

# HeveaBoard Berhad

Incorporated in Malaysia (Company No: 275512-A)

Laporan Tahunan **2006** Annual Report

*Era of  
Enhanced Growth,  
Efficiency &  
Earnings*



## ENHANCED GROWTH

- STRIVE TO MAXIMIZE THE USAGE OF RUBBERWOOD RESIDUES
- INCREASE CAPACITY FOR PARTICLEBOARD AND VALUE ADDED FINISHED PRODUCTS
- CREATE MORE HIGH SKILL EMPLOYMENT OPPORTUNITIES FOR MALAYSIANS

## EFFICIENCY

- APPLY INNOVATIONS AND RESEARCH TO LOWER PRODUCTION COST
- INCREASE EFFICIENCY THROUGH ENERGY-SAVING BIO MASS PLANT

## EARNINGS

- OPTIMIZE RETURNS FOR SHAREHOLDERS OF **HEVEABOARD** THROUGH ENHANCED GROWTH AND EFFICIENCY

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\* A view of the energy saving bio-mass plant

# Corporate Information

## BOARD OF DIRECTORS

**1. Tan Sri Dato' Seri Mohamed bin Rahmat**

Non-Independent Non-Executive Chairman

**2. Yoong Tein Seng @ Yong Kian Seng (Tenson Yoong)**

Group Managing Director

**3. Yoong Hau Chun**

Executive Director

**4. Dato' Loo Swee Chew**

Non-Independent Non-Executive Director

**5. Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak**

Independent Non-Executive Director

**6. Lim Kah Poon**

Independent Non-Executive Director

**7. Bailey Policarpio**

Non-Independent Non-Executive Director



## COMPANY SECRETARIES

Mah Li Chen (MAICSA 7022751)  
Lee Wai Kim (MAICSA 7036446)

## AUDIT COMMITTEE

Lim Kah Poon - Chairman  
Yoong Tein Seng  
@ Yong Kian Seng (Tenson Yoong)  
Tan Sri Dato' Chan Choong Tack  
@ Chan Choong Tak

## NOMINATION COMMITTEE

Tan Sri Dato' Chan Choong Tack  
@ Chan Choong Tak - Chairman  
Tan Sri Dato' Seri Mohamed bin Rahmat  
Lim Kah Poon

## REMUNERATION COMMITTEE

Tan Sri Dato' Seri Mohamed bin Rahmat - Chairman  
Yoong Tein Seng  
@ Yong Kian Seng (Tenson Yoong)  
Lim Kah Poon

## TENDER COMMITTEE

Tan Sri Dato' Chan Choong Tack  
@ Chan Choong Tak - Chairman  
Dato' Loo Swee Chew  
Lim Kah Poon

## REGISTERED OFFICE

C15-1, Level 15, Tower C  
Megan Avenue II  
12, Jalan Yap Kwan Seng  
50450 Kuala Lumpur  
Wilayah Persekutuan  
Tel : 03-2166 2000  
Fax : 03-2166 3000

## 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 (3813-K)  
OCBC Bank (Malaysia) Berhad (295400-W)  
Citibank Berhad (297089-M)  
RHB Bank Berhad (6171-M)  
Ambank (M) Berhad (8515-D)

## AUDITORS

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 Board of the Bursa Malaysia  
Securities Berhad  
Stock Short Name: HEVEA  
Stock Code: 5095  
Warrant Code: 5095WA

## Profile of Directors

**TAN SRI DATO' SERI MOHAMED BIN RAHMAT**, a Malaysian aged 69, was appointed as Non-Independent Non-Executive Chairman of HeveaBoard Berhad on 28 July 2000. He is also the Chairman of the Remuneration Committee and a member of the Nomination Committee of HeveaBoard Berhad. His career includes holding various prominent positions in the Malaysian Government that spanned a period of 40 years. He was both the former Secretary General of the Barisan Nasional (ruling government coalition) from 1993 to 2003 and UMNO between 1988 and 1996, and was also a Member of Parliament for Pulai for 30 years up to 1999. Tan Sri Dato' Seri Mohamed bin Rahmat held the position as Minister of Information from 1978 to 1982 and from 1988 to 1999. The other significant positions held during his tenure with the Government include the Political Secretary for Transport, the Parliamentary Secretary for Health and Education, the Deputy Minister of Finance, the Deputy Minister of Public Enterprise and the ambassador of Malaysia to Indonesia. He is the father to Datuk Nur Jazlan bin Mohamed, Nur Jazman bin Mohamed and Nur Jasni bin Mohamed who are all directors and shareholders of Sanur Sdn Bhd with substantial interest in HeveaBoard Berhad.

**YOONG TEIN SENG @ YONG KIAN SENG (TENSON YOONG)**, a Malaysian aged 60, is the founder and Group Managing Director of HeveaBoard Group of Companies. He was appointed to the Board on 3 September 1993. He is a member of the Audit Committee and the Remuneration Committee of HeveaBoard Berhad.

He had worked in a financial institution before undertaking training in Forest Research Institute of Malaysia to qualify as a registered Timber Grader for Malaysian hardwood. He has over 30 years experience in large scale timber logging, sawmill and timber export business. He was actively involved in the

design, fabrication and assembling of transportation equipment, importing and reconditioning of heavy equipment and the design of particleboard manufacturing plants. He is the father of Yoong Hau Chun, an Executive Director and substantial shareholder of HeveaBoard Berhad, and father-in-law of Bailey Policarpio, a Non-Independent Non-Executive Director of HeveaBoard Berhad.

**YOONG HAU CHUN**, a Malaysian aged 31, joined HeveaBoard in 2000 and was appointed as Executive Director of 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, and leading the engineering team in the design, installation and successful commissioning of the second manufacturing line. He is the son of Tenson Yoong, the Group Managing Director and substantial shareholder of HeveaBoard Berhad.

**DATO' LOO SWEE CHEW**, a Malaysian aged 59, is another founding member of HeveaBoard and was appointed as a Non-Independent Non-Executive Director of HeveaBoard on 21 October 1997. He 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.

**TAN SRI DATO' CHAN CHOONG TACK @ CHAN CHOONG TAK**, a Malaysian aged 74, was appointed as an Independent Non-Executive Director of HeveaBoard on 1 October 2004. He is a member of the Audit Committee, and the Chairman of the Tender

Committee and Nomination 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.

**LIM KAH POON**, a Malaysian aged 58, 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 and Remuneration 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 Malaysian Tobacco Company Berhad (now known as British American Tobacco (M) Berhad) in 1983, where he held various senior finance positions over a 15 year-period, with the last one and a half years involving in audit and risk assessment on the control environment within the group companies in the Asia Pacific Region. In 1997,

he joined a local company, also quoted on Bursa Malaysia Securities Berhad, as its Chief Financial Officer. He left his last company in September 2001 in order to focus on his business advisory and consultancy work. He does not have any family relationship with any other director and/or substantial shareholders of HeveaBoard Berhad.

**BAILEY POLICARPIO**, a Filipino aged 36, was appointed as a Non-Independent Non-Executive Director of HeveaBoard on 8 March 2007. 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 College of Engineering; 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 for DTI Accredited ISO17025 Calibration Laboratory of FPSI. He is the son-in-law of Tenson Yoong, the Group Managing Director and substantial shareholder of HeveaBoard Berhad.

None of the Directors has:

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

# Corporate Structure

## HeveaBoard Berhad

(275512-A)

### HeveaPac Sdn Bhd

100%

Manufacturing and trading of ready-to-assemble furniture

### HeveaMart Sdn Bhd

100%

Trading of particleboards and other panel boards

### BocoWood Sdn Bhd

100%

Distribution and marketing of ready-to-assemble furniture

### Hevea OSB Sdn Bhd

100%

Dormant



CERTIFIED TO MS ISO 9001 : 2000  
REGISTRATION NO. AR2045



ID no. WP MY 03 01

1st JIS Certified Particleboard  
Manufacturer In Malaysia



## 5-Year Financial Highlights

	2006	2005	2004	2003	2002
Turnover (RM'000)	163,125	147,674	157,037	106,845	79,762
Profit Before Tax (RM'000)	9,381	9,845	21,311	17,637	15,858
Tax (RM'000)	(1,625)	(791)	(4,023)	(3,069)	(3,143)
Profit After Tax (RM'000)	7,756	9,054	17,288	14,568	12,715
Share Capital (RM'000)	80,000	80,000	80,000	64,960	50,833
Net Assets (RM'000)	125,991	119,293	110,278	73,677	63,869
Net Assets Per Share (RM)*	1.57	1.49	1.38	1.13	1.26
Interim Dividend (sen per ordinary share of RM1.00 each)	-	-	4.50	-	6.25
Special Dividend (sen per ordinary share of RM1.00 each)	-	-	8.00	-	20.00
Proposed Final Dividend (sen per ordinary share of RM1.00 each)	5.00	3.00	-	6.00	-
Net Earnings Per Share (Sen)**	9.70	11.32	26.60	21.58	19.68

\* 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.



# Statement from Group Managing Director

On behalf of the Board of Directors,  
I am pleased to present the Thirteenth Annual  
Report & Audited Accounts of **HeveaBoard  
Berhad** for the financial year ended  
31 December 2006



## The Operating Environment

The surge in prices of fuel and raw materials such as rubber wood and glue, triggered by the increased oil prices in early 2005 had stabilized in the second half of 2006. Particleboard was sold at depressed prices in 2005 and early 2006 as a result of increased capacities from Thailand and Malaysia. However, the prices of particleboard have recovered as overseas buyers are accepting the adjustments for the strengthened Malaysian Ringgit and gradually admitting the increased costs of raw materials. Nevertheless, the profit margin for the year was eroded by the appreciation of Malaysian Ringgit against the US Dollars, as over 80% of the HeveaBoard Group sales of particleboard and RTA furniture were for export markets and denominated in US Dollars.

## Significant Events in 2006

The RM270 million Second Particleboard Manufacturing Line of HeveaBoard was commissioned on 15 October 2006. HeveaBoard Distributors and Customers from over 10 countries in Asia attended and witnessed the rolling out of the first board. At the same time, HeveaBoard celebrated its ten years of successful operation in conjunction with HeveaBoard Excellence Awards and marked the launching of HeveaBoard new corporate mission - **Era of Enhanced Growth, Efficiency & Earnings.**

The Second Line will enable HeveaBoard to increase the particleboard production capacities by over four folds when the operation of the Second Line is optimized. Production costs will be reduced substantially in 2007 due to the economies of scales, on-line product quality monitoring system, accuracy in thickness control and features of energy savings fully incorporated in the Second Line.

## Financial Overview

Higher revenues by the Group totaling RM163.12 million were registered in FY2006 as compared with RM147.67 million in FY2005. The 10.5% increase was

the result of the commercial production from the Second Line started in November 2006 and the RTA furniture sector having secured long-term orders directly from major customers in the USA and Japan.

For the FY2006 and under the prevailing operating environment, the Group achieved a profit before tax of RM9.38 million as compared with RM9.85 million in FY2005. As expected, the high depreciation and finance costs of the Second Line in the last quarter of FY2006 had also affected the performance of the Group as the designed capacity has yet to be achieved shortly after the startup. These results included the exchange gain from the year end translation adjustment arising from the US Dollar denominated loan taken to finance the Second Line.

The production capacity during this infancy stage will also impact FY2007 first quarter results. Efficiency and fuel savings deriving from devices incorporated in the Second Line are expected to improve the earnings of HeveaBoard when the plant achieves its optimum capacity in second quarter and beyond. The 70% production capacity envisaged for FY2007 is achievable and HeveaBoard expects to achieve over 90% of its total production capacities and sales in the years ahead.

## Outlook and Prospects

In anticipation of its four folds increased particleboard production capacity from the newly started Second Line, HeveaBoard had already established the marketing representative offices under HeveaMart in a number of cities in Asia to promote the export sales of particleboard.

The RTA furniture manufacturing facilities under HeveaPac had also expanded covering over 1.0 million square feet factory space by the acquisition of Factory 2 & 3. HeveaPac, which now employs over 1,500 workers, is also upgrading its production lines with automated processes to improve productivity and enhance its earnings. About 25% of HeveaBoard total particleboard production are being consumed by the



## Group Managing Director's Statement continued

in-house downstream activity. Distribution of RTA furniture by BocoWood to most hypermarkets and retailers locally is growing and this is expected to continue in the future.

With the established marketing representative offices and the ready captive market provided by its downstream activity, HeveaBoard is well poised to distribute all its increased particleboard volume for export and local markets.

