

STOCK EXCHANGE LISTING

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

Profile of Directors

The directors standing from left to right are:

Lim Kah Poon
Dato' Loo Swee Chew
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak
Yoong Tein Seng @ Yong Kian Seng (Tenson Yoong)
Yoong Hau Chun
Bailey Policarpio

Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak, a Malaysian aged 78, 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.

Yoong Tein Seng @ Yong Kian Seng (Tenson Yoong), a Malaysian aged 64, 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 35, 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.

Dato' Loo Swee Chew, a Malaysian aged 63, 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.

Lim Kah Poon, a Malaysian aged 62, 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. 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.

Bailey Policarpio, a Filipino aged 40, was appointed as a Non-Independent Non-Executive Director of HeveaBoard on 8 March 2007. He is a member of the Audit Committee and Nomination Committee. He graduated from De La Salle University, Philippines with a Degree in Electronics and Communications Engineering and an MSc in Manufacturing Systems from University of Nottingham, UK. His career includes being a lecturer at De La Salle University; being the Marketing Director for First Philippine Scales, Inc. (FPSI) – market leader for weighing scales in the Philippines; the Founder and President of ProFence Systems Corporation – specialising in perimeter security system in the Philippines. He is also the Technical Manager and approved signatory of FPSI Metrology Laboratory which is an ISO 17025 Accredited Calibration Laboratory. He is the son-in-law of Tenson Yoong, the Group Managing Director and substantial shareholder of HeveaBoard Berhad.

Notes to Profile of Directors:

None of the Directors have:

* 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 in Malaysia.

The details of the Directors' securities holdings are set out in the Analysis of Shareholdings as at 6 May 2011 as set out on pages 92 to 96 of this Annual Report.

The details of the Directors' attendance at Board and Audit Committee meetings are set out on pages 10 and 17 of this Annual Report respectively.

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

Corporate Structure

HeveaBoard Berhad

Manufacturing of particleboards and Investment holding

HeveaPac Sdn Bhd
100%
Manufacturing of ready-to-assemble furniture

HeveaMart Sdn Bhd
100%
Trading of particleboards and other panel boards

BocoWood Sdn Bhd
100%
Distribution and marketing of ready-to-assemble furniture

Hevea OSB Sdn Bhd
100%
Dormant

Statement on Corporate Governance

1.1 INTRODUCTION

The Board of Directors ("the Board") of HeveaBoard Berhad ("HeveaBoard" or "The Company") is committed to ensuring that good corporate governance is practiced throughout the Group in accordance with the Malaysian Code on Corporate Governance ("the Code").

This disclosure statement sets out the manner in which the Group has applied the Principles of the Code and the extent of compliance with Best Practices advocated therein pursuant to the Main Market Listing Requirements ("Main LR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

1.2 BOARD OF DIRECTORS

1.2.1 The Board

HeveaBoard is led by an effective Board which leads and controls the Group. 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.

1.2.2 Board Balance

During the financial year ended 31 December 2010, the Board comprised six (6) members, with two (2) Executive Directors, two (2) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors.

The presence of Independent Non-Executive Directors on the Board promotes objectivity and they are of the competence necessary to advise the Board on its decisions. The Board comprises members from varied backgrounds and they bring with them considerable range of business, financial and technical expertise to the Group. In addition, no individual Director or group of Directors dominates the Board's decision making.

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 is responsible for overseeing the daily management of the Group's business operations and implementation of Board decisions.

Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak is the Senior Independent Non-Executive Director to whom concerns may be conveyed.

The profile of each Board member is entailed on pages 6 to 7 of this Annual Report.

1.2.3 Board Meetings

To ensure the Group is effectively managed, the Board holds at least four (4) scheduled meetings annually with additional meetings being convened as it deems necessary.

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.

1.2 BOARD OF DIRECTORS (CONT'D)

1.2.3 Board Meetings

There were five (5) Board meetings held during the financial year ended 31 December 2010. Details of each Director's attendance are given 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)	5/5
Dato' Loo Swee Chew	3/5
Lim Kah Poon	5/5
Yoong Hau Chun	5/5
Bailey Policarpio	5/5

1.2.4 Supply of Information

The Board has unrestricted and timely access to all information necessary for the discharge of its responsibilities. Notice of Board Meetings and the necessary board papers are supplied to Directors in advance to enable meaningful deliberation and sound decisions to be made during Board meetings.

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.

1.2.5 Appointment to the Board

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 Directors should bring to the Board. Any new nomination received is put to the full Board for assessment and approval.

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 Main LR.

1.2.7 Directors' Training (cont'd)

Besides the periodical briefings as mentioned above, the Directors have attended the following trainings, seminars, conferences, exhibitions and speaking engagements 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)

– Enhancing Corporate Integrity, Accountability and Transparency Through the Best Practices of Audit Committee Meeting

Dato' Loo Swee Chew

– CAS International Executive Conference 2010

Lim Kah Poon

– Enhancing Corporate Integrity, Accountability and Transparency Through the Best Practices of Audit Committee Meeting
– Updates on Key Risk Profile

Yoong Hau Chun

– Updates on Key Risk Profile

Bailey Policarpio

– Problem Solving Tools & Techniques

1.3 BOARD COMMITTEES

The Board has delegated specific responsibilities to four (4) committees, namely the Audit Committee, Nomination Committee, Remuneration Committee and Tender Board Committee, all of which are governed by the respective terms of reference. The Board Committees will deliberate and examine issues within the 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, a 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 2010, one (1) NC meeting was held on 19 November 2010, which was attended by all members of the NC.

1.3 BOARD COMMITTEES (CONT'D)

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 2010, one (1) RC meeting was held on 19 November 2010, 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 2010, no meeting was held.

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 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 2010 is as follows:

Category of Remuneration	Executive Director (RM'000)	Non-Executive Director (RM'000)
Salary, Bonus & EPF	1,621	0
Fees	0	209
Other Emolument	0	21
Total	**1,621**	**230**

1.4.1 The Level and Make-up of Remuneration (cont'd)

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

Remuneration Band	Number of Director Executive	Number of Director Non-Executive
Below RM50,000	0	3
RM50,001 to RM100,000	0	1
RM350,001 – RM400,000	1	0
RM1,200,001 – RM1,250,000	1	0
Total	**2**	**4**

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 importance of regular and timely dissemination of information to shareholders and investors via annual reports, financial statements, circulars, quarterly financial reports, newsletters to investors and various announcements made to Bursa Securities during the year.

The Company has been actively responding to requests for meetings with institutional shareholders, analysts and members of the press to convey information regarding the Group's performance and strategic direction.

An important forum for communication and dialogue 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.

The Company's website www.heveaboard.com.my provides easy access to the corporate information on the Group.

1.6 ACCOUNTABILITY AND AUDIT

1.6.1 Financial Reporting

The Board aims to present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements and quarterly announcement of results to shareholders. 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 overseeing the overall accuracy, adequacy and completeness of the Group's financial reporting process and requirement.

1.6.2 Internal Controls

The Group's Statement on Internal Control set out on pages 14 to 15 of this Annual Report provides an overview state of the internal control within the Group.

1.6.3 Relationship with Auditors

Through the Audit Committee, the Board has established a formal and transparent arrangement for maintaining appropriate relationships 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 requires the Audit Committee's attention.

Statement on Internal Control

INTRODUCTION

Pursuant to paragraph 15.26(b) of the Main Market Listing Requirements ("Main LR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Board is pleased to include a statement on the state of the Group's internal controls as guided by the Statement on Internal Control: Guidance for Directors of Public Listed Companies issued by Bursa Securities.

BOARD'S RESPONSIBILITIES

The Board recognises the importance of sound internal controls and risk management practices and its contribution to good corporate governance. The Board affirms its overall responsibility for the Group's system of internal control and risk management, and for reviewing its adequacy and integrity.

The 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 confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group, and this process has been in place throughout the year and up to the date of approval of the annual report and financial statements. The Board continually reviews the adequacy and effectiveness of the risk management procedures across the various operating subsidiaries in the Group. Periodic reviews were also conducted to determine the existence of new risks and whether the risks previously identified remained 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

Enhancing the Group's ability to achieve its business objectives remains the Board's primary objective and direction in managing the Group. In ensuring that this objective is achieved, the Board will continue to rely on the Senior Management to ensure that the performances of their businesses are within the agreed business strategies. The Board will in turn monitor the performances and profitability through the reports it receives 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, an annual budgetary planning and review process is being practised. This is to ensure that the performance of the various business units can be monitored and benchmarked, and the financial targets of the Group are achieved.

Well-defined organisational structures and management disciplines 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 responsibility for reviewing the adequacy and integrity of the internal control system has been delegated by the Board to the Audit Committee. In turn, the Audit Committee assesses the adequacy and integrity of the internal control system through independent reviews conducted on reports it receives from the external auditors, the internal auditors and the Management. Significant internal control matters which are brought to the attention of the Audit Committee will be highlighted to the Board.

Statement on Internal Control

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 risks faced by the Group are within tolerable levels in the context of the business environment the Group operates in and the system of internal control that existed throughout the year is adequate and effective to safeguard the interest of the Group and to facilitate the evolution of its businesses.

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 2010, the Company has consistently applied appropriate accounting policies, and has made judgments and estimates that are reasonable and prudent. The Directors confirm that all applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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

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

Additional Compliance Information

The information set out below is disclosed in compliance with the Main Market Listing Requirements ("Main LR") of Bursa Malaysia Securities Berhad:

1. UTILISATION OF PROCEEDS

The Company had completed the Rights Issue with Warrants exercise on 8 March 2010 and raised approximately RM426,667.00. As at 31 December 2010, the Company has utilised approximately 93.75% of the proceeds raised from the Rights Issue with Warrants.

2. SHARE BUY-BACKS

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

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There were no options, warrants or convertible securities exercised during the financial year.

4. DEPOSITORY RECEIPTS PROGRAMME

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

5. SANCTIONS AND/OR PENALTIES

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

6. NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Group for the financial year ended 31 December 2010 by the external auditors, or a firm or company affiliated to the external auditors were RM115,693.95.

7. VARIATION IN RESULTS

There was no variance of 10% or more between the audited results for the financial year ended 31 December 2010 and the unaudited results previously announced by the Company.

8. PROFIT GUARANTEE

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

9. 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.

10. REVALUATION POLICY

The Company does not have a policy on revaluation of landed properties.

Audit Committee Report

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2010. The Audit Committee ("the Committee") met five (5) times during the year. Composition of the Committee and the details of the attendance of the Committee members are set out as follows:

COMPOSITION OF THE AUDIT COMMITTEE

Name	Attendance
Mr Lim Kah Poon (Chairman) *Independent Non-Executive Director*	5/5
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak *Independent Non-Executive Director*	5/5
Mr Bailey Policarpio *Non-Independent Non-Executive Director*	5/5

Details of the members of the Committee are contained in the "Profile of Directors" as set out on pages 6 to 7 of this Annual Report.

TERMS OF REFERENCE

The Committee is governed by the following terms of reference:

1. 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").

In the event of any vacancy with the result that the number of members is reduced to below three (3), the vacancy shall be filled within two (2) months but in any case not later than three (3) months. Therefore a member of the Committee who wishes to retire or resign should provide sufficient written notice to the Company so that a replacement may be appointed before he leaves.

2. Chairman

The Chairman, who shall be elected by the Committee, shall be an Independent Director.

3. Secretary

The Company Secretary shall be the Secretary of the 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 Committee Members. The Committee Members may inspect the minutes of the Committee at the Registered Office or such other place as may be determined by the Committee.

4. Meetings

The Committee shall meet at least four (4) times in each financial year. The quorum for a meeting 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.

TERMS OF REFERENCE (CONT'D)

5. Rights

The Committee shall:

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

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

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

(d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;

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

(f) have the right to convene meetings with the internal auditors and external auditors, excluding the attendance of the other Directors or employees of the Group, whenever deemed necessary;

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

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

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

(j) have the Chairman call for a meeting upon the request of the internal auditors and external auditors.

6. Duties

(a) To review with the external auditors on:

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

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

(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.

