HeveaBoard Berhad

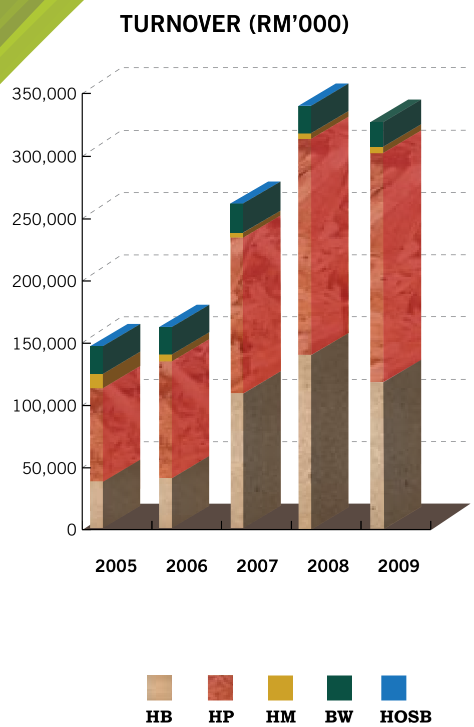
(Company No. 275512-A)

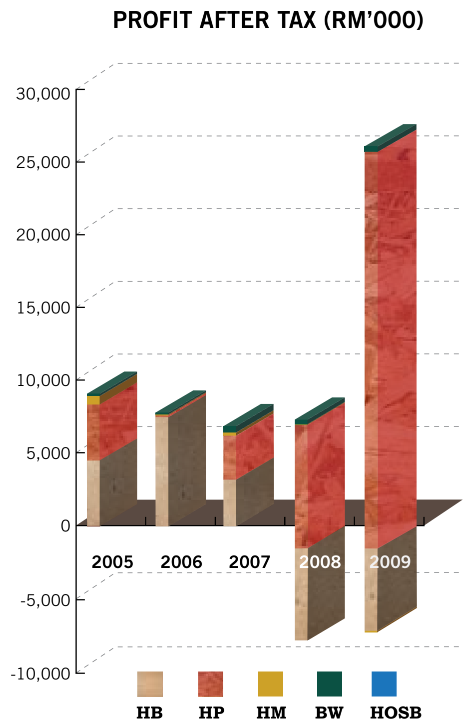
Annual Report 2009

The Premium Particleboard Leader,

Advancing through Technology

Contents





HB-HeveaBoard / **HP**-HeveaPac / **HM**-HeveaMart / **BW**-BocoWood / **HOSB**-Hevea OSB

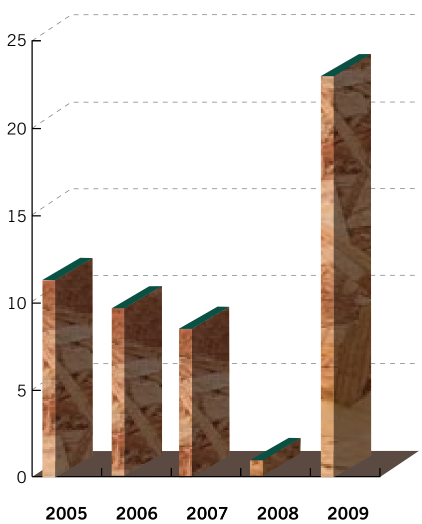
5-Year Financial Highlights

	2009	2008	2007	2006	2005
Turnover (RM'000)	**327,417**	340,912	262,238	163,125	147,674
Profit Before Tax (RM'000)	**18,933**	(182)	135	9,381	9,845
Tax (RM'000)	**1,525**	1,056	6,682	(1,625)	(791)
Profit After Tax (RM'000)	**20,458**	874	6,817	7,756	9,054
Share Capital (RM'000)	**90,400**	90,400	80,000	80,000	80,000
Net Assets (RM'000)	**161,548**	141,090	129,888	125,991	119,293
Net Assets Per Share (RM)*	**1.79**	1.56	1.62	1.57	1.49
Proposed Final Dividend (sen per ordinary Share of RM 1.00 each)	**-**	-	3.00	5.00	3.00
Net Earnings Per Share (Sen)**	**23.00**	1.00	8.52	9.70	11.32

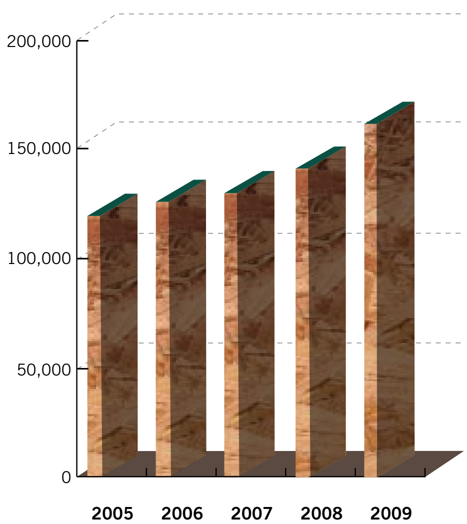
* The net assets per share of the Group is calculated based on the net assets value at the balance sheet date divided by the number of ordinary shares in issue at the balance sheet date.

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

EARNINGS PER SHARE (SEN)



NET ASSETS (RM'000)



Statement from Group Managing Director

Yoong Tein Seng (Tenson Yoong)

The extremely volatile currency exchange rates are indeed a concern to the Management and under the circumstances, it would be a challenge for **HeveaBoard** to manage its volatility in order to maintain stability in its financial performance.

Dear Shareholders of **HeveaBoard**,

On behalf of the Board of Directors, I am pleased to present the Sixteenth Annual Report and Audited Accounts of **HeveaBoard Berhad** for the financial year ended 31 December 2009.

I wish to extend our condolences to the wife and the family members of our former Chairman Tan Sri Dato' Seri Mohamed Rahmat on his demise on 1 January 2010. The fond memories and charisma of the late Tan Sri Dato' Seri Mohamed Rahmat will stay with us always and his contribution to HeveaBoard Berhad is very much appreciated. I also wish to congratulate Tan Sri Dato' Chan Choong Tak and extend our gratitude for his acceptance of his re-designation in the Company as Chairman of HeveaBoard Berhad effective from 12 February 2010.

The Operating Environment

The global sales of particleboard during the first part of 2009 were severely impacted by the world-wide economic turbulence, with over supply and extreme fluctuating US Dollar exchange rates against the currencies of major particleboard importing countries, culminating to unprecedented drop in sales volume and selling prices. As highlighted earlier, the situation also compelled us to suspend the particleboard plant operation temporary around end 2008 / early 2009. Plant 2 with better operation efficiency and economy of scale resumed operation after one month of stoppage and Plant 1 resumed operation since April 2010 after stoppage for 16 months.

The steepest decline in revenue was experienced in the first quarter of the year and this had necessitated us to seek indulgence from our key financial institutions to restructure the loan repayments. The Company had resorted to obtain a Court Order to formalise a Debt Restructuring Scheme. The Scheme involved, amongst others, converting short term trade financing into term loan, repayable in full over time. The Scheme has been unanimously accepted by all lenders and sanctioned by the Court.

The demand and selling prices of particleboard have not fully recovered; nonetheless the particleboard sector has been profitable since the second quarter of 2009 after the devastating results recorded in the first quarter. In the RTA furniture sector run by its wholly-owned subsidiary HeveaPac, the lower cost of particleboard and MDF, coupled with improved production efficiency and better margin derived from higher US Dollar exchange on the export sales proceeds had contributed to its extraordinary performance, registering a Profit after Tax of RM25.8 million for FY2009 thus not only offsetting the losses incurred by the Company but also contributing significant cash flow to HeveaBoard Group. Under the challenging operating environment, HeveaBoard Group achieved a revenue of RM327.4 million for FY2009, as compared with RM340.9 million last year, a decrease of 4.0%. Profit after Tax was RM20.5 million as compared with RM0.87 million in FY2008.

Share Prices

During the brief period of uncertainty in FY2009, the stock price of the Company plunged to a low of only RM0.09 per share. With the particleboard business now recovering and the operation has been profitable since the second quarter in 2009, coupled with the profit performance from the RTA furniture sector, the stock price has since improved. As at end of April 2010, the stock price was RM0.65.

Corporate Exercise

HeveaBoard had completed the issuance of 42,666,666 New Warrants, at the ratio of One for Three to the shareholders and holders of unexercised warrants which expired on 31 December 2009. The New Warrants were issued at RM0.01 each and the exercise price is RM1.00 for each HeveaBoard share, exercisable at any time within ten (10) years from 2 March 2010. The New Warrants were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 8 March 2010. The New Warrants offer an attractive option for the holders to further participate in the equity of the Company, thus availing the Company an avenue to raise funds at the appropriate time.

Dividends

No dividends are recommended for the year.

Outlook & Prospects

The extremely volatile currency exchange rates are indeed a concern to the Management and under the circumstance, it would be a challenge for **HeveaBoard** to manage its volatility in order to maintain stability in its financial performance. Sales of particleboard in the traditional market will remain challenging. Over the years, the Company has developed close working relationship with a few key users for quality particleboard of premium grades in South East Asia and this has resulted in regular supply orders. Apart from being a major supplier of JIS certified low formaldehyde particleboard to the Japanese market, HeveaBoard is also making good progress in promoting its branded particleboard products in China for its domestic market consumption. With China as a free trade area among the ten member states of ASEAN effective from 1 January 2010, HeveaBoard expects to increase its export sales of particleboard with premium selling prices to this largest free trade area in terms of population and third largest in terms of nominal GDP.

The orders for RTA furniture are overwhelmingly strong but increasing the supply was constrained by the supply of foreign labor workforce. Certain of the production processes upgraded to automation systems some two years ago had contributed significantly to efficiency and better margins. Taking cognizance of the unpredictable dire economic situation, the Company is cautious to implement its expansion plan that requires high capital funding.

Appreciation

On behalf of the Board of Directors, I express our appreciation to members of the staff for their diligent efforts contributed to the Group, the Advisors and Professionals involved in resolving our predicament during the financial turmoil and the Creditors for extending their indulgence to the Company.

Lastly, I wish to thank my fellow colleagues on the Board and Directors of the subsidiaries for their counsel and support throughout the year.

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)

AUDITORS

Messrs Crowe Horwath
(formerly known as Messrs 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

Tan Sri Dato' Chan Choong Tack @
Chan Choong Tak

Yoong Tein Seng @ Yong Kian Seng
(Tenson Yoong)

Yoong Hau Chun

Dato' Loo Swee Chew

Lim Kah Poon

Bailey Policarpio

Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak, a Malaysian aged 77, 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 63, appointed to the Board on 3 September 1993, is the Group Managing Director for HeveaBoard Group and the founder member responsible for designing and setting up the particleboard manufacturing plants and the Group's wholly-owned subsidiary HeveaPac involving in the manufacturing of downstream RTA furniture. He is a member of the Remuneration Committee of HeveaBoard Berhad.

He has over 30 years experience in large scale timber logging, sawmill and timber export business. He also has been actively involved in the design, fabrication and assembling of transportation equipment and import and reconditioning of heavy equipment. 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 34, 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 62, 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 61, 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 of companies in the Asia Pacific Region. In 1997, he joined a local company, also quoted on Bursa Malaysia Securities Berhad, as its Chief Financial Officer. He left his last company in September 2001 in order to focus on his business advisory and consultancy work. Mr. Lim is currently a Director of KLH Corporation Berhad. He does not have any family relationship with any other director and/or substantial shareholders of HeveaBoard Berhad.

Bailey Policarpio, a Filipino aged 39, was appointed as a Non-Independent Non-Executive Director of HeveaBoard on March 2007. He is a member of the Audit Committee and Nomination Committee. He graduated from De La Salle University, Philippines with a Degree in Electronics and Communications Engineering and a 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 – specializing 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 has:

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

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

The details of the Directors' securities holdings are set out in the Analysis of Shareholdings as at 15 May 2010 as set out on pages 88 to 92 of this Annual Report.

The details of the Directors' attendance at Board and Audit Committee meetings are set out on page 11 and 22 of this Annual Report respectively.