There should be further improvement on the selling prices of particleboard to reflect the increased material costs after the low season for the industry, usually in the first quarter of the year. The price increase should be running in tandem with the higher prices of particleboard currently selling in Europe and the sharply increased selling prices of MDF globally. However, increasing or maintaining the selling prices would be challenging with the four-fold increase in particleboard capacity.

Measures taken by HeveaBoard Group to achieve enhanced growth, increased efficiency and improved earnings are great challenges for both the old and the newly recruited employees to take the Group soaring to a new height in 2007 and beyond.

### Tax Incentives & Benefits

HeveaBoard was granted Investment Tax Allowance for 100% of the qualifying capital expenditure incurred / to be incurred over 5 years, amounting to over RM270 million, and this allowance enables the Company to qualify for tax exemption from its statutory income. HeveaBoard wholly-owned

subsidiary, HeveaPac, was also granted with the Allowance for Increased Export in 2005 to qualify for tax exemption on 70% of its statutory income up to about RM43 million, an amount equivalent to the increased value of export achieved in 2004. Over RM80 million savings from taxes are expected to derive from these incentives, and these incentives will also allow tax exempt dividends to be declared in the years to come.

### Dividends

The Final Dividend of 3% per share less tax for FY2005 was paid on 14 July 2006. A First & Final Dividend of 5% per share less tax is proposed for FY2006.

### Appreciation

On behalf of the Board of Directors of HeveaBoard, I wish to extend our appreciation to all parties who had contributed to the successful commissioning of our Second Line.

I would like to thank our Government Officials, Bankers, Researchers, Suppliers and Customers for the support rendered. To all our employees, your dedication, loyalty and contribution to the growth and success of HeveaBoard Group are highly appreciated.

Lastly, I thank our Chairman and colleagues on the Board for their valuable contribution and support given throughout the year.

### Tenson Yoong

Group Managing Director



## Milestones

### February, 2006

HeveaPac successfully penetrated the Mexican market with consistent repeat orders

### May, 2006

HeveaBoard received the **Productivity Award - Special Award** by the National Productivity Corporation (NPC)

### September, 2006

HeveaPac successfully secured additional USD7.2 million RTA furniture order from Target Stores Inc. USA

### October, 2006

HeveaBoard customers and invited guests from local and 10 Asia Pacific countries witnessed the first board rolled out from the new second particleboard manufacturing line

### October, 2006

HeveaBoard Group celebrated **HeveaBoard Excellence Award** with its valued business partners and launched its new corporate mission - **Era of Enhanced Growth, Efficiency and Earnings**

### November, 2006

HeveaBoard commenced commercial production on its second particleboard manufacturing line

### December, 2006

HeveaPac achieved the record-high yearly export sales of RM93 million

### December, 2006

HeveaBoard Group achieved a record sales turnover of RM163 million for 2006

### January, 2007

HeveaBoard marked the highest ever monthly turnover of RM10 million. Turnover for the Group exceeded RM20 million

### February, 2007

HeveaBoard was awarded the **Occupational Safety & Health Award** by Kementerian Sumber Manusia

### March, 2007

HeveaBoard Group number of employees reached 2,000

### March, 2007

HeveaBoard registered the highest ever monthly export volume of over **400** containers



# Statement on Corporate Governance

The Board is committed to ensuring that the highest standards of corporate governance are practiced throughout the Group so that the affairs of the Group are conducted with integrity and professionalism with the objective of enhancing long term shareholders' value and safeguarding stakeholders' interests.

The Board is of the view that the Group is substantially in compliance with the Code, and is moving towards full compliance in certain areas. Set out below is a statement on the manner which the Group has applied the principles and complied with the best practices provisions laid down in the Malaysian Code on Corporate Governance ("the Code") throughout the year ended 31 December 2006.

## BOARD OF DIRECTORS

### I. THE BOARD

HeveaBoard Berhad is led by an effective Board comprising members who have a broad range of skills, experience and knowledge relevant to directing and managing the Group's businesses, and enabling the Board to effectively lead and control the Group. The profiles of the Directors are provided on pages 2 and 3 of this Annual Report.

The Board has the overall responsibility for the performance of the Group by maintaining full and effective control over strategic, financial, operational, compliance and governance issues.

#### Board Meetings

The Board meets on a scheduled basis once every quarter at least 4 times a year with special board meetings convened should the need arises. During the meetings, the Board deliberates on the financial statements and results of the Group, the performance of its individual business units, strategic and corporate issues relating to the business of the Group.

For the financial year ended 31 December 2006, five (5) Board Meetings were held and the attendances of the Board members were as follows:

	Total Meetings Attended
Tan Sri Dato' Seri Mohamed bin Rahmat	4/5
Mr Yoong Tein Seng @ Yong Kian Seng	5/5
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	5/5
Dato' Seri Yong Tu Sang (resigned on 8 April 2006)	1/1
Dato' Loo Swee Chew	5/5
Mr Lim Kah Poon	5/5
Mr Yoong Hau Chun	4/5
Mr Bailey Policarpio*	-

Note:

\* Appointed on 8 March 2007

#### Board Committees

To enhance business and operational efficiency, the Board delegates certain responsibilities to four (4) Board Committees namely the Audit Committee, Nomination Committee, Remuneration Committee and Tender Board Committee. All the board committees are provided with written terms of reference.

##### (i) Audit Committee

The report of the Audit Committee is set out on pages 17 to 20 of this Annual Report.

## Statement on Corporate Governance continued

### (ii) Nomination Committee ("NC")

The NC comprises exclusively three 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/Independent Non-Executive Director)
- Tan Sri Dato' Seri Mohamed bin Rahmat (Non-Independent Non-Executive Chairman)
- Mr Lim Kah Poon (Independent Non-Executive Director)

The duties and functions of the NC are to:

- recommend to the Board, candidates for directorship;
- recommend to the Board, directors to sit on respective Board Committees;
- administer the annual assessment of Directors, including a review of the skill, qualification and competencies of the Board as a whole; and
- identify suitable orientation, educational and training programmes for continuous development of Directors.

Meetings of the NC are held at least once a year and as when required. During the financial year ended 31 December 2006, two (2) meetings were held, i.e. on 27 February 2006 and 20 November 2006. Both meetings were attended by all the members of the NC.

### (iii) Remuneration Committee ("RC")

The RC was established with clearly defined terms of reference, with a majority of members being Non-Executive Directors. Members of the RC are as follows:

- Tan Sri Dato' Seri Mohamed bin Rahmat (Chairman/Non-Independent Non Executive Chairman)
- Mr Yoong Tein Seng @ Yong Kian Seng (Group Managing Director)
- Mr Lim Kah Poon (Independent Non-Executive Director)

The RC is responsible for recommending the remuneration of Executive Directors, with advice from external consultants where necessary. It is the ultimate responsibility of the entire Board to approve the remuneration of the Directors. None of the Executive Directors participate in any way in determining their individual remuneration packages. The remuneration of the Non-Executive Directors is determined by the Board as a whole with individual Directors concerned abstaining from discussing and deciding their own remuneration.

Meetings of the RC are held at least once a year and as and when required. A meeting attended by all the members of the RC was held on 20 November 2006.

### (iv) Tender Board Committee ("TBC")

The TBC is primarily responsible for the review, deliberation and consideration of the shortlisted tenders submitted by the Management Tender Committee. The TBC comprises exclusively Non-Executive Directors. The members of the TBC are as follows:

- Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak (Chairman/Independent Non-Executive Director)
- Dato' Loo Swee Chew (Non-Independent Non-Executive Director)
- Mr Lim Kah Poon (Independent Non-Executive Director)

Meetings of the TBC are held as and when required. During the financial year ended 31 December 2006, two (2) meetings were held and the attendances of the members were as follows:

	<b>Total Meetings Attended</b>
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	2/2
Dato' Loo Swee Chew	1/2
Mr Lim Kah Poon	1/2

### Directors' Training

During the year, the Board members have attended the training programme "Briefing on Takeovers and Mergers & Corporate Governance" as part of their continuous education programmes.

The Directors will continue to attend relevant training programmes to further enhance their skills and knowledge for the discharge of their fiduciary duties.

## II. BOARD BALANCE

The Board currently has seven (7) members, comprising two (2) Executive Directors, three (3) Non-Executive Directors, and two (2) Independent Non-Executive Directors. The independent directors are individuals of calibre, credibility and have the necessary skills and experience to provide an independent and objective view, advice and judgement on the issues of strategy, performance, resources and standards of conduct. The current composition of the Board is in compliance with the Code and the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements.

The Board is of the opinion that the current composition of the Board fairly reflects the investment of minority shareholders in the Company and represents the required mix of skills and experience required to discharge the Board's duties and responsibilities. In addition, due to the active participation of all the Directors including the independent non-executive directors, no individual or small group of individuals dominate the Board's decision making processes.

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 as 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. SUPPLY OF INFORMATION

The Board has full and unrestricted access to all information pertaining to the Group's business and affairs, and information necessary for the discharge of its responsibilities. The agenda together with most of the Board papers are provided to the Board members prior to each meeting to enable the Directors to review and consider the issues to be discussed at the Board meetings. The Board papers, among others, include the following:

- Major operational and financial issues;
- Quarterly financial results;
- Performance report of the Group;
- Business plans and budgets;
- Updates on statutory regulations and requirements affecting the Group; and
- Relevant market information/research papers for decision making.

## Statement on Corporate Governance continued

All Directors, whether as a full Board or in their individual capacity, have access to the advice and services of company secretaries, auditors and consultants and to take other independent professional advice, if deemed necessary, in the furtherance of their duties at the Group's expense.

### IV. RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, one-third (1/3) of the directors, or if their number is not three (3) or a multiple of three (3), then the number nearest one-third (1/3) shall be subject to retirement by rotation from office at each Annual General Meeting. The Directors retiring from office shall be eligible for re-election by the shareholders.

### DIRECTORS' REMUNERATION

In order to attract, retain and motivate the Directors needed to lead and run the Group successfully, the remunerations of the Directors are structured in such a way so as to link rewards to corporate and individual performance, as in the case of Executive Directors. The determination of remuneration packages of Non-Executive Directors is a matter for the Board as a whole with individual directors abstaining from discussion of their own remuneration. In addition, the Company's Articles of Association requires the increase in Non-Executive Director's fees be approved at a shareholder's meeting.

The details of directors' remuneration payable to the Directors for the financial year ended 31 December 2006, distinguishing between Executive and Non-Executive Directors, categorised into the appropriate components are as follows:

Categories of Remuneration	Executive Directors (RM)	Non-Executive Directors (RM)
Salary and Other Emoluments	788,560	-
Fee and Allowance	-	190,000
Benefits-In-Kind	28,000	12,500
<b>Total</b>	<b>816,560</b>	<b>202,500</b>

The number of Directors whose total remuneration for the financial year ended 31 December 2006 that falls within the required disclosure bands are set out below:

Remuneration Band	Number of Directors		Total
	Executive	Non-Executive	
RM50,000 and below	-	3	3
RM50,001 to RM100,000	-	1	1
RM250,001 to RM300,000	1	-	1
RM450,001 to RM500,000	1	-	1
<b>Total</b>	<b>2</b>	<b>4</b>	<b>6</b>

Details of individual directors' remuneration are not disclosed as the Board is of the opinion that the above disclosures are sufficient to cater to the transparency and accountability aspects of the Code.

## **SHAREHOLDERS**

### **I. Dialogue Between The Company And Investors**

The Company values its relationship with investors. As such, dialogues are held with financial analysts and investors on the corporate objectives and performances of the Group on a periodic basis.

Information is also disseminated to shareholders and investors through various disclosures and announcements. Announcements released to the Bursa Securities which include quarterly financial results, annual reports as well as, where appropriate, circulars and press releases are available on the Bursa Securities website. This provides an avenue to its shareholders to receive information pertaining to the Company and the Group electronically.

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

### **II. Annual General Meeting (“AGM”)**

The Board encourages shareholders to attend and participate in the AGM as the AGM serves as a crucial mechanism for shareholders to meet and communicate with the Board on their expectations and to be updated on the strategies and goals of the Company and the Group. Shareholders who are unable to attend are allowed to appoint proxies. Members of the Board are present to answer queries raised at these meetings.

## **ACCOUNTABILITY AND AUDIT**

### **I. Financial Reporting**

The Board endeavours to present the annual reports, financial statements and other price-sensitive public reports as informative, balanced and understandable as possible, covering an assessment of the Group's business, operations, financial position and prospects. In this respect, it is the Board's policy to ensure the accurate and timely dissemination of financial and corporate announcements for greater accountability and transparency. In the preparation of financial statements, the Audit Committee and the Board review the financial statements for consistency and appropriateness of use and application of accounting standards and policies and for reasonableness and prudence in making estimates, statements and explanation.