SUMMARY OF ACTIVITIES OF THE COMMITTEE

During the financial year under review, the activities undertaken by the Committee include:-

(a) Reviewing and recommending the unaudited quarterly and annual audited consolidated results of the Group to the Board of Directors for approval prior to the release to Bursa Securities;

(b) Reviewing the audit plan of the external auditors;

(c) Reviewing the external auditors' reports and their audit findings;

(d) Reviewing the key risk profile identified and ensuring that these are updated by the Management in the process and where appropriate, new risks are identified and incorporated for deliberation;

(e) Reviewing and ensuring the adequacy of the scope and coverage of the audit plan proposed by the internal auditors and approved the audit plan for audit execution;

(f) Reviewing the internal audit reports and the results and recommendations arising from the reviews conducted by the outsourced internal audit function;

(g) Reviewing related party transactions and conflict of interest that may arise within the Company or the Group; and

(h) Considering the appointment (or re-appointment) of the external auditors and internal auditors, the audit fee and any question of resignation or dismissal.

INTERNAL AUDIT FUNCTION

The internal audit function of the Company is outsourced to 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 2010 was RM50,503.40.

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

The "Safety is our Priority" theme is emphasised even more with the Company working towards the internationally recognised OSHAS 18001:2007 certification. Through this initiative there will be more awareness, stricter implementation and enforcement of Health and Safety. All employees are given necessary training to maintain a safe and healthy workplace and regular safety audits are conducted. 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 of members from various sections and levels in the company.

HUMAN RESOURCE DEVELOPMENT

Human capital development being one of the success factors of the Company was the main focus of HR department for the year. Many trainings, workshops, video presentations and group discussions were conducted to prepare employees for the OSHAS 18001:2007 and ISO 14001:2004 certification. 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) was officially launched last year. It is to encourage and reward all employees to submit suggestions on how to improve work environment, safety, health, productivity, quality, security, cost etc that would be mutually beneficial to employer and employee. Any suggestion submitted, adopted and implemented will be rewarded.

ENVIRONMENT

Environmental concerns are very important to the Company. The Company is working towards achieving ISO 14001:2004 environment certification. This certification will create a sense of responsibility in all employees to care for the environment which must be consider at all times in all our processes and operations. The Company has also started to utilise wood wastes and residues from plantations in its products. These wastes will be otherwise burned in the fields as a means to dispose them thus affecting the environment. The Company has identified "Green Technology" projects and is currently working with specialist companies to implement these projects.

To enhance further the development of "Green Technology" products, the Company has signed research agreements to produce particleboards with alternative resins that are formaldehyde free. These environmentally friendly products are fast becoming the industry norm and the Group will continue to research for products friendlier to the environment.

COMMUNITY

To reward and encourage academic excellence among the children in local community, the Company is giving awards to students in local secondary schools who are top achievers in PMR, SPM and STPM examinations. Children of employees who obtain high grades in their examinations will also be awarded. The awards include a certificate, plague and cash.

The Industrial Training of University students is becoming a very sought after opportunity for students as can be seen from the number of applications. Some students have been offered employment after training and graduation.

The blood donation campaign organised by the company and the Seremban General Hospital has become an important programme. Due to the tremendous support from the employees, the hospital blood bank has requested for more frequent donation drives.

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 of HeveaBoard Berhad have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of manufacturing of particleboards and investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group RM'000	The Company RM'000
Profit after taxation for the financial year	25,711	21,591
Attributable to:-		
Owners of the Company	25,711	21,591

DIVIDENDS

No dividend was paid since the end of the previous financial year and the directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year,

(a) there were no changes in the authorised and issued and paid-up share capital of the Company; and

(b) there were no issues of debentures by the Company.

WARRANTS

On 8 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 exercise price of the 2010/2020 Warrants is RM1.00 per ordinary share of the Company. The 2010/2020 Warrants may be exercised at any time within 10 years commencing from the date of issuance ("Exercise Period"). Any 2010/2020 Warrants not exercised during the Exercised Period will thereafter lapse and cease to be valid.

During the financial year, none of the Company's 2010/2020 Warrants were exercised.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements 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 losses on receivables, and satisfied themselves that there are no known bad debts and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstance that would require the writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected to realise.

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

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate. The financial statements of the Group and of the Company are prepared on the basis of accounting principles applicable to a going concern as disclosed in Note 3(B) to the financial statements.

CONTINGENT AND OTHER LIABILITIES

The contingent liability is disclosed in Note 33 to the financial statements. 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 liability of the Group and of the Company which has arisen since the end of the financial year.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during 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.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year.

DIRECTORS

The directors who served since the date of the last report are as follows:-

Y. Bhg. Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak
Yoong Tein Seng @ Yong Kian Seng
Y. Bhg. Dato' Loo Swee Chew
Yoong Hau Chun
Lim Kah Poon
Bailey Policarpio

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares and warrants in the Company and its related corporations during the financial year are as follows:-

	Number of Ordinary Shares of RM1 Each			
	At 1.1.2010	Bought	Sold	At 31.12.2010
The Company				
Direct Interests				
Yoong Tein Seng @ Yong Kian Seng	150,000	–	–	150,000
Y. Bhg. Dato' Loo Swee Chew	34,000	–	–	34,000
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	36,238,900 (1)	200,000	–	36,438,900
Y. Bhg. Dato' Loo Swee Chew	28,189,000 (2)	–	–	28,189,000
Yoong Hau Chun	36,222,400 (3)	200,000	–	36,422,400
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)	–	–	56,000

DIRECTORS' INTERESTS (CONT'D)

	Number of Warrants			
	At 1.1.2010	**Bought**	**Sold**	**At 31.12.2010**
Direct Interests				
Yoong Tein Seng @ Yong Kian Seng	–	75,000	–	75,000
Y. Bhg. Dato' Loo Swee Chew	–	36,333	–	36,333
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	–	20,049,541	3,002,400	17,047,141
Y. Bhg. Dato' Loo Swee Chew	–	15,333,242	–	15,333,242
Yoong Hau Chun	–	20,102,842	3,002,400	17,100,442
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	–	25,500	25,500	–
Lim Kah Poon	–	7,000	–	7,000
Bailey Policarpio	–	8,333	–	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 has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) 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 benefits which may be deemed to arise from transactions entered into in the ordinary course of business with a company in which a director has a substantial financial interest as disclosed in Note 34 to the financial statements.

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SIGNIFICANT EVENTS

The significant events during the financial year and occurring after the end of the reporting period of the Group and of the Company are disclosed in Note 35 and Note 36 to the financial statements respectively.

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 21 APRIL 2011

Yoong Tein Seng @ Yong Kian Seng

Yoong Hau Chun

Statement by Directors

We, Yoong Tein Seng @ Yong Kian Seng and Yoong Hau Chun, being two of the directors of HeveaBoard Berhad, state that, in the opinion of the directors, the financial statements set out on pages 30 to 89 are drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2010 and of their results and cash flows for the financial year ended on that date.

The supplementary information set out in Note 43, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 21 APRIL 2011

Yoong Tein Seng @ Yong Kian Seng

Yoong Hau Chun

Statutory Declaration

I, Yoong Tein Seng @ Yong Kian Seng, I/C No. 470602-05-5065, being the director primarily responsible for the financial management of HeveaBoard Berhad, do solemnly and sincerely declare that the financial statements set out on pages 30 to 89 are, to the best of my knowledge and belief, 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.

Subscribed and solemnly declared by
Yoong Tein Seng @ Yong Kian Seng
I/C No. 470602-05-5065,
at Kuala Lumpur in the Federal Territory
on this 21 April 2011

Yoong Tein Seng @ Yong Kian Seng

Before me

Mohd Radzi Bin Yasin (No. W 327)
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 positions as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flow 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 89.

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 Financial Reporting Standards and the Companies Act 1965 in Malaysia, and for such internal control as the directors determine is 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 judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. 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 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 of 31 December 2010 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 Act to be kept by the Company and the subsidiary of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.

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

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

The supplementary information set out in Note 43 on page 90 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Ooi Song Wan
Approval No: 2901/10/12 (J)
Chartered Accountant

25 April 2011
Kuala Lumpur

Statements of Financial Position

at 31 December 2010

	Note	The Group 31.12.2010 RM'000	Restated 31.12.2009 RM'000	Restated 1.1.2009 RM'000	The Company 31.12.2010 RM'000	Restated 31.12.2009 RM'000	Restated 1.1.2009 RM'000
ASSETS							
NON-CURRENT ASSETS							
Investments in subsidiaries	5	**–**	–	–	**40,960**	40,960	40,960
Property, plant and equipment	6	**293,983**	313,452	336,231	**245,386**	262,630	280,590
Prepaid lease payments	7	**6,540**	6,704	6,866	**–**	–	–
Other investment		**15**	15	15	**15**	15	15
Goodwill on consolidation	8	**2,946**	2,946	2,946	**–**	–	–
		303,484	323,117	346,058	**286,361**	303,605	321,565
CURRENT ASSETS							
Inventories	9	**61,013**	50,482	56,285	**23,836**	20,532	32,096
Trade receivables	10	**47,210**	31,877	25,337	**30,103**	14,492	3,822
Other receivables, deposits and prepayments		**7,560**	7,264	7,052	**6,051**	3,998	3,173
Amount owing by subsidiaries	11	**–**	–	–	**2,137**	3,155	10,465
Tax refundable		**738**	682	29	**576**	573	–
Fixed deposit		**2,516**	–	–	**2,516**	–	–
Cash and bank balances		**20,306**	12,878	3,102	**13,193**	946	947
		139,343	103,183	91,805	**78,412**	43,696	50,503
TOTAL ASSETS		**442,827**	426,300	437,863	**364,773**	347,301	372,068
EQUITY AND LIABILITIES							
EQUITY							
Share capital	12	**90,400**	90,400	90,400	**90,400**	90,400	90,400
Retained profits	13	**84,355**	55,622	35,164	**36,907**	12,294	15,202
Other reserves	14	**15,926**	15,526	15,526	**15,926**	15,526	15,526
TOTAL EQUITY		**190,681**	161,548	141,090	**143,233**	118,220	121,128
NON-CURRENT LIABILITIES							
Long-term borrowings	15	**141,700**	181,345	151,705	**136,486**	174,104	140,648
Other long-term liabilities	16	**5,352**	10,744	–	**5,352**	10,744	–
Provision for retirement benefits	17	**1,539**	1,340	1,158	**1,000**	873	756
Deferred tax liabilities	18	**5,050**	3,079	5,499	**1,150**	-	1,968
		153,641	196,508	158,362	**143,988**	185,721	143,372

		The Group			The Company		
			Restated	Restated		Restated	Restated
		31.12.2010	31.12.2009	1.1.2009	31.12.2010	31.12.2009	1.1.2009
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
CURRENT LIABILITIES							
Trade payables	19	**26,061**	23,902	34,894	**16,867**	15,829	24,318
Other payables and accruals	20	**25,531**	22,082	33,485	**16,138**	10,595	26,866
Amount owing to subsidiaries	11	**–**	–	–	**6,009**	6,522	6,978
Amount owing to related parties	21	**679**	709	1,791	**474**	503	1,586
Provision for taxation		–	439	995	**–**	–	239
Short-term borrowings	22	**45,292**	18,559	54,260	**37,589**	8,346	35,220
Bank overdrafts	25	**942**	2,553	12,986	**475**	1,565	12,361
		98,505	68,244	138,411	**77,552**	43,360	107,568
TOTAL LIABILITIES		**252,146**	264,752	296,773	**221,540**	229,081	250,940
TOTAL EQUITY AND LIABILITIES		**442,827**	426,300	437,863	**364,773**	347,301	372,068

NET ASSETS PER SHARE (RM)	26	**2.11**	1.79

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

Statements of Comprehensive Income

for the financial year ended 31 December 2010

	Note	The Group 2010 RM'000	The Group 2009 RM'000	The Company 2010 RM'000	The Company 2009 RM'000
REVENUE	27	**363,137**	327,417	**183,306**	146,373
COST OF SALES		**(315,240)**	(268,655)	**(155,224)**	(130,495)
GROSS PROFIT		**47,897**	58,762	**28,082**	15,878
OTHER INCOME		**12,777**	2,015	**15,552**	4,995
		60,674	60,777	**43,634**	20,873
SELLING AND DISTRIBUTION EXPENSES		**(3,670)**	(3,556)	**(2,339)**	(2,072)
ADMINISTRATIVE EXPENSES		**(15,692)**	(18,635)	**(7,321)**	(7,033)
FINANCE COSTS		**(11,710)**	(11,961)	**(10,656)**	(10,623)
OTHER EXPENSES		**(1,192)**	(7,692)	**(577)**	(6,824)
PROFIT/(LOSS) BEFORE TAXATION	28	**28,410**	18,933	**22,741**	(5,679)
INCOME TAX EXPENSE	29	**(2,699)**	1,525	**(1,150)**	2,771
PROFIT/(LOSS) AFTER TAXATION		**25,711**	20,458	**21,591**	(2,908)
OTHER COMPREHENSIVE INCOME		**–**	–	**–**	–
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE FINANCIAL YEAR		**25,711**	20,458	**21,591**	(2,908)
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		**25,711**	20,458	**21,591**	(2,908)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-					
Owners of the Company		**25,711**	20,458	**21,591**	(2,908)
EARNINGS PER SHARE (SEN)					
Basic	30	**28.4**	22.6		
Diluted	30	**Not Applicable**	Not Applicable		

