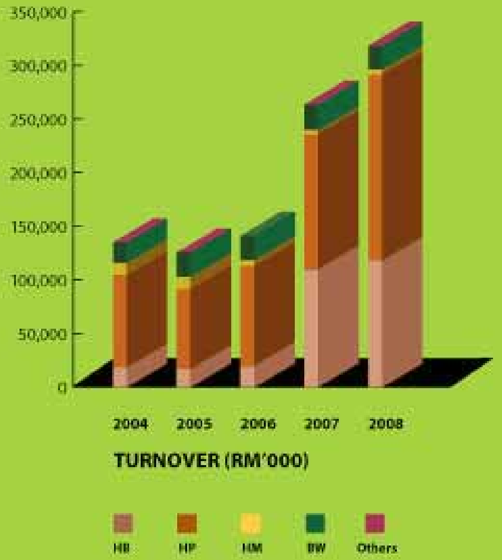
HeveaBoard Berhad

Incorporated in Malaysia (Company No. 275512-A)

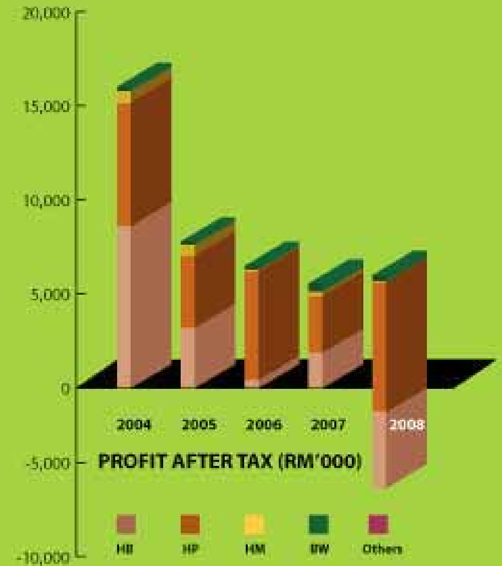
Annual Report
2008

Harnessing our strengths
to stay **competitive**

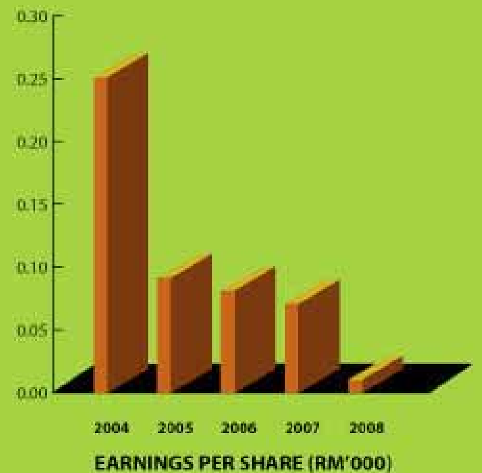
CONTENTS



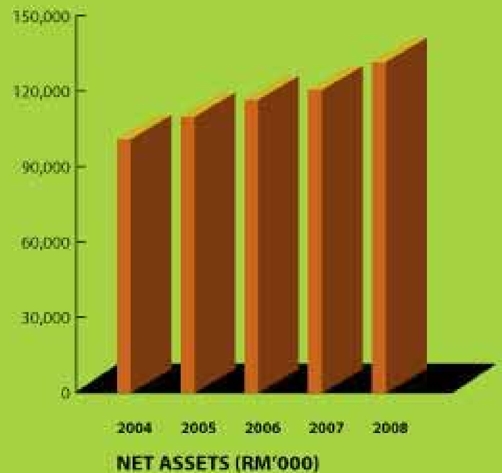
350,000
300,000
250,000
200,000
150,000
100,000
50,000
0
2004
2005
2006
2007
2008
TURNOVER (RM'000)
HB
HP
HM
BW
Others



20,000
15,000
10,000
5,000
0
-5,000
-10,000
2004
2005
2006
2007
2008
PROFIT AFTER TAX (RM'000)
HB
HP
HM
BW
Others



0.30
0.25
0.20
0.15
0.10
0.05
0.00
2004
2005
2006
2007
2008
EARNINGS PER SHARE (RM'000)



150,000
120,000
90,000
60,000
30,000
0
2004
2005
2006
2007
2008
NET ASSETS (RM'000)