### **II. Internal Control**

The Board acknowledges their responsibilities for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. This responsibility has been delegated to the Audit Committee.

During the financial year, the out-sourced internal audit function assisted the Audit Committee in the review of the adequacy and effectiveness of the Group's internal control system.

The Statement on Internal Control which provides an overview of the state of internal controls of the Group is set out on pages 14 to 15 of this Annual Report.

### **III. Relationship With Auditors**

The Board and the Audit Committee have always maintained a formal and transparent professional relationship with the external auditors and internal auditors in seeking professional advice and ensuring compliance with the approved accounting standards, rules and regulations. The role of the Audit Committee in relation to the auditors is described in the Audit Committee Report set out on pages 17 to 20 of this Annual Report.

# Statement on Internal Control

## INTRODUCTION

Pursuant to paragraph 15.27(b) of the Bursa Malaysia Securities Berhad Listing Requirements, the Board of Directors is required to make a statement in the annual report on the state of the internal controls of the Group. In this respect, the Board of HeveaBoard Berhad is pleased to present the following Statement on Internal Control prepared in accordance with the Listing Requirements and as guided by the Statement on Internal Control : Guidance for Directors of Public Listed Companies.

## BOARD RESPONSIBILITY

The Board has an overall responsibility for the Company's system of internal controls, which includes the establishment of an appropriate control environment and framework, and the review of its effectiveness, adequacy and integrity. This includes identifying the major business risks faced by the Group and determining the appropriate course of action to manage those risks. In this regard, the Board has delegated such responsibilities to the Audit Committee. Only significant internal control issues are brought to the attention of the Board by the Audit Committee.

Due to the inherent limitations in any system of internal controls, such a system put in place by Management can only manage rather than eliminate the risks of failure to achieve the Group's corporate objectives. Consequently, the system can only provide a reasonable rather than absolute assurance against material misstatement or loss.

## RISK MANAGEMENT FRAMEWORK

The Board acknowledges that the Group's business activities involve some degree of risk and key management staff and Heads of Departments are delegated the responsibility to manage identified risks within defined parameters and standards.

Identifying, evaluating and managing the significant risks faced by the Group is an ongoing process which is undertaken by each company in the Group. During the year under review, this process was exercised through periodic management meetings held to communicate and deliberate key issues and risks amongst Management team members and where appropriate, controls were devised and implemented. Significant risks identified were escalated to the Board for their attention at their scheduled meetings.

During the financial year ended 31 December 2006, the Group's key risks profile was updated and presented to the Audit Committee on 26 April 2006 with the assistance of the external consultants. Identified risks were prioritised in terms of likelihood of their occurrence and the impact impeding the achievement of the Group's business objectives. This allows Management to allocate appropriate resources in the mitigation of risks.

The abovementioned practices and initiatives effected by Management is the ongoing process adopted by the Group to identify, evaluate and manage significant risks that may affect the Group's achievement of its business objectives.

## INTERNAL CONTROL MECHANISM

The Group outsourced its internal audit function to a professional services firm to provide an independent, regular and systematic review of the system of internal controls so as to obtain a reasonable assurance that such systems of internal controls operate in a satisfactory, efficient and effective manner. The results of the audits and recommendations for improvement co-developed with Management were formally reported to the Audit Committee at their quarterly meetings. In addition, follow-up visits were also conducted to ensure that such recommendations were implemented on a timely basis.



## Statement on Internal Control continued

The external auditors provide an assurance in the form of their annual statutory audit of the financial statements of the Group. Significant areas of audit and areas of improvement identified during the course of statutory audits were brought to the attention of the Audit Committee through the Audit Review Memorandum, and were articulated at the Audit Committee meetings.

### **OTHER KEY ELEMENTS OF INTERNAL CONTROL**

The other key elements of internal controls are:

- The Company has a clearly defined organization structure with clear lines of responsibility and authority;
- Scheduled operational and management meetings are held on a periodical basis;
- The quality of staff is enhanced through a rigorous recruitment process, performance appraisal and annual training programs;
- Active participation by certain members of the Board in the day-to-day running of operations;
- Regular dialogues on operational matters are conducted by the Executive Directors;
- Quarterly reviews of the performance of the Group by the Board;
- Monthly monitoring of actual performances against budgets with major variances identified and followed-up as and when necessary; and
- The outsourced internal audit function provides objective and independent reviews on the adequacy and effectiveness of the Group's internal control system.

### **CONCLUSION**

The Board remains committed to maintain a sound system of internal controls and an effective risk management practice throughout the Group. The Board is also fully aware that reviews of control procedures and risk management practices need to be evaluated and continuously carried out on a periodic basis to ensure its continued adequacy and effectiveness to support the Group's increasing size of operations and to safeguard the shareholders' interests and the Group's assets.

This Statement on Internal Control is made in accordance with the resolution adopted by the Board at its meeting held on 23 April 2007.

## Statement on Directors' Responsibility

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 2006, 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 Listing Requirements of Bursa Malaysia Securities Berhad:

### **1. NON AUDIT FEES**

The non-audit fees incurred for services rendered to the Group for the Financial year ended 31 December 2006 by the external auditors or a firm or company affiliated to the external auditors firm amounted to RM3,000.00.

### **2. MATERIAL CONTRACTS**

Save as disclosed below, there were no material contracts outside the ordinary course of business entered into by the Company and its subsidiaries involving directors' and major shareholders' interests entered into since the previous financial year:

The Company had on 27 November 2006 purchased nine (9) units of Drawbar Trailer from Firama Engineering Berhad ("Firama") of Lot 714, Batu Lima, Jalan Kuala Pilah, 70400 Seremban, Negeri Sembilan at a price of RM17,000 per unit and total cash consideration of RM153,000.00 (Ringgit Malaysia One Hundred and Fifty Three Thousand) only. These 9 units of Drawbar Trailers would be used for internal transport of rubber logs and slabs.

# Audit Committee Report

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2006. The Audit Committee ("the Committee") met five (5) times during the year. Composition of the Committee and the details of the attendance of the Committee members are set out as follows:

## COMPOSITION OF THE AUDIT COMMITTEE

Name	Attendance
Mr Lim Kah Poon (Chairman) Independent Non-Executive Director	5/5
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak Independent Non-Executive Director	5/5
Mr Yoong Tein Seng @ Yong Kian Seng Group Managing Director	5/5

Details of the members of the Committee are contained in the "Profile of Directors" as set out on pages 2 and 3 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, a majority of whom shall 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 the Bursa Malaysia Securities Berhad ("Bursa Securities").

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

### 2. Chairman

The Chairman, who shall be elected by the Committee, shall be an independent director.

### 3. Secretary

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

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

## Audit Committee Report continued

### 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 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 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 external auditors, excluding the attendance of the executive members of the audit committee, whenever deemed necessary;
- (g) promptly report to the 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 External Auditors.

### 6. Duties

- (a) To review with the external auditors on:
  - the audit plan, its scope and nature;
  - the audit report;
  - the results of their evaluation of the accounting policies and system of internal accounting controls within the Group; and
  - the assistance given by the officers of the Company to external auditors, including any difficulties or disputes with Management encountered during the audit.

- (b) To review the adequacy of the scope, functions and 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 include:-

- (a) Reviewed and recommended the unaudited quarterly and annual audited consolidated results of the Group to the Board of Directors for approval prior to release to the Bursa Securities;
- (b) Reviewed the audit plan of the external auditors;
- (c) Reviewed the external auditors' reports and their audit findings;
- (d) Reviewed the key risk profile identified and ensured that these are updated by Management in the process and where appropriate new risks are identified and incorporated for deliberation;

## Audit Committee Report continued

- (e) Reviewed and ensured the adequacy of the scope and coverage of the audit plan proposed by the internal auditors and approved the audit plan for audit execution; and
- (f) Reviewed the internal audit reports and the results and recommendations arising from the reviews conducted by the outsourced internal audit function.

### **INTERNAL AUDIT FUNCTION**

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 include:-

- (a) Conducting internal audit reviews in accordance with the internal audit plan approved by the Committee;
- (b) Reporting the results of internal audits and making recommendations for improvements to the Committee on a periodic basis; and
- (c) Performing follow up visits to ensure that recommendations for improvement to the internal control systems are satisfactorily implemented.

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



# 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 2006.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of manufacturing and trading of particleboards and wood-related products 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

	<b>THE GROUP</b>	<b>THE COMPANY</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit attributable to shareholders for the financial year	7,756	8,982

## DIVIDENDS

Since the end of the previous financial year, the Company, in the current financial year paid a final dividend of RM0.03 per ordinary share less 28% tax amounting to RM1,728,000 in respect of the previous financial year as proposed in the director's report of that financial year.

The directors propose a final dividend of RM0.05 per ordinary share less 27% tax amounting to RM2,920,000 in respect of the current financial year. The proposed dividend is subject to the approval of the shareholders at the forthcoming annual general meeting.

## 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

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. The Warrants were issued on the basis of 1 Warrant for every 2 ordinary shares held on 31 December 2004, being the entitlement date. The Warrants are constituted under a Deed Poll executed on 10 December 2004, and each Warrant entitles 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 new ordinary share at the exercise price of RM2 each.

No Warrants were exercised during the financial year as the Warrants are not entitled to be exercised prior to 31 December 2006.



#### **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, save for the Warrants issued pursuant to the listing of 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 all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstance that would further require the writing off of bad debts, or 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 which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

#### **CONTINGENT AND OTHER LIABILITIES**

The contingent liability is disclosed in Note 36 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.

## Directors' Report continued

### 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' SERI MOHAMED BIN RAHMAT  
YOONG TEIN SENG @ YONG KIAN SENG  
Y. BHG. DATO' LOO SWEE CHEW  
YOONG HAU CHUN  
Y. BHG. TAN SRI DATO' CHAN CHOONG TACK @ CHAN CHOONG TAK  
LIM KAH POON  
BAILEY POLICARPIO (APPOINTED WITH EFFECT FROM 8 MARCH 2007)

Pursuant to Article 124 of the Articles of Association of the Company, Lim Kah Poon and Yoong Hau Chun retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Pursuant to Article 129 of the Articles of Association of the Company, Bailey Policarpio retires at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

Pursuant to Section 129 of the Companies Act, 1965, Y. Bhg. Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak, who is over the age of seventy years old, retires at the forthcoming annual general meeting and offers himself for re-election.

### 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 1.1.2006	BOUGHT	SOLD	AT 31.12.2006
<b>THE COMPANY</b>				
<b>DIRECT INTERESTS</b>				
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	-	-	150,000
YOONG HAU CHUN	150,000	-	-	150,000
LIM KAH POON	50,000	-	-	50,000
<b>INDIRECT INTERESTS</b>				
YOONG TEIN SENG @ YONG KIAN SENG	32,254,000	2,735,500	-	34,989,500
Y. BHG. DATO' LOO SWEE CHEW	27,075,000	2,729,500	-	29,804,500
YOONG HAU CHUN	32,254,000	2,735,500	-	34,989,500

**DIRECTORS' INTERESTS (CONT'D)**

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:-

	<b>NUMBER OF WARRANTS</b>			
	<b>AT 1.1.2006</b>	<b>BOUGHT</b>	<b>SOLD</b>	<b>AT 31.12.2006</b>
<b>DIRECT INTERESTS</b>				
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
<b>INDIRECT INTERESTS</b>				
YOONG TEIN SENG @ YONG KIAN SENG	18,962,500	-	-	18,962,500
Y. BHG. DATO' LOO SWEE CHEW	13,537,500	-	-	13,537,500
YOONG HAU CHUN	18,962,500	-	-	18,962,500

The other director holding office at the end of the financial year did not have any interest in the shares or warrants of the Company and its related corporations during the financial year.

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 38 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 SUBSEQUENT TO THE BALANCE SHEET DATE**

The significant event of the Group are disclosed in Note 39 to the financial statements.

Directors' Report continued

**AUDITORS**

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

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS  
DATED 23 APRIL 2007**

**Yoong Tein Seng @ Yong Kian Seng**

**Dato' Loo Swee Chew**

## Statement by Directors

We, Yoong Tein Seng @ Yong Kian Seng and Dato' Loo Swee Chew, being two of the directors of HeveaBoard Berhad, state that, in the opinion of the directors, the financial statements set out on pages 29 to 63 are drawn up in accordance with applicable MASB approved accounting standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2006 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 2007**

**Yoong Tein Seng @ Yong Kian Seng**

**Dato' Loo Swee Chew**

## 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 29 to 63 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 2007

Before me  
Mohd Radzi Bin Yasin (No. W327)  
Commissioner for Oaths  
23 April 2007

**Yoong Tein Seng @ Yong Kian Seng**

# Report of the Auditors

## to the members of HeveaBoard Berhad

We have audited the financial statements set out on pages 29 to 63. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB approved accounting standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:-
  - (i) the state of affairs of the Group and of the Company at 31 December 2006 and their results and cash flows for the financial year ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditors' reports of the subsidiaries of which we have not acted as auditors, as indicated in Note 6 to the financial statements.