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

Statements of Changes in Equity

for the financial year ended 31 December 2010

	Note	Share Capital RM'000	Share Premium RM'000	Warrant Reserve RM'000	Retained Profits RM'000	Attributable to owners of the Company RM'000
The Group						
Balance at 1.1.2009		90,400	15,526	–	35,164	141,090
Total comprehensive income for the financial year		–	–	–	20,458	20,458
Balance at 31.12.2009/1.1.2010						
– as previously reported		90,400	15,526	–	55,622	161,548
– effect of adopting FRS 139	3(A)(a)(iii)	–	–	–	3,022	3,022
– 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 at 31.12.2010		90,400	15,526	400	84,355	190,681
The Company						
Balance at 1.1.2009		90,400	15,526	–	15,202	121,128
Total comprehensive expense for the financial year		–	–	–	(2,908)	(2,908)
Balance at 31.12.2009/1.1.2010						
– as previously reported		90,400	15,526	–	12,294	118,220
– effect of adopting FRS 139	3(A)(a)(iii)	–	–	–	3,022	3,022
– 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 at 31.12.2010		90,400	15,526	400	36,907	143,233

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

Statements of Cash Flows

for the financial year ended 31 December 2010

	Note	The Group 2010 RM'000	The Group Restated 2009 RM'000	The Company 2010 RM'000	The Company Restated 2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before taxation		**28,410**	18,933	**22,741**	(5,679)
Adjustments for:-					
Impairment loss on receivables		**–**	2	**–**	–
Allowance for slow-moving inventories		**–**	159	**–**	159
Amortisation of prepaid lease payments		**164**	162	**–**	–
Depreciation of property, plant and equipment		**24,292**	24,113	**18,766**	18,815
Dividend income		**–**	–	**(2,980)**	(2,980)
Interest expense		**11,710**	11,960	**10,656**	10,623
Interest income		**(34)**	–	**(34)**	–
Provision for retirement benefits		**199**	182	**127**	117
Gain on disposal of equipment		**(228)**	(112)	**(23)**	(114)
Unrealised gain on foreign exchange		**(11,826)**	(1,125)	**(11,826)**	(1,125)
Operating profit before working capital changes		**52,687**	54,274	**37,427**	19,816
(Increase)/Decrease in inventories		**(10,531)**	5,644	**(3,304)**	11,405
Increase in trade and other receivables		**(15,629)**	(6,754)	**(17,664)**	(11,495)
Increase/(Decrease) in trade and other payables		**1,920**	(13,086)	**2,894**	(15,451)
Decrease in amount owing by subsidiaries		**–**	–	**1,003**	6,424
(Decrease)/Increase in amount owing to subsidiaries		**–**	–	**(664)**	17
CASH FROM OPERATIONS		**28,447**	40,078	**19,692**	10,716
Income tax paid		**(1,223)**	(2,104)	**(3)**	(9)
Interest paid		**(9,965)**	(1,775)	**(8,911)**	(477)
NET CASH FROM OPERATING ACTIVITIES		**17,259**	36,199	**10,778**	10,230
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Dividend received		**–**	–	**2,980**	2,980
Interest received		**34**	–	**34**	–
Repayment from subsidiaries		**–**	–	**15**	–
Proceeds from disposal of equipment		**228**	306	**23**	307
Purchase of property, plant and equipment	31	**(4,003)**	(1,528)	**(1,522)**	(1,048)
NET CASH (FOR)/FROM INVESTING ACTIVITIES		**(3,741)**	(1,222)	**1,530**	2,239
BALANCE CARRIED FORWARD		**13,518**	34,977	**12,308**	12,469

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

	Note	The Group 2010 RM'000	The Group Restated 2009 RM'000	The Company 2010 RM'000	The Company Restated 2009 RM'000
BALANCE BROUGHT FORWARD		**13,518**	34,977	**12,308**	12,469
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Repayment to related parties		**(457)**	(172)	**(457)**	(173)
Repayment from subsidiaries		**–**	–	**151**	413
Net repayment of bankers' acceptances		**(540)**	(16,648)	**–**	(13,628)
Drawdown of offshore foreign currency loan		**9,909**	–	**9,909**	–
Drawdown of export credit refinancing		**(355)**	(4,976)	**–**	–
Repayment of hire purchase obligations		**(6,000)**	(6,803)	**(2,780)**	(2,964)
Repayment of term loans		**(4,920)**	(1,347)	**(3,678)**	–
Proceeds from subscription of warrants		**400**	–	**400**	–
NET CASH (FOR)/FROM FINANCING ACTIVITIES		**(1,963)**	(29,946)	**3,545**	(16,352)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**11,555**	5,031	**15,853**	(3,883)
RESTRUCTURED BANK OVERDRAFTS TO TERM LOAN		**–**	15,178	**–**	14,678
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**10,325**	(9,884)	**(619)**	(11,414)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	32	**21,880**	10,325	**15,234**	(619)

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

Notes to the Financial Statements

for the financial year ended 31 December 2010

1. GENERAL INFORMATION

The Company is a public company limited by shares listed on the Main Market of Bursa Malaysia Securities Berhad and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia. The registered office and principal place of business are as follows:-

Registered office	:	10th Floor, Menara Hap Seng, No 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur.
Principal place of business	:	Lot 1941 & 1942, Batu 3, Jalan Tampin, 73400 Gemas, Negeri Sembilan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 21 April 2011.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of manufacturing of particleboards and investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF ACCOUNTING

(a) Basis of Preparation

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Financial Reporting Standards ("FRS") and the Companies Act 1965 in Malaysia.

(a) During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments):-

FRSs and IC Interpretations (including the Consequential Amendments)

FRS 4 Insurance Contracts

FRS 7 Financial Instruments: Disclosures

FRS 8 Operating Segments

FRS 101 (Revised) Presentation of Financial Statements

FRS 123 (Revised) Borrowing Costs

FRS 139 Financial Instruments: Recognition and Measurement

Amendments to FRS 1 and FRS 127: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendments to FRS 2: Vesting Conditions and Cancellations

Amendments to FRS 7, FRS 139 and IC Interpretation 9

Amendments to FRS 101 and FRS 132: Puttable Financial Instruments and Obligations Arising on Liquidation

3. BASIS OF ACCOUNTING (CONT'D)

(a) Basis of Preparation (cont'd)

(a) **FRSs and IC Interpretations (including the Consequential Amendments)**

Amendments to FRS 132: Classification of Rights Issues and the Transitional Provision in Relation to Compound Instruments

IC Interpretation 9: Reassessment of Embedded Derivatives

IC Interpretation 10: Interim Financial Reporting and Impairment

IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions

IC Interpretation 13: Customer Loyalty Programmes

IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Annual Improvements to FRSs (2009)

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group's financial statements, other than the following:-

(i) FRS 7 requires additional disclosures about the financial instruments of the Group. Prior to 1 January 2010, information about financial statements was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosures and Presentation. FRS 7 requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group has applied FRS 7 prospectively in accordance with the transitional provisions. Accordingly, the new disclosures have not been applied to the comparatives and are included throughout the financial statements for the current financial year.

(ii) FRS 101 (Revised) introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present this statement as one single statement.

The revised standard also separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of comprehensive income as other comprehensive income.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the statement.

FRS 101 (Revised) also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. This new disclosure is made in Note 40(b) to the financial statements.

Comparative information has been re-presented so that it is in conformity with the requirements of this revised standard.

3. BASIS OF ACCOUNTING (CONT'D)

(a) Basis of Preparation (cont'd)

(a) **FRSs and IC Interpretations (including the Consequential Amendments)**

(iii) The adoption of FRS 139 (including the consequential amendments) has resulted in several changes to accounting policies relating to recognition and measurements of financial instruments.

The financial impact to the financial statements is summarised as follows:-

	The Group At 1.1.2010 RM'000
Retained profits (as previously reported)	55,622
Fair value adjustment on long-term trade and other payables	3,022
Retained profits (as restated)	58,644
Retained profits (as previously reported)	12,294
Fair value adjustment on long-term trade and other payables	3,022
Retained profits (as restated)	15,316

Prior to 1 January 2010, trade and other payables were recorded at cost. With the adoption of FRS 139, these liabilities are now recognised initially at their fair values, which are estimated by discounting the expected cash flows using the current market interest rate of a loan with similar risk and tenure. Interest expense is recognised in profit or loss using the effective interest method.

All these financial impacts are recognised as an adjustment to the opening balance of retained profits or another appropriate reserve upon the adoption of FRS 139. Comparatives are not adjusted/represented by virtue of the exemption given in this standard.

The Company has previously asserted explicitly that it regards financial guarantee contracts of banking facilities granted to its subsidiaries as insurance contracts and will apply FRS 4 to such financial guarantee contracts. Accordingly, the adoption of FRS 139 did not have any financial impact on the financial statements in respect of the financial guarantee contracts issued by the Company to its subsidiaries. These financial guarantee contracts issued are disclosed as contingent liabilities under Note 48 to the financial statements.

(iv) The Group has adopted the amendments made to FRS 117 – Leases pursuant to the Annual Improvements to FRSs (2009). The Group has reassessed and determined that the leasehold land of the Group with 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. This change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendments.

3. BASIS OF ACCOUNTING (CONT'D)

(a) Basis of Preparation (cont'd)

(b) The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

FRSs and IC Interpretations (including the Consequential Amendments)	Effective date
FRS 1 (Revised) First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3 (Revised) Business Combinations	1 July 2010
FRS 124 (Revised) Related Party Disclosures	1 January 2012
FRS 127 (Revised) Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 1 (Revised): Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 1: Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 2: Scope of FRS 2 and FRS 3 (Revised)	1 July 2010
Amendments to FRS 2: Group Cash-settled Share – based Payment Transactions	1 January 2011
Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary	1 July 2010
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 138: Consequential Amendments Arising from FRS 3 (Revised)	1 July 2010
Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement	1 July 2011
Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and FRS 3 (Revised)	1 July 2010
IC Interpretation 4 Determining Whether An Arrangement Contains a Lease	1 January 2011
IC Interprétation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 15 Agreements for the Construction of Real Estate	1 January 2012
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
IC Interpretation 18 Transfers of Assets from Customers	1 January 2011
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Annual Improvements to FRSs (2010)	1 January 2011

3. BASIS OF ACCOUNTING (CONT'D)

(a) Basis of Preparation (cont'd)

(b) The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except as follows:-

(i) FRS 3 (Revised) introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all transaction costs, other than share and debt issue costs, will be expensed as incurred. This revised standard will be applied prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for future transactions or arrangements.

(ii) FRS 127 (Revised) requires accounting for changes in ownership interests by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the minority interest to be absorbed by the minority interest instead of by the parent. The Group will apply the major changes of FRS 127 (Revised) prospectively and therefore there will be no financial impact on the financial statements of the Group for the current financial year but may impact the accounting for its future transactions or arrangements.

(b) Going Concern

The accompanying financial statements have been prepared assuming that the Group and the Company will continue as a going concern.

The unprecedented drastic fluctuation in currency exchange rates against the US Dollars at the end of 2008/early 2009 continued to cause a severe deterioration in the business operations in the first quarter of 2010. To overcome the adverse impacts on the operations, a Restructuring Scheme under Section 176 of the Companies Act 1965 pursuant to the Court Order dated 14 December 2009 ("The Scheme") was undertaken by the Company with the Scheme of Creditors. The operations saw a rebound in the second quarter with the business of the Group stabilising and continuing to improve for the rest of the year under review. On 31 March 2011 and 4 April 2011 the Company announced to Bursa Malaysia that the Company had obtained consent in principle from both its principal bankers namely Kreditanstalt fur Wiederaufbau and Malayan Banking Berhad to enable the Company to repay in advance the debts owing to all the other Scheme Creditors and proceed to terminate the Scheme, subject to certain conditions to be put in place.