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

Corporate Structure

HeveaPac Sdn Bhd
100%

Manufacturing of
ready-to-assemble furniture

BocoWood Sdn Bhd
100%

Distribution and marketing of
ready-to-assemble furniture

HeveaBoard Berhad

Manufacturing of particleboards and
investment holding

HeveaMart Sdn Bhd
100%

Trading of particleboards and
other panel boards

Hevea OSB Sdn Bhd
100%

Dormant

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

ID No. WP MY 03 01

1st JIS Certified Particleboard
Manufacturer In Malaysia

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

Statement on Corporate Governance

INTRODUCTION

The Board of Directors ("the Board") of HeveaBoard Berhad ("the Company") recognizes the tangible impact of corporate governance in safeguarding stakeholders' interests and enhancing shareholders' value, and is fully committed to upholding high standards of corporate governance throughout the Group.

The Board subscribes to the belief that observance with statutory requirements and market regulations are pivotal to sound corporate governance. Hence, the Board is fully dedicated to continuously evaluate the Group's corporate governance practices and procedures with a view to ensure the principles and best practices in corporate governance as promulgated by the Malaysian Code on Corporate Governance (Revised 2007) ("the Code") are applied and adhered to in the best interests of the stakeholders.

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").

BOARD OF DIRECTORS

I. The Board

The Board is responsible, amongst others, for establishing and communicating the strategic direction and corporate values of the Group, and supervising its affairs to ensure its success within the framework of acceptable risks and effective control and in compliance with the relevant laws, regulations, guidelines and directives in the territories in which it operates. It reviews management performance and ensures that the necessary financial and human resources are available to meet the Group's objectives.

Further to this, the Board has delegated specific responsibilities to Board Committees as well as various sub-committees to assist the Board in the running of the Group. The functions and terms of reference of the Board Committees as well as the authority delegated by the Board have been clearly defined. There are four (4) Board Committees namely the Audit Committee, Nomination Committee, Remuneration Committee and Tender Board Committee. These Committees will deliberate and discuss issues within their terms of reference and report to the Board with their recommendations. However, the ultimate responsibility for decision-making still lies with the Board.

II. Board Balance

The Board currently comprises six (6) members, with two (2) Executive Directors, two (2) Non-Executive Directors and two (2) Independent Non-Executive Directors. Together, the Directors bring wide business, regulatory, industry and financial experience to complement and to lead the Group. The profile of each Director is presented on pages 6 to 8 of this Annual Report.

All Board members participate fully in decisions on key issues involving the Group. The Executive Directors are responsible for implementing the policies and decisions of the Board and managing the Group's day-to-day operations. Together with the Independent Non-Executive Directors, they ensure that strategies are fully discussed and examined taking into account the long term interests of the various stakeholders including shareholders, employees, customers, suppliers and the various communities in which the Group conducts its business. In addition to the role and guidance of the Independent Non-Executive Directors, each Director nevertheless brings an independent judgment to ensure issues on strategy, performance, resources and standards of conduct are properly addressed.

BOARD OF DIRECTORS (cont'd)

II. Board Balance (cont'd)

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 orderly conduct and working of the Board and for ensuring that members have access to relevant information on a timely manner, whilst the Group Managing Director is responsible for overseeing the day to day 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.

III. Board Meetings

During the financial year ended 31 December 2009, the Board met five (5) times to discuss issues on the Group's financial performance, significant investments, corporate development, strategy and business plan.

The attendance record for each member is as follows:

Name of Directors	No. of Meetings Attended
Tan Sri Dato' Seri Mohamed bin Rahmat (Demised on 1 January 2010)	4/5
Mr Yoong Tein Seng @ Yong Kian Seng (Tenson Yoong)	5/5
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	4/5
Dato' Loo Swee Chew	4/5
Mr Lim Kah Poon	5/5
Mr Yoong Hau Chun	5/5
Mr Bailey Policarpio	5/5

IV. Board Conduct

Supply of Information

The agenda and Board papers are circulated in advance of each Board meeting to enable the Directors to obtain information and further explanations so that proper discussion can be held during Board meetings and an informed decision can be made. The Board papers include amongst others, minutes of previous meetings, group financial performance, proposal papers from Management and etc.

All Directors, whether as a full Board or in their individual capacity, have access to the advice and services of the Company Secretary. The Directors may also seek independent professional advice in furtherance of their duties, whenever they deem necessary, at the expense of the Company.

BOARD OF DIRECTORS (cont'd)

IV. Board Conduct (cont'd)

Conflict of Interest

The Directors have a continuing responsibility to determine whether they have a potential or actual conflict of interest in relation to any matters being discussed. The Directors are required to declare their interest if there is any related party transaction and to abstain from voting in respect of such transaction when considering such matter.

V. Directors' Training

All the Directors have attended and successfully completed the Mandatory Accreditation Programme as 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.

Besides the periodical briefings as mentioned above, the Directors have attended the following trainings, seminars, conferences 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
Mr Yoong Tein Seng @ Yong Kian Seng (Tenson Yoong)	• The Challenges of Implementing FRS 139
Mr Lim Kah Poon	• The Challenges of Implementing FRS 139 • Updates on Key Risk Profile
Mr Yoong Hau Chun	• Positive Work Attitudes
Mr Bailey Policarpio	• Force and Torque Instrument Calibration

Save for the above, Dato' Loo Swee Chew did not attend any training during the year and he has undertaken to attend relevant seminars and courses in 2010 to continue enhancing his skill and knowledge in discharging his duties and responsibilities as a Director.

VI. 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.

BOARD OF DIRECTORS (cont'd)

VII. Re-elections

In accordance with the Company's Articles of Association, 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 provide 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.

VIII. Board Committee

The Board has established the following committees to assist the Board in the discharge of their duties and responsibilities. Each committee is guided with separate written terms of reference. The Chairman of the various committees reports the decision and outcome of the committee meetings to the Board.

Audit Committee ("AC")

The terms of reference, the number of meetings held during the financial year and the attendance of each member of the AC is stated in page 22 of the Audit Committee Report.

Nomination Committee ("NC")

The NC comprises entirely Non-Executive Directors, a majority of whom are independent. The members of the NC are as follows:
- Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak – Chairman
- Tan Sri Dato' Seri Mohamed bin Rahmat (Demised on 1 January 2010) – Member
- Mr Lim Kah Poon – Member
- Mr Bailey Policarpio (Appointed on 23 April 2010)

The duties and functions of the NC are as follows:
- proposing candidates for directorship and to fill the seats on committees of the Board.
- assessing the effectiveness of the Board, Board Committees and the performance and contribution of each director.

The Board, through the NC, reviews annually its required mix of skills, expertise, attributes and core competencies of its Directors and succession plans for members of the Board.

NC Meeting is held at least once a year. During the financial year ended 31 December 2009, one (1) meeting was held on 20 November 2009, which was attended by all members of the NC.

BOARD OF DIRECTORS (cont'd)

VIII. Board Committee (cont'd)

Remuneration Committee ("RC")

The RC comprises mainly Non-Executive Directors. The members of the RC are as follows:
- Tan Sri Dato' Seri Mohamed bin Rahmat (Demised on 1 January 2010) – Chairman
- Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak – Chairman (Appointed on 23 April 2010)
- Mr Yoong Tein Seng @ Yong Kian Seng - Member
- Mr Lim Kah Poon – Member

The duties and functions of the RC are to recommend the remuneration of Directors. It is the ultimate responsibility of the entire Board to approve the remuneration of the directors. During the year under review, none of the executive directors participate in any way in determining their individual remuneration packages. The remuneration of Non-Executive Directors is determined by the Board as a whole with the individual Directors concerned abstaining from discussing their own remuneration.

RC Meeting is held at least once a year. During the financial year ended 31 December 2009, one (1) meeting was held on 20 November 2009, which was attended by all members of the RC.

Tender Board Committee ("TBC")

The TBC comprises entirely Non-Executive Directors. The members of the TBC are:
- Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak – Chairman
- Dato' Loo Swee Chew – Member
- Mr Lim Kah Poon – Member

The TBC is responsible for reviewing, deliberating and considering shortlisted tenders put forward by Management.

Meetings of the TBC are held as and when required. During the financial year ended 31 December 2009, no meeting was held.

DIRECTORS' REMUNERATION

I. 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 the relevant experience and expertise needed to assist in managing the Group effectively. In the case of Executive Directors of the Group, their remuneration is structured to link rewards to corporate and individual performance.

DIRECTORS' REMUNERATION (cont'd)

II. Directors' Remuneration

Details of Directors' Remuneration for the financial year ended 31 December 2009, distinguishing between Executive and Non-Executive Directors, are categorised according to the following appropriate components:

Category of Remuneration	Executive Directors (RM'000)	Non-Executive Directors (RM'000)
Salary, Bonus & EPF	1,146	0
Fees	0	233
Other Emolument	0	47
Total	**1,146**	**280**

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

Remuneration Band	Number of Directors	
	Executive	Non-Executive
Below RM50,000	0	3
RM50,001 to RM100,000	0	2
RM350,001 – RM400,000	1	0
RM750,001 – RM800,000	1	0
Total	**2**	**5**

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

ACCOUNTABILITY AND AUDIT

I. Financial Reporting

In presenting the annual audited financial statements and quarterly announcements of results to shareholders, the Directors are responsible for presenting a balanced and understandable assessment of the Group's position and prospects. The Audit Committee assists by scrutinising the information disclosed to ensure its reasonableness and adequacy. A Statement by the Directors of their responsibilities in preparing the financial statements is set out on page 19 of this Annual Report.

II. Internal Control

The Statement on Internal Control that is set out in this Annual Report provides an overview of the state of internal control within the Group.

ACCOUNTABILITY AND AUDIT (cont'd)

III. Relationship with Auditors

The Company maintained a transparent and appropriate relationship with both the external and internal auditors through the Audit Committee. The role of the Audit Committee in relation to both external and internal auditors is stated on pages 22 to 25 of this Annual Report.

SHAREHOLDERS

I. Dialogue between Company and Investors

The Board recognises the importance of accountability to shareholders on all major developments affecting the Group. Information is disseminated to shareholders and investors through various disclosures and announcements to Bursa Securities which include quarterly financial results, annual reports as well as, where appropriate, circulars and press releases. On an ad-hoc basis, the Company also holds dialogues with financial analysts and investors on the corporate objectives and the performances of the Group.

The Board will regularly review the information disseminated to ensure that consistent and accurate information is provided to shareholders of the Group.

Corporate and financial information of the Group are also made available to shareholders and the public through the Group's website at www.heveaboard.com.my as well as www.bursamalaysia.com.

II. Annual General Meeting

The Annual General Meeting ("AGM") is the principal forum for dialogue with shareholders and investors. Shareholders have direct access to the Directors and are provided with sufficient opportunity and time to participate in the question and answer session on the prospects, performance of the Group and other matters of concern. Members of the Board are available to respond to shareholders' queries during the meeting.

Statement on Internal Control

INTRODUCTION

Pursuant to paragraph 15.26(b) of the Main LR of Bursa Securities and as guided by the Bursa Malaysia's Statement on Internal Control: Guidance for Directors of Public Listed Companies ("the Guidance"), the Board of Directors ("the Board") of HeveaBoard Berhad is pleased to include a statement on the state of the Group's internal control in this annual report.

BOARD'S RESPONSIBILITIES

The Board acknowledges its responsibility and re-affirms its commitment in maintaining a sound system of internal control to safeguard shareholders' investments and the Group's assets as well as reviewing the adequacy and integrity of the system of internal control. However, as there are inherent limitations in any system of internal control, such system put into effect by Management only reduces but cannot eliminate all risks that may impede the achievement of the Group's business objectives. Therefore, such internal control system can only provide reasonable and not absolute assurance against material misstatement or loss.

KEY FEATURES OF THE GROUP'S INTERNAL CONTROL SYSTEM

1. Control Environment

- **Organisation Structure & Authorisation Procedures**

  The Group maintains formal and structured lines of reporting, that includes the division of responsibilities and delegation of authorities. It sets out the roles and responsibilities, appropriate authority limits, review and approval procedures within the various operational segment of the Group's system of internal control.

- **Periodical and/or Annual Budget**

  Budgetary control is applied to every division of the Group and actual performance is closely monitored against budgets to identify significant variances.

- **Active involvement by Executive Directors**

  The Executive Directors are actively involved in the running of the Group's businesses and operations and they report to the Board on significant matters which affect the operations of the Group at large.