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 purpose of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under Subsection (3) of Section 174 of the Companies Act, 1965.

**Horwath**  
Firm No: AF 1018  
Chartered Accountants

Kuala Lumpur  
23 April 2007

**Lee Kok Wai**  
Approval No: 2760/06/08(J)  
Partner

# Balance Sheets

at 31 December 2006

	NOTE	THE GROUP		THE COMPANY	
		2006 RM'000	2005 RM'000 (Restated)	2006 RM'000	2005 RM'000 (Restated)
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Investment in subsidiaries	6	-	-	40,960	40,960
Property, plant and equipment	7	347,309	222,656	296,643	174,249
Prepaid lease payments	8	11,121	11,329	3,929	3,973
Other investment	9	15	15	15	15
Goodwill on consolidation	10	2,946	2,276	-	-
		361,391	236,276	341,547	219,197
<b>CURRENT ASSETS</b>					
Inventories	11	42,993	25,428	19,288	9,140
Trade receivables	12	27,911	24,937	8,300	9,106
Other receivables, deposits and prepayments	13	5,033	3,063	1,866	4,001
Amount owing by subsidiaries	14	-	-	8,765	4,137
Tax refundable		2,675	381	2,255	208
Cash and bank balances		1,992	888	33	162
		80,604	54,697	40,507	26,754
<b>TOTAL ASSETS</b>		441,995	290,973	382,054	245,951
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	15	80,000	80,000	80,000	80,000
Share premium	16	12,886	12,886	12,886	12,886
Retained profits	17	33,105	26,407	20,320	13,066
<b>TOTAL EQUITY</b>		125,991	119,293	113,206	105,952
<b>NON-CURRENT LIABILITIES</b>					
Long-term borrowings	19	155,326	93,650	145,681	84,104
Provision for retirement benefits	20	779	631	521	427
Deferred taxation	21	15,006	11,468	12,959	10,150
		171,111	105,749	159,161	94,681

## Balance Sheets continued

	NOTE	THE GROUP		THE COMPANY	
		2006 RM'000	2005 RM'000 (Restated)	2006 RM'000	2005 RM'000 (Restated)
<b>CURRENT LIABILITIES</b>					
Trade payables	22	25,321	15,411	12,477	7,255
Other payables, accruals and provision	23	40,108	9,873	33,814	5,898
Amount owing to subsidiaries	14	-	-	7,268	5,266
Amount owing to related parties	24	7,986	10,195	6,952	7,792
Short-term borrowings	25	62,390	25,148	42,237	14,531
Bank overdrafts	28	9,082	5,262	6,939	4,576
Provision for taxation		6	42	-	-
		144,893	65,931	109,687	45,318
<b>TOTAL LIABILITIES</b>		316,004	171,680	268,848	139,999
<b>TOTAL EQUITY AND LIABILITIES</b>		441,995	290,973	382,054	245,951
<b>NET ASSETS PER SHARE (SEN)</b>	29	1.57	1.49		

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



# Income Statements

for the financial year ended 31 December 2006

	NOTE	THE GROUP		THE COMPANY	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
REVENUE	30	163,125	147,674	59,625	55,925
COST OF SALES		(141,988)	(122,847)	(49,410)	(45,400)
GROSS PROFIT		21,137	24,827	10,215	10,525
OTHER INCOME		7,279	382	8,292	3,217
		28,416	25,209	18,507	13,742
SELLING AND DISTRIBUTION EXPENSES		(1,879)	(1,690)	(807)	(746)
ADMINISTRATIVE EXPENSES		(10,274)	(9,759)	(3,692)	(3,520)
FINANCE COSTS		(4,267)	(1,982)	(2,832)	(995)
OTHER EXPENSES		(2,615)	(1,933)	(1,029)	(698)
PROFIT BEFORE TAXATION	31	9,381	9,845	10,147	7,783
INCOME TAX EXPENSE	32	(1,625)	(791)	(1,165)	(306)
PROFIT AFTER TAXATION		7,756	9,054	8,982	7,477
ATTRIBUTABLE TO: Equity holders of the Company		7,756	9,054	8,982	7,477
EARNINGS PER SHARE (SEN):					
BASIC	33	9.7	11.3		
DILUTED	33	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 2006

	NOTE	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	NEGATIVE GOODWILL RM'000	RETAINED PROFITS RM'000	TOTAL RM'000
<b>THE GROUP</b>						
Balance at 1.1.2005		80,000	12,925	670	17,353	110,948
Listing expenses		-	(39)	-	-	(39)
Profit after taxation		-	-	-	9,054	9,054
Balance at 31.12.2005/ 1.1.2006		80,000	12,886	670	26,407	119,963
Effect of adopting FRS3	10	-	-	(670)	670	-
Profit after taxation		-	-	-	7,756	7,756
Dividend paid	18	-	-	-	(1,728)	(1,728)
Balance at 31.12.2006		80,000	12,886	-	33,105	125,991

	NOTE	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	RETAINED PROFITS RM'000	TOTAL RM'000
<b>THE COMPANY</b>					
Balance at 1.1.2005		80,000	12,925	5,589	98,514
Listing expenses		-	(39)	-	(39)
Profit after taxation		-	-	7,477	7,477
Balance at 31.12.2005/ 1.1.2006		80,000	12,886	13,066	105,952
Profit after taxation		-	-	8,982	8,982
Dividend paid	18	-	-	(1,728)	(1,728)
Balance at 31.12.2006		80,000	12,886	20,320	113,206

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

# Cash Flow Statements

for the financial year ended 31 December 2006

	NOTE	THE GROUP		THE COMPANY	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before taxation		9,381	9,845	10,147	7,783
Adjustments for:-					
Allowance for doubtful debts		9	33	-	-
Amortisation of goodwill		-	568	-	-
Amortisation of prepaid lease payments		208	205	44	44
Bad debts written off		1,066	34	-	-
Depreciation of property, plant and equipment		10,101	8,155	5,746	4,252
Dividend income		-	-	(1,490)	(2,980)
Interest expense		4,267	1,982	2,832	995
Interest income		[36]	[44]	[22]	[29]
Provision for retirement benefits		148	162	94	87
Provision for claims		214	-	214	-
Gain on disposal of property, plant and equipment		[147]	-	[141]	-
Unrealised gain on foreign exchange		[6,473]	-	[6,473]	-
Operating profit before working capital changes		18,738	20,940	10,951	10,152
(Increase)/Decrease in inventories		(17,565)	1,826	(10,148)	(481)
(Increase)/Decrease in trade and other receivables		(6,129)	(4,956)	2,831	(3,483)
Increase/(Decrease) in trade and other payables		39,931	(328)	32,924	176
Decrease in amount owing by subsidiaries		-	-	(817)	3,993
Increase in amount owing to subsidiaries		-	-	857	-
<b>CASH FROM OPERATIONS</b>		34,975	17,482	36,598	10,357
Income tax paid		(417)	(2,824)	-	(2,246)
Interest paid		(4,267)	(1,982)	(2,832)	(995)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		30,291	12,676	33,766	7,116
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>					
Interest received		36	44	22	29
Proceeds from disposal of equipment		330	-	265	-
Purchase of property, plant and equipment	34	(125,456)	(117,795)	(120,419)	(115,636)
<b>NET CASH FOR INVESTING ACTIVITIES</b>		(125,090)	(117,750)	(120,132)	(115,607)
<b>BALANCE CARRIED FORWARD</b>		(94,799)	(105,074)	(86,366)	(108,491)

## Cash Flow Statements continued

	NOTE	THE GROUP		THE COMPANY	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>BALANCE BROUGHT FORWARD</b>		(94,799)	(105,074)	(86,366)	(108,491)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Dividend paid		(1,728)	(6,347)	(1,728)	(6,347)
Net (repayment to)/advances from related parties		(2,209)	(964)	(841)	(64)
Net advances from subsidiaries		-	-	(1,578)	4,891
Net drawdown of bankers' acceptances		8,295	6,959	2,838	4,925
Drawdown of Export Credit Refinancing		5,065	-	-	-
Proceeds from issuance of shares		-	30,080	-	30,080
Repayment of hire purchase obligations		(5,431)	(4,436)	(712)	(278)
Drawdown of term loans		88,694	89,006	85,895	84,006
Repayment of term loans		(603)	(553)	-	-
<b>NET CASH FROM FINANCING ACTIVITIES</b>		92,083	113,745	83,874	117,213
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		(2,716)	8,671	(2,492)	8,722
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		(4,374)	(13,045)	(4,414)	(13,136)
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	35	(7,090)	(4,374)	(6,906)	(4,414)

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

# Notes to the Financial Statements

for the financial year ended 31 December 2006

## 1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Malaysian Companies Act, 1965. The domicile of the Company is Malaysia. The registered office and principal place of business are as follows:-

Registered office : C15-1, Level 15, Megan Avenue II,  
12 Jalan Yap Kwan Seng, 50450 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 2007.

## 2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of manufacturing and trading of particleboards and wood-related products 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, purchases of plant and the term loan that are denominated in foreign currencies.

The Group foreign currency transactions and balances are substantially denominated in United States (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. Its policy is to obtain the most favourable interest rates available.

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

Any surplus funds of the Group will be placed with licensed financial institutions at the most favourable interest rate to generate interest income.

#### (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 does not have any major concentration of credit risk related to any individual customer or counterparty.

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 and of the Company 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 applicable MASB approved accounting standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965.

In the current financial year, the Group has adopted all the new and revised Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board which are relevant to its operations and effective for financial periods beginning on or after 1 January 2006.

FRS 117 - Leases has been issued and is effective for financial periods beginning on or after 1 October 2006 and the Group has elected to adopt this accounting standard in advance of its effective date.

The adoption of these new and revised FRS does not have any material effects on the financial statements of the Group and the Company except for:-

- (a) FRS 3 - Business Combinations;
- (b) FRS 110 - Events After The Balance Sheet Date; and
- (c) FRS 117 - Leases

The effects of adopting the above FRS on the accounting policies are disclosed in Notes 5(e), 5(i), 5(q), 10 and 45 to the financial statements.

FRS 124 - Related Party Disclosures has been issued and is effective for financial period beginning on or after 1 October 2006 and will be effective for the Group's financial year ending 31 December 2007.

FRS 6 - Exploration for and Evaluation of Mineral Resources has been issued and is effective for financial periods beginning on or after 1 January 2007. This standard is not relevant to the Group's operations.

FRS 139 - Financial Instruments: Recognition and Measurement had been issued and the effective date has yet to be determined by the MASB. This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group will apply this standard when it becomes effective.

#### (b) Going Concern

The Group and the Company have net current liabilities of RM64,289,027 and RM69,179,549 respectively at the balance sheet date.

The financial statements of the Group and the Company are prepared on the basis of accounting principles applicable to a going concern as the directors are of the opinion that their creditors will continue to provide financial support to the Group and the Company to enable it to operate as a going concern in the foreseeable future.

## 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) 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.

#### (ii) 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.

#### (iii) 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.

#### (iv) 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.

#### (v) 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.

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (b) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

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

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

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 functional currency of the Group is measured using the currency of the primary economic environment in which the Group operates.

The consolidated financial statements are presented in Ringgit Malaysia ("RM") which is the parent's functional and presentation currency.

#### (ii) *Transactions and Balances*

Transactions in foreign currency 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.

### (d) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2006.

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.



**5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(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.

Prior to 1 January 2006, negative goodwill was retained in the consolidated balance sheet. With the adoption of FRS 3 - Consolidated and Separate Financial Statement, if, after reassessment, 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. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1 January 2006 of RM670,000 was derecognised with a corresponding increase in retained profits.

**(f) Investments***(i) Investments in Subsidiaries*

Investments in subsidiaries and associates 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 in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is taken to the income statement.

*(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 or amortisation and impairment losses. Freehold land is stated at cost less impairment losses, and is not depreciated.

Depreciation or amortisation 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.

**5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(g) Property, Plant and Equipment (Cont'd)**

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the balance sheet date. Capital work-in-progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use. Cost of capital work-in-progress includes direct costs, related expenditure and interest cost on borrowings taken to finance the construction or acquisition of the assets to the date that the assets are completed and put into use.

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.