5-YEAR FINANCIAL HIGHLIGHTS

	2008	2007	2006	2005	2004
Turnover (RM'000)	340,912	262,238	163,125	147,674	157,037
Profit Before Tax (RM'000)	(182)	135	9,381	9,845	21,311
Tax (RM'000)	1,056	6,682	(1,625)	(791)	(4,023)
Profit After Tax (RM'000)	874	6,817	7,756	9,054	17,288
Share Capital (RM'000)	90,400	80,000	80,000	80,000	80,000
Net Assets (RM'000)	141,090	129,888	125,991	119,293	110,278
Net Assets Per Share (RM)*	1.56	1.62	1.57	1.49	1.38
Interim Dividend (sen per ordinary share of RM1.00 each)	-	-	-	-	4.50
Special Dividend (sen per ordinary share of RM1.00 each)	-	-	-	-	8.00
Proposed Final Dividend (sen per ordinary share of RM1.00 each)	-	3.00	5.00	3.00	-
Net Earnings Per Share (sen)**	1.00	8.52	9.70	11.32	26.60

* 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 ordinaryshares 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 Fifteenth Annual Report and Audited Accounts of **HeveaBoard Berhad** for the financial year ended 31 December 2008."

Operating Environment

2008 was a year of significant events. The soaring raw material and energy costs dominated the best part of the year making the operating environment extremely difficult. Particleboard profit margin was severely eroded as selling prices were not moving in tandem with the escalating costs. The drastic downturn in the global financial and economic landscape in the later part of the year put further strain on the operation. These were but some of the major obstacles that we had to face throughout the financial year. These obstacles would remain a challenge and the Board, together with the Management would manage them proactively as we move forward.

In addition to the obstacles identified, the unstable and fallen demand for particleboard during the later part of the year was also due to the effects of the abnormal strengthening of the US Dollar exchange rates against the currencies of the major particleboard importing countries, particularly Korea and Indonesia, by about 40%.

With the trying operating environment, the Company, like other particleboard manufacturers in the region, was compelled to cut down production and reduce selling prices, particularly during the last quarter of FY2008.

Performance Review

The particleboard and RTA furniture manufacturing have shown significant improvement in the production capacities after upgrading features were implemented. Both the lines in the particleboard plants obtained the JIS F☆☆☆☆

STATEMENT FROM GROUP MANAGING DIRECTOR

and CARB certifications for the higher quality low formaldehyde emission particleboard. HeveaBoard was awarded the Export Excellence Award – Merchandise for FY2008 for its accomplishment on increased export sales over FY2007 by 30%. Its wholly–owned subsidiary, HeveaPac Sdn Bhd with its RTA furniture manufacturing, had also increased its revenue by more than 30% during the financial year and maintained its profit contribution to the Group despite the challenging conditions.

In spite of achieving a revenue of RM340.91 million, representing a 30% increase in the Group revenue over last year, coming mainly from the increased output from particleboard and RTA furniture, the Group only managed to attain a modest profit after tax of RM0.87 million as compared with RM6.82 million in FY2007 due mainly to the loss incurred in the particleboard sector offset by the profit contribution from the RTA furniture sector.

Financial Position

Our financial results were below expectation as our profit margin was adversely affected by higher material and energy costs and fluctuating currency exchange rates. Our gearing level remains high as only 2,400,000 warrants or 6% of the total warrants outstanding were exercised during the year due to the weak market sentiments, apart from the 10% private placement of HeveaBoard shares being completed, resulting in a total of RM13.04 million being injected into the Company as additional working capital.

The impact of the recession experienced by major economies globally has reduced the particleboard sales in the last quarter of the year to below 50% as compared with the average of the first half year. With the uncertainties still prevailing in 2009, the Company has commenced negotiation with the financial institutions to restructure certain of its banking facilities. The Company has obtained a restraining order from the court as part of the restructuring process deemed necessary by the Company. The restructuring arrangement is progressing smoothly and being supported positively.

Share Price

At the close of the year 2008, HeveaBoard share price stood merely at RM0.125, as compared to the beginning of the year at RM1.070 and NTA

STATEMENT FROM GROUP MANAGING DIRECTOR

"We remain positive on the potential of the **HeveaBoard Group**..."

per share at RM1.57. There were many factors that influenced our share prices, but the global financial and economic crisis and the uncertainties surrounding the recovery of the panel industry were definitely the major factors affecting the price performance in the later part of 2008 and the early part of 2009.