KEY FEATURES OF THE GROUP'S INTERNAL CONTROL SYSTEM (Cont'd)

2. Risk Management Framework

Risk Management is regarded by the Board to be an integral part of the business operations. Key management staff and Heads of Department are delegated with the responsibility to manage identified risks within defined parameters and standards.

The Group has an ongoing process for identifying, evaluating and managing the significant risks faced throughout the year under review. Periodic management meetings are held to communicate on key issues and risks and where appropriate, controls are devised and implemented. Significant risks affecting the Group's strategic and business plans are escalated to the Board at their scheduled meetings.

The abovementioned risk management practices of the Group serve as the on-going process used to identify, evaluate and manage significant risks.

3. Internal Audit Function

The Group's internal audit function is outsourced to external consultants to assist the Board and the Audit Committee in assessing the adequacy, efficiency and effectiveness of the Group's internal control system.

During the financial year ended 31 December 2009, the internal audit function carried out audits in accordance with the risk based internal audit plan approved by the Audit Committee. The results of the internal audit reviews and the recommendations for improvement were presented to the Audit Committee at their quarterly meetings. Based on the internal audit reviews conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this annual report.

4. Information And Communication

Information critical to the achievement of the Group's business objectives are communicated through the established reporting lines across the Group. This ensures that matters that require the Board and Senior Management's attention are highlighted for review, deliberation and decision on a timely basis.

5. Monitoring And Review

Scheduled operational and management meetings are held to discuss and review the business plans, budgets, financial and operational performances of the Group. The monthly management accounts and the quarterly financial statements containing key financial results and comparisons are presented to the Board for their review.

CONCLUSION

The Board is of the view that the Group's system of internal control is adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also cognizant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the system of internal control.

This statement was approved by the Board of Directors on 23 April 2010.

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 2009, the Company has consistently applied appropriate accounting policies, and has made judgments and estimates that are reasonable and prudent. The Directors confirm that all applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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

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

Additional Compliance Information

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

1. UTILISATION OF PROCEEDS

The issuance of 42,666,666 New Warrants in the Company had been listed and quoted on the Main Market of Bursa Securities on 8 March 2010. The gross proceeds of up to RM426,667.00 raised from the issuance of the New Warrants will be utilised for the working capital requirements of the Group and to defray the expenses arisen from the corporate exercise.

2. SHARE BUY-BACK

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

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

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 non-audit fees incurred for services rendered to the Group for the financial year ended 31 December 2009 by the external auditors or a firm or company affiliated to the external auditors firm amounted to RM87,100.00.

7. VARIATION IN RESULTS

There was no variance of 10% or more between the audited results for the financial year ended 31 December 2009 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 CONTRACT

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 2009. The Audit Committee ("the Committee") met four (4) 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	4/4
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak Independent Non-Executive Chairman	4/4
Mr Bailey Policarpio Non-Independent Non-Executive Director	4/4

Details of the members of the Committee are contained in the "Profile of Directors" as set out on pages 6 to 8 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 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.

TERMS OF REFERENCE (cont'd)

3. Secretary (cont'd)

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.

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.

TERMS OF REFERENCE (cont'd)

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 and normal commercial terms and on terms not more favourable to the related parties than those generally available to the public, and to ensure that the Directors report such transactions annually to shareholders via the annual report, and to review conflicts of interest that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

(g) To review the quarterly reports on consolidated results and annual financial statements prior to submission to the Board of Directors, focusing particularly on:
- changes in or implementation of major accounting policy and practices;
- significant and / or unusual matters arising from the audit;
- the going concern assumption;
- compliance with accounting standards and other legal requirements; and
- major areas.

(h) To consider the appointment and / or re-appointment of 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 included:-

(a) Reviewing and recommending the unaudited quarterly and annual audited consolidated results of the Group to the Board of Directors for approval prior to 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 were updated by the Management in the process and where appropriate, the new risks were 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 system of the Group.

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

(a) Conducting internal audit reviews in accordance with the internal audit plan approved by the Committee;
(b) Reporting the results of internal audits and made 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 system were satisfactorily implemented.

The internal audits conducted had not revealed any weaknesses which would result in material losses, contingencies or uncertainties that would require separate disclosure in the Group's annual report.

The cost incurred for the internal audit function in respect of the financial year ended 31 December 2009 is RM82,001.00.

Corporate Social Responsibility

The Group recognizes 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 re-emphasized to ensure that all employees are given necessary training to maintain a safe and healthy workplace. The Company had organized a Health and Safety Awareness Week. Seminars were conducted by various government departments and agencies including DOE, DOSH, Agensi Anti Dadah, Bomba and Health Department during that week for the benefit of the employees.

Monthly cleanliness and safety competitions are held to promote teamwork and healthy work habits.

HUMAN RESOURCE DEVELOPMENT

The development of human capital which is the mainstay of the Group's success is an on going commitment. Every staff member is encouraged to conduct monthly in-house training. The main emphasis has been on retraining to equip the employees with new skills to face the challenges ahead. Team building, leadership, motivation, management and specialized technical courses are conducted regularly. Regular video presentations and short 'tea talk' sessions are organized to share information and create a well informed and motivated workforce.

ENVIRONMENT

The Group places much importance on environmental matters. New projects to utilize the excess wood waste to sellable products like charcoal and carbon black are under study. These "waste to wealth" projects will enhance further the Company's 'Green Technology' capabilities as well as create a clean working environment.

The Company is also studying the recovery and utilization of waste heat from the Biomass Energy Plant to generate energy for process cooling requirements. This will create savings in electricity as well as reduce emissions.

The Group is also the pioneer in producing low formaldehyde emission products such as E0 and SE0 which meet the stringent JIS (Japanese Industrial Standard). These environmentally friendly products are fast becoming the industry norm and the Group will continue to research for products friendlier to the environment.

COMMUNITY

The Group has very close relationship with the local community. It supports and sponsors annual charity and sports events. The Group has also donated to education funds and local schools.

The Industrial Training of University students is a regular programme with an average of 15 students trained annually in various disciplines.

The half yearly blood donation drive organized by the Group and the Seremban General Hospital has been a regular feature. The Company has also been placed in the Hospital's buffer group for donors to cater for any emergencies that require urgent blood donors.

STAKEHOLDERS

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

Financial Statements

Directors' Report

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of manufacturing particleboards and investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group	The Company
	RM'000	RM'000
Profit/(Loss) after taxation attributable to equity shareholders of the Company	20,458	(2,908)

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 implemented a corporate exercise involving the issuance of renounceable rights issue of 30,133,333 New Warrants to its shareholders at an issue price of RM0.01 each on the basis of one (1) New Warrant for every three (3) existing ordinary shares held in the Company on 2 February 2010 (being the entitlement date) and a restricted issue of 12,533,333 New Warrants to the holders of the unexercised 2004/2009 Warrants at an issue price of RM0.01 on the basis of one (1) New Warrant for every three (3) unexercised 2004/2009 Warrants held on 31 December 2009 (being the expiry date of the 2004/2009 Warrants). The New Warrants are constituted by a deed poll executed by the Company on 18 January 2010. The details of the New Warrants are disclosed in Notes 37(C) and 38 to the financial statements.

The Company issued 40,000,000 Warrants for no consideration to all entitled shareholders of the Company in conjunction with the listing of the Company on the basis of one (1) Warrant for every two (2) ordinary shares held on 31 December 2004. The Warrants were constituted under a Deed Poll executed on 10 December 2004, and each Warrant entitled the registered holder the right at any time during the exercise period from 31 December 2006 to 31 December 2009, to subscribe in cash for one (1) new ordinary share at the exercise price of RM2.00 each. During the financial year ended 31 December 2008, 2,400,000 Warrants of the Company were exercised for cash consideration resulting in the issuance of 2,400,000 new ordinary shares of RM1.00 each.

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 doubtful debts, and satisfied themselves that there are no known bad debts and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the additional allowance for doubtful debts 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 4(b) to the financial statements.

CONTINGENT AND OTHER LIABILITIES

The contingent liability is disclosed in Note 35 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
Y. Bhg. Tan Sri Dato' Seri Mohamed Bin Rahmat (Demised On 1.1.2010)

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 1.1.2009	**Bought**	**Sold**	**At 31.12.2009**
The Company				
Direct Interests				
Y. Bhg. Tan Sri Dato' Seri Mohamed Bin Rahmat	950,000	-	-	950,000
Yoong Tein Seng @ Yong Kian Seng	150,000	-	-	150,000
Y. Bhg. Dato' Loo Swee Chew	150,000	-	(116,000)	34,000
Yoong Hau Chun	150,000	-	-	150,000
Lim Kah Poon	50,000	-	-	50,000
Bailey Policarpio	25,000	-	-	25,000
Indirect Interests				
Y. Bhg. Tan Sri Dato' Seri Mohamed Bin Rahmat	1,485,000(1)	-	-	1,485,000
Yoong Tein Seng @ Yong Kian Seng	35,628,900(2)	1,260,000	(650,000)	36,238,900
Y. Bhg. Dato' Loo Swee Chew	28,689,000(3)	-	(500,000)	28,189,000
Yoong Hau Chun	35,612,400(4)	1,260,000	(650,000)	36,222,400
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	63,000(5)	-	-	63,000
Lim Kah Poon	21,000(6)	-	-	21,000
Bailey Policarpio	56,000(7)	-	-	56,000

DIRECTORS' INTERESTS (CONT'D)

	Number Of Warrants			
	At 1.1.2009	Bought	Sold	At 31.12.2009
Direct Interests				
Yoong Tein Seng @ Yong Kian Seng	75,000	-	-	75,000
Y. Bhg. Dato' Loo Swee Chew	75,000	-	-	75,000
Yoong Hau Chun	75,000	-	-	75,000
Lim Kah Poon	25,000	-	-	25,000
Bailey Policarpio	20,000	-	-	20,000
Indirect Interests				
Y. Bhg. Tan Sri Dato' Seri Mohamed Bin Rahmat	1,702,500(1)	-	-	1,702,500
Yoong Tein Seng @ Yong Kian Seng	19,025,000(2)	-	-	19,025,000
Y. Bhg. Dato' Loo Swee Chew	13,644,300(3)	-	-	13,644,300
Yoong Hau Chun	19,012,500(4)	-	-	19,012,500
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	12,500(5)	-	-	12,500
Bailey Policarpio	25,000(7)	-	-	25,000

(1) Deemed interested by virtue of his relationship with Nur Jazman bin Mohamed, his son and by virtue of his son's substantial shareholdings in Sanur Sdn. Bhd.

(2) 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.

(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 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.

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

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

(7) 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 36 to the financial statements.

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object 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 subsequent to the balance sheet date of the Group and of the Company are disclosed in Note 37 and Note 38 to the financial statements respectively.

AUDITORS

The auditors, Messrs. Crowe Horwath (formerly known as Messrs. Horwath), have expressed their willingness to continue in office.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 23 APRIL 2010

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 37 to 86 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 2009 and of their results and cash flows for the financial year ended on that date.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 23 APRIL 2010

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 37 to 86 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 23 April 2010

Before me
Datin Hajah Raihela Wanchik (No. W - 275)
Pesuruhjaya Sumpah

Yoong Tein Seng @ Yong Kian Seng

Independent Auditors' Report to the Members of **HeveaBoard Berhad** (Incorporated in Malaysia) Company No: 275512 - A

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of HeveaBoard Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 37 to 86.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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 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 and fair presentation of the financial statements 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 2009 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 6 to the financial statements.