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**

The prepaid lease payments comprise the up-front payments made for the leasehold interest in land and are amortised on a straight line basis over the lease terms. Prior to 1 October 2006, leasehold land was classified under property, plant and equipment and was stated at cost less accumulated depreciation and accumulated impairment losses, if any. Upon adoption of the revised FRS 117 Leases, the unamortised amount of leasehold interest in land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the revised FRS 117 - Leases. The financial effects of adopting FRS 117 - Leases are disclosed in Note 45 to the financial statements.

**(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.

**5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(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.

**(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 substantially 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 acquirer's interest in the net fair value of 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.

**5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(o) Income Taxes (Cont'd)**

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 substantially 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 acquirer's interest in the net fair value of 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.

**(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. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All borrowing costs are charged to the income statement as an expense 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.

Prior to 1 January 2006, a dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date but as an appropriation from retained profits and treated as a separate component of equity. Upon the approval of the proposed dividend, it will be accounted for as a liability.

With the adoption of FRS 110 - Events after the Balance Sheet Date, such a proposed dividend is no longer presented as an appropriation from retained profits and treated as a separate component of equity.

The financial effects of adopting FRS 110 - events after the Balance Sheet Date are disclosed in Note 45 to the financial statements.

**(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.

**5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(r) Segmental Information (Cont'd)**

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) 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.

**(t) 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.

**(u) Contingent Liabilities and Contingent Assets**

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

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

## Notes to the Financial Statements continued

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (u) Contingent Liabilities and Contingent Assets (Cont'd)

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.

#### (v) 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.

##### (iv) Other Income

Other income is recognised on an accrual basis.

### 6. INVESTMENT IN SUBSIDIARIES

	THE COMPANY	
	2006 RM'000	2005 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		Principal Activities
	2006	2005	
HeveaPac Sdn. Bhd.	100%	100%	Manufacturing and trading of ready-to-assemble furniture.
HeveaMart Sdn. Bhd.*	100%	100%	Trading of particleboards and other panel boards.
BocoWood Sdn. Bhd.*	100%	100%	Distribution and marketing of ready-to-assemble furniture.
Hevea OSB Sdn. Bhd.*	100%	100%	Dormant.

\* Not audited by Horwath

**7. PROPERTY, PLANT AND EQUIPMENT**

	AT	TRANSFER	RECLASSI-	ADDITIONS	DEPRECIATION	DISPOSALS	AT
	1.1.2006		FICATION		CHARGE		31.12.2006
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>THE GROUP</b>							
<b>NET BOOK VALUE</b>							
Freehold land	4,705	-	-	17	-	-	4,722
Buildings	23,656	-	8,729	17,949	(853)	-	49,481
Plant, machinery and equipment	62,412	124,727	(4,796)	116,467	(8,338)	(55)	290,417
Furniture and fittings	1,398	-	-	303	(195)	-	1,506
Motor vehicles	1,825	-	-	201	(715)	(128)	1,183
Capital work-in-progress	128,660	(124,727)	(3,933)	-	-	-	-
	222,656	-	-	134,937	(10,101)	(183)	347,309

	AT COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
	RM'000	RM'000	RM'000
<b>AT 31.12.2006</b>			
Freehold land	4,722	-	4,722
Buildings	53,044	(3,563)	49,481
Plant, machinery and equipment	339,947	(49,530)	290,417
Furniture and fittings	2,334	(828)	1,506
Motor vehicles	4,353	(3,170)	1,183
	404,400	(57,091)	347,309

**AT 31.12.2005 (Restated)**

Freehold land	4,705	-	4,705
Buildings	26,366	(2,710)	23,656
Plant, machinery and equipment	103,923	(41,511)	62,412
Furniture and fittings	2,030	(632)	1,398
Motor vehicles	4,427	(2,602)	1,825
Capital work-in-progress	128,660	-	128,660
	270,111	(47,455)	222,656

Notes to the Financial Statements continued

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

	AT		DEPRECIATION			AT
	1.1.2006	TRANSFER	ADDITIONS	CHARGE	DISPOSALS	31.12.2006
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>THE COMPANY</b>						
<b>NET BOOK VALUE</b>						
Freehold land	3,294	-	-	-	-	3,294
Buildings	9,090	-	15,042	(272)	-	23,860
Plant, machinery and equipment	35,972	124,727	113,161	(5,088)	(55)	268,717
Furniture and fittings	218	-	36	(40)	-	214
Motor vehicles	948	-	25	(346)	(69)	558
Capital work-in-progress	124,727	(124,727)	-	-	-	-
	174,249	-	128,264	(5,746)	(124)	296,643

	AT	ACCUMULATED	NET BOOK
	COST	DEPRECIATION	VALUE
	RM'000	RM'000	RM'000
<b>AT 31.12.2006</b>			
Freehold land	3,294	-	3,294
Buildings	26,166	(2,306)	23,860
Plant, machinery and equipment	305,459	(36,742)	268,717
Furniture and fittings	512	(298)	214
Motor vehicles	2,132	(1,574)	558
Capital work-in-progress	-	-	-
	337,563	(40,920)	296,643

**AT 31.12.2005  
(Restated)**

Freehold land	3,294	-	3,294
Buildings	11,124	(2,034)	9,090
Plant, machinery and equipment	67,945	(31,973)	35,972
Furniture and fittings	476	(258)	218
Motor vehicles	2,215	(1,267)	948
Capital work-in-progress	124,727	-	124,727
	209,781	(35,532)	174,249



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

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		THE COMPANY	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Freehold land	4,722	4,705	3,294	3,294
Buildings	49,481	23,654	23,861	9,090
Property, plant and equipment	269,378	35,972	269,378	35,972
Furniture and fittings	85	178	85	178
Capital work-in-progress	-	124,727	-	124,727
	323,666	189,236	296,618	173,261

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

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Plant and equipment	22,545	12,251	9,750	-
Motor vehicles	746	1,390	136	597
	23,291	13,641	9,886	597

**8. PREPAID LEASE PAYMENTS**

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Cost	11,590	11,590	4,061	4,061
Accumulated amortisation	(469)	(261)	(132)	(88)
Net book value	11,121	11,329	3,929	3,973
Accumulated amortisation:-				
At 1.1.2006/2005	261	56	88	44
Amortisation for the financial year	208	205	44	44
At 31.12.2006/2005	469	261	132	88
Analysed as:-				
Long leasehold land	4,649	4,693	3,929	3,973
Short leasehold land	6,472	6,636	-	-
	11,121	11,329	3,929	3,973

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

## Notes to the Financial Statements continued

### 9. OTHER INVESTMENT

	THE GROUP/THE COMPANY	
	2006 RM'000	2005 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	
	2006 RM'000	2005 RM'000
Goodwill on consolidation	5,855	5,855
Negative goodwill		
At 1 January	(670)	(670)
Effect of adopting FRS 3 - Derecognition of negative goodwill	670	-
At 31 December	-	(670)
Accumulated amortisation	5,855	5,185
At 1 January	(2,909)	(2,341)
Amortisation during the financial year	-	(568)
	(2,909)	(2,909)
At 31 December	2,946	2,276

As a result of the adoption of FRS 3 - Business Combinations, under the transitional provisions of FRS 3, negative goodwill which arose from the acquisition of subsidiaries before FRS 3 became effective was derecognised with a corresponding increase in retained profits.

### 11. INVENTORIES

	THE GROUP		THE COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
AT COST:-				
Raw materials	16,794	7,694	3,047	1,258
Work-in-progress	1,498	1,192	-	-
Finished goods	22,089	13,879	13,629	5,219
Spare parts and consumables	2,612	2,663	2,612	2,663
	42,993	25,428	19,288	9,140

None of the inventories is carried at net realisable value.

### 12. TRADE RECEIVABLES

	THE GROUP		THE COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade receivables	27,944	24,970	8,300	9,106
Allowance for doubtful debts:-				
At 1 January	(33)	-	-	-
Additions during the year	-	(33)	-	-
Written off during the year	-	-	-	-
At 31 December	(33)	(33)	-	-
	27,911	24,937	8,300	9,106

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.

**12. TRADE RECEIVABLES (CONT'D)**

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

	THE GROUP		THE COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
United States Dollar	18,001	10,251	6,106	6,252

**13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

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

	THE GROUP/THE COMPANY	
	2006 RM'000	2005 RM'000
United States Dollar	-	206
Euro	-	24

**14. AMOUNT OWING BY/(TO) SUBSIDIARIES**

	THE COMPANY	
	2006 RM'000	2005 RM'000
Amount owing by subsidiaries		
- Trade	4,954	4,137
- Non-trade	3,811	-
	8,765	4,137
Amount owing to subsidiaries		
- Trade	(857)	-
- Non-trade	(6,411)	(5,266)
	(7,268)	(5,266)

The normal trade credit term is 90 days.

The amount owing is unsecured, interest-free and not subject to fixed terms of repayment.

**15. SHARE CAPITAL**

	THE COMPANY			
	2006 NUMBER OF SHARES ('000)	2005 NUMBER OF SHARES ('000)	2006 RM'000	2005 RM'000
AUTHORISED ORDINARY SHARES OF RM1 EACH:-				
AUTHORISED	500,000	500,000	500,000	500,000
ISSUED AND FULLY PAID-UP	80,000	80,000	80,000	80,000

## Notes to the Financial Statements continued

### 15. SHARE CAPITAL (CONT'D)

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. The Warrants were issued on the basis of 1 Warrant for every 2 ordinary shares held on 31 December 2004, being the entitlement date. The Warrants are constituted under a Deed Poll executed on 10 December 2004, and each Warrant entitles 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 new ordinary share at the exercise price of RM2 each.

As at 31 December 2006, none of the 40,000,000 Warrants was exercised. Details of the Warrants as at 31 December 2006 are as follows:-

Exercise Period	Exercise Price	Number of Warrants
31 December 2006 to 31 December 2009	RM2	40,000,000

### 16. SHARE PREMIUM

	THE GROUP/THE COMPANY	
	2006 RM'000	2005 RM'000
At 1 January	12,886	12,925
Listing expenses set off against share premium	-	[39]
At 31 December	12,886	12,886

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.

### 17. RETAINED PROFITS

Subject to agreement with 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.

### 18. DIVIDENDS

	THE GROUP/THE COMPANY	
	2006 RM'000	2005 RM'000
Dividend proposed for the financial year: - Final dividend of RM0.05 (2005 - RM0.03) per ordinary share less 27% (2005 - 28%) tax	2,920	1,728

The directors propose a final dividend of RM0.05 (2005 - RM0.03) per ordinary share less 27% (2005 - 28%) tax amounting to RM2,920,000 (2005 - RM1,728,000) in respect of the current financial year. The proposed dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting and has not been included as a liability in the financial statements.

The dividend proposed for 2005 was paid in the current financial year.

### 19. LONG-TERM BORROWINGS

	THE GROUP		THE COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Hire purchase payables (Note 26)	6,857	2,851	5,835	98
Term loans (Note 27)	148,469	90,799	139,846	84,006
	155,326	93,650	145,681	84,104

**20. PROVISION FOR RETIREMENT BENEFITS**

	THE GROUP		THE COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
At 1 January	631	469	427	340
Charge for the financial year	148	162	94	87
At 31 December	779	631	521	427
The retirement benefit obligations are expected to be settled as follows:-				
Non-current (Note 21):				
- later than 2 years and not later than 5 years	258	218	258	218
- later than 5 years	521	413	263	209
	779	631	521	427

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

	THE GROUP		THE COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Current service costs	161	100	50	45
Interest costs	18	14	15	12
Past service costs	600	517	456	370
	779	631	521	427

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 RM64,000 (2005 - RM56,000) was in respect of retirement benefits for executive directors.

The principal actuarial assumptions used are as follows:

	THE GROUP/THE COMPANY	
	2006 %	2005 %
Discount rate	5	5
Expected rate of salary increases	3 to 5	3 to 5

## Notes to the Financial Statements continued

### 21. DEFERRED TAXATION

	THE GROUP		THE COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
At 1 January	11,468	12,432	10,150	11,114
Recognised in income statement (Note 32)	3,538	(801)	2,809	(801)
	15,006	11,631	12,959	10,313
Overprovision in previous financial year	-	(163)	-	(163)
	15,006	11,468	12,959	10,150

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

	THE GROUP		THE COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deferred tax liability:				
- Accelerated capital allowances	16,328	12,125	14,192	10,270
Deferred tax assets:				
- Provision for retirement benefits	(192)	(153)	(146)	(120)
- Provision for compensation	(60)	-	(60)	-
- Unrealised foreign exchange loss	(31)	-	(31)	-
- Unutilised tax losses	-	(504)	-	-
- Unabsorbed capital allowances	(1,039)	-	(996)	-
	15,006	11,468	12,959	10,150

### 22. TRADE PAYABLES

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

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

	THE GROUP		THE COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Euro	800	-	800	-
United States Dollar	2,245	772	142	-
	3,045	772	942	-

**23. OTHER PAYABLES, ACCRUALS AND PROVISIONS**

Included in other payables and accruals of the Group and of the Company is an amount owing to creditors of approximately RM34 million for the supply, installation and commissioning of a plant for the production of particleboard.