With this development and the 2-year financial forecast and projection information of the Company for the financial year ending 31 December 2012, the directors consider it appropriate to prepare the financial statements on a going concern basis.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(i) Going Concern

The financial statements of the Group and of the Company are prepared on the basis of accounting principles applicable to a going concern. The details are disclosed in Note 3(B) to the financial statements.

(ii) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(iii) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iv) Impairment of Non-financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(v) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. 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. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Critical Accounting Estimates and Judgements (cont'd)

(vi) Allowance for 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 could result in revisions to the valuation of inventories.

(vii) Classification of Leasehold Land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2010.

A subsidiary is defined as a company in which the parent company has the power, directly or indirectly, to exercise control over its financial and operating policies so as to obtain benefits from its activities.

All subsidiaries are consolidated using the purchase method. Under the purchase method, the results of the subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(c) Goodwill on Consolidation

Goodwill on consolidation represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable net assets of the subsidiaries at the date of acquisition.

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in the consolidated profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

If, after reassessments, the Group's interest in the fair values of the identifiable net assets of the subsidiaries exceeds the cost of the business combinations, the excess is recognised immediately in the consolidated profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(e) Financial Instruments

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

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.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(i) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate.

- *Financial Assets at Fair Value Through Profit or Loss*

  Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

  Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Company's right to receive payment is established.

- *Held-to-maturity Investments*

  Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with revenue recognised on an effective yield basis.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial Instruments (cont'd)

(i) Financial Assets (cont'd)

- *Loans and Receivables Financial Assets*

  Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

- *Available-for-sale Financial Assets*

  Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

  After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

  Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

  Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

(ii) Financial Liabilities

All financial liabilities are initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

(iii) Equity Instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(f) Investments in Subsidiaries

Investments in subsidiaries is stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the financial year if events or changes in circumstances indicate that their carrying values may not be recoverable.

On the disposal of the investments, the difference between the net disposal proceeds and the carrying amount of the investments is taken to the profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Property, Plant and Equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land is stated at cost less impairment losses, if any and is not depreciated.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Buildings	2% to 5%
Plant, machinery and equipment	5% to 10%
Furniture and fittings	10%
Motor vehicles	20%

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at each end of the reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

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

In the 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 an operating lease. The payment made on entering into or acquiring leasehold land that was accounted for as an operating lease represents prepaid lease payments.

During the financial year, the Group has adopted the amendments made to FRS 117 – Leases pursuant to the Annual Improvements to FRSs (2009). The Group has reassessed and determined that the leasehold land of the Group with 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. This change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendments.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment

(i) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period 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. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets 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 financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

(ii) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which FRS 136 – Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the statements of comprehensive income, a reversal of that impairment loss is recognised as income in the statements of comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Prepaid Lease Payments

Leases of land with lease period of 50 years or less at the inception date, under which the lessor have not transferred all the risks and benefits of ownership are classified as operating leases. Lease prepayments for land use rights are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged to the profit or loss on a straight-line basis over the lease terms.

(j) Assets under Hire Purchase

Equipment acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in Note 4(g) above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are allocated to the income over the periods of the respective hire purchase agreements.

(k) 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 finished goods includes cost of materials, labour and an appropriate proportion of production overheads.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Where necessary, due allowance is made for all damaged, obsolete and slow-moving items.

(l) Provisions

Provisions are recognised when the Group has a present obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. Where effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation.

(m) Income Taxes

Income taxes for the year comprise 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 or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Income Taxes (cont'd)

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 future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are 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 the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

(n) Borrowing Costs

Borrowing costs, directly attributable to the acquisition and construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

(o) Operating Segments

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

(p) Related Parties

A party is related to an entity if:-

(a) directly, or indirectly through one or more intermediaries, the party:-
- (i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
- (ii) has an interest in the entity that gives it significant influence over the entity; or
- (iii) has joint control over the entity;

(b) the party is an associate of the entity;

(c) the party is a joint venture in which the entity is a venturer;

(d) the party is a member of the key management personnel of the entity or its parent;

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Related Parties (cont'd)

A party is related to an entity if:- (cont'd)

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(q) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, bank overdrafts 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.

(r) Employee Benefits

(i) Short-term Benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(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 the Projected Unit Credit 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 statement 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

(t) Revenue Recognition

(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, based on the effective yield on the investment.

(iii) Dividend Income

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

5. INVESTMENTS IN SUBSIDIARIES

	The Company 2010 RM'000	The Company 2009 RM'000
Unquoted shares, at cost	**40,960**	40,960

Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:-

Name of Company	Effective Equity Interest 2010	Effective Equity Interest 2009	Principal Activities
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.

* Not audited by Messrs. Crowe Horwath.

6. PROPERTY, PLANT AND EQUIPMENT

The Group	At 1.1.2010 RM'000	Additions RM'000	Depreciation Charge RM'000	At 31.12.2010 RM'000
NET BOOK VALUE				
Freehold land	7,462	–	–	7,462
Leasehold land	3,796	–	(44)	3,752
Buildings	52,374	364	(1,364)	51,374
Plant, machinery and equipment	247,751	3,154	(22,177)	228,728
Furniture and fittings	1,122	314	(238)	1,198
Motor vehicles	947	991	(469)	1,469
	313,452	4,823	(24,292)	293,983

The Group	At 1.1.2009 RM'000	Additions RM'000	Reclassi-fication RM'000	Disposals RM'000	Depreciation Charge RM'000	At 31.12.2009 RM'000
NET BOOK VALUE						
Restated						
Freehold land	7,462	–	–	–	–	7,462
Leasehold land	3,841	–	–	–	(45)	3,796
Buildings	53,572	99	57	–	(1,354)	52,374
Plant, machinery and equipment	268,561	1,334	71	(85)	(22,130)	247,751
Furniture and fittings	1,396	95	(128)	(2)	(239)	1,122
Motor vehicles	1,399	–	–	(107)	(345)	947
	336,231	1,528	–	(194)	(24,113)	313,452

	At Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
At 31.12.2010			
Freehold land	7,462	–	7,462
Leasehold land	4,061	(309)	3,752
Buildings	60,304	(8,930)	51,374
Plant, machinery and equipment	365,166	(136,438)	228,728
Furniture and fittings	2,876	(1,678)	1,198
Motor vehicles	4,774	(3,305)	1,469
	444,643	(150,660)	293,983

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

	At Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
At 31.12.2009			
Restated			
Freehold land	7,462	–	7,462
Leasehold land	4,061	(265)	3,796
Buildings	59,939	(7,565)	52,374
Plant, machinery and equipment	362,365	(114,614)	247,751
Furniture and fittings	2,635	(1,513)	1,122
Motor vehicles	5,596	(4,649)	947
	442,058	(128,606)	313,452

The Company	At 1.1.2010 RM'000	Additions RM'000	Depreciation Charge RM'000	At 31.12.2010 RM'000
NET BOOK VALUE				
Freehold land	**6,034**	**–**	**–**	**6,034**
Leasehold land	**3,796**	**–**	**(44)**	**3,752**
Buildings	**25,772**	**–**	**(599)**	**25,173**
Plant, machinery and equipment	**226,037**	**1,389**	**(17,832)**	**209,594**
Furniture and fittings	**206**	**44**	**(46)**	**204**
Motor vehicles	**785**	**89**	**(245)**	**629**
	262,630	**1,522**	**(18,766)**	**245,386**

	At 1.1.2009 RM'000	Additions RM'000	Reclassi-fications RM'000	Disposals RM'000	Depreciation Charge RM'000	At 31.12.2009 RM'000
NET BOOK VALUE						
Restated						
Freehold land	6,034	–	–	–	–	6,034
Leasehold land	3,841	–	–	–	(45)	3,796
Buildings	26,212	99	57	–	(596)	25,772
Plant, machinery and equipment	243,128	927	(57)	(85)	(17,876)	226,037
Furniture and fittings	229	22	–	(1)	(44)	206
Motor vehicles	1,146	–	–	(107)	(254)	785
	280,590	1,048	–	(193)	(18,815)	262,630

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

	At Cost RM'000	Accumulated Depreciation RM'000	Total RM'000
At 31.12.2010			
Freehold land	**6,034**	**–**	**6,034**
Leasehold land	**4,061**	**(309)**	**3,752**
Buildings	**29,823**	**(4,650)**	**25,173**
Plant, machinery and equipment	**316,741**	**(107,147)**	**209,594**
Furniture and fittings	**606**	**(402)**	**204**
Motor vehicles	**1,465**	**(836)**	**629**
	358,730	**(113,344)**	**245,386**

The Company	At Cost RM'000	Accumulated Depreciation RM'000	Total RM'000
At 31.12.2009			
Restated			
Freehold land	6,034	–	6,034
Leasehold land	4,061	(265)	3,796
Buildings	29,823	(4,051)	25,772
Plant, machinery and equipment	315,707	(89,670)	226,037
Furniture and fittings	627	(421)	206
Motor vehicles	3,187	(2,402)	785
	359,439	(96,809)	262,630

The net book values of the property, plant and equipment of the Group and of the Company which have been pledged as security to licensed financial institutions for bank borrowings granted to the Group and the Company are as follows:-

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Freehold land	**7,462**	7,462	**6,034**	6,034
Leasehold land	**3,752**	3,796	**3,752**	3,796
Buildings	**51,374**	52,374	**25,173**	25,772
Plant, machinery and equipment	**187,911**	215,508	**187,911**	215,508
Furniture and fittings	**135**	140	**135**	140
	250,634	279,280	**223,005**	251,250

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

Included in the net book value of the property, plant and equipment are the following plant and equipment acquired under hire purchase terms:-

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Plant and equipment	**8,913**	12,849	**2,298**	3,579
Motor vehicles	**1,372**	888	**540**	771
	10,285	13,737	**2,838**	4,350

7. PREPAID LEASE PAYMENTS

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Leasehold land at cost:				
As previously reported	**7,530**	11,590	**–**	4,061
Effects of FRS 117	**–**	(4,060)	**–**	(4,061)
As restated	**7,530**	7,530	**–**	–
Accumulated amortisation:				
As previously reported	**826**	928	**–**	265
Effects of FRS 117	**–**	(264)	**–**	(265)
As restated	**826**	664	**–**	–
Amortisation for the financial year	**164**	162	**–**	–
At 31.12.2010/2009	**990**	826	**–**	–
	6,540	6,704	**–**	–

The Group and the Company have adopted the amendments made to FRS 117 – Leases during the financial year. The Group and the Company have reassessed and 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. This change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendments.

The leasehold land has been pledged as security to licensed financial institutions for bank borrowings granted to the Group and the Company.

8. GOODWILL ON CONSOLIDATION

	The Group	
	2010	2009
	RM'000	RM'000
Goodwill on consolidation	**2,946**	2,946

During the financial year, the Group assessed the recoverable amount of the goodwill, and determined that the goodwill is not impaired.

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations using cash flow forecast based on financial budgets approved by management covering the financial year ending 31 December 2011. The key assumptions used for value-in-use calculations are:-

(i) *Growth Rate*

The growth rate used is 10.00% based on the planned capacity and forecasted demands.

(ii) *Gross Margin*

The budgeted gross margin used is 8.00% based on the estimated selling prices and the fixed and variable costs, adjusted for market conditions and economic conditions and internal resource efficiency.

(iii) *Discount Rate*

The discount rate used is 14.20% which approximated the Company's weighted average cost of capital.

9. INVENTORIES

	The Group		The Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
At Cost:-				
Finished goods	**25,353**	–	**15,828**	–
Raw materials	**25,561**	22,874	**912**	2,177
Work-in-progress	**3,003**	1,990	**–**	–
Spare parts and consumables	**7,096**	7,686	**7,096**	7,686
At Net Realisable Value:-				
Finished goods	**–**	17,932	**–**	10,669
	61,013	50,482	**23,836**	20,532

10. TRADE RECEIVABLES

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade receivables	**47,245**	31,912	**30,103**	14,492
Impairment loss on receivables:-				
At 1 January	**(35)**	(33)	**–**	–
Addition during the financial year	**–**	(2)	**–**	–
At 31 December	**(35)**	(35)	**–**	–
	47,210	31,877	**30,103**	14,492

The Group's normal trade credit terms range from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

The foreign currency exposure profile of the trade receivables is as follows:-

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Singapore Dollar	**57**	–	**–**	–
United States Dollar	**37,553**	22,032	**26,364**	10,115

11. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	The Company	
	2010	**2009**
	RM'000	**RM'000**
Amount owing by subsidiaries		
– Trade	**1,348**	2,351
– Non-trade	**789**	804
	2,137	3,155
Amount owing to subsidiaries		
– Trade	**(889)**	(1,553)
– Non-trade	**(5,120)**	(4,969)
	(6,009)	(6,522)

The normal trade credit term is 90 days.