Outlook and Prospect

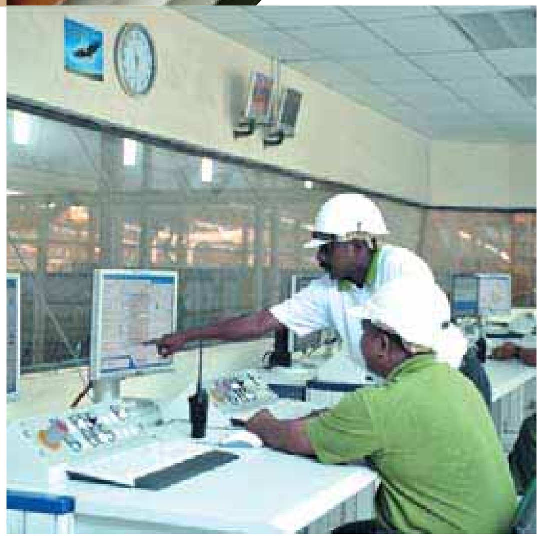
Despite the prevailing uncertainties in 2009 and beyond, we remain positive on the potential of the HeveaBoard Group as it has a strong footing on research and development and the Company is a JIS and CARB certified manufacturer for lower formaldehyde emission particleboard, integrated with a well established downstream RTA furniture manufacturing subsidiary for value added products with worldwide market distribution. We are committed in ensuring our investment yield the expected returns, and we take cognizance of the need to improve our product quality and our services to customers at all times.

Dividend

A final tax-exempt dividend for FY2007 of 3.0 sen per share amounted to RM2,712,000 was paid on 11 July 2008. No dividend for FY2008 is proposed.

Appreciation

On behalf of the Board of Directors, I wish to extend our appreciation to the employees of the Group for their dedication and contribution for



achieving another milestone in the revenues of the Group, obtaining the certification of JIS and CARB, being awarded the Industry Excellence Award and striving for improvement constantly. Appreciation is also recognized to suppliers and customers for their continuous support rendered. I am obliged to extend my gratitude to all the financial institutions for granting their support and indulgence on the financial arrangement for the Company during this trying period. Lastly, I wish to thank our Chairman and members of the Board for their valuable contribution towards the Company.

Tenson Yoong
Group Managing Director

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Dato' Seri Mohamed Bin Rahmat
Non-Independent Non-Executive Chairman

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

Yoong Hau Chun
Executive Director

Dato' Loo Swee Chew
Non-Independent Non-Executive Director

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

Lim Kah Poon
Independent Non-Executive Director

Bailey Policarpio
Non-Independent Non-Executive Director

AUDIT COMMITTEE

Lim Kah Poon
Chairman

Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak

Bailey Policarpio

NOMINATION COMMITTEE

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

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 BOARD COMMITTEE

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

Dato' Loo Swee Chew

Lim Kah Poon

COMPANY SECRETARIES

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

REGISTERED OFFICE

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

SHARE REGISTRAR

Bina Management (M) Sdn Bhd
(Company No. 50164-V)
Lot 10 The Highway Centre
Jalan 51/205
46050 Petaling Jaya
Selangor Darul Ehsan
Tel : 03.7784.3922
Fax : 03.7784.1988

PRINCIPAL BANKERS

Malayan Banking Berhad (Company No. 3813-K)
OCBC Bank (Malaysia) Berhad (Company No. 295400-W)
RHB Bank Berhad (Company No. 6171-M)

AUDITORS

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 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 71, 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 does not have any family relationship with any other directors and/or substantial shareholders of HeveaBoard Berhad.

YOONG TEIN SENG @ YONG KIAN SENG (TENSON YOONG), a Malaysian aged 62, appointed to the Board on 3 September 1993, is the Group Managing Director of the HeveaBoard Group and the founder member responsible for designing and setting up the particleboard manufacturing plants and the Group's wholly-owned subsidiary, HeveaPac Sdn Bhd which is involved in the manufacturing of downstream RTA furniture. He is a member of the Remuneration Committee of HeveaBoard Berhad.