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

	THE GROUP/THE COMPANY	
	2006 RM'000	2005 RM'000
United States Dollar	356	-
Euro	8	-
	364	-

**24. AMOUNT OWING TO RELATED PARTIES**

These amounts owing are unsecured, interest-free and not subject to fixed terms of repayment.

The nature of the related party relationship and details of the transactions involved are disclosed in Note 38 to the financial statements.

**25. SHORT-TERM BORROWINGS**

	THE GROUP		THE COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Bankers' acceptances	28,512	20,217	17,146	14,308
Export credit refinancing	5,065	-	-	-
Hire purchase payables (Note 26)	4,357	4,313	1,619	223
Term loans (Note 27)	24,456	618	23,472	-
	62,390	25,148	42,237	14,531

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

	THE GROUP		THE COMPANY	
	2006 %	2005 %	2006 %	2005 %
Bankers' acceptances	4.30	4.7	3.82	4.7
Export credit refinancing	4.50	-	-	-
Term loans	5.77	6.8	5.78	5.0

The bankers' acceptances and term loans are secured by way of:-

- (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) corporate guarantees from a substantial corporate shareholder and from the Company.

## Notes to the Financial Statements continued

### 26. HIRE PURCHASE PAYABLES

	THE GROUP		THE COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Future minimum hire purchase payments:				
- not later than one year	5,101	4,748	2,095	251
- later than one year and not later than five years	7,718	3,122	6,563	107
	12,819	7,870	8,658	358
Future finance charges	(1,605)	(706)	(1,204)	(37)
Present value of hire purchase payables	11,214	7,164	7,454	321
Current:				
- not later than one year (Note 25)	4,357	4,313	1,619	223
Non-current:				
- later than one year and not later than five years (Note 19)	6,857	2,851	5,835	98
	11,214	7,164	7,454	321

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

	THE GROUP		THE COMPANY	
	2006 %	2005 %	2006 %	2005 %
Hire purchase payables	5.4 to 10.7	5.4 to 10.7	5.5 to 8.7	5.5 to 8.7

### 27. TERM LOANS

	THE GROUP		THE COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Current portion:				
- repayable within one year (Note 25)	24,456	618	23,472	-
Non-current portion (Note 19):				
- repayable between one and two years	32,915	8,211	31,995	7,667
- repayable between two and five years	87,925	64,656	84,682	62,736
- repayable after five years	27,629	17,932	23,169	13,603
	148,469	90,799	139,846	84,006
	172,925	91,417	163,318	84,006

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 RM'000	COMMENCEMENT DATE OF REPAYMENT	AMOUNT OUTSTANDING			
				THE GROUP		THE COMPANY	
				2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
1	180	22 to 26	26 October 2004	2,688	2,820	-	-
2	120	58	1 March 2005	4,140	4,591	-	-
3	36	36	18 August 2008	19,986	6,843	19,986	6,843
4	28 (quarterly)	4,634 (quarterly)	1 May 2007	129,745	77,163	129,745	77,163
5	8 (quarterly)	1,698 (quarterly)	1 January 2007	13,587	-	13,587	-
6	84	27 to 29	29 December 2006	1,979	-	-	-
7	60	16	26 January 2007	800	-	-	-
				172,925	91,417	163,318	84,006

Term loans 4 and 5 are denominated in United States Dollar.

**28. BANK OVERDRAFTS**

The bank overdrafts of the Group and of the Company bear interest at 7.78% and 7.88% (2005 - 7.82% and 7.88%) per annum and are secured in the same manner as the bankers' acceptances and term loans as disclosed in Note 25 to the financial statements.

**29. NET ASSETS PER SHARE**

The net assets per share of the Group is calculated based on the net assets value at the balance sheet date of RM125,991,000 (2005 - RM119,293,000) divided by the number of ordinary shares in issue at the balance sheet date of 80,000,000 (2005 - 80,000,000) shares.

**30. REVENUE**

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

**31. PROFIT BEFORE TAXATION**

	THE GROUP		THE COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Profit before taxation is arrived at after charging/(crediting):-				
Allowance for doubtful debts	9	33	-	-
Amortisation of goodwill	-	568	-	-
Amortisation of prepaid lease payments	208	205	44	44
Audit fee				
- for the financial year	59	54	23	22
- overprovision in previous financial year	(2)	(2)	-	-

## Notes to the Financial Statements continued

### 31. PROFIT BEFORE TAXATION (CONT'D)

	THE GROUP		THE COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Profit before taxation is arrived at after charging/(crediting):-				
Bad debts written off	1,066	34	-	-
Depreciation of property, plant and equipment	10,101	8,155	5,746	4,252
Directors' fees	190	252	190	200
Directors' non-fee emoluments	405	592	405	592
Interest expense:				
- bankers' acceptances	1,156	885	813	663
- hire purchase	546	460	106	39
- overdrafts	458	323	388	293
- term loans	1,949	313	1,525	-
- export credit refinancing	158	-	-	-
Provision for claims	214	-	214	-
Provision for retirement benefits				
- directors	64	56	58	56
- others	84	106	36	31
Realised loss on foreign exchange:	-	181	156	95
Rental of equipment	5	-	5	-
Rental of premises	262	230	47	-
Staff costs	22,302	20,937	5,934	5,544
Dividend income	-	-	(1,490)	(2,980)
Gain on disposal of equipment	(147)	-	(141)	-
Gain on foreign exchange				
- realised	(154)	-	-	-
- unrealised	(6,473)	-	(6,473)	-
Interest income	(36)	(44)	(22)	(29)

The benefits-in-kind received by the directors of the Group and of the Company was RM53,000 (2005 - RM53,000).

### 32. INCOME TAX EXPENSE

	THE GROUP		THE COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Current taxation	301	2,305	168	1,812
Deferred taxation (Note 21)	3,538	(801)	2,809	(801)
	3,839	1,504	2,977	1,011
Overprovision in previous financial years				
- current taxation	(2,214)	(550)	(1,812)	(542)
- deferred taxation	-	(163)	-	(163)
	1,625	791	1,165	306

**32. INCOME TAX EXPENSE (CONT'D)**

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

	THE GROUP		THE COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Profit before taxation	9,381	9,845	10,147	7,783
Tax at the statutory tax rate of 28%	2,627	2,757	2,841	2,179
Tax effects of:				
Non-deductible expenses	2,049	375	1,197	219
Non-taxable income	(1,566)	-	(1,922)	(834)
Double deductions	-	(555)	-	(555)
Pioneer status tax- exempt income	-	(586)	-	-
Deferred tax assets not recognised	861	-	861	-
Utilisation of previously unrecognised deferred tax assets	-	(487)	-	-
Utilisation of reinvestment allowance	(126)	-	-	-
Overprovision in previous financial years				
- current taxation	(2,214)	(550)	(1,812)	(542)
- deferred taxation	-	(163)	-	(163)
- others	(6)	-	-	2
	1,625	791	1,165	306

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

	THE GROUP		THE COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Unabsorbed capital allowances	3,713	-	3,559	-
Unabsorbed reinvestment allowances	3,372	3,822	-	-
Unabsorbed investment tax allowances	251,503	111,174	251,503	111,174
Unabsorbed allowance for exports increase	39,934	39,934	-	-
	298,522	154,930	255,062	111,174

**33. EARNINGS PER SHARE**

The basic earnings per share is arrived at by dividing the Group's profit after taxation of RM7,756,000 (2005 - RM9,054,000) by the number of ordinary shares in issue during the financial year of 80,000,000 (2005 - 80,000,000).

There is no dilutive effect arising from the Company's warrants which are not exercised as the exercise price is above the average market price of the Company's shares during the current financial year.

Notes to the Financial Statements continued

**34. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT**

	THE GROUP		THE COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cost of property, plant and equipment purchased	134,937	119,990	128,264	115,813
Amount financed through hire purchase	(9,481)	(2,195)	(7,845)	(177)
Cash disbursed for the purchase of property, plant and equipment	125,456	117,795	120,419	115,636

**35. CASH AND CASH EQUIVALENTS**

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

	THE GROUP		THE COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cash and bank balances	1,992	888	33	162
Bank overdrafts	(9,082)	(5,262)	(6,939)	(4,576)
	(7,090)	(4,374)	(6,906)	(4,414)

**36. CONTINGENT LIABILITY - UNSECURED**

	THE COMPANY	
	2006 RM'000	2005 RM'000
Corporate guarantee given to financial institutions for banking facilities granted to subsidiaries	14,624	28,179

**37. SIGNIFICANT RELATED COMPANY TRANSACTIONS**

	THE COMPANY	
	2006 RM'000	2005 RM'000
Sales to subsidiaries:		
- HeveaPac Sdn. Bhd.	13,807	9,894
- HeveaMart Sdn. Bhd.	4,110	6,818
Dividend income from subsidiaries:		
- HeveaPac Sdn. Bhd.	1,490	2,980
Purchase of plant from a subsidiary:		
- Hevea OSB Sdn. Bhd.	-	4,796

**38. SIGNIFICANT RELATED PARTY TRANSACTIONS**

	THE GROUP		THE COMPANY	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Nature of transactions</b>				
Purchase of equipment from a related party - Firama Engineering Berhad	153	-	153	-
Construction cost of property charged by a related party: - Fizwah Pembinaan Sdn. Bhd.	11,556	9,185	10,774	7,059

	NOTE	THE GROUP		THE COMPANY	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Balance as at balance sheet date</b>					
Amount owing to:					
(i) HeveaWood Industries Sdn. Bhd.	(a)	3,203	3,166	3,203	2,655
(ii) NuBoard-Mah Fah JV Sdn. Bhd.	(b)	2,991	3,115	2,991	2,992
(iii) Fizwah Pembinaan Sdn. Bhd.	(c)	524	3,723	524	1,954
(iv) Firama Holdings Sdn. Bhd.	(d)	119	146	189	146
(v) Sanur Sdn. Bhd.	(e)	45	45	45	45
		6,882	10,195	6,952	7,792

- (a) HeveaWood Industries Sdn. Bhd. is a substantial shareholder of the Company. Certain directors of HeveaWood Industries Sdn. Bhd. namely Yoong Tein Seng @ Yong Kian Seng, Y. Bhg. Dato' Loo Swee Chew, Y. Bhg. Dato' Seri Yong Tu Sang and Yoong Hau Chun are also directors of the Company and the amount owing is mainly due to dividend payable.
- (b) NuBoard-Mah Fah JV Sdn. Bhd. is a subsidiary of HeveaWood Industries Sdn. Bhd. A director of NuBoard-Mah Fah JV Sdn. Bhd. namely Yoong Tein Seng @ Yong Kian Seng is also a director of the Company and the amount owing is due to the purchase of short leasehold land.
- (c) Wan Hassan Bin Wan Abdul Rahman, who was also a substantial shareholder of the Company, is also a substantial shareholder and director of Fizwah Pembinaan Sdn. Bhd. In addition, Yoong Tein Seng @ Yong Kian Seng, a substantial shareholder and director of the Company is also deemed interested in Fizwah Pembinaan Sdn. Bhd. by virtue of his relationship with his brother-in-law, who is a substantial shareholder and director of Fizwah Pembinaan Sdn. Bhd. The amount owing is due to the construction cost of property.
- (d) Firama Holdings Sdn. Bhd. is a substantial shareholder of the Company. A director of Firama Holdings Sdn. Bhd. namely Yoong Tein Seng @ Yong Kian Seng is also a director of the Company and the amount owing is mainly due to dividend payable.
- (e) Sanur Sdn. Bhd. is a substantial shareholder of the Company and the directors of Sanur Sdn. Bhd. are sons of a director of the Company, namely Tan Sri Dato' Seri Mohamed Bin Rahmat and the amount owing is mainly due to dividend payable.

**38. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)**

The directors are of the opinion that the above transactions have been entered into in the ordinary course of business and have been established under terms that were mutually agreed between the parties.

**39. SIGNIFICANT EVENT SUBSEQUENT TO THE BALANCE SHEET DATE**

Subsequent to the balance sheet date, on 17 March 2007, a fire occurred at the factory of a subsidiary company, HeveaPac Sdn. Bhd. which damaged the building and certain finished goods which were estimated at approximately RM1.3 million. A claim has been submitted to the insurance company which is being reviewed at the date of this report.