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

12. SHARE CAPITAL

	The Company			
	2010	2009	2010	2009
	Number of Shares ('000)		RM'000	RM'000
Authorised				
Ordinary Shares of RM1 Each:-				
Authorised	**500,000**	500,000	**500,000**	500,000
Issued and Fully Paid-Up				
At 31.12.2010/2009	**90,400**	90,400	**90,400**	90,400

13. RETAINED PROFITS

Subject to the agreement of the tax authorities, the Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 and tax-exempt income to frank the payment of dividends out of its entire retained profits at the end of the reporting period without incurring additional tax liabilities.

At the end of the reporting period, the Company has not elected for the single tier tax system. When the tax credit balance is fully utilised, or by 31 December 2013 at the latest, the Company will automatically move to the single tier tax system. Under the single tier tax system, tax on the Company's profits is a final tax, any dividends distributed to the shareholders will be exempted from tax.

14. OTHER RESERVES

	The Group/The Company	
	2010	2009
	RM'000	RM'000
Share premium	**15,526**	15,526
Warrant reserve	**400**	–
	15,926	15,526

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.

On 8 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 exercise price of the 2010/2020 Warrants is RM1.00 per ordinary share of the Company. The 2010/2020 Warrants may be exercised at any time within 10 years commencing from the date of issuance ("Exercise Period"). Any 2010/2020 Warrants not exercised during the Exercised Period will thereafter lapse and cease to be valid.

15. LONG-TERM BORROWINGS

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Hire purchase payables (Note 23)	**1,010**	3,711	**360**	2,461
Term loans (Note 24)	**140,690**	177,634	**136,126**	171,643
	141,700	181,345	**136,486**	174,104

16. OTHER LONG-TERM LIABILITIES

	The Group/The Company	
	2010 RM'000	2009 RM'000
Trade payables (Note 19)	**397**	898
Other payables and accruals (Note 20)	**4,552**	8,936
Amount owing to related parties (Note 21)	**403**	910
	5,352	10,744

17. PROVISION FOR RETIREMENT BENEFITS

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At 1 January	**1,340**	1,158	**873**	756
Charge for the financial year	**199**	182	**127**	117
At 31 December	**1,539**	1,340	**1,000**	873
The retirement benefit obligations are expected to be settled as follows:-				
Non-current:				
– later than 5 years	**1,539**	1,340	**1,000**	873

17. PROVISION FOR RETIREMENT BENEFITS (CONT'D)

The amounts recognised in the profit or loss are as follows:-

	The Group		The Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Current service costs	**225**	106	**154**	73
Interest costs	**77**	35	**57**	26
Past service costs	**1,237**	1,199	**789**	774
	1,539	1,340	**1,000**	873

The Group and the Company established an unfunded defined benefit plan for key personnel during the financial year ended 31 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 RM73,000 (2009 – RM71,000) was in respect of retirement benefits for Executive Directors.

The principal actuarial assumptions used are as follows:

	The Group/The Company	
	2010	2009
	%	%
Discount rate	**5**	5
Expected rate of salary increases	**3 to 5**	3 to 5

18. DEFERRED TAX LIABILITIES

	The Group		The Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
At 1 January	**3,079**	5,499	**–**	1,968
Recognised in profit or loss (Note 29)	**1,971**	(2,420)	**1,150**	(1,968)
At 31 December	**5,050**	3,079	**1,150**	–

18. DEFERRED TAX LIABILITIES (CONT'D)

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

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deferred tax liability:				
– Accelerated capital allowances	**49,625**	44,607	**45,632**	41,448
Deferred tax assets:				
– Provision for retirement benefits	**(343)**	(80)	**(250)**	–
– Unutilised tax losses	**(332)**	–	**(332)**	–
– Unabsorbed capital allowances	**(43,900)**	(41,448)	**(43,900)**	(41,448)
	5,050	3,079	**1,150**	–

19. TRADE PAYABLES

Included in trade payables are the following payables under the Scheme:-

	The Group/The Company	
	2010 RM'000	2009 RM'000
Current:		
– not later than one year	**422**	449
Non-current (Note 16):		
– one to two year	**397**	449
– two to five years	**–**	449
	397	898
	819	1,347

The above payables are classified as Class C Creditors.

The normal trade credit terms granted to the Group and the Company range from 30 to 90 days.

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

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Euro	**1,193**	949	**1,193**	949
Japanese Yen	**647**	–	**–**	–
United States Dollar	**995**	567	**–**	–
	2,835	1,516	**1,193**	949

20. OTHER PAYABLES AND ACCRUALS

Included in the other payables and accruals are the following payables under the Scheme:-

	The Group/The Company	
	2010	2009
	RM'000	RM'000
Current:		
– not later than one year	**1,008**	1,489
Non-current (Note 16):		
– one to two year	**930**	1,489
– two to five years	**2,362**	4,469
– more than five years	**1,260**	2,978
	4,552	8,936
	5,560	10,425

The above payables are classified as Class A Creditors.

Included in the other payables and accruals of the Group and of the Company is an amount owing to a creditor of approximately RM5.6 million (2009 – RM10.4 million) for the supply, installation and commissioning of a plant for the production of particleboard.

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

	The Group		The Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Euro	**5,560**	10,425	**5,560**	10,425
Singapore Dollar	**17**	–	**17**	–
Swiss Franc	**41**	–	**41**	–
United States Dollar	**12**	–	**12**	–
	5,630	10,425	**5,630**	10,425

21. AMOUNT OWING TO RELATED PARTIES

Included in the amount owing to the related parties are the following payables under the Scheme:-

	The Group/The Company	
	2010	**2009**
	RM'000	**RM'000**
Current:		
– not later than one year	**427**	455
Non-current (Note 16):		
– one to two year	**403**	455
– two to five years	**–**	455
	403	910
	830	1,365

The above amount owing to related parties is classified as Class C Creditors.

Other than the above, the amounts owing are non-trade in nature, unsecured, interest-free, repayable on demand and are to be settled in cash.

The nature of the related party relationship and details of the transactions involved are disclosed in Note 34 to the financial statements.

22. SHORT-TERM BORROWINGS

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Bankers' acceptances	**1,244**	1,784	**–**	–
Export credit refinancing	**3,615**	3,970	**–**	–
Offshore foreign currency loan	**9,909**	–	**9,909**	–
Hire purchase payables (Note 23)	**3,386**	5,864	**2,116**	2,795
Term loans (Note 24)	**27,138**	6,941	**25,564**	5,551
	45,292	18,559	**37,589**	8,346

22. SHORT-TERM BORROWINGS (CONT'D)

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

	The Group		The Company	
	2010	2009	2010	2009
	%	%	%	%
Bankers' acceptances	**4.75**	3.93-5.23	**–**	–
Export credit refinancing	**3.80**	3.30	**–**	–
Offshore foreign currency loan	**2.12**	–	**2.12**	–
Term loans	**4.50-8.80**	4.50-8.05	**4.50-8.80**	4.50-8.05

The bankers' acceptances, export credit refinancing and term loans are secured by:-

(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 of the Company.

23. HIRE PURCHASE PAYABLES

	The Group		The Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Future minimum hire purchase payments:				
– not later than one year	**3,665**	6,522	**2,211**	3,064
– later than one year and not later than five years	**1,116**	4,002	**369**	2,564
	4,781	10,524	**2,580**	5,628
Future finance charges	**(385)**	(949)	**(104)**	(372)
Present value of hire purchase payables	**4,396**	9,575	**2,476**	5,256
Current:				
– not later than one year (Note 22)	**3,386**	5,864	**2,116**	2,795
Non-current (Note 15):				
– later than one year and not later than five years	**1,010**	3,711	**360**	2,461
	1,010	3,711	**360**	2,461
	4,396	9,575	**2,476**	5,256

23. HIRE PURCHASE PAYABLES (CONT'D)

The effective interest rates per annum at the end of the reporting period were as follows:-

	The Group		The Company	
	2010	2009	2010	2009
	%	%	%	%
Hire purchase payables	**2.88 to 7.30**	5.41 to 9.17	**6.56 to 7.01**	6.56 to 7.01

The Group has hire purchase contracts for certain plant and equipment as disclosed in Note 7 to the financial statements. There are no restrictions imposed on the Group by the hire purchase arrangements and the Group has not entered into any arrangements for contingent rent payments.

24. TERM LOANS

	The Group		The Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Current portion:				
– repayable within one year (Note 22)	**27,138**	6,941	**25,564**	5,551
Non-current portion (Note 15):				
– repayable between one and two years	**26,857**	29,155	**25,564**	27,601
– repayable between two and five years	**72,844**	83,841	**70,593**	81,620
– repayable after five years	**40,989**	64,638	**39,969**	62,422
	140,690	177,634	**136,126**	171,643
	167,828	184,575	**161,690**	177,194

The term loans of the Group and of the Company were secured in the same manner as the short-term borrowings as disclosed in Note 22 to the financial statements.

24. TERM LOANS (CONT'D)

Details of the repayment terms are as follows:-

Term Loan	Number of Monthly Instalment	Monthly Instalment Amounts RM'000	Commencement Date of Repayment	Amount Outstanding The Group 2010 RM'000	Amount Outstanding The Group 2009 RM'000	Amount Outstanding The Company 2010 RM'000	Amount Outstanding The Company 2009 RM'000
1	180	23 to 28	26 October 2004	**2,102**	2,263	**–**	–
2	120	58	1 March 2005	**2,394**	2,868	**–**	–
3	84	221	15 January 2011	**18,621**	18,556	**18,621**	18,556
4	28	3,769 (quarterly)	15 January 2011	**105,540**	114,800	**105,540**	114,800
5	28	266 (quarterly)	15 January 2011	**7,439**	8,092	**7,439**	8,092
6	28	301 (quarterly)	15 January 2011	**8,433**	9,172	**8,433**	9,172
7							
	84	27 to 29	29 December 2006	**931**	1,212	**–**	–
8	60	16	26 January 2008	**173**	357	**–**	–
9	60	328	15 January 2010	**15,859**	19,680	**15,859**	19,680
10	60	89	15 January 2010	**4,436**	5,317	**4,436**	5,317
11	60	26	15 January 2010	**1,362**	1,577	**1,362**	1,577
12	36	19	July 2010	**538**	681	**–**	–
				167,828	184,575	**161,690**	177,194

Term loans 4, 5 and 6 are denominated in US Dollar.

The above mentioned term loans which are included in the Scheme are classified as follows:-

Class A Creditors	The Group/The Company 2010 RM'000	The Group/The Company 2009 RM'000
Current:		
– not later than one year	**20,013**	–
Non-current:		
– one to two year	**20,013**	21,517
– two to five years	**60,038**	64,551
– more than five years	**39,969**	64,551
	120,020	150,619
	140,033	150,619

24. TERM LOANS (CONT'D)

The above mentioned term loans which are included in the Scheme are classified as follows:-

	The Group/The Company	
Class B Creditors	2010 RM'000	2009 RM'000
Current		
– not later than one year	**5,551**	5,551
Non-current:		
– one to two year	**5,551**	5,551
– two to five years	**10,555**	15,472
	16,106	21,023
	21,657	26,574

25. BANK OVERDRAFTS

The bank overdrafts of the Group and of the Company bear effective interest rates ranging from 7.10% and 7.55% (2009 – 6.80% and 8.00%) per annum and are secured in the same manner as the short-term borrowings as disclosed in Note 22 to the financial statements.

26. NET ASSETS PER SHARE

The net assets per share of the Group is calculated based on the net assets value at the end of the reporting period of approximately RM190,681,000 (2009 – RM161,548,000) divided by the number of ordinary shares in issue at the end of the reporting period of 90,400,000 (2009 – 90,400,000) ordinary shares.