He has over 30 years experience in large scale timber logging, sawmill and timber export business. He also has been actively involved in the design, fabrication and assembling of transportation equipment and import and reconditioning of heavy equipment. He is the father of Yoong Hau Chun, an Executive Director of HeveaBoard Berhad, and father-in-law of Bailey Policarpio, a Non-Independent Non-Executive Director of HeveaBoard Berhad.

PROFILE OF DIRECTORS

YOONG HAU CHUN, a Malaysian aged 33, 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. He is the son of Tenson Yoong, the Group Managing Director and substantial shareholder of HeveaBoard Berhad.

DATO' LOO SWEE CHEW, a Malaysian aged 61, is another founding member of HeveaBoard and was appointed as a Non-Independent Non-Executive Director of HeveaBoard on 21 October 1997. He is also a member of the Tender Board Committee. Dato' Loo has also been in the timber industry for the past 30 years. He is actively involved in timber logging, sawmill and plywood, and is one of the leading timber exporters based in Kuantan, Pahang Darul Makmur.

TAN SRI DATO' CHAN CHOONG TACK @ CHAN CHOONG TAK, a Malaysian aged 76, was appointed as an Independent Non-Executive Director of HeveaBoard on 1 October 2004. He is the Chairman of the Nomination Committee, the Chairman of the Tender Board Committee and a member of the Audit Committee of HeveaBoard Berhad. A qualified Normal Class and Kirby trained teacher as well as a Barrister-at-Law, he holds a Certificate in Teacher Training, a Teachers Trainers' Certificate, an LL.B Degree with Honours, from the University of London, a Certificate of Barrister-at-Law, Lincoln's Inn and a Corporate Masters Business Administration (CMBA) Degree from Ohio University, USA. He has served as a teacher, a headmaster, the Secretary General of Parti Gerakan Rakyat Malaysia, a senator as well as the President of the Senate in Malaysia. On the corporate side he has served as an independent

YOONG HAU CHUN

DATO' LOO SWEE CHEW

TAN SRI DATO' CHAN CHOONG TACK @ CHAN CHOONG TAK

PROFILE OF DIRECTORS

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 directors and/or substantial shareholders of HeveaBoard Berhad.

LIM KAH POON, a Malaysian aged 60, 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, Remuneration and Tender Board Committees of HeveaBoard Berhad. He is a Fellow of the Institute of Chartered Accountants in Ireland and a member of the Malaysian Institute of Accountants (MIA).

Mr. Lim, a finance professional with a broad based business experience, spent the early part of his professional career with two of the big four accounting firms in Dublin and in Kuala Lumpur/ Penang for approximately 12 years. He joined a multinational company in Kuala Lumpur in 1983, where he held various senior finance positions over a 15 year-period, with the last one and a half years involving in audit and risk assessment on the control environment within the group companies in the Asia Pacific Region. In 1997, he joined a local company, also quoted on Bursa Malaysia Securities Berhad, as its Chief Financial Officer. He left his last company in September 2001 in order to focus on his business advisory and consultancy work. He does not have any family relationship with any other directors and/or substantial shareholders of HeveaBoard Berhad.

BAILEY POLICARPIO, a Filipino aged 38, was appointed as a Non-Independent Non-Executive Director of HeveaBoard on March 2007. He is a member of the Audit Committee. He graduated from De La Salle University, Philippines with a Degree in Electronics and Communications Engineering and an MSc in Manufacturing Systems from University of Nottingham, UK. His career includes being a lecturer at De La Salle University; being the Marketing Director for First Philippine Scales, Inc.(FPSI) – market leader for weighing scales in the Philippines; the Founder and President of ProFence Systems Corporation – specializing in perimeter security system in the Philippines. He is also the Technical Manager and approved signatory of FPSI Metrology Laboratory which is an ISO 17025 Accredited Calibration Laboratory. He is the son-in-law of Tenson Yoong, the Group Managing Director and substantial shareholder of HeveaBoard Berhad.

None of the Directors has:

* Any conflict of interest with HeveaBoard Berhad

** Any conviction for offences as within the past 10 years other than traffic offences, if any

CORPORATE STRUCTURE

HeveaBoard Berhad

Manufacturing and trading of particleboards and wood-related products and investment holding.