**40. 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	
	2006	2005
	RM'000	RM'000
Directors of the Company:-		
Executive directors:-		
- salaries, bonus and EPF	789	768
Non-Executive directors:-		
- fees	190	200
	979	968
Retirement benefits for executive directors	64	56

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

	THE GROUP/THE COMPANY	
	2006	2005
Executive directors		
RM200,001 - RM250,000	-	-
RM250,001 - RM300,000	1	1
RM450,001 - RM500,000	1	1
	2	2
Non-Executive directors:-		
Below RM50,000	3	4
RM50,001 - RM100,000	1	1
	6	7

**41. CAPITAL COMMITMENT**

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Plant and equipment:				
- Approved but not contracted for	2,130	22,403	-	20,285
- Approved and contracted for	9,869	78,490	-	77,990

\* In the previous financial year, the Group has commenced on an expansion plan involving the establishment of a second particleboard line located adjacent to its current existing particleboard plant in Gemas. During the financial year, the second particleboard line has been completed and commenced commercial production in November 2006.

## 42. SEGMENTAL INFORMATION

	MANUFACTURING		TRADING		OTHERS		ELIMINATIONS		GROUP	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Revenue	170,595	145,896	27,692	33,797	-	-	(35,162)	(32,019)	163,125	147,674
Results:										
Segment results	14,854	14,333	317	984	(5)	(3)	(1,518)	(3,487)	13,648	11,827
Finance costs	(1,727)	(1,195)	(45)	(15)	-	-	-	-	(1,772)	(1,210)
Other finance costs									(2,495)	(772)
Profit before taxation									9,381	9,845
Taxation									(1,625)	(791)
Profit after taxation									7,756	9,054
Other information										
Segment assets #	481,105	330,622	9,709	7,772	6,167	6,171	(57,661)	(53,973)	439,320	290,592
Unallocated corporate assets									2,675	381
Segment liabilities *	129,346	69,644	6,552	4,780	21	21	(19,066)	(12,845)	441,995	290,973
Unallocated corporate liabilities									199,151	110,080
Capital expenditure	134,743	119,977	177	2	17	11	-	-	316,004	171,680
Depreciation and amortisation	10,271	8,322	38	38	-	-	-	-	10,309	8,360
Goodwill written off	-	-	-	-	-	-	-	568	-	568

# - Segment assets comprise total current and non-current assets, less tax refundable.

\* - Segment liabilities comprise total current and non-current liabilities, less bank borrowings and tax payable.

The Group operates wholly in Malaysia.

**43. FOREIGN EXCHANGE RATES**

The applicable closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) for the translation of the foreign currency balances at the balance sheet date are as follows:-

	<b>THE GROUP/THE COMPANY</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
United States Dollar	3.53	3.78
Euro	4.65	4.48

**44. 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) Bank Balances and Other Liquid Funds and Short-Term Receivables**

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

**(b) Other Investments**

The fair values of quoted investments are estimated based on quoted market prices for these investments.

For unquoted investments, it is not practicable to determine the fair values because of the lack of quoted market prices and the assumptions used in valuation models to value these investments cannot be reasonably determined. However, the Group believes that the carrying amount represents the recoverable amount.

**(c) 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.

**(d) Short-Term Borrowings and Other Current Liabilities**

The carrying amounts approximated their fair values because of the short period to maturity of these instruments.

**(e) Long-Term Bank Loans**

The carrying amounts approximated their fair values as these instruments bear interest at variable rates.

**(f) Amounts Owning By/(To) Subsidiaries and Related Parties**

It is not practicable to estimate the fair value of the amounts owing by/(to) subsidiaries and related parties due principally to a lack of fixed repayment terms. However, the Group and the Company do not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.



**44. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D)****(g) 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:

	Note	THE COMPANY	
		Nominal Amount RM'000	Net Fair Value RM'000
At 31 December 2006			
Corporate Guarantess	36	14,624	*

	Note	THE COMPANY	
		Nominal Amount RM'000	Net Fair Value RM'000
At 31 December 2005			
Corporate Guarantess	36	28,179	*

\* 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.

**45. EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs**

The following comparative figures have been restated as a result of adopting the new and revised FRS:-

	As Previously Reported RM	Effects of Adopting FRS 110 RM	Effects of Adopting FRS 117 RM	As Restated RM
THE GROUP				
BALANCE SHEET (EXTRACT)				
Property, plant and equipment	233,985	-	(10,632)	223,353
Prepaid lease payments	-	-	10,632	10,632
Dividend proposed	1,728	(1,728)	-	-
Retained profits	24,679	1,728	-	26,407
THE COMPANY				
BALANCE SHEET (EXTRACT)				
Property, plant and equipment	178,222	-	(3,973)	174,249
Prepaid lease payments	-	-	3,973	3,973
Dividend proposed	1,728	(1,728)	-	-
Retained profits	11,338	1,728	-	13,066

**46. COMPARATIVE FIGURES**

In addition to those disclosed in Note 45 to the financial statements, the following comparative figures have been reclassified to conform with the presentation of the current financial year:-

	THE GROUP		THE COMPANY	
	As Restated RM'000	As Previously Reported RM'000	As Restated RM'000	As Previously Reported RM'000
INCOME STATEMENTS (EXTRACT):-				
Administrative expenses	9,759	9,288	3,520	3,396
Finance costs	1,982	2,453	995	1,119

## List of Properties

Registered Owner	Location	Description/ existing use	Tenure of Land	Land Area	Audited Net Book Value as at 31st December 2006
HeveaBoard	Lot 1941 & 1942, , Batu Tiga, Jalan Tampin, 73400 Gemas Negeri Sembilan Darul Khusus	Factory, Office and Warehouse	Freehold	47,255 sq. m	<b>12,162</b>
	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	<b>18,921</b>
	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	<b>269</b>
Hevea OSB	Lot 1943, Batu Tiga Jalan Tampin, 73400 Gemas Negeri Sembilan Darul Khusus	Vacant	Freehold Land	20,283 sq. m	<b>1,428</b>
HeveaPac	PT 414, Kawasan Perindustrian Sg. Gadut KM 11, Jalan Tampin, 71450 Seremban, Negeri Sembilan	Factory Buildings and Office Blocks	Leasehold (Expires on 22-1-2047)	39,659 sq. m	<b>12,004</b>
	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	<b>17,049</b>
	PT 403, Kawasan Perindustrian Sg. Gadut KM 11, Jalan Tampin, 71450 Seremban, Negeri Sembilan Darul Khusus	Warehouse Hostel	Leasehold (Expires on 21-3-2045)	21,044 sq. m	<b>2,644</b>

## Analysis of Shareholdings

<b>A.</b> Authorised Share Capital	:	RM500,000,000.00
Issued and fully paid up Capital	:	RM80,000,000.00
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 9 MAY 2007

Size of Shareholdings	No. of Holders	%	No. of Shares	%
Less than 100	1	0.09	50	0.00
100 - 1,000	654	61.18	213,600	0.27
1,001 - 10,000	268	25.07	1,155,350	1.44
10,001 - 100,000	88	8.23	3,035,000	3.79
100,001 - 3,999,999 (less than 5% of issued shares)	54	5.06	37,542,000	46.93
4,000,000 (5% of issued shares) and above	4	0.37	38,054,000	47.57
<b>Total</b>	<b>1,069</b>	<b>100.00</b>	<b>80,000,000</b>	<b>100.00</b>

### C. SUBSTANTIAL SHAREHOLDERS AS AT 9 MAY 2007

Name	Direct		Indirect		
	No. of Shares	%	No. of Shares	%	
1. HeveaWood Industries Sdn Bhd	27,075,000	33.84	2,729,500	3.41	Ⓐ
2. Sanur Sdn Bhd	7,435,000	9.29	-	-	
3. Firama Holdings Sdn Bhd	4,979,000	6.22	29,804,500	37.26	*
4. Liang Chong Wai	188,600	0.24	29,804,500	37.26	*
5. Yoong Tein Seng @ Yong Kian Seng	150,000	0.19	34,989,500	43.74	***
6. Yoong Hau Chun	150,000	0.19	34,989,500	43.74	#
7. Dato' Seri Yong Tu Sang	150,000	0.19	29,804,500	37.26	ⒶⒶ
8. Dato' Loo Swee Chew	150,000	0.19	29,804,500	37.26	*
9. Nur Jazman bin Mohamed	50,000	0.06	7,435,000	9.29	##
10. Tenson Holdings Sdn Bhd	-	-	34,783,500	43.48	**
11. Mah Fah Victor Group Sdn Bhd	-	-	34,783,500	43.48	~
12. Sung Lee Timber Trading Sdn Bhd	-	-	29,804,500	37.26	*
13. Datuk Nur Jazlan bin Mohamed	-	-	7,485,000	9.36	###
14. Nur Jasni bin Mohamed	-	-	7,485,000	9.36	###

Ⓐ Deemed interested by virtue of HeveaWood Industries Sdn Bhd being entitled to control the exercise of 100 percent of the votes attached to the voting shares in Gemas Ria Sdn Bhd.

ⒶⒶ Deemed interested by virtue of Section 6A of the Companies Act, 1965 (shareholdings held through Sung Lee Timber Trading Sdn Bhd, a substantial shareholder of HeveaWood Industries Sdn Bhd) 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 Companies Act, 1965 and deemed interested by virtue of HeveaWood Industries Sdn Bhd being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn Bhd.

## Analysis of Shareholdings continued

### C. SUBSTANTIAL SHAREHOLDERS AS AT 9 MAY 2007 (CONT'D)

- \*\* Deemed interested by virtue of its substantial shareholdings in HeveaWood Industries Sdn Bhd and Firama Holdings Sdn Bhd pursuant to Section 6A of the Companies Act, 1965 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 Companies Act, 1965 (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 his shareholdings in Sanur Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.
- ### Deemed interested by virtue of his shareholdings in Sanur Sdn Bhd pursuant to Section 6A of the Companies Act, 1965 and by virtue of his relationship with Nur Jazman bin Mohamed, his brother.
- ~ Deemed interested by virtue of its substantial shareholdings in Firama Holdings Sdn Bhd 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 9 MAY 2007

Name	Direct		Indirect		
	No. of Shares	%	No. of Shares	%	
1. Tan Sri Dato' Seri Mohamed bin Rahmat	950,000	1.19	-	-	
2. Yoong Tein Seng @ Yong Kian Seng	150,000	0.19	34,989,500	43.74	***
3. Yoong Hau Chun	150,000	0.19	34,989,500	43.74	#
4. Dato' Loo Swee Chew	150,000	0.19	29,804,500	37.26	*
5. Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	-	-	-	-	
6. Lim Kah Poon	50,000	0.06	-	-	
7. Bailey Policarpio	25,000	0.03	-	-	

- \*\*\* Deemed interested by virtue of Section 6A of the Companies Act, 1965 (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 relationships 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 his substantial shareholdings in HeveaWood Industries Sdn Bhd pursuant to Section 6A of the Companies Act, 1965 and deemed interested by virtue of HeveaWood Industries Sdn Bhd being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn Bhd.