27. REVENUE

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

28. PROFIT/(LOSS) BEFORE TAXATION

	The Group		The Company	
		Restated		Restated
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before taxation is arrived at after charging/(crediting):-				
Impairment loss receivables	**–**	2	**–**	–
Allowance for slow-moving inventories	**–**	159	**–**	159
Amortisation of prepaid lease payments	**164**	162	**–**	–
Audit fee				
– for the financial year	**76**	76	**35**	35
– underprovision in the previous financial year	**9**	9	**–**	8
– non-statutory	**38**	22	**37**	22
Bad debts written off	**–**	20	**–**	–
Depreciation of property, plant and equipment	**24,292**	24,113	**18,766**	18,815
Directors' fees	**209**	233	**209**	233
Directors' non-fee emoluments:				
– salaries and bonus	**1,030**	996	**1,030**	996
– defined contribution plan	**153**	150	**153**	150
– other benefits	**458**	1,546	**21**	47
Employee benefits expense:				
– salaries, wages and bonus	**37,815**	30,600	**10,537**	8,689
– defined contribution plan	**2,037**	1,728	**1,056**	957
– other benefits	**4,485**	3,217	**742**	734
Interest expense:				
– bills payable	**–**	178	**–**	20
– hire purchase	**674**	935	**268**	466
– overdrafts	**179**	624	**170**	607
– bankers' acceptances	**40**	–	**–**	–
– term loans	**10,694**	10,053	**10,218**	9,530
– export credit refinancing	**123**	170	**–**	–
Provision for retirement benefits:				
– directors	**73**	71	**73**	71
– others	**126**	111	**54**	46
Loss on foreign exchange:				
– realised	**355**	6,725	**46**	6,032
Rental of equipment	**356**	117	**356**	117
Rental of premises	**262**	215	**112**	181
Dividend income	**–**	–	**(2,980)**	(2,980)
Gain on foreign exchange				
– unrealised	**(11,826)**	(1,125)	**(11,826)**	(1,125)
Gain on disposal of equipment	**(228)**	(112)	**(23)**	(114)
Interest income	**(34)**	–	**(34)**	–

The benefits-in-kind received by the Directors of the Group and of the Company was RM7,200 (2009 – RM59,000).

29. INCOME TAX EXPENSE

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current tax expense				
– for the financial year	**731**	1,745	**–**	–
– overprovision in the previous financial year	**(3)**	(850)	**–**	(803)
	728	895	**–**	(803)
Deferred tax expense (Note 18)				
– relating to origination and reversal of temporary differences	**3,124**	(603)	**2,960**	(695)
– overprovision in the previous financial year	**(1,153)**	(1,817)	**(1,810)**	(1,273)
	1,971	(2,420)	**1,150**	(1,968)
	2,699	(1,525)	**1,150**	(2,771)

A reconciliation of the income tax expense applicable to the profit/(loss) before taxation at the statutory tax rate to the income tax expense at the effective tax rates of the Group and of the Company is as follows:-

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Profit/(Loss) before taxation	**28,410**	18,933	**22,741**	(5,679)
Tax at the statutory tax rate of 25%	**7,103**	4,733	**5,685**	(1,420)
Tax effects of:				
Non-deductible expenses	**1,137**	962	**989**	517
Non-taxable income	**(3,004)**	(1,222)	**(3,714)**	(1,222)
Deferred tax assets not recognised	**13**	1,454	**–**	1,430
Utilisation of previously unrecognised deferred tax asset	**(3)**	–	**–**	–
Utilisation of previously unabsorbed tax losses	**(10)**	–	**–**	–
Utilisation of reinvestment allowances	**(1,381)**	(2,819)	**–**	–
Utilisation of allowances for increased exports	**–**	(1,966)	**–**	–
Overprovision in the previous financial year:				
– current taxation	**(3)**	(850)	**–**	(803)
– deferred taxation	**(1,153)**	(1,817)	**(1,810)**	(1,273)
Tax for the financial year	**2,699**	(1,525)	**1,150**	(2,771)

29. INCOME TAX EXPENSE (CONT'D)

Subject to agreement with the tax authorities, the Group has unabsorbed tax losses, unabsorbed capital allowances, unabsorbed reinvestment allowances and unabsorbed investment tax allowances available at the end of the reporting period to be carried forward for offset against future taxable business income as follows:-

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
Unutilised tax losses	**1,327**	1,327	**1,327**	1,327
Unabsorbed capital allowances	**175,444**	169,153	**175,444**	169,153
Unabsorbed reinvestment allowances	**4,926**	–	**–**	–
Unabsorbed investment tax allowances	**248,805**	252,423	**248,805**	252,423
Unabsorbed allowance for exports increase	**27,779**	36,549	**–**	–
	458,281	459,452	**425,576**	422,903

30. EARNINGS PER SHARE

The basic earnings per share is arrived at by dividing the Group's profit after taxation of approximately RM25,711,000 (2009 – RM20,458,000) by the number of ordinary shares in issue during the financial year of 90,400,000 (2009 – 90,400,000).

The diluted earnings per share is not applicable as the average market price of the ordinary shares during the financial year was below the exercise price of the 2010/2020 Warrants.

31. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cost of property, plant and equipment purchased	**4,823**	1,528	**1,522**	1,048
Amount financed through hire purchase	**(820)**	–	**–**	–
Cash disbursed for the purchase of property, plant and equipment	**4,003**	1,528	**1,522**	1,048

32. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Fixed deposits with licensed bank	**2,516**	–	**2,516**	–
Cash and bank balances	**20,306**	12,878	**13,193**	946
Bank overdrafts	**(942)**	(2,553)	**(475)**	(1,565)
	21,880	10,325	**15,234**	(619)

The weighted average effective interest rate of the fixed deposits of the Group and of the Company at the end of the reporting period was 1.91% (2009 – Nil) per annum. The fixed deposits have maturity periods ranging from 31 to 365 days.

The foreign currency exposure profile of the cash and bank balances is as follows:-

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
United States Dollar	**18,395**	9,604	**12,417**	3

33. CONTINGENT LIABILITY - UNSECURED

	The Company	
	2010 RM'000	2009 RM'000
Corporate guarantees given to financial institutions for banking facilities granted to subsidiaries	**10,154**	16,677

34. RELATED PARTY DISCLOSURES

(a) Identities of related parties

The Company has a related party relationship with:

(i) its subsidiaries as disclosed in Note 5 to the financial statements;

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

(iii) entities controlled by certain key management personnel, directors and/or substantial shareholders.

34. RELATED PARTY DISCLOSURES (CONT'D)

(b) Other than the information detailed elsewhere in the financial statements, the Group and the Company carried out the following transactions with related parties during the financial year:-

(i) Subsidiaries

	The Company	
	2010 RM'000	2009 RM'000
Dividend received/receivable from subsidiaries	**2,980**	2,980
Sales to subsidiaries	**11,906**	27,611

(ii) Key management personnel

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Short-term employee benefits payable to directors:-				
– salaries and bonus	**1,030**	996	**1,030**	996
– defined contribution plan	**153**	150	**153**	150
– other benefits	**458**	1,546	**21**	47

(iii) Entities controlled by key management personnel, directors and/or substantial shareholders

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Construction cost of property charged by related parties	**–**	104	**–**	104

35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year, on 8 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 exercise price of the 2010/2020 Warrants is RM1.00 per ordinary share of the Company. The 2010/2020 Warrants may be exercised at any time within 10 years commencing from the date of issuance ("Exercise Period"). Any 2010/2020 Warrants not exercised during the Exercised Period will thereafter lapse and cease to be valid.

On 6 August 2010, Gemas Ria Sdn. Bhd., a related party entered into a Sale and Purchase Agreement for the purchase of the amount owing by HeveaBoard Berhad to Dieffenbacher GMBH & CO. KG for a sum of Euro 900,000. This transaction was not completed at the end of the reporting period.

36. SIGNIFICANT EVENT OCCURRING AFTER THE END OF THE REPORTING PERIOD

The Company on 31 March 2011 and 4 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.

The details of the Proposal will be prepared in an explanatory statement to be circulated to the Scheme Creditors with a view of convening a creditors' meeting in respect of each class of the Scheme Creditors for their approval. In the event the requisite approval of the Scheme Creditors is obtained for the Proposal, the Company will implement the Proposal and file or cause to be filed the necessary cause papers to the High Court of Malaya for the termination of the Scheme and thereafter, an office copy of the Court Order obtained in relation thereto will be lodged with the Registrar of Companies accordingly.

37. 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:-

	The Group		The Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Directors of the Company:-				
Executive Directors:-				
– salaries, bonus,incentive and EPF	**1,621**	2,645	**1,184**	1,146
Non-Executive Directors:-				
– fees	**209**	233	**209**	233
– other emoluments	**21**	47	**21**	47
	230	280	**230**	280
	1,851	2,925	**1,414**	1,426
Retirement benefits for Executive Directors	**73**	71	**73**	71

37. DIRECTORS' REMUNERATION (CONT'D)

The details of directors' emoluments received/receivable for the financial year in bands of RM50,000 are as follows:-

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
Executive Directors:-				
RM350,001 – RM400,000	**1**	1	**1**	1
RM750,001 – RM800,000	**–**	–	**1**	–
RM1,200,001 – RM1,250,000	**1**	–	**–**	–
RM2,250,001 – RM2,300,000	**–**	1	**–**	–
	2	2	**2**	2
Non-Executive Directors:-				
Below RM50,000	**3**	3	**3**	3
RM50,001 – RM100,000	**1**	2	**1**	2
	6	7	**6**	7

38. OPERATING SEGMENTS

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

The Group is organised into 3 main business segments as follows:-

(i) Manufacturing segment – involved in the business of manufacturing particleboards and manufacturing of ready-to-assemble furniture;

(ii) Trading segment – involved in the trading of particleboards and other panel boards; and

(iii) Others

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

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

38. OPERATING SEGMENTS (CONT'D)

	Manufacturing		Trading		Others		Eliminations		Group	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Revenue										
Total revenue	**366,278**	344,677	**20,846**	24,797	**–**	–	**(23,987)**	(42,057)	**363,137**	327,417
Results										
Segment results	**42,439**	33,552	**524**	470	**(4)**	(4)	**(2,839)**	(3,124)	**40,120**	30,894
Finance costs	**(11,661)**	(11,856)	**(49)**	(105)	**–**	–	–	–	**(11,710)**	(11,961)
Profit/(Loss) before taxation	**30,778**	21,696	**475**	365	**(4)**	(4)	**(2,839)**	(3,124)	**28,410**	18,933
Taxation									**(2,699)**	1,525
Profit after taxation									**25,711**	20,458
Other information										
Segment assets #	**476,239**	461,614	**7,662**	8,213	**6,155**	6,160	**(47,967)**	(50,369)	**442,089**	425,618
Unallocated corporate assets									**738**	682
									442,827	426,300
Segment liabilities *	**256,671**	272,287	**3,822**	4,703	**23**	25	**(13,420)**	(12,702)	**247,096**	261,234
Unallocated corporate liabilities									**5,050**	3,518
									252,146	264,752
Capital expenditure	**4,823**	1,524	**–**	4	**–**	–	**–**	–	**4,823**	1,528
Depreciation and amortisation	**24,379**	24,198	**77**	77	**–**	–	**–**	–	**24,456**	24,275

The Group operates wholly in Malaysia.

\# – Segment assets comprise total current and non-current assets, less tax refundable.
* – Segment liabilities comprise total current and non-current liabilities, less tax payable and deferred tax liabilities.

38. OPERATING SEGMENTS (CONT'D)

GEOGRAPHICAL INFORMATION

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

	Revenue	
	2010 RM'000	2009 RM'000
Australia	**14,304**	14,257
Bangladesh	**1,170**	1,085
Canada	**2,923**	–
China	**34,723**	6,781
France	**12,595**	11,040
India	**36,823**	21,219
Indonesia	**28,944**	26,364
Italy	**4,028**	3,245
Japan	**111,061**	120,566
Korea	**15,097**	22,477
Malaysia	**42,743**	33,605
Oman	**2,282**	2,198
Philippines	**11,462**	7,543
Sri Lanka	**2,318**	541
Taiwan	**1,410**	5,256
United Kingdom	**9,367**	13,279
United Arab Emirates	**3,243**	5,145
United States of America	**7,715**	9,821
Vietnam	**12,439**	12,622
Others	**8,490**	10,373
	363,137	327,417

MAJOR CUSTOMERS

A major customer with revenue equal to more than 10% of Group revenue, amounts to approximately RM48,882,000 (2009 – RM51,269,000) arising from sales by the RTA Furniture manufacturing segment.