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

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

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

Onn Kien Hoe
Approval No: 1772/11/10 (J/PH)
Chartered Accountant

Kuala Lumpur

23 April 2010

Balance Sheets
at 31 December 2009

	Note	The Group 2009 RM'000	The Group 2008 RM'000	The Company 2009 RM'000	The Company 2008 RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	6	-	-	40,960	40,960
Property, plant and equipment	7	309,656	332,390	258,834	276,749
Prepaid lease payments	8	10,500	10,707	3,796	3,841
Other investment	9	15	15	15	15
Goodwill on consolidation	10	2,946	2,946	-	-
		323,117	346,058	303,605	321,565
CURRENT ASSETS					
Inventories	11	50,482	56,285	20,532	32,096
Trade receivables	12	31,877	25,337	14,492	3,822
Other receivables, deposits and prepayments		7,264	7,052	3,998	3,173
Amount owing by subsidiaries	13	-	-	3,155	10,465
Tax refundable		682	29	573	-
Cash and bank balances		12,878	3,102	946	947
		103,183	91,805	43,696	50,503
TOTAL ASSETS		**426,300**	**437,863**	**347,301**	**372,068**
EQUITY AND LIABILITIES					
EQUITY					
Share capital	14	90,400	90,400	90,400	90,400
Share premium	15	15,526	15,526	15,526	15,526
Retained profits	16	55,622	35,164	12,294	15,202
TOTAL EQUITY		**161,548**	**141,090**	**118,220**	**121,128**
NON-CURRENT LIABILITIES					
Long-term borrowings	18	181,345	151,705	174,104	140,648
Other long-term liabilities	19	10,744	-	10,744	-
Provision for retirement benefits	20	1,340	1,158	873	756
Deferred tax liabilities	21	3,079	5,499	-	1,968
		196,508	158,362	185,721	143,372

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

Balance Sheets
at 31 December 2009 (cont'd)

		The Group		The Company	
		2009	**2008**	**2009**	**2008**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
CURRENT LIABILITIES					
Trade payables	22	23,902	34,894	15,829	24,318
Other payables and accruals	23	22,082	33,485	10,595	26,866
Amount owing to subsidiaries	13	-	-	6,522	6,978
Amount owing to related parties	24	709	1,791	503	1,586
Provision for taxation		439	995	-	239
Short-term borrowings	25	18,559	54,260	8,346	35,220
Bank overdrafts	28	2,553	12,986	1,565	12,361
		68,244	138,411	43,360	107,568
TOTAL LIABILITIES		264,752	296,773	229,081	250,940
TOTAL EQUITY AND LIABILITIES		426,300	437,863	347,301	372,068

Income Statements

for the financial year ended 31 December 2009

		The Group		The Company	
		2009	2008	2009	2008
	Note	RM'000	RM'000	RM'000	RM'000
REVENUE	29	327,417	340,912	146,373	189,423
COST OF SALES		(268,655)	(308,028)	(130,495)	(173,763)
GROSS PROFIT		58,762	32,884	15,878	15,660
OTHER INCOME		2,015	3,295	4,995	5,203
		60,777	36,179	20,873	20,863
SELLING AND DISTRIBUTION EXPENSES		(3,556)	(4,079)	(2,072)	(2,145)
ADMINISTRATIVE EXPENSES		(18,635)	(13,813)	(7,033)	(6,436)
FINANCE COSTS		(11,961)	(13,481)	(10,623)	(11,651)
OTHER EXPENSES		(7,692)	(4,988)	(6,824)	(4,268)
PROFIT/(LOSS) BEFORE TAXATION	30	18,933	(182)	(5,679)	(3,637)
INCOME TAX EXPENSE	31	1,525	1,056	2,771	1,057
PROFIT/(LOSS) AFTER TAXATION		20,458	874	(2,908)	(2,580)
ATTRIBUTABLE TO : Equity holders of the Company		20,458	874	(2,908)	(2,580)
EARNINGS PER SHARE (SEN):					
BASIC	32	22.6	1.0		
DILUTED	32	N/A	N/A		

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

Statements of Changes in Equity

for the financial year ended 31 December 2009

	Note	Share Capital	Share Premium	Retained Profits	Total
		RM'000	RM'000	RM'000	RM'000
The Group					
Balance at 1.1.2008		80,000	12,886	37,002	129,888
Private placement issue		8,000	240	-	8,240
Warrants exercised		2,400	2,400	-	4,800
Profit after taxation		-	-	874	874
Dividend paid	17	-	-	(2,712)	(2,712)
Balance at 31.12.2008/1.1.2009		90,400	15,526	35,164	141,090
Profit after taxation		-	-	20,458	20,458
Balance at 31.12.2009		90,400	15,526	55,622	161,548

	Note	Share Capital	Share Premium	Retained Profits	Total
		RM'000	RM'000	RM'000	RM'000
The Company					
Balance at 1.1.2008		80,000	12,886	20,494	113,380
Private placement issue		8,000	240	-	8,240
Warrants exercised		2,400	2,400	-	4,800
Loss after taxation		-	-	(2,580)	(2,580)
Dividend paid	17	-	-	(2,712)	(2,712)
Balance at 31.12.2008/1.1.2009		90,400	15,526	15,202	121,128
Loss after taxation		-	-	(2,908)	(2,908)
Balance at 31.12.2009		90,400	15,526	12,294	118,220

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

Cash Flow Statements

for the financial year ended 31 December 2009

	Note	The Group 2009 RM'000	The Group 2008 RM'000	The Company 2009 RM'000	The Company 2008 RM'000
CASH FLOWS FROM/ (FOR) OPERATING ACTIVITIES					
Profit/(Loss) before taxation		18,933	(182)	(5,679)	(3,637)
Adjustments for:-					
Allowance for doubtful debts		2	-	-	-
Allowance for slow-moving inventories		159	-	159	-
Amortisation of prepaid lease payments		207	207	45	44
Bad debts written off		-	20	-	-
Depreciation of property, plant and equipment		24,068	24,020	18,770	18,696
Dividend income		-	-	(2,980)	(4180)
Interest expense		11,960	13,481	10,623	11,651
Inventories written off		-	401	-	-
Interest income		-	(16)	-	(16)
Provision for retirement benefits		182	188	117	127
Writeback of allowance for doubtful debts		-	(11)	-	-
Gain on disposal of property, plant and equipment		(112)	-	(114)	-
Unrealised loss on foreign exchange		-	3,889	-	3,596
Unrealised gain on foreign exchange		(1,125)	-	(1,125)	-
Operating profit before working capital changes		54,274	41,997	19,816	26,281
Decrease/(Increase) in inventories		5,644	(18,276)	11,405	(13,062)
(Increase)/Decrease in trade and other receivables		(6,754)	7,429	(11,495)	8,446
Decrease in trade and other payables		(13,086)	(313)	(15,451)	(1,016)
Decrease in amount owing by subsidiaries		-	-	6,424	4,477
Increase/(Decrease) in amount owing to subsidiaries		-	-	17	(143)
CASH FROM OPERATIONS		40,078	30,837	10,716	24,983
Income tax (paid)/refunded		(2,104)	689	(9)	797
Interest paid		(1,775)	(11,480)	(477)	(9,650)
NET CASH FROM OPERATING ACTIVITIES		36,199	20,046	10,230	16,130

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

		The Group		The Company	
		2009	2008	2009	2008
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS (FOR)/ FROM INVESTING ACTIVITIES					
Dividend received		-	-	2,980	2,980
Interest received		-	16	-	16
Proceeds from disposal of property, plant and equipment		306	-	307	-
Purchase of property, plant and equipment	33	(1,528)	(4,494)	(1,048)	(3,921)
NET CASH (FOR)/ FROM INVESTING ACTIVITIES		(1,222)	(4,478)	2,239	(925)
		34,977	15,568	12,469	15,205
CASH FLOWS FOR FINANCING ACTIVITIES					
Dividend paid		-	(2,712)	-	(2,712)
Repayment to related parties		(172)	(8,783)	(173)	(7,365)
Net advances from subsidiaries		-	-	413	(893)
Repayment of bankers' acceptances		(16,648)	(4,456)	(13,628)	(7,473)
(Repayment of)/Drawdown of export credit refinancing		(4,976)	3,819	-	-
Repayment of term loan		(1,347)	-	-	-
Proceeds from issuance of shares		-	13,040	-	13,040
Repayment of hire purchase obligations		(6,803)	(6,719)	(2,964)	(2,771)
Repayment of term loans		-	(9,449)	-	(8,491)
NET CASH FOR FINANCING ACTIVITIES		(29,946)	(15,260)	(16,352)	(16,665)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		5,031	308	(3,883)	(1,460)
RESTRUCTURED BANK OVERDRAFTS TO TERM LOAN		15,178	-	14,678	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		(9,884)	(10,192)	(11,414)	(9,954)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	34	10,325	(9,884)	(619)	(11,414)

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

Notes to the Financial Statements

for the financial year ended 31 December 2009

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 23 April 2010.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of manufacturing particleboards and investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its market, credit liquidity and cash flow risks. The policies in respect of the major areas of treasury activity are as follows:

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign exchange risk arising mainly from normal trading transactions as the majority of its products are sold in foreign currency. The term loans, substantially taken to finance the construction of the Second Particleboard plant are denominated in United States ("US") Dollar. The Group's foreign currency transactions and balances are substantially denominated in US Dollar. Foreign currency risk is monitored closely and managed to an acceptable level.

The Group's Foreign currency transactions and balances are substantially denominated in US dollar. Foreign currency risk is monitored closely and managed to an acceptable level.

(ii) Interest Rate Risk

The Group's exposure to interest rate risk arises mainly from bank borrowings and hire purchase facilities. Interest rates are fixed at the most favourable prevailing market rates upon entering the contracts.

The Group monitors the interest rate on borrowings closely to ensure that the borrowings are maintained at favourable rates.

(iii) Price Risk

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

3. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk

The Group's exposure to credit risks, or the risk of counterparties defaulting, arises mainly from receivables. The maximum exposure to credit risks is represented by the carrying amounts of these financial assets in the balance sheet reduced by the effects of any netting arrangements with counterparties.

The Group's concentration of credit risk relates to the amounts owing by two customers which constituted approximately 12% of its total receivables at the balance sheet date.

The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

(c) Liquidity and Cash Flow Risks

The Company's exposure to liquidity and cash flow risks arises mainly from general funding and business activities.

The Group's policy on liquidity and cash flow risk management is to maintain sufficient cash and have available funding through adequate amounts of committed credit facilities and credit lines for working capital requirements.

4. 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.

The Group has not applied in advance the following accounting standards, amendments and interpretations that have been issued by the MASB but are not yet effective for the current financial year:

FRSs/IC Interpretations	Effective date
Revised FRS 1 (2010) First-time Adoption of Financial Reporting Standards	1 July 2010
Revised FRS 3 (2010) Business Combinations	1 July 2010
FRS 4 Insurance Contracts	1 January 2010
FRS 7 Financial Instruments: Disclosures	1 January 2010
FRS 8 Operating Segments	1 July 2009
Revised FRS 101 (2009) Presentation of Financial Statements	1 January 2010

4. BASIS OF ACCOUNTING (CONT'D)

(a) Basis of Preparation (cont'd)

FRSs/IC Interpretations	**Effective date**
Revised FRS 123 (2009) Borrowing Costs	1 January 2010
Revised FRS 127 (2010) Consolidated and Separate Financial Statements	1 July 2010
Revised FRS 139 (2010) Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1 and FRS 127: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 2: Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 2: Scope of FRS 2 and Revised FRS 3 (2010)	1 July 2010
Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary	1 July 2010
Amendments to FRS 7, FRS 139 and IC Interpretation 9	1 January 2010
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 132: Classification of Rights Issues and the Transitional Provision In Relation To Compound Instruments	1 January 2010/ 1 March 2010
Amendments to FRS 138: Consequential Amendments Arising from Revised FRS 3 (2010)	1 July 2010
IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10 Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 13 Customer Loyalty Programmes	1 January 2010

4. BASIS OF ACCOUNTING (CONT'D)

(a) Basis of Preparation (cont'd)

FRSs/IC Interpretations	Effective date
IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
IC Interpretation 15 Agreements for the Construction of Real Estate	1 July 2010
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
Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and Revised FRS 3 (2010)	1 July 2010
Annual Improvements to FRSs (2009)	1 January 2010

The above FRSs, IC Interpretations and amendments are not relevant to the Group's operations except as follows:

The revised FRS 3 (2010) 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.

The Group considers financial guarantee contracts entered into to be insurance arrangements and accounts for them under FRS 4. In this respect, the Group treats the guarantee contract as a contingent liability until such a time as it becomes probable that the Group will be required to make a payment under the guarantee. The adoption of FRS 4 is expected to have no material impact on the financial statements of the Group.

The possible impacts of FRS 7 (including the subsequent amendments) and the revised FRS 139 (2010) on the financial statements upon their initial applications are not disclosed by virtue of the exemptions given in these standards.