HeveaPac Sdn Bhd
100%

Manufacturing and trading of ready-to-assemble furniture

BocoWood Sdn Bhd
100%

Distribution and marketing of ready-to-assemble furniture

HeveaMart Sdn Bhd
100%

Trading of particleboards and other panel boards

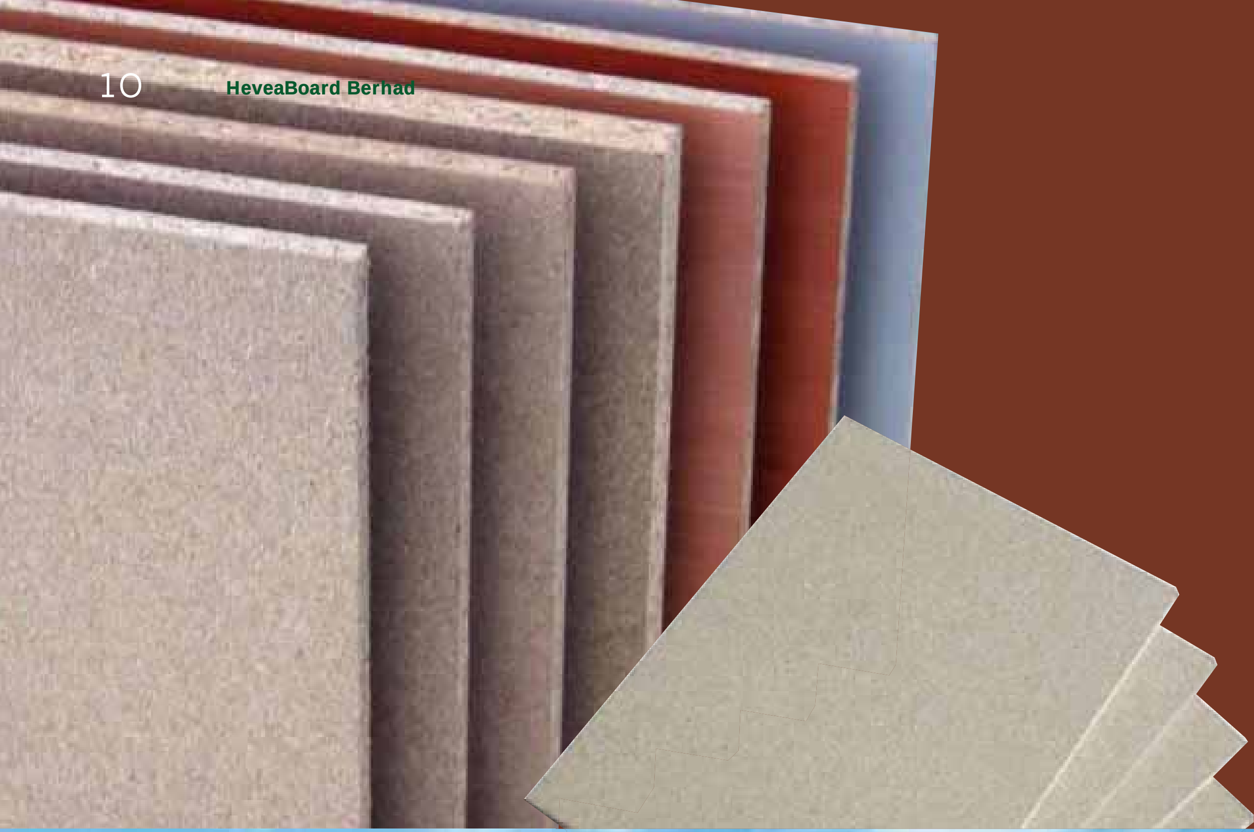
Hevea OSB Sdn Bhd
100%

Dormant

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

ID No. WP MY 03 01

1st JIS Certified Particleboard Manufacturer In Malaysia




Towards Advanced

"We remain positive on the potential of HeveaBoard Group as it has a strong footing on research and development and the Company is a JIS and CARB certified manufacturer for lower formaldehyde emission particleboard, integrated with a well established downstream RTA furniture manufacturing subsidiary for value added products with worldwide market distribution."