39. CAPITAL COMMITMENT

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Plant and equipment:				
– Approved but not contracted for	**–**	3,000	**–**	–

40. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(i) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily United States Dollar, Japanese Yen and 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.

The Group's exposure to foreign currency is as follows:-

The Group	United States Dollar RM'000	Japanese Yen RM'000	Euro RM'000	Total RM'000
2010				
Financial assets				
Trade receivables	37,553	–	–	37,553
Cash and bank balances	18,395	–	–	18,395
	55,948	–	–	55,948
Financial liabilities				
Term loans	121,412	–	–	121,412
Trade payables	995	647	1,193	2,835
Other payables and accruals	–	–	5,560	5,560
Currency exposure	122,407	647	6,753	129,807

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (cont'd)

(i) Market Risk (cont'd)

(i) Foreign Currency Risk (cont'd)

The Company	United States Dollar RM'000	Japanese Yen RM'000	Euro RM'000	Total RM'000
2010				
Financial assets				
Trade receivables	**26,364**	**–**	**–**	**26,364**
Cash and bank balances	**12,417**	**–**	**–**	**12,417**
	38,781	**–**	**–**	**38,781**
Financial liabilities				
Term loans	**121,412**	**–**	**–**	**121,412**
Trade payables	**–**	**–**	**1,193**	**1,193**
Other payables and accruals	**–**	**–**	**5,560**	**5,560**
Currency exposure	**121,412**	**–**	**6,753**	**128,165**

Foreign currency risk sensitivity analysis

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:-

2010	The Group Increase/ (Decrease) RM'000	The Company Increase/ (Decrease) RM'000
Effects on profit after taxation		
United States Dollar:		
– strengthened by 10%	**(4,861)**	**(6,067)**
– weakened by 10%	**4,861**	**6,067**
Japanese Yen:		
– strengthened by 10%	**(48)**	**–**
– weakened by 10%	**48**	**–**
Euro:		
– strengthened by 10%	**(636)**	**(636)**
– weakened by 10%	**636**	**636**

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (cont'd)

(i) Market Risk (cont'd)

(i) Foreign Currency Risk (cont'd)

Foreign currency risk sensitivity analysis (cont'd)

2010	The Group Increase/ (Decrease) RM'000	The Company Increase/ (Decrease) RM'000
Effects on equity		
United States Dollar:		
– strengthened by 10%	**(4,861)**	**(6,067)**
– weakened by 10%	**4,861**	**6,067**
Japanese Yen:		
– strengthened by 10%	**(48)**	**–**
– weakened by 10%	**48**	**–**
Euro:		
– strengthened by 10%	**(636)**	**(636)**
– weakened by 10%	**636**	**636**

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 40(a)(iii) to the financial statements.

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (cont'd)

(i) Market Risk (cont'd)

(ii) Interest Rate Risk (cont'd)

Interest rate risk sensitivity analysis

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

2010	The Group Increase/ (Decrease) RM'000	The Company Increase/ (Decrease) RM'000
Effects on profit after taxation		
Increase of 100 basis points (bp)	**(1,213)**	**(1,165)**
Decrease of 100 bp	**1,213**	**1,165**
Effects on equity		
Increase of 100 basis points (bp)	**(1,213)**	**(1,165)**
Decrease of 100 bp	**1,213**	**1,165**

(iii) Equity Price Risk

The Group's does not have any quoted investments and hence is not exposed to equity price risks.

(ii) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by Management based on prior experience and the current economic environment.

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by three (3) customers which constituted approximately 28% of its trade receivables as at the end of the reporting period.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (cont'd)

(ii) Credit Risk (cont'd)

Exposure to credit risk (cont'd)

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

2010	The Group RM'000	The Company RM'000
Canada	303	–
China	7,881	7,881
France	295	–
India	12,834	12,833
Indonesia	1,735	1,735
Japan	9,193	142
Korea	1,089	1,089
Malaysia	9,080	5,087
Philippines	831	258
Sri Lanka	170	170
United Arab Emirates	808	808
United States of America	522	–
Vietnam	1,448	1,448
Others	1,021	–
	47,210	31,451

Ageing analysis

The ageing analysis of the Group's trade receivables as at 31 December 2010 is as follows:-

The Group	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Value RM'000
2010				
Not past due:-				
– 0 to 30 days	26,713	–	–	26,713
– 30 to 60 days	12,996	–	–	12,996
– 60 to 90 days	5,872	–	–	5,872
Past due:-				
– 90 to 120 days	1,163	–	–	1,163
– over 120 days	466	–	–	466
	47,210	–	–	47,210

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (cont'd)

(ii) Credit Risk (cont'd)

Ageing analysis (cont'd)

The ageing analysis of the Company's trade receivables (including amount owing by a subsidiary) as at 31 December 2010 is as follows:-

The Company	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Value RM'000
2010				
Not past due:-				
– 0 to 30 days	**15,638**	**–**	**–**	**15,638**
– 30 to 60 days	**10,671**	**–**	**–**	**10,671**
– 60 to 90 days	**4,514**	**–**	**–**	**4,514**
Past due:-				
– 90 to 120 days	**625**	**–**	**–**	**625**
– over 120 days	**3**	**–**	**–**	**3**
	31,451	**–**	**–**	**31,451**

Trade receivables 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.

Trade 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. The Groups uses 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.

(iii) Liquidity Risk

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

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (cont'd)

(iii) Liquidity Risk

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):-

The Group	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1-5 Years RM'000	Over 5 Year RM'000
2010						
Trade payables	**–**	**26,458**	**26,458**	**26,061**	**397**	**–**
Other payables and accurals	**–**	**30,083**	**30,083**	**25,531**	**3,292**	**1,260**
Amount owing to related parties	**–**	**1,082**	**1,082**	**679**	**403**	**–**
Hire purchase payables	**3.77**	**4,396**	**4,781**	**3,665**	**1,116**	**–**
Term loans	**6.22**	**167,828**	**204,523**	**38,603**	**123,521**	**42,399**
Bankers' acceptances	**4.76**	**1,244**	**1,259**	**1,259**	**–**	**–**
Export credits refinancing	**3.80**	**3,615**	**3,638**	**3,638**	**–**	**–**
Offshore foreign currency loan	**2.12**	**9,909**	**9,939**	**9,939**	**–**	**–**
Bank overdrafts	**7.32**	**942**	**948**	**948**	**–**	**–**
		245,557	**282,711**	**110,323**	**128,729**	**43,659**
2009						
Trade payables	–	24,800	24,800	23,902	898	–
Other payables and accurals	–	31,018	31,018	22,082	5,957	2,979
Amount owing to related parties	–	1,619	1,619	709	910	–
Hire purchase payables	3.62	9,575	10,524	6,522	4,002	–
Term loans	6.19	184,575	224,941	36,650	127,823	60,468
Bankers' acceptances	3.93	1,784	1,800	1,800	–	–
Export credits refinancing	3.30	3,970	3,988	3,988	–	–
Bank overdrafts	6.80	2,553	2,567	2,567	–	–
		259,894	301,257	98,220	139,590	63,447

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (cont'd)

(iii) Liquidity Risk (cont'd)

The Company	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1-5 Years RM'000	Over 5 Year RM'000
2010						
Trade payables	**–**	**17,264**	**17,264**	**16,867**	**397**	**–**
Other payables and accurals	**–**	**20,690**	**20,690**	**16,138**	**3,292**	**1,260**
Amount owing to subsidiries	**–**	**6,009**	**6,009**	**6,009**	**–**	**–**
Amount owing to related parties	**–**	**877**	**877**	**474**	**403**	**–**
Hire purchase payables	**3.70**	**2,476**	**2,580**	**2,211**	**369**	**–**
Term loans	**6.20**	**161,690**	**196,209**	**35,349**	**119,603**	**41,257**
Offshore foreign currency loan	**2.12**	**9,909**	**9,939**	**9,939**	**–**	**–**
Bank overdrafts	**7.10**	**475**	**478**	**478**	**–**	**–**
		219,390	**254,046**	**87,465**	**124,064**	**42,517**
2009						
Trade payables	–	16,727	16,727	15,829	898	–
Other payables and accurals	–	19,531	19,531	10,595	5,957	2,979
Amount owing to subsidiries	–	6,522	6,522	6,522	–	–
Amount owing to related parties	–	1,413	1,413	503	910	–
Hire purchase payables	3.67	5,256	5,628	3,064	2,564	–
Term loans	6.20	177,194	186,629	34,778	121,960	58,409
Bank overdrafts	6.80	1,565	1,574	1,574	–	–
		228,208	238,024	72,865	132,289	61,388

40. FINANCIAL INSTRUMENTS (CONT'D)

(b) Capital Risk Management

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

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

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

	The Group 2010 RM'000	The Company 2010 RM'000
Export credit refinancing	3,615	–
Hire purchase payables	4,396	2,476
Term loans	167,828	161,690
Bankers' acceptances	1,244	–
Offshore foreign currency loan	9,909	9,909
Bank overdrafts	942	475
	187,934	174,550
Less: Fixed deposits with licensed banks	2,516	2,516
Less: Cash and bank balances	20,306	13,193
Net debt	165,112	158,841
Total equity	190,681	143,233
Debt-to-equity ratio (times)	0.87	1.11

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

40. FINANCIAL INSTRUMENTS (CONT'D)

(c) Classification Of Financial Instruments

	The Group 2010 RM'000	The Company 2010 RM'000
Financial assets		
Available-for-sale financial assets		
Other investments, at cost	15	15
Loans and receivables financial assets		
Trade receivables	47,210	30,103
Other receivables and deposits	7,560	6,051
Amount owing by subsidiaries	–	2,137
Fixed deposits with licensed banks	2,516	2,516
Cash and bank balances	20,306	13,193
	77,592	54,000
Financial liabilities		
Other financial liabilities		
Bankers' acceptances	1,244	–
Export credit refinancing	3,615	–
Hire purchase payables	4,396	2,476
Term loans	167,828	161,690
Trade payables	26,458	17,264
Other payables and accruals	30,083	20,690
Offshore foreign currency loan	9,909	9,909
Amount owing to related parties	1,082	877
Amount owing to subsidiaries	–	6,009
Bank overdrafts	942	475
	245,557	219,390

40. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair Values Of Financial Instruments

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values except for the following:-

Forward Foreign Exchange Contracts

The net fair values of the forward foreign exchange contracts are the amounts that would be payable or receivable on the termination of the outstanding position arising and are determined by reference to the difference between the contracted rate and forward exchange rate as at the end of the reporting period applied to a contract of similar quantum and maturity period.

	Nominal Amount RM'000	Net Fair Value RM'000
At 31 December 2010		
Forward foreign exchange contracts	**400**	**20**
At 31 December 2009		
Forward foreign exchange contracts	Nil	Nil

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.