FRS 8 replaces FRS 114_{2004} Segment Reporting and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard only impacts the form and content of disclosures presented in the financial statements of the Group. This FRS is expected to have no material impact on the financial statements of the Group upon its initial application.

4. BASIS OF ACCOUNTING (CONT'D)

(a) Basis of Preparation (cont'd)

The above FRSs, IC Interpretations and amendments are not relevant to the Group's operations except as follows: (cont'd)

The revised FRS 101 (2009) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. 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 reclassification of items in the financial statements. The adoption of this revised standard will only impact the form and content of the presentation of the Group's financial statements in the next financial year.

The revised FRS 127 (2010) 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 the revised FRS 127 (2010) 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.

Amendments to FRS 1 and FRS 127 remove the definition of "cost method' currently set out in FRS 127, and instead require an investor to recognise all dividend from subsidiaries, jointly controlled entities or associates as income in its separate financial statements. In addition, FRS 127 has also been amended to deal with situations where a parent reorganises its group by establishing a new entity as its new parent. Under this circumstance, the new parent shall measure the cost of its investment in the original parent at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the reorganisation date. The amendments will be applied prospectively and therefore there will not have any financial impact on the financial statements of the Company for the current financial year but may impact the accounting for future transactions or arrangements.

Amendments to FRS 2: Scope of FRS 2 and Revised FRS 3 (2010) clarify that business combination among entities under common control and the contribution of a business upon the formation of a joint venture will not be accounted for under FRS 2. These amendments are expected to have no material impact on the financial statements of the Group upon their initial application.

Amendments to FRS 5 requires assets and liabilities of a subsidiary to be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale. These amendments are expected to have no material impact on the financial statements of the Group upon their initial application.

IC Interpretation 9 requires embedded derivatives to be separated from the host contract and accounted for as a derivative on the basis of the conditions that existed at the later of the date the entity first became a party to the contract. The possible impacts of IC Interpretation 9 on the financial statements upon its initial application are not disclosed by virtue of the exemptions given under the revised FRS 139 (2010).

4. BASIS OF ACCOUNTING (CONT'D)

(a) Basis of Preparation (cont'd)

IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation is expected to have no material impact on the financial statements of the Group upon its initial application.

IC Interpretation 14 provides guidance on assessing the limit in FRS 119 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation is expected to have no material impact on the financial statements of the Group and the Company upon its initial application.

Amendments to IC Interpretation 9 are a consequential amendment from the revised FRS 3 (2010). These amendments are expected to have no material impact on the financial statements of the Group upon its initial application.

Annual Improvements to FRSs (2009) contain amendments to 21 accounting standards that result in accounting changes for presentation, recognition or measurement purposes and terminology or editorial amendments. These amendments are expected to have no material impact on the financial statements of the Group upon their initial application.

(b) Going Concern

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

The operations of the Group and of the Company were severely affected by the economic crisis in the last quarter of 2008 and the first quarter of 2009.

In 2009, the Company formulated a Debt Restructuring Scheme ("the Scheme") to restructure the repayments for the borrowings matching the projected cash flows from operations.

In order to implement the Scheme, the Company applied and was granted a Restraining Order pursuant to Section 176 of the Companies Act 1965 in Malaysia by the High Court of Malaya at Kuala Lumpur for a period of 6 months from 3 March 2009 to 2 September 2009.

On 1 September 2009, the High Court of Malaya granted an extension of the validity of the Restraining Order granted pursuant to Section 176 of the Companies Act 1965 in Malaysia for a period of 90 days from 3 September 2009 to facilitate the finalisation of the Scheme.

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").

On 28 December 2009 an office copy of the order of the High Court of Malaya sanctioning the Scheme, as approved by the Scheme Creditors, was lodged with the Registrar of Companies pursuant to Section 176 of the Act and as such, the Scheme came into effect upon the said lodgement.

With the Scheme in place, the directors consider it appropriate to prepare the financial statements on a going concern basis.

5. 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 4(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 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 Group 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(v) Allowance for Doubtful Debts of Receivables

The Group makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

(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.

(b) Financial Instruments

Financial instruments are recognised in the balance sheet when the Company 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 Company 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.

Financial instruments recognised in the balance sheet are disclosed in the individual policy statement associated with each item.

(c) 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 balance sheet date 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 taken to the income statement.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2009.

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.

(e) 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 income statement. 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 income statement.

(f) Investments

(i) Investments in Subsidiaries

Investments in subsidiaries are stated at cost in the balance sheet 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 income statement.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Investments (cont'd)

(ii) Other Investments

Other investments held on a long-term basis are stated at cost less allowance for permanent diminution in value.

On the disposal of these investments, the difference between the net disposal proceeds and the carrying amount of the investments is taken to the income statement.

(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 balance sheet date 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.

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 income statement in the year the asset is derecognised.

(h) Impairment of Assets

The carrying value of assets other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at each balance sheet date 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' net selling price and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is charged to the income statement 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment of Assets (cont'd)

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 the income statement immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to the revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(i) Prepaid Lease Payments

Leases of land 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 income statement 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 5(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) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

(m) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) 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 balance sheet date 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.

(o) 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 balance sheet date.

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.

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.

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 balance sheet date.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or 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. The carrying amounts of deferred tax assets are reviewed at each balance sheet date 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Interest-bearing Borrowings

Interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction 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.

All other borrowing costs are charged to the income statement as expenses in the period in which they are incurred.

(q) 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.

(r) Segmental Information

Segment revenue and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of property, plant and equipment (net of accumulated depreciation, where applicable), other investments, prepaid lease payments, inventories, receivables and cash and bank balances.

Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets do not include income tax assets, whilst segment liabilities do not include income tax liabilities and borrowings from financial institutions. If the interest expense is included in segment result, the related interest-bearing liability is included in segment liabilities.

Segment revenue, expenses and results include transfers between segments. The prices charged on intersegment transactions are based on normal commercial terms. These transfers are eliminated on consolidation.

(s) 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;

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Related Parties (cont'd)

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

(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.

(t) 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.

(u) 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 income statement 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 balance sheet represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, if any.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) 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 an 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.

(w) 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.

6. INVESTMENTS IN SUBSIDIARIES

	The Company 2009	2008
	RM'000	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 2009	2008	Principal Activities
HeveaPac Sdn. Bhd.	100%	100%	Manufacturing 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.

7. PROPERTY, PLANT AND EQUIPMENT

	At 1.1.2009	Additions	Reclassi-fications	Disposals	Depreciation Charge	At 31.12.2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Group						
Net Book Value						
Freehold land	7,462	-	-	-	-	7,462
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
	332,390	1,528	-	(194)	(24,068)	309,656

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

	At 1.1.2008	Additions	Depreciation Charge	At 31.12.2008
	RM'000	RM'000	RM'000	RM'000
The Group				
Net Book Value				
Freehold land	7,462	-	-	7,462
Buildings	54,378	542	(1,348)	53,572
Plant, machinery and equipment	283,215	7,206	(21,860)	268,561
Furniture and fittings	1,528	100	(232)	1,396
Motor vehicles	1,309	670	(580)	1,399
	347,892	8,518	(24,020)	332,390

	At Cost	Accumulated Depreciation	Net Book Value
	RM'000	RM'000	RM'000
At 31.12.2009			
Freehold land	7,462	-	7,462
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
	437,997	(128,341)	309,656

	At Cost	Accumulated Depreciation	Net Book Value
	RM'000	RM'000	RM'000
At 31.12.2008			
Freehold land	7,462	-	7,462
Buildings	59,783	(6,211)	53,572
Plant, machinery and equipment	361,045	(92,484)	268,561
Furniture and fittings	2,670	(1,274)	1,396
Motor vehicles	5,703	(4,304)	1,399
	436,663	(104,273)	332,390

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

	At 1.1.2009	Additions	Reclassi-fications	Disposals	Depreciation Charge	At 31.12.2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Company						
Net Book Value						
Freehold land	6,034	-	-	-	-	6,034
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
	276,749	1,048	-	(193)	(18,770)	258,834

	At 1.1.2008	Additions	Depreciation Charge	At 31.12.2008
	RM'000	RM'000	RM'000	RM'000
Net Book Value				
Freehold land	6,034	-	-	6,034
Buildings	26,358	448	(594)	26,212
Plant, machinery and equipment	256,675	4,194	(17,741)	243,128
Furniture and fittings	243	28	(42)	229
Motor vehicles	980	485	(319)	1,146
	290,290	5,155	(18,696)	276,749

	At Cost	Accumulated Depreciation	Total
	RM'000	RM'000	RM'000
At 31.12.2009			
Freehold land	6,034	-	6,034
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
	355,378	(96,544)	258,834

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

	At Cost	Accumulated Depreciation	Total
	RM'000	RM'000	RM'000
The Company			
At 31.12.2008			
Freehold land	6,034	-	6,034
Buildings	29,667	(3,455)	26,212
Plant, machinery and equipment	314,922	(71,794)	243,128
Furniture and fittings	606	(377)	229
Motor vehicles	3,294	(2,148)	1,146
	354,523	(77,774)	276,749

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

	The Group 2009	The Group 2008	The Company 2009	The Company 2008
	RM'000	RM'000	RM'000	RM'000
Freehold land	7,462	7,462	6,034	6,034
Buildings	52,374	53,572	25,772	26,212
Plant, machinery and equipment	215,508	242,664	215,508	242,664
Furniture and fittings	140	146	140	146
	275,484	303,844	247,453	275,056

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

	The Group 2009	The Group 2008	The Company 2009	The Company 2008
	RM'000	RM'000	RM'000	RM'000
Plant and equipment	12,849	23,231	3,579	11,091
Motor vehicles	888	1,117	771	949
	13,737	24,348	4,350	12,040

8. PREPAID LEASE PAYMENTS

	The Group		The Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Cost	11,590	11,590	4,061	4,061
Accumulated amortisation	(1,090)	(883)	(265)	(220)
Net book value	10,500	10,707	3,796	3,841
Accumulated amortisation:-				
At 1.1.2009/2008	(883)	(676)	(220)	(176)
Amortisation for the financial year	(207)	(207)	(45)	(44)
At 31.12.2009/2008	(1,090)	(883)	(265)	(220)
Analysed as:-				
Long leasehold land	4,510	4,557	3,796	3,841
Short leasehold land	5,990	6,150	-	-
	10,500	10,707	3,796	3,841

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

9. OTHER INVESTMENT

	The Group/The Company	
	2009	2008
	RM'000	RM'000
At cost:-		
Club memberships	15	15
At market value	12	12

No allowance is made for the diminution in value of the club memberships as the directors are of the opinion that they are held for long-term purposes and that the diminution is not permanent.

10. GOODWILL ON CONSOLIDATION

	The Group	
	2009	2008
	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 projections based on financial budgets approved by management covering a period of nine years. The key assumptions used for value-in-use calculations are:-

(i) Growth Rate

The growth rates used ranged from 27% to 31% based on the planned capacity and forecasted demands.

(ii) Gross Margin

The budgeted gross margins used ranged from 22% to 26% 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 10.48% which approximated the Company's weighted average cost of capital.

11. INVENTORIES

	The Group		The Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
At Cost:-				
Raw materials	22,874	16,238	2,177	1,615
Work-in-progress	1,990	964	-	-
Spare parts and consumables	7,686	7,651	7,686	7,651
Finished goods	7,263	8,602	-	-
	39,813	33,455	9,863	9,266
At Net Realisable Value:-				
Finished goods	10,669	22,830	10,669	22,830
	50,482	56,285	20,532	32,096

12. TRADE RECEIVABLES

	The Group 2009	The Group 2008	The Company 2009	The Company 2008
	RM'000	RM'000	RM'000	RM'000
Trade receivables	31,912	25,370	14,492	3,822
Allowance for doubtful debts:-				
At 1 January	(33)	(44)	-	-
Addition during the financial year	(2)	-	-	-
Writeback during the financial year	-	11	-	-
At 31 December	(35)	(33)	-	-
	31,877	25,337	14,492	3,822

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 2009	The Group 2008	The Company 2009	The Company 2008
	RM'000	RM'000	RM'000	RM'000
United States Dollar	22,032	18,025	10,115	2,645

13. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	The Company 2009	The Company 2008
	RM'000	RM'000
Amount owing by subsidiaries		
- Trade	2,351	8,775
- Non-trade	804	1,690
	3,155	10,465
Amount owing to subsidiaries		
- Trade	(1,553)	(1,536)
- Non-trade	(4,969)	(5,442)
	(6,522)	(6,978)

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.

14. SHARE CAPITAL

	The Company			
	2009	2008	2009	2008
	Number Of Shares ('000)		RM'000	RM'000
Ordinary Shares Of RM1 Each:-				
Authorised	500,000	500,000	500,000	500,000
Issued And Fully Paid-Up				
At 1.1.2009/2008	90,400	80,000	90,400	80,000
Issuance of shares				
- pursuant to private placement	-	8,000	-	8,000
- pursuant to exercise of warrants	-	2,400	-	2,400
At 31.12.2009/2008	90,400	90,400	90,400	90,400

15. SHARE PREMIUM

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

16. RETAINED PROFITS

Subject to 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 balance sheet date without incurring additional tax liabilities.

Effective from 1 January 2008, the Company is allowed an irrevocable option to elect for the single tier tax system or continue with the use of the tax credit balance for the purpose of dividend distribution. 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.

At the balance sheet date, 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 system. Under the single tier tax system, tax on the Company's profits is a final tax, and dividends distributed to the shareholders will be exempted from tax.

17. DIVIDEND

	The Group/The Company 2009	2008
	RM'000	RM'000
Paid:-		
Final tax-exempt dividend of RM0.03 per ordinary share	-	2,712

The directors do not recommend the payment of any dividend for the current financial year.

18. LONG-TERM BORROWINGS

	The Group		The Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Hire purchase payables (Note 26)	3,711	9,591	2,461	5,271
Term loans (Note 27)	177,634	142,114	171,643	135,377
	181,345	151,705	174,104	140,648

19. OTHER LONG-TERM LIABILITIES

	The Group		The Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Trade payables (Note 22)	898	-	898	-
Other payables and accruals (Note 23)	8,936	-	8,936	-
Amount owing to related parties (Note 24)	910	-	910	-
	10,744	-	10,744	-

20. PROVISION FOR RETIREMENT BENEFITS

	The Group 2009	The Group 2008	The Company 2009	The Company 2008
	RM'000	RM'000	RM'000	RM'000
At 1 January	1,158	970	756	629
Charge for the financial year	182	188	117	127
At 31 December	1,340	1,158	873	756
The retirement benefit obligations are expected to be settled as follows:-				
Non-current:				
- later than 5 years	1,340	1,158	873	756

The amounts recognised in the income statements are as follows:-

	The Group 2009	The Group 2008	The Company 2009	The Company 2008
	RM'000	RM'000	RM'000	RM'000
Current service costs	106	96	73	67
Interest costs	35	29	26	22
Past service costs	1,199	1,033	774	667
	1,340	1,158	873	756

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 RM71,000 (2008 - RM71,000) was in respect of retirement benefits for executive directors.

20. PROVISION FOR RETIREMENT BENEFITS (CONT'D)

The principal actuarial assumptions used are as follows:

	The Group/The Company	
	2009	2008
	%	%
Discount rate	5	5
Expected rate of salary increases	3 to 5	3 to 5

21. DEFERRED TAX LIABILITIES

	The Group		The Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
At 1 January	5,499	7,759	1,968	3,959
Recognised in income statement (Note 31)	(2,420)	(2,260)	(1,968)	(1,991)
At 31 December	3,079	5,499	-	1,968

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

	The Group		The Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Deferred tax liability:				
- Accelerated capital allowances	44,607	42,060	41,448	38,342
Deferred tax assets:				
- Unabsorbed capital allowances	(41,448)	(35,873)	(41,448)	(35,833)
- Unrealised foreign exchange loss	-	(76)	-	-
- Unutilised tax losses	-	(345)	-	(345)
- Provision for retirement benefits	(80)	(267)	-	(196)
	3,079	5,499	-	1,968

21. DEFERRED TAX LIABILITIES (CONT'D)

The components of deferred tax assets not recognised during the financial year are as follows:-

	The Group 2009	The Group 2008	The Company 2009	The Company 2008
	RM'000	RM'000	RM'000	RM'000
Allowance for slow-moving inventories	40	-	40	-
Provision for retirement benefits	218	-	218	-
Unutilised tax losses	332	-	332	-

22. TRADE PAYABLES

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

	The Group 2009	The Group 2008	The Company 2009	The Company 2008
	RM'000	RM'000	RM'000	RM'000
Current:				
- not later than one year	449	-	449	-
Non current (Note 19):				
- one to two year	449	-	449	-
- two to five years	449	-	449	-
	898	-	898	-
	1,347	-	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 2009	The Group 2008	The Company 2009	The Company 2008
	RM'000	RM'000	RM'000	RM'000
Euro	949	1,019	949	1,019
US Dollar	567	2,426	-	-
Singapore Dollar	-	28	-	28
Swiss Franc	-	8	-	8
	1,516	3,481	949	1,055

23. OTHER PAYABLES AND ACCRUALS

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

	The Group		The Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Current:				
- not later than one year	1,489	-	1,489	-
Non-current (Note 19):				
- one to two year	1,489	-	1,489	-
- two to five years	4,469	-	4,469	-
- more than five years	2,978	-	2,978	-
	8,936	-	8,936	-
	10,425	-	10,425	-

The above payables are classified as Class A Creditor.

Included in the other payables and accruals of the Group and of the Company is an amount owing to creditors of approximately RM9.9 million (2008 - RM10.3 million) for the supply, installation and commissioning of a plant for the production of particleboard.

Included in the other payables and accruals of the Group is an amount of RM4,497,069 (2008 - Nil) representing performance incentives for eligible staff.

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

	The Group		The Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Euro	9,901	10,315	9,901	10,315
US Dollar	-	1,959	-	1,926
	9,901	12,274	9,901	12,241

24. 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	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Current:				
- not later than one year	455	-	455	-
Non-current (Note 19):				
- one to two year	455	-	455	-
- two to five years	455	-	455	-
	910	-	910	-
	1,365	-	1,365	-

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

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

The nature of the related party relationship and details of the transactions involved are disclosed in Note 36 to the financial statements.

25. SHORT-TERM BORROWINGS

	The Group		The Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Bankers' acceptances	1,784	30,851	-	25,605
Export credit refinancing	3,970	8,946	-	-
Hire purchase payables (Note 26)	5,864	6,787	2,795	2,949
Term loans (Note 27)	6,941	7,676	5,551	6,666
	18,559	54,260	8,346	35,220

25. SHORT-TERM BORROWINGS (CONT'D)

The effective interest rates at the balance sheet date for the short-term borrowings were as follows:-

	The Group 2009	The Group 2008	The Company 2009	The Company 2008
	%	%	%	%
Bankers' acceptances	3.93 - 5.23	5.05 - 5.23	-	3.69 - 5.52
Export credit refinancing	3.30	4.50	-	-
Term loans	4.50 - 8.05	5.90 - 7.70	4.50 - 8.05	3.61 - 5.48

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.

26. HIRE PURCHASE PAYABLES

	The Group 2009	The Group 2008	The Company 2009	The Company 2008
	RM'000	RM'000	RM'000	RM'000
Future minimum hire purchase payments:				
- not later than one year	6,522	7,722	3,064	3,415
- later than one year and not later than five years	4,002	10,540	2,564	5,643
	10,524	18,262	5,628	9,058
Future finance charges	(949)	(1,884)	(372)	(838)
Present value of hire purchase payables	9,575	16,378	5,256	8,220
Current:				
- not later than one year (Note 25)	5,864	6,787	2,795	2,949
Non-current (Note 18):				
- later than one year and not later than five years	3,711	9,591	2,461	5,271
	9,575	16,378	5,256	8,220

26. HIRE PURCHASE PAYABLES (CONT'D)

The effective interest rates per annum at the balance sheet date were as follows:-

	The Group 2009	The Group 2008	The Company 2009	The Company 2008
	%	%	%	%
Hire purchase payables	5.41 to 9.17	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.

27. TERM LOANS

	The Group 2009	The Group 2008	The Company 2009	The Company 2008
	RM'000	RM'000	RM'000	RM'000
Current portion:				
- repayable within one year (Note 25)	6,941	7,676	5,551	6,666
Non-current portion (Note 18):				
- repayable between one and two years	29,155	31,969	27,601	30,880
- repayable between two and five years	83,841	80,542	81,620	77,145
- repayable after five years	64,638	29,603	62,422	27,352
	177,634	142,114	171,643	135,377
	184,575	149,790	177,194	142,043

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 25 to the financial statements.

27. TERM LOANS (CONT'D)

Details of the repayment terms are as follows:-

Term Loan	Number Of Monthly Instalment	Monthly Instalment Amounts	Commencement Date Of Repayment	Amount Outstanding The Group 2009	Amount Outstanding The Group 2008	Amount Outstanding The Company 2009	Amount Outstanding The Company 2008
		RM'000		RM'000	RM'000	RM'000	RM'000
1	180	23 to 28	26 October 2004	2,263	2,422	-	-
2	120	58	1 March 2005	2,868	3,330	-	-
3	84	221	15 January 2011	18,556	17,839	18,556	17,839
4	28	4,407 (quarterly)	15 January 2011	123,425	116,026	123,425	116,026
5	28	309 (quarterly)	15 January 2011	8,639	8,178	8,639	8,178
6	84	27 to 29	29 December 2006	1,212	1,477	-	-
7	60	16	26 January 2008	357	518	-	-
8	60	328	15 January 2010	19,680	-	19,680	-
9	60	89	15 January 2010	5,317	-	5,317	-
10	60	26	15 January 2010	1,577	-	1,577	-
11	36	19	July 2010	681	-	-	-
				184,574	149,790	177,194	142,043

Term loans 4 and 5 are denominated in US Dollar.

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

	The Group 2009	The Group 2008	The Company 2009	The Company 2008
	RM'000	RM'000	RM'000	RM'000
Class A Creditors	150,620	142,043	150,620	142,043
Class B Creditors	26,574	-	26,574	-
	177,194	142,043	177,194	142,043

28. BANK OVERDRAFTS

The bank overdrafts of the Group and of the Company bear effective interest rates which range from 6.80% and 8.00% (2008 - 7.56% and 7.94%) per annum and are secured in the same manner as the short-term borrowings as disclosed in Note 25 to the financial statements.

29. REVENUE

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

30. PROFIT/(LOSS) BEFORE TAXATION

	The Group 2009	The Group 2008	The Company 2009	The Company 2008
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before taxation is arrived at after charging/(crediting):-				
Allowance for doubtful debts	2	-	-	-
Allowance for slow-moving inventories	159	-	159	-
Amortisation of prepaid lease payments	207	207	45	44
Audit fee				
- statutory				
- for the financial year	76	69	35	31
- underprovision in the previous financial year	9	14	8	8
- non-statutory	87	121	68	105
Bad debts written off	-	20	-	-
Depreciation of property, plant and equipment	24,068	24,020	18,770	18,696
Directors' fees	233	233	233	233
Directors' non-fee emoluments	1,193	1,066	1,193	1,066
Interest expense				
- bills payable	178	2,122	20	1,692
- hire purchase	935	1,114	466	640
- overdrafts	624	746	607	685
- term loans	10,053	9,247	9,530	8,634
- export credit refinancing	170	252	-	-
Inventories written off	-	401	-	-
Provision for retirement benefits				
- directors	71	71	71	71
- others	111	117	46	56
Loss on foreign exchange				
- realised	6,725	1	6,032	-
- unrealised	-	3,889	-	3,596
Rental of equipment	117	317	17	317
Rental of premises	215	259	181	226
Staff costs	35,545	35,366	10,380	11,023
Dividend income	-	-	(2,980)	(4,180)
Gain on foreign exchange				
- realised	-	(2,573)	-	(301)
- unrealised	(1,125)	-	(1,125)	-
Gain on disposal of property, plant and equipment	(112)	-	(114)	-
Interest income	-	(16)	-	(16)
Writeback of allowance for doubtful debts	-	(11)	-	-

31. INCOME TAX EXPENSE

	The Group 2009	The Group 2008	The Company 2009	The Company 2008
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
- for the financial year	1,745	1,412	-	941
- overprovision in the previous financial year	(850)	(208)	(803)	(7)
	895	1,204	(803)	934
Deferred tax expense (Note 21)				
- relating to origination and reversal of temporary differences	(603)	(1,509)	(695)	(1,362)
- changes in tax rate on opening balances	(148)	(259)	(28)	(123)
- overprovision in previous financial years	(1,669)	(492)	(1,245)	(506)
	(2,420)	(2,260)	(1,968)	(1,991)
	(1,525)	(1,056)	(2,771)	(1,057)

During the financial year, the statutory tax rate was reduced from 26% to 25%, as announced in the Malaysian Budget 2008.

As gazette in the Finance Act 2009, certain subsidiaries will no longer enjoy the preferential tax rate of 20% on its chargeable income of up to RM500,000 effective from year of assessment 2009. Therefore, the corporate tax rate applicable to the subsidiaries for the current financial year is 25%.

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 2009	The Group 2008	The Company 2009	The Company 2008
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before taxation	18,933	(182)	(5,679)	(3,637)

31. INCOME TAX EXPENSE (CONT'D)

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 (cont'd):-

	The Group		The Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Tax at the statutory tax rate of 25% (2008 - 26%)	4,733	(47)	(1,420)	(946)
Tax effects of:				
Differential in tax rates	-	(144)	-	-
Reduction in tax rate	-	(161)	-	(123)
Non-deductible expenses	962	1,669	517	648
Non-taxable income	(1,222)	-	(1,222)	-
Deferred tax assets not recognised	1,454	5	1,430	-
Utilisation of reinvestment allowances	(2,819)	(1,419)	-	-
Utilisation of allowances for increased exports	(1,966)	-	-	-
Overprovision in previous financial years				
- current taxation	(850)	(208)	(803)	(7)
- deferred taxation	(1,669)	(492)	(1,245)	(506)
Effect of changes in tax rate on deferred tax liability	(148)	(259)	(28)	(123)
	(1,525)	(1,056)	(2,771)	(1,057)

Subject to agreement with the tax authorities, the Group has unabsorbed capital allowances, unabsorbed reinvestment allowances and unabsorbed allowance for increased export available at the balance sheet date to be carried forward for offset against future taxable business income as follows:-

	The Group		The Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Unutilised tax losses	1,327	1,327	1,327	1,327
Unabsorbed capital allowances	169,153	137,969	169,153	137,815
Unabsorbed reinvestment allowances	-	3,463	-	-
Unabsorbed investment tax allowances	252,423	244,663	252,423	244,663
Unabsorbed allowance for exports increase	36,549	44,613	-	-
	459,452	432,035	422,903	383,805

32. EARNINGS PER SHARE

The basic earnings per share is arrived at by dividing the Group's profit after taxation of RM20,458,000 (2008 - RM874,000) by the number of ordinary shares in issue during the financial year of approximately 90,400,000 (2008 - weighted average number of ordinary shares of 87,862,000).

The diluted earnings per share is not presented as the effect of the issuable shares arising from the assumed conversion of the warrants would be anti-dilutive as the market price of the share is below the warrant exercise price.

33. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	The Group		The Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Cost of property, plant and equipment purchased	1,528	8,518	1,048	5,155
Amount financed through hire purchase	-	(4,024)	-	(1,234)
Cash disbursed for the purchase of property, plant and equipment	1,528	4,494	1,048	3,921

34. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	12,878	3,102	946	947
Bank overdrafts	(2,553)	(12,986)	(1,565)	(12,361)
	10,325	(9,884)	(619)	(11,414)

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

	The Group	
	2009	2008
	RM'000	RM'000
United States Dollar	2	1,596

35. CONTINGENT LIABILITY - UNSECURED

	The Company 2009	The Company 2008
	RM'000	RM'000
Corporate guarantees given to financial institutions for banking facilities granted to subsidiaries	16,677	27,234

36. RELATED PARTY DISCLOSURES

(a) Identities of related parties

(i) the Company has related party relationships with its subsidiaries as disclosed in Note 6 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.

(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 2009	The Company 2008
	RM'000	RM'000
Dividend received/receivable from subsidiaries	2,980	4,180
Sales to subsidiaries	42,057	48,754

(ii) Key management personnel

	The Group 2009	The Group 2008	The Company 2009	The Company 2008
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits	6,805	1,299	1,426	1,299

36. RELATED PARTY DISCLOSURES (CONT'D)

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

	The Group		The Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Construction cost of property charged by related parties	104	1,291	104	1,291
Purchase of equipment from a related party	-	9	-	9

37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The details of the significant events during the financial year are as follows:-

(A) Restraining Order pursuant to Section 176 of the Companies Act 1965 in Malaysia

On 3 March 2009, the Company was granted a Restraining Order by the Kuala Lumpur High Court for a period of 6 months from 3 March 2009 to 2 September 2009 to formulate the Company's Debt Restructuring Scheme ("the Scheme").

On 1 September 2009, the High Court of Malaya granted an extension of the validity of the Restraining Order granted pursuant to Section 176 of the Companies Act 1965 in Malaysia for a period of 90 days from 3 September 2009 to facilitate the finalisation of the Scheme.

(B) The Scheme

On 25 November 2009, the Company announced it had on the same date, at the court convened a meeting and 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	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Class A Creditors	161,045	-	161,045	-
Class B Creditors	26,574	-	26,574	-
Class C Creditors	2,712	-	2,712	-
Class D Creditors	12,028	-	12,028	-
	202,359	-	202,359	-

Pursuant to the approval from all the Scheme Creditors, the Company obtained the order from the High Court of Malaya on 28 December 2009, sanctioning the scheme, as approved by the Scheme of Creditors.

On 28 December 2009 an office copy of the order of the High Court of Malaya sanctioning the Scheme, as approved by the Scheme Creditors, was lodged with the Registrar of Companies pursuant to Section 176 of the Act and as such, the Scheme came into effect upon the said lodgement.

37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

(B) The Scheme (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.

37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

(C) Proposed Renounceable Rights Issue and Restricted Issue

On 2 October 2009, the Company announced its proposal to implement the following:-

(i) a renounceable rights issue of up to 42,666,666 New Warrants at an issue price of RM0.01 in the Company ("New Warrants") to all shareholders of the Company on the basis of one New Warrant for every three existing ordinary shares of RM1.00 held in the Company on February 2010, being the entitlement date.

(ii) a restricted issue of up to 12,533,333 New Warrants at an issue price of RM0.01 to the holders of unexercised 2004/2009 Warrants held on 31 December 2009, on the basis of one New Warrant for every three unexercised 2004/2009 Warrants.

38. SIGNIFICANT EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

On 8 March 2010, the Company announced that 42,666,666 New Warrants issued pursuant to the corporate exercises as disclosed in Note 37(C) were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad. The exercise price of the New Warrants is RM1.00 per ordinary share of the Company. The New Warrants may be exercised at any time within 10 years commencing from the date of issuance ("Exercise Period"). Any New Warrants not exercised during the Exercise Period will thereafter lapse and cease to be valid.

39. 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	
	2009	**2008**
	RM'000	**RM'000**
Directors of the Company:-		
Executive directors:-		
- salaries, bonus and EPF	1,146	997
Non-Executive directors:-		
- fees	233	233
- other emoluments	47	69
	280	302
	1,426	1,299

39. DIRECTORS' REMUNERATION (CONT'D)

	The Group/The Company 2009	2008
	RM'000	**RM'000**
Retirement benefits for executive directors	71	71

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

	The Group/The Company 2009	2008
Executive directors		
RM300,001 - RM350,000	-	1
RM350,001 - RM400,000	1	-
RM600,001 - RM650,000	-	1
RM750,001 - RM800,000	1	-
	2	2
Non-Executive directors:-		
Below RM50,000	3	2
RM50,001 - RM100,000	2	3
	7	7

40. SEGMENTAL INFORMATION

	Manufacturing 2009	Manufacturing 2008	Trading 2009	Trading 2008	Others 2009	Others 2008	Eliminations 2009	Eliminations 2008	Group 2009	Group 2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue										
Total revenue	344,677	379,592	24,797	26,915	-	-	(42,057)	(65,595)	327,417	340,912
Results:										
Segment results	33,552	16,914	470	629	(4)	(3)	(3,124)	(4,241)	30,894	13,299
Finance costs	(11,856)	(13,401)	(105)	(80)	-	-	-	-	(11,961)	(13,481)
Profit/(Loss) before taxation	21,696	3,513	365	549	(4)	(3)	(3,124)	(4,241)	18,933	(182)
Taxation									1,525	1,056
Profit after taxation									20,458	874
Other information										
Segment assets #	461,614	478,111	8,213	8,602	6,160	6,160	(50,369)	(55,039)	425,618	437,834
Unallocated corporate assets									682	29
									426,300	437,863
Segment liabilities *	272,287	308,183	4,703	5,311	25	21	(12,702)	(17,334)	264,313	296,181
Unallocated corporate liabilities									439	592
									264,752	296,773
Capital expenditure	1,524	8,334	4	184	-	-	-	-	1,528	8,518
Depreciation and amortisation	24,197	24,158	77	69	-	-	-	-	24,274	24,227

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.

41. CAPITAL COMMITMENT

	The Group 2009	2008	The Company 2009	2008
	RM'000	RM'000	RM'000	RM'000
Plant and equipment:				
- Approved but not contracted for	3,000	3,000	-	-

42. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:-

(a) Hire Purchase Payables

The fair value of hire purchase payables is determined by discounting the relevant cash flows using current interest rates for similar instruments at the balance sheet date.

(b) Bank Balances and Other Short-Term Receivables/Payables

The carrying amounts approximated their fair values due to the relatively short-term maturity of these instruments.

(c) Long-Term Payables

The fair values of the long-term payables are determined by disclosing the relevant cash flows using the Company's weighted average cost of capital.

	The Group Carrying Amount	Fair Value
	RM'000	RM'000
At 31 December 2009		
Trade payables	898	701
Other payables and accruals	8,936	5,790
Amount owing to related parties	910	710
Term loans	177,194	113,241

42. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D)

(d) Contingent Liabilities

The nominal amount and net fair value of the financial instruments not recognised in the balance sheet of the Company are as follows:

		The Company	
		Nominal Amount	Net Fair Value
	Note	RM'000	RM'000
At 31 December 2009			
Corporate guarantees	35	16,677	*

		The Company	
		Nominal Amount	Net Fair Value
	Note	RM'000	RM'000
At 31 December 2008			
Corporate guarantees	35	27,234	*

* The net fair value of the contingent liabilities is estimated to be minimal as the subsidiaries are expected to fulfill their obligations to repay their borrowings.

List of Properties

Registered Owner	Location	Description/ existing use	Tenure of Land	Land Area	Audited Net Book Value as at 31st December 2009 (RM'000)
HeveaBoard	Lot 1941 & 1942, Batu Tiga, Jalan Tampin, 73400 Gemas, Negeri Sembilan Darul Khusus	Factory, Office and Warehouse	Freehold	47,255 sq. m	9,735
	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	23,093
	Lot 4184, 4185 & 4186 Jalan Tampin, 73400 Gemas, Negeri Sembilan Darul Khusus	Storage Yard for logs and wood slabs	Freehold	33,194 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	247
Hevea OSB	Lot 1943, Batu Tiga Jalan Tampin, 73400 Gemas, Negeri Sembilan Darul Khusus	Vacant Land	Freehold	20,283 sq.m	1,429
HeveaPac	PT 414, Kawasan Perindustrian Sg. Gadut, KM 11, Jalan Tampin, 71450 Seremban, Negeri Sembilan Darul Khusus	Factory Buildings and Office Blocks	Leasehold (Expires on 22-1-2047)	39,659 sq. m	12,192
	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	15,768
	PT 403, Kawasan Perindustrian Sg. Gadut, KM 11, Jalan Tampin, 71450 Seremban, Negeri Sembilan Darul Khusus	Warehouse Hostel	Leasehold (Expires on 21-3-2045)	21,044sq.m	3,999

Analysis of Shareholdings

A. Authorised Share Capital : RM500,000,000.00
Issued and fully paid up Capital : RM90,400,000.00
Class of Shares : Ordinary shares of RM1.00 each
Voting Rights : Every member of the Company, present in person or by proxy, shall have on a show of hands, one (1) vote or on a poll, one (1) vote for each share held

B. DISTRIBUTION OF SHAREHOLDINGS AS AT 19 MAY 2010

Size of Shareholdings	No. of Holders	%	No of Shares	%
Less than 100	8	0.50	438	0.00
100 - 1,000	697	42.68	213,800	0.24
1,001 - 10,000	525	32.15	3,129,450	3.46
10,001 - 100,000	319	19.53	10,629,600	11.76
100,001 - 4,519,999 (less than 5% of issued shares)	81	4.96	44,457,712	49.18
4,520,000 (5% of issued shares) and above	3	0.18	31,969,000	35.36
Total	**1,633**	**100.00**	**90,400,000**	**100.00**

C. SUBSTANTIAL SHAREHOLDERS AS AT 19 MAY 2010

	Name	Direct		Indirect		
		No. of Shares	%	No. of Shares	%	
1.	HeveaWood Industries Sdn Bhd	27,075,000	29.95	962,400	1.06	@
2.	Firama Holdings Sdn Bhd	4,969,000	5.50	31,037,400	34.33	*
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	36,212,400	40.06	***
5.	Yoong Hau Chun	150,000	0.17	36,212,400	40.06	#
6.	Dato' Loo Swee Chew	34,000	0.04	28,037,400	31.01	~
7.	Tenson Holdings Sdn Bhd	-	-	36,006,400	39.83	**
8.	Mah Fah Victor Group Sdn Bhd	-	-	36,006,400	39.83	**

@ 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.

D. DIRECTORS' SHAREHOLDINGS AS AT 19 MAY 2010

		Direct		Indirect	
	Name	**No. of Shares**	**%**	**No. of Shares**	**%**
1.	Yoong Tein Seng @ Yong Kian Seng	150,000	0.17	36,238,900[(1)]	40.09
2.	Yoong Hau Chun	150,000	0.17	36,222,400[(2)]	40.07
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[(6)]	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.

E. LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 19 MAY 2010

	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	3,443,600	3.81
6.	Liang Chong Wai	2,588,600	2.86
7.	Mayban Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tang Sing Ling	1,914,500	2.12
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.	Yap Kiew @ Yap Chin Fook	1,390,000	1.54
13.	Yee Kong Yin	1,379,900	1.53
14.	Liau Choon Hwa & Sons Sdn Bhd	1,292,500	1.43
15.	Firama Engineering Berhad	1,110,000	1.23
16.	Ah Kayu Moy @ Lee Kay Moy	1,000,000	1.11
17.	Fizwah Pembinaan Sdn Bhd	1,000,000	1.11
18.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Mak Sze Ling	1,000,000	1.11
19.	Syed Mohd Yusof Bin Tun Syed Nasir	1,000,000	1.11
20.	RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Nur Jazman Bin Mohamed	980,000	1.08
21.	Lancar Indah Sdn Bhd	882,000	0.98
22.	Yoong Kee Sin	845,000	0.93
23.	Gemas Ria Sdn Bhd	744,900	0.82
24.	Malaysia Nominees (Tempatan) Sendirian Berhad - Pledged Securities Account for Liau Thai Min (40-00088-000)	720,000	0.80
25.	Y.A.M. Tunku Imran Ibni Tuanku Ja'afar	580,000	0.64
26.	BIMB Musyarakah Satu Sdn Bhd	500,000	0.55
27.	Choong Siew Loong	471,000	0.52
28.	Ng Teng Song	420,600	0.47
29.	Mayban Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Neoh Soon Kee	362,000	0.40
30.	Lee Chee Chung	355,000	0.39
		66,849,600	73.95

Analysis of Warrant B Holdings

A. DISTRIBUTION OF WARRANTHOLDINGS AS AT 19 MAY 2010

Size of Warrantholdings	No. of Holders	%	No of Warrants	%
Less than 100	13	2.51	388	0.00
100 - 1,000	78	15.09	37,727	0.09
1,001 - 10,000	222	42.94	1,068,209	2.51
10,001 - 100,000	148	28.63	5,758,921	13.49
100,001 – 2,133,333 (less than 5% of issued warrants)	52	10.06	18,541,778	43.46
2,133,334 (5% of issued warrants) and above	4	0.77	17,259,643	40.45
Total	**517**	**100.00**	**42,666,666**	**100.00**

B. LIST OF THIRTY (30) LARGEST WARRANTHOLDERS AS AT 19 MAY 2010

	Name	No. of Shares 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	2,333,333	5.47
5.	TA Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Firama Holdings Sdn Bhd	1,884,000	4.42
6.	Firama Engineering Berhad	1,7000,000	3.98
7.	Liang Chong Wai	1,349,166	3.16
8.	Mak Sze Ling	978,966	2.29
9.	Yap Kiew @ Yap Chin Fook	735,333	1.72
10.	KPF Equities Holdings Sdn Bhd	697,632	1.64
11.	Liau Choon Hwa & Sons Sdn Bhd	658,333	1.54
12.	OSK Nominees (Tempatan) Sdn Berhad - OSK Capital Sdn Bhd for Sanur Sdn Bhd	559,166	1.31
13.	Ah Kayu Moy @ Lee Kay Moy	499,999	1.17
14.	Yen Woon @ Low Sau Chee	492,000	1.15
15.	HLG Nominee (Tempatan) Sdn Bhd - Pledged Securities Account for Sanur Sdn Bhd	478,333	1.12
16.	Chu Eng Hock	451,000	1.06
17.	Lim Phee Lin	400,000	0.94
18.	Liau Thai Min	393,383	0.92
19.	Yee Seng Keng	370,000	0.87
20.	Yoong Kee Sin	358,200	0.84
21.	Lim Chin Hong	332,333	0.78
22.	HDM Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yap Kiew @ Yap Chin Fook	325,499	0.76

B. LIST OF THIRTY (30) LARGEST WARRANTHOLDERS AS AT 19 MAY 2010 (CONT'D)

23.	RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Nur Jazman Bin Mohamed	316,666	0.74
24.	Mayban Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tang Sing Ling	308,500	0.72
25.	Kong Kok Choy	299,900	0.70
26.	Chia Choon Wai	274,800	0.64
27.	Gemas Ria Sdn Bhd	248,300	0.58
28.	Teh Bee Gaik	234,900	0.55
29.	HLG Nominee (Tempatan) Sdn Bhd - Pledged Securities Account for Chan Siew Ngan	222,400	0.52
30.	Liau Chern Yee	211,666	0.50
		32,040,118	75.09

C. DIRECTORS' WARRANTHOLDINGS AS AT 19 MAY 2010

		Direct		Indirect	
	Name	No. of Warrants	%	No. of Warrants	%
1.	Yoong Tein Seng @ Yong Kian Seng	75,000	0.18	20,049,509(1)	46.99
2.	Yoong Hau Chun	25,000	0.06	20,102,842(2)	47.12
3.	Dato' Loo Swee Chew	36,333	0.09	15,333,042(3)	35.94
4.	Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	-	-	25,500(4)	0.06
5.	Lim Kah Poon	28,600	0.07	7,000(5)	0.02
6.	Bailey Policarpio	6,666	0.02	8,333(6)	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 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.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixteenth (16th) Annual General Meeting of **HeveaBoard Berhad** will be held at Hotel Equatorial, Mawar 1, Lower Level, Jalan Sultan Ismail, 50250 Kuala Lumpur on Monday, 28 June 2010 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 2009 together with the Reports of the Directors and Auditors thereon.

2. To approve the payment of Directors' fees of RM233,000.00 for the financial year ended 31 December 2009. **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 Mr Yoong Tein Seng @ Yong Kian Seng **Ordinary Resolution 2**

   3.2 Mr Lim Kah Poon **Ordinary Resolution 3**

4. To re-appoint Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak, 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 (formerly known as Messrs 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 resolutions:

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 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 share 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. **Special Resolution**
Proposed Amendment to the Articles of Association of the Company

"THAT the Proposed Amendment to Article 162 of the Articles of Association of the Company is as follows:

<u>Article 162 – Payment of Dividends, etc</u>

162. (1) Any dividend, interest or other moneys payable in cash in respect of a share may be paid by direct debit, bank transfer, cheque, dividend warrant **or such other mode of electronic means (subject to the provision of the Companies Act, 1965, the Central Depositories Act and the Rules of the Depository, the Listing Requirements and/or regulatory authorities) to the bank account of the holders whose names appear in the Register or Record of Depositors respectively**. In the case of cheque or dividend warrant, such payment be sent:

(a) by post, by courier or by hand to the registered address of the person entitled as appearing in the Record of Depositors; or

(b) by post, by courier or by hand to the registered address of the person becoming entitled to the share by reason of the death, bankruptcy or mental disorder of the holder or by operation of law or if such address has not been supplied, to such address to which such cheque or warrant might have been posted if the death, bankruptcy, mental disorder or operation of law had not occurred; or

(c) by post, by courier or by hand to such address as the person entitled may direct in writing but the Company shall be entitled to send such cheque or dividend warrant to such other address or by such other means stated in Articles 162(1)(a) to 162(1)(c) notwithstanding such direction.

(2) **The payment of any dividend by such electronic means shall constitute a good and full discharge to the Company of the dividend to which it relates regardless of any discrepancy in the details of the bank account(s) given by the member**.

(3) Every cheque or warrant may be made payable:

(a) to the order of the person entitled; or

(b) to the order of the person entitled by reason of the death, bankruptcy or mental disorder of the holder or by operation of law; or

(c) to the order of such other person as the person entitled may in writing direct or direct to be sent to,

but nothing in **Article 162(3)** shall prevent such cheque or warrant from being made payable in such other manner as the Company would be entitled to in respect of such cheque or warrant including (without limitation), in the case of the death of the holder of the share in respect of which the dividend or other moneys to be paid by the cheque or warrant are payable making such cheque or warrant payable to the estate of such holder if the Company thinks appropriate. Such cheque or warrant shall be a good discharge to the Company. The Company shall not be responsible for any loss of any such cheque or warrant (whether in the post, while being delivered by courier or by hand, after delivery to the relevant address or person or otherwise)."

Special Resolution

BY ORDER OF THE BOARD

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

Kuala Lumpur
4 June 2010

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 Notes on Special Business

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

   The proposed Ordinary Resolution 6, if passed, will give flexibility to the Directors of the Company to issue shares up to a maximum of ten per centum (10%) of the issued share capital of the Company at the time of such issuance of shares and for such purposes as they consider would be in the best interest of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company. No shares had been issued by the Company since obtaining the said authority from its shareholders at the last AGM held on 26 June 2009. 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.

   (ii) Special Resolution
   Proposed Amendment to the Articles of Association of the Company

   The proposed Special Resolution, if passed, will facilitate the future payments of dividend through electronic means.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Further details of the Directors standing for re-election or re-appointment are set out in the Profile of Directors appearing on pages 6 to 8 of this Annual Report.

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PROXY FORM

Number of Shares Held

HeveaBoard Berhad (275512-A)
(Incorporated in Malaysia)

I/We..
(full name in block letters)

of (full address)..

.... being a member of HeveaBoard Berhad, hereby appoint

(full name)...

of (full address)..

or failing him/her, (full name)..

of (full address)..

or failing which, the Chairman of the Meeting as my/our proxy to attend and vote for me/us on my/our behalf at the Sixteenth (16th) Annual General Meeting of the Company to be held at Hotel Equatorial, Mawar 1, Lower Level, Jalan Sultan Ismail, 50250 Kuala Lumpur on Monday, 28 June 2010 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 Mr Yoong Tein Seng @ Yong Kian Seng as Director		
3. Re-election of Mr Lim Kah Poon as Director		
4. Re-appointment of Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak as Director		
5. Re-appointment of Messrs Crowe Horwath (formerly known as Messrs Horwath) as Auditors		
6. Special Business Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965		
7. Special Resolution Proposed Amendment to the Articles of Association of the Company		

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

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

Signed this .... day of 2010

....
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
HERE

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

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REGISTERED OFFICE

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50250 Kuala Lumpur
Wilayah Persekutuan
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Tel : +(60)3-2382 4288
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KL OFFICE

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