1

Trophy ˆ Kementerian Perdagangan Antarabangsa Dan Industri Anugerah Kecemerlangan Industri 2008

2

Trophy ˆ Special Award Productivity Award 2005 Manufacturing Category 3 Local Company with Annual Sales Turnover Exceeding RM25 million to RM100 million

3

Certificate ˆ Anugerah Kecemerlangan Industri 2008

4

Certificate ˆ Productivity Award 2005

5

Trophy ˆ Kementerian Perdagangan Antarabangsa Dan Industri Anugerah Kecemerlangan Industri 2004 Eksport (Dagangan)

6

Certificate ˆ Anugerah Kecemerlangan Industri 2004 Eksport (Dagangan)

7

Certificate ˆ Anugerah Kecemerlangan Industri 2008 Sijil Kecemerlangan

8

Trophy ˆ Nitori The Award of Superior Supplier of Year 2006

9

Trophy ˆ Nitori The Award of Superior Supplier of Year 2007

10

Certificate ˆ Reject Shop

11

Plaque ˆ Giant Supplier of the Year 2005

12

Trophy ˆ Tesco Values Award 2003

HeveaBoard | **HeveaPac**

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

The Board of Directors ("Board") of HeveaBoard Berhad ("the Company") has always advocated the application of the Malaysian Code on Corporate Governance ("the Code"). The Board is therefore pleased to provide the following statement, which outlines how the Group has applied the principles laid down in Part 1 of the Code and the extent of compliance with the best practices set out in Part 2 of the Code during the financial year.

BOARD OF DIRECTORS

Board Composition and Balance

The Board has seven (7) members which comprises of two (2) Executive Directors, three (3) Non-Executive Directors, and two (2) Independent Non-Executive Directors. This composition complies with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") that requires at least two (2) directors or one-third (1/3) of the Board, whichever is the higher, to be independent. A brief profile of each Director is presented on pages 6 to 8 of the Annual Report.

The Executive Directors take on the primary responsibility of the day-to-day running of the Group's business as well as implementing the policies and decisions of the Board. The Independent Non-Executive Directors provide a broader view and independent assessment to the Board's decision making process. Together, with their diverse backgrounds and wide range of skills, the Board can effectively manage and run the Group's operations.

The Board has appointed Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak as the Senior Independent Non-Executive Director to whom concerns may be conveyed.

Duties and Responsibilities

The Board assumes full responsibility over the overall performance of the Company and the Group by discharging its stewardship responsibilities through providing strategic leadership, overseeing the conduct of the Company's business, identification and management of principal risks, reviewing the adequacy and integrity of the Company's internal control system and developing an investor relations program. The Board has also delegated specific responsibilities to the Board Committees, all of which discharge the duties and responsibilities within their specific terms of reference.

The roles of the Chairman and the Group Managing Director are clearly distinct for effective balance of power and authority because the positions are held by different individuals. The Chairman is primarily responsible for the Board's effectiveness and conduct as well as ensuring timely and necessary information is provided to its members, whilst the Group Managing Director is responsible for the daily management and implementation of the Board's policies and decisions.

Board Meetings

During the financial year ended 31 December 2008, the Board met six (6) times to discuss issues on the Group's financial performance, significant investments, corporate development, strategy and business plan. The attendance record of each Director is as follows:

STATEMENT ON CORPORATE GOVERNANCE

Name of Directors	No. of Meetings Attended
Tan Sri Dato' Seri Mohamed bin Rahmat	6/6
Mr Yoong Tein Seng @ Yong Kian Seng (Tenson Yoong)	6/6
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	6/6
Dato' Loo Swee Chew	5/6
Mr Lim Kah Poon	6/6
Mr Yoong Hau Chun	6/6
Mr Bailey Policarpio	5/6

Supply of Information

All Board members are supplied with information on a timely manner. Board reports are circulated prior to the Board meetings for their deliberation. All meetings of the Board are duly recorded in the board minutes by the Company Secretary. Where required, Senior Management may be invited to attend these meetings to explain and clarify on the matters tabled.

In exercising its duties, the Board has unfettered access to all information on the Group, the advice and services of the Company Secretary and independent professional advice where necessary, at the Company's expense.

Directors' Training

The Board acknowledges that continuous education is essential for the Directors to further enhance their skills and knowledge. As an integral part of their training program, they are provided with updates from time to time on the relevant changes in laws, regulations and the business environment. During the financial year, the Directors have attended the briefing on Single-Tier Tax System and Group Tax Planning organised by the Company's tax agent on 23 May 2008.

Appointment and Re-election of Directors

Board members who are appointed by the Board are subject to retirement at the first Annual General Meeting ("AGM") of the Company subsequent to their appointment. Article 123 of the Company's Articles of Association provide that at least one-third (1/3) of the Directors shall retire by rotation at each AGM and all Directors shall retire from office at least once every three (3) years, but shall be eligible for re-election.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

Board Committees

Board Committees were established to assist the Board in discharging the responsibilities as set out below within their terms of reference approved by the Board. They are as follows:

Audit Committee

The terms of reference, the number of meetings held during the financial year and the attendance of each member can be found on page 23 of the Audit Committee Report.

STATEMENT ON CORPORATE GOVERNANCE

Nomination Committee ("NC")
The NC comprises entirely of Non-Executive Directors, a majority of whom are independent. The members of the NC are as follows:

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

The duties and functions of the NC are to:

- propose candidates for directorship and to fill the seats on committees of the Board.
- assess the effectiveness of the Board, Board Committees and the performance and contribution of each director.

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

NC Meeting is held at least once a year. During the financial year ended 31 December 2008, one (1) meeting was held on 21 November 2008 which was attended by all members of the NC.

Remuneration Committee ("RC")

The RC comprises mainly of Non-Executive Directors. The members of the RC are as follows:

- Tan Sri Dato' Seri Mohamed bin Rahmat – Chairman
- Mr Lim Kah Poon – Member
- Mr Yoong Tein Seng @ Yong Kian Seng – Member

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

RC Meeting is held at least once a year. During the financial year ended 31 December 2008, one (1) meeting was held on 21 November 2008 which was attended by all members of the RC.

Tender Board Committee ("TBC")

The TBC comprises entirely of Non-Executive Directors. The members of the NC are:

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

The TBC is responsible for reviewing, deliberating and considering shortlisted tenders put forward by Management and no meeting was held in the year 2008.

STATEMENT ON CORPORATE GOVERNANCE

DIRECTORS' REMUNERATION

Details of Directors' Remuneration for the financial year ended 31 December 2008 are as follows:

Aggregate remuneration:

	Salaries (RM'000)	Bonus (RM'000)	Fees (RM'000)	Benefits -in-kind (RM'000)	Total (RM'000)
Executive Directors	915	47	0	34	997
Non-Executive Directors	0	0	233	25	258

Number of Directors whose remuneration fall into the following bands:

	No. of Executive Directors	No. of Non-Executive Directors
RM50,000 and below	0	2
RM50,001 – RM100,000	0	3
RM300,001 – RM350,000	1	0
RM600,001 – RM650,000	1	0

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

SHAREHOLDERS

Shareholders and Investor Relations

The Company believes that an effective investor relationship is essential in enhancing value to its shareholders. To that end, the Board strives to provide shareholders and investors accurate, useful and timely information about the Company, its businesses and its activities via the timely release of quarterly financial results, press releases and announcements. Whilst the Company endeavors to provide as much information as possible, it is aware of the legal and regulatory framework governing the release of material and price sensitive information.

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

AGM

The principal forum for dialogue with individual shareholders is at the AGM where shareholders would have direct access to the Directors and are provided with sufficient opportunity and time to participate through questions on the prospects, performance of the Group and other matters of concern. Members of the Board as well as the external auditors will be present to answer and provide the appropriate clarifications at the meeting.

STATEMENT ON CORPORATE GOVERNANCE

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is committed to provide a balanced, clear and comprehensive assessment of the Group's financial position and prospects by making sure the financial statements and quarterly announcements are prepared in accordance to the provisions of the Companies Act, 1965 and applicable approved accounting standards.

The Statement on Directors' Responsibilities by the Directors in respect of the preparation of the annual audited accounts can be found on page 20 of this Annual Report.

Internal Control

The Board acknowledges its responsibility for maintaining a sound system of internal controls in the Company and the Group. These controls provide reasonable but no absolute assurance against material misstatement, loss or fraud. Information on the Group's internal control is disclosed in the Statement on Internal Control set out in pages 18 and 19 of the Annual Report.

Relationship with External Auditors

The Board maintains a transparent and professional relationship with the Group's external auditors. The role of the Board in relation to the external auditors is further explained in the Audit Committee Report on page 24 of the Annual Report.

During the financial year, the Audit Committee has met with the external auditors twice without executive Board members and management present.

The statement is made in accordance with the resolution of the Board of Directors dated 27 April 2009.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

During the financial year, HeveaBoard Berhad ("HeveaBoard