41. EFFECTS OF THE ADOPTION OF THE AMENDMENTS TO FRS

The following comparative figures have been restated as a result of adopting the amendments to FRS 117 – Leases:-

	As Previously Reported RM'000	Effects of Adopting FRS 117 RM'000	As Restated RM'000
The Group			
Statements Of Financial Position (Extract):-			
Property, plant and equipment	309,656	3,796	313,452
Prepaid lease payments	10,500	(3,796)	6,704
The Company			
Statement Of Financial Position (Extract):-			
Property, plant and equipment	258,834	3,796	262,630
Prepaid lease payments	3,796	(3,796)	–

42. SCHEME CREDITORS

On 25 November 2009, the Company announced it had on the same date, at the court convened meeting, obtained the approval of the Scheme from all the four classes of secured and unsecured creditors ("Scheme Creditors"). Details of the Scheme Creditors and the scheme debts are as follows:-

	The Group/The Company	
	2010	**2009**
	RM'000	**RM'000**
Class A Creditors	**145,593**	161,044
Class B Creditors	**21,657**	26,574
Class C Creditors	**1,649**	2,712
Class D Creditors	**476**	1,565
	169,375	191,896

	The Group/The Company	
	2010	**2009**
	RM'000	**RM'000**
Class A Creditors		
Current:		
– not later than one year	**21,021**	1,489
Non-current:		
– one to two year	**20,943**	23,005
– two to five years	**62,400**	69,020
– more than five years	**41,229**	67,530
	124,572	159,555
	145,593	161,044
Represented by:		
– Term loans (Note 24)	**140,033**	150,619
– Other payables and accruals (Note 20)	**5,560**	10,425
	145,593	161,044

42. SCHEME CREDITORS (CONT'D)

	The Group/The Company 2010 RM'000	2009 RM'000
Class B Creditors		
Current:		
– not later than one year	**5,551**	5,551
Non-current		
– one to two year	**5,551**	5,551
– two to five years	**10,555**	15,472
	16,106	21,023
	21,657	26,574
Represented by:		
– Term loans (Note 24)	**21,657**	26,574
Class C Creditors		
Current:		
– not later than one year	**849**	904
Non-current:		
– one to two year	**800**	904
– two to five years	**–**	904
	800	1,808
	1,649	2,712
Represented by:		
– Trade payables (Note 19)	**819**	1,347
– Amount owing to related parties (Note 21)	**830**	1,365
	1,649	2,712
Class D Creditors		
Current:		
– not later than one year	**476**	1,565
Represented by:		
– Bank overdrafts	**476**	1,565

42. SCHEME CREDITORS (CONT'D)

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 payable, commencing 1 January 2009 and ending 31 December 2009; and

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

(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 1 January 2009 and ending 31 December 2009, for the repayment of both principal and interest outstanding. The first repayment of both principal and payment of interest payable will commence on 15 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 1 January 2009 and ending 31 December 2009, for the repayment of the Scheme Debt owing to the respective Class C Creditors. The first repayment of the principal amount outstanding and will commence on 15 January 2010.

(b) The scheme debts owing to the Class C Creditors shall be repaid over 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.

43. SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the retained profits/(accumulated losses) of the Group and of the Company as at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	The Group 2010 RM'000	The Company 2010 RM'000
Total retained profits:		
– realised	70,356	23,362
– unrealised	9,645	13,945
	80,001	36,907
Add: Consolidation adjustments	4,354	–
At 31 December	84,355	36,907

List of Properties

Registered Owner	Location	Description/ existing use	Tenure of Land	Land Area	Audited Net Book Value as at 31 December 2010
HeveaBoard	Lot 1941 & 1942, Batu Tiga Jalan Tampin, 73400 Gemas Negeri Sembilan Darul Khusus	Factory, Office and Warehouse	Freehold	31,580 sq. m	9,558
	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	22,628
	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	239
Hevea OSB	Lot 1943, Batu Tiga Jalan Tampin, 73400 Gemas Negeri Sembilan Darul Khusus	Vacant Land	Freehold	20,234 sq.m	1,429
HeveaPac	PT 414 Kawasan Perindustrian Sg. Gadut KM 11, Jalan Tampin 71450 Seremban, Negeri Sembilan	Factory Buildings and Office Blocks	Leasehold (Expires on 22-1-2047)	39,659 sq. m	11,824
	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	15,340
	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	4,239

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 6 May 2011

Size of Shareholdings	No. of Holders	%	No. of Shares	%
Less than 100	8	0.44	438	0.00
100 – 1,000	707	39.32	220,600	0.24
1,001 – 10,000	658	36.60	3,701,350	4.09
10,001 – 100,000	351	19.52	11,195,800	12.39
100,001 – 4,519,999 (less than 5% of issued shares)	71	3.95	43,312,812	47.92
4,520,000 (5% of issued shares) and above	3	0.17	31,969,000	35.36
Total	**1,798**	**100.00**	**90,400,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS

as at 6 May 2011

		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	150,000	0.17	36,645,900	40.54 ***
5.	Yoong Hau Chun	150,000	0.17	36,645,900	40.54 #
6.	Dato' Loo Swee Chew	34,000	0.04	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 **

@ 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/his 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 its/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 relationship with Yoong Hau Chun, his son and Yoong Li Yen, his daughter 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 relationship with Yoong Tein Seng @ Yong Kian Seng, his father 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.

DIRECTORS' SHAREHOLDINGS

as at 6 May 2011

		Direct		Indirect	
	Name	No. of Shares	%	No. of Shares	%
1.	Yoong Tein Seng @ Yong Kian Seng	150,000	0.17	36,672,400(1)	40.57
2.	Yoong Hau Chun	150,000	0.17	36,655,900(2)	40.55
3.	Dato' Loo Swee Chew	34,000	0.04	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	56,000(5)	0.06

(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 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 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.

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

as at 6 MAY 2011

	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	4,500,000	4.98
5.	Liau Chern Yee	4,046,100	4.48
6.	Liang Chong Wai	2,588,600	2.86
7.	HDM Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Yap Kiew @ Yap Chin Fook	2,196,600	2.43
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.	Ah Kayu Moy @ Lee Kay Moy	1,000,000	1.11
15.	Kenanga Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Mak Sze Ling	1,000,000	1.11
16.	Syed Mohd Yusof Bin Tun Syed Nasir	1,000,000	1.11
17.	RHB Capital Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Nur Jazman Bin Mohamed	980,000	1.08
18.	Fizwah Pembinaan Sdn Bhd	970,000	1.07
19.	Yee Kong Yin	890,900	0.99
20.	Lancar Indah Sdn Bhd	882,000	0.98
21.	Yoong Kee Sin	845,000	0.93
22.	Gemas Ria Sdn Bhd	744,900	0.82
23.	Malaysia Nominees (Tempatan) Sendirian Berhad – Pledged Securities Account for Liau Thai Min	720,000	0.80
24.	Alliancegroup Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Ching Swee Meng	712,000	0.79
25.	Mak Sze Ling	683,400	0.76
26.	Lim Chooi Ing	610,900	0.68
27.	Y.A.M. Tunku Imran Ibni Tuanku Ja'afar	580,000	0.64
28.	Choong Siew Loong	485,000	0.54
29.	Teh Hoo Kim	410,000	0.45
30.	Mayban Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Neoh Soon Kee	362,000	0.40
		67,179,300	74.31

Analysis of Warrant B Holdings

DISTRIBUTION OF WARRANT B HOLDINGS

as at 6 May 2011

Size of Warrantholdings	No. of Holders	%	No. of Warrants	%
Less than 100	26	4.30	849	0.00
100 – 1,000	66	10.93	30,293	0.07
1,001 – 10,000	210	34.77	1,236,892	2.90
10,001 – 100,000	254	42.05	9,193,526	21.55
100,001 – 2,133,333 (less than 5% of issued warrants)	44	7.29	14,864,563	34.84
2,133,334 (5% of issued warrants) and above	4	0.66	17,340,543	40.64
Total	**604**	**100.00**	**42,666,666**	**100.00**

LIST OF THIRTY (30) LARGEST WARRANT B HOLDERS

as at 6 May 2011

	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.	Ng Sim Tang @ Wong Seng Tong	820,000	1.92
8.	Lim Chin Hong	698,433	1.64
9.	RHB Capital Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Fong Siling	660,000	1.55
10.	Chu Eng Hock	600,000	1.41
11.	OSK Nominees (Tempatan) Sdn Berhad – OSK Capital Sdn Bhd for Sanur Sdn Bhd	559,166	1.31
12.	Mayban Securities Nominees (Asing) Sdn Bhd – Exempt An for UOB Kay Hian Pte Ltd	500,000	1.17
13.	Yen Woon @ Low Sau Chee	492,000	1.15
14.	Liau Choon Hwa & Sons Sdn Bhd	483,333	1.13
15.	HLG Nominee (Tempatan) Sdn Bhd – Pledged Securities Account for Sanur Sdn Bhd	478,333	1.12
16.	Liau Chern Yee	462,166	1.08
17.	Mayban Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Lam Ngek Keow	440,000	1.03
18.	Ong Siok Liang	400,000	0.94
19.	Yoong Kee Sin	358,200	0.84
20.	Mayban Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Yeoh Hun Pheng	339,400	0.80
21.	Lam Kim Chiap	317,300	0.74

LIST OF THIRTY (30) LARGEST WARRANT B HOLDERS (CONT'D)

as at 6 May 2011

	Name	No. of Warrants Held	%
22.	RHB Capital Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Nur Jazman Bin Mohamed	316,666	0.74
23.	AmBank (M) Berhad – Pledged Securities Account for Wong Ah Yong (Smart)	250,000	0.59
24.	OSK Nominees (Tempatan) Sdn Berhad – Pledged Securities Account for Wong Ah Yong	250,000	0.59
25.	Wong Ah Yong	250,000	0.59
26.	Gemas Ria Sdn Bhd	248,300	0.58
27.	TA Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Firama Holdings Sdn Bhd	218,600	0.51
28.	Chen Weng Fatt	200,000	0.47
29.	Esther Keong Pei Pei	200,000	0.47
30.	Kok Shi Chaun	180,000	0.42
		29,711,606	69.64

DIRECTORS' WARRANT B HOLDINGS

as at 6 May 2011

		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	36,333	0.09	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

(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 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 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.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Seventeenth (17th) 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 Wednesday, 22 June 2011 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 2010 together with the Reports of the Directors and Auditors thereon. *[Please refer to Explanatory Note 1]*

2. To approve the payment of Directors' fees of RM209,000.00 for the financial year ended 31 December 2010. *Ordinary Resolution 1*

3. 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:

   3.1 Dato' Loo Swee Chew *Ordinary Resolution 2*

   3.2 Mr Yoong Hau Chun *Ordinary Resolution 3*

4. 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 4*

5. To re-appoint Messrs Crowe Horwath as Auditors of the Company and to authorise the Directors to fix their remuneration. *Ordinary Resolution 5*

Special Business

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

6. **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 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 Companies Act, 1965, 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 6*

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

BY ORDER OF THE BOARD

LIM MING TOONG (MAICSA 7000281)
NG LAI YEE (MAICSA 7031768)
Company Secretaries

Kuala Lumpur
31 May 2011

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. Explanatory Note

   (i) Item 1 of the Agenda

   This Agenda item is meant for discussion only, as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

   (ii) Ordinary Resolution 4 – Re-appointment of Director pursuant to Section 129(6) of the Companies Act 1965

   The re-appointment of Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak, being over the age of seventy (70) years as Director of the Company to hold office until the conclusion of the next AGM of the Company shall take effect if the Resolution 4 has been passed by a majority of not less than three-fourth (3/4) of such members as being entitled to vote in person or, where proxies are allowed, by proxy, at the 17th AGM of which not less than twenty one (21) days' notice has been duly given.

   (iii) Ordinary Resolution 6 – Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965

   The Company has not issued any new shares pursuant to Section 132D of the Companies Act, 1965 under the general authority which was approved at the Sixteenth (16th) AGM held on 28 June 2010 and which will lapse at the conclusion of the 17th AGM to be held on 22 June 2011. A renewal of authority is being sought at the 17th AGM under proposed Resolution 6.

   The proposed Ordinary Resolution 6, if passed, will give flexibility to the Directors of the Company to issue shares up to a maximum of ten per centum (10%) of the issued share capital of the Company at the time of such allotment 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. The Directors would utilise the proceeds raised from this mandate for working capital or such other applications they may in their absolute discretion deem fit.

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 17th AGM are set out in the Profile of Directors appearing on pages 6 and 7 of this Annual Report.

PROXY FORM

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 Seventeenth (17th) Annual General Meeting of the Company to be held at Tawau Room, Ground Floor, Menara Hap Seng, No. 1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur, Wilayah Persekutuan on Wednesday, 22 June 2011 at 10.00 a.m. or at any adjournment thereof and to vote as indicated below:

	Ordinary Resolutions	**For**	**Against**
1.	Approval of Directors' Fees		
2.	Re-election of Dato' Loo Swee Chew as Director		
3.	Re-election of Mr Yoong Hau Chun as Director		
4.	Re-appointment of Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak as Director		
5.	Re-appointment of Messrs Crowe Horwath as Auditors		
6.	**Special Business** Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965		

* *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 ______________ 2011.

Number of Shares Held

____
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
STAMP
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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

10th Floor, Menara Hap Seng
No. 1&3, Jalan P. Ramlee
50250 Kuala Lumpur
Wilayah Persekutuan
Malaysia

Tel : +(60)3-2382 4288
Fax : +(60)3-2382 4170

FACTORY

Lot 1942, Batu 3
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Negeri Sembilan Darul Khusus
Malaysia

Tel : +(60)7-948 4745/46
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KL OFFICE

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Malaysia

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