## Analysis of Shareholdings continued

### E. LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 9 May 2007

Name	No. of Shares Held	%
1. HeveaWood Industries Sdn Bhd	18,075,000	22.59
2. Cimsec Nominees (Tempatan) Sdn Bhd - CIMB Bank for HeveaWood Industries Sdn Bhd (Retail Banking)	9,000,000	11.25
3. OSK Nominees (Tempatan) Sdn Berhad - OSK Capital Sdn Bhd for Sanur Sdn Bhd	6,000,000	7.50
4. TA Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Firama Holdings Sdn Bhd	4,979,000	6.22
5. Timeless Image Sdn Bhd	3,900,000	4.88
6. TCL Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yap Kiew @ Yap Chin Fook	3,033,500	3.79
7. HSBC Nominees (Asing) Sdn Bhd - Exempt an for Morgan Stanley & Co. Incorporated	2,874,800	3.59
8. EB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Gemas Ria Sdn Bhd (SFC)	1,984,600	2.48
9. MIDF Sisma Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Wan Hassan Bin Wan Abdul Rahman (MGN-WHW0003M)	1,924,100	2.41
10. Sanur Sdn Bhd	1,435,000	1.79
11. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Mak Sze Ling	1,366,400	1.71
12. Yee Kong Yin	1,296,900	1.62
13. Liau Choon Hwa & Sons Sdn Bhd	1,220,000	1.53
14. A.A. Anthony Securities Sdn Bhd - IVT (CI001)	1,038,000	1.30
15. Ah Kayu Moy @ Lee Kay Moy	1,000,000	1.25
16. Malaysia Nominees (Tempatan) Sendirian Berhad - Pledged Securities Account for Fizwah Pembinaan Sdn Bhd (40-00094-000)	1,000,000	1.25
17. Multi-Purpose Insurans Bhd	1,000,000	1.25
18. HDM Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Wan Hassan Bin Wan Abdul Rahman (M02)	968,600	1.21
19. OSK Nominees (Tempatan) Sdn Berhad - OSK Capital Sdn Bhd for Mohamed Bin Rahmat	950,000	1.19
20. Lancar Indah Sdn Bhd	850,000	1.06
21. BHLB Trustee Berhad - Prugrowth Fund	823,100	1.03
22. Amanah Raya Nominees (Tempatan) Sdn Bhd - Public Islamic Opportunities Fund	800,000	1.00
23. Gemas Ria Sdn Bhd	744,900	0.93
24. Malaysia Nominees (Tempatan) Sendirian Berhad - Pledged Securities Account for Liau Thai Min (40-00088-000)	720,000	0.90
25. Peh Ju Chai	648,000	0.81
26. Y.A.M. Tunku Imran Ibni Tuanku Ja'afar	580,000	0.73
27. BIMB Musyarakah Satu Sdn Bhd	500,000	0.63
28. Yen Woon @ Low Sau Chee	500,000	0.63
29. Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Wawasan 2020	485,000	0.61
30. MIDF Sisma Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Gun Chun Len (MGN-GCL0003M)	431,800	0.54
	<b>70,128,700</b>	<b>87.66</b>

# Analysis of Warrantholdings

## A. DISTRIBUTION OF WARRANTHOLDINGS AS AT 9 MAY 2007

Size of Warrantholdings	No. of Holders	%	No. of Warrants	%
Less than 100	22	6.85	1,100	0.00
100 - 1,000	138	42.99	93,700	0.23
1,001 - 10,000	89	27.73	362,600	0.91
10,001 - 100,000	48	14.95	1,631,544	4.08
100,001 - 1,999,999 (less than 5% of issued warrants)	18	5.61	7,261,856	18.16
2,000,000 (5% of issued warrants) and above	6	1.87	30,649,200	76.62
<b>Total</b>	<b>321</b>	<b>100.00</b>	<b>40,000,000</b>	<b>100.00</b>

## B. LIST OF THIRTY (30) LARGEST WARRANTHOLDERS AS AT 9 MAY 2007

Name	No. of Warrants Held	%
1. HeveaWood Industries Sdn Bhd	13,537,500	33.84
2. TA Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Firama Holdings Sdn Bhd	5,325,000	13.31
3. Liang Chong Wai	3,858,900	9.65
4. TCL Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yap Kiew @ Yap Chin Fook	2,970,200	7.43
5. Mak Sze Ling	2,921,300	7.30
6. KPF Equities Holdings Sdn Bhd	2,036,300	5.09
7. OSK Nominees (Tempatan) Sdn Berhad - OSK Capital Sdn Bhd for Sanur Sdn Bhd	1,677,500	4.19
8. HDM Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yap Kiew @ Yap Chin Fook (M07)	813,500	2.03
9. Liau Choon Hwa & Sons Sdn Bhd	625,000	1.56
10. Y.A.M. Tunku Imran Ibni Tuanku Ja'afar	540,000	1.35
11. Ah Kayu Moy @ Lee Kay Moy	500,000	1.25
12. Mak Sze Ling	500,000	1.25
13. Fizwah Pembinaan Sdn Bhd	355,000	0.89
14. Yee Kong Yin	352,800	0.88
15. Liau Thai Min	340,150	0.85
16. Yap Kiew @ Yap Chin Fook	284,600	0.71
17. Yap Kiew @ Yap Chin Fook	263,300	0.66
18. Keoy Hun Eng	215,000	0.54
19. Wan Mahyumi Binti Wan Mohd Fizi	150,006	0.38
20. Firama Engineering Bhd	150,000	0.38
21. Wan Hassan Bin Wan Abdul Rahman	150,000	0.38
22. Mak Meow Hoo	130,000	0.33
23. Mak Chee Weng	110,000	0.28
24. Raden Corporation Sdn Bhd	105,000	0.26
25. Ng Wen Li	99,000	0.25

## Analysis of Warrantholdings continued

### B. LIST OF THIRTY (30) LARGEST WARRANTHOLDERS AS AT 9 MAY 2007 (CONT'D)

Name	No. of Warrants Held	%
26. MIDF Sisma Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Wan Hassan Bin Wan Abdul Rahman (MGN-WHW0003M)	76,000	0.19
27. EB Nominees (Tempatan) Sendirian Berhad - Pledged Securities Account for Yong Kian Seng @ Yoong Tein Seng (SMB-SFC)	75,000	0.19
28. EB Nominees (Tempatan) Sendirian Berhad - Pledged Securities Account for Loo Swee Chew (SMB-SFC)	75,000	0.19
29. EB Nominees (Tempatan) Sendirian Berhad - Pledged Securities Account for Yong Tu Sang (SMB-SFC)	75,000	0.19
30. HDM Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Wan Hassan Bin Wan Abdul Rahman (M02)	72,000	0.18
	<b>38,383,056</b>	<b>95.96</b>

### C. DIRECTORS' WARRANTHOLDINGS AS AT 9 MAY 2007

Name	Direct		Indirect		
	No. of Warrants	%	No. of Warrants	%	
1. Tan Sri Dato' Seri Mohamed bin Rahmat	-	-	-	-	
2. Yoong Tein Seng @ Yong Kian Seng	75,000	0.19	19,012,500	47.53	***
3. Yoong Hau Chun	75,000	0.19	19,012,500	47.53	#
4. Dato' Loo Swee Chew	75,000	0.19	13,587,500	33.97	*
5. Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	-	-	-	-	
6. Lim Kah Poon	25,000	0.06	-	-	
7. Bailey Policarpio	20,000	0.05	-	-	

\*\*\* Deemed interested by virtue of Section 6A of the Companies Act, 1965 (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 relationships 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 his substantial shareholdings in HeveaWood Industries Sdn Bhd pursuant to Section 6A of the Companies Act, 1965 and deemed interested by virtue of HeveaWood Industries Sdn Bhd being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn Bhd.

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirteenth (13th) Annual General Meeting of **HeveaBoard Berhad** will be held at Hotel Equatorial, Raya Room, Mezzanine Level, Jalan Sultan Ismail, 50250 Kuala Lumpur on Friday, 8 June 2007 at 10.00 a.m., for the purpose of considering the following businesses:

## AGENDA

### Ordinary Business

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2006 together with the Reports of the Directors and the Auditors thereon. Ordinary Resolution 1
2. To declare a final dividend of 5 sen per ordinary share less 27% tax for the financial year ended 31 December 2006. Ordinary Resolution 2
3. To approve the payment of Directors' fees of RM190,000 for the financial year ended 31 December 2006. Ordinary Resolution 3
4. To approve a 10% increment in respect of the fees for the Non-Executive Directors to an amount not exceeding RM20,000 per person per annum. Ordinary Resolution 4
5. To re-elect the following Directors who are retiring pursuant to the Company's Articles of Association, and being eligible, offering themselves for re-election:
  - (i) Lim Kah Poon, retiring pursuant to Article 124 of the Articles of Association Ordinary Resolution 5
  - (ii) Yoong Hau Chun, retiring pursuant to Article 124 of the Articles of Association Ordinary Resolution 6
  - (iii) Bailey Policarpio, retiring pursuant to Article 129 of the Articles of Association Ordinary Resolution 7
6. To re-appoint Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak, the Director who, being over the age of seventy (70) years, is retiring pursuant to Section 129 (2) of the Companies Act, 1965, and being eligible, offering himself for re-appointment. Ordinary Resolution 8
7. To re-appoint Messrs Horwath as Auditors of the Company and to authorise the Directors to fix their remuneration. Ordinary Resolution 9

### Special Business

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

8. **Ordinary Resolution** Ordinary Resolution 10  
**Authority to Issue and Allot 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 and allot 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 10% of the issued capital of the Company at the time of issue and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued, subject to the Companies Act, 1965, the Articles of Association of the Company and approval from the Bursa Malaysia Securities Berhad and other relevant bodies where such approval is necessary."
9. **Proposed Amendments to the Articles of Association of the Company** Special Resolution 1  
"THAT the alteration, modifications and/or additions to the Articles of Association of the Company as set out under Appendix I of the Circular to Shareholders dated 17 May 2007 be and are hereby approved."



## Notice of Annual General Meeting continued

### NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of the shareholders at the Thirteenth (13th) Annual General Meeting of the Company, a final dividend of 5 sen per ordinary share less 27% tax for the financial year ended 31 December 2006 will be paid on 29 August 2007 to Depositors whose names appear in the Record of Depositors on 1 August 2007.

A depositor shall qualify for entitlement only in respect of:

- (a) Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 1 August 2007 in respect of transfers; and
- (b) Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

MAH LI CHEN (MAICSA 7022751)  
LEE WAI KIM (MAICSA 7036446)  
Company Secretaries

Kuala Lumpur  
17 May 2007

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. 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 C15-1 Level 15 Tower C, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur, Wilayah Persekutuan at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
4. Explanatory Note on Special Business
  - (i) Authority to Issue and Allot Shares pursuant to Section 132D of the Companies Act, 1965

The proposed Ordinary Resolution 10, if passed, will give flexibility to the Directors of the Company to issue shares and allot up to a maximum of ten percentum (10%) of the issued share capital of the Company at the time of such allotment and 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 of the Company.
  - (ii) Proposed Amendments to the Articles of Association of the Company

The proposed Special Resolution 1, if passed, will give effect to the proposed amendments to the Articles of Association ("the Articles") as stated in Appendix 1 of the Circular to Shareholders dated 17 May 2007 and render the Articles consistent to the amendments to Chapter 7 of the Listing Requirements of the Bursa Securities.

## 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 2 and 3 of the Annual Report.

# Proxy Form

Number of Shares Held

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

I/We, \_\_\_\_\_  
*(full name in block letters)*

of *(full address)* \_\_\_\_\_

\_\_\_\_\_ being a member of **HeveaBoard Berhad**, hereby appoint  
*(full name)* \_\_\_\_\_

of *(full address)* \_\_\_\_\_

or failing which, the Chairman of the Meeting as my/our proxy to attend and vote for me/us on my/our behalf at the Thirteenth Annual General Meeting of the Company to be held at Hotel Equatorial, Raya Room, Mezzanine Level, Jalan Sultan Ismail, 50250 Kuala Lumpur on Friday, 8 June 2007 at 10.00 a.m. or at any adjournment thereof and to vote as indicated below:

<b>Ordinary Resolutions</b>	<b>For</b>	<b>Against</b>
1. Adoption of Audited Financial Statements for the financial year ended 31 December 2006		
2. Declaration of a Final Dividend of 5 sen per ordinary share less 27% tax		
3. Approval of Directors' Fees		
4. Approval of a 10% increment in respect of the fees for the Non-Executive Directors		
5. Re-election of Mr Lim Kah Poon as Director		
6. Re-election of Mr Yoong Hau Chun as Director		
7. Re-election of Mr Bailey Policarpio as Director		
8. Re-appointment of Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak as Director		
9. Re-appointment of Messrs Horwath as Auditors		
10. Special Business 1 Authority to Issue and Allot Shares Pursuant to Section 132D of the Companies Act, 1965		
<b>Special Resolution</b>		
11. Special Business 2 Proposed Amendments to the Articles of Association of the Company		

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

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

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2007

\_\_\_\_\_  
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. 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 C15-1 Level 15 Tower C, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur, Wilayah Persekutuan at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

Fold this flap for sealing

Then fold here

AFFIX  
STAMP

**HeveaBoard Berhad** (275512-A)

C15-1 Level 15 Tower C

Megan Avenue II

12 Jalan Yap Kwan Seng

50450 Kuala Lumpur

Malaysia

1st fold here

**REGISTERED OFFICE**

C15-1, Level 15, Tower C  
Megan Avenue II  
12, Jalan Yap Kwan Seng  
50450 Kuala Lumpur  
Malaysia  
Tel: +(60)3-2166 2000  
Fax: +(60)3-2166 3000

**FACTORY**

Lot 1942, Batu 3  
Jalan Tampin  
73400 Gemas  
Negeri Sembilan Darul Khusus  
Malaysia  
Tel: +(60)7-948 4745/ 46  
Fax: +(60)7-948 5192/ 3390

**KL OFFICE**

Business Suite 19A-20-5  
Level 20, UOA Centre  
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50450 Kuala Lumpur  
Malaysia  
Tel: +(60)3-2166 1393  
Fax: +(60)3-2166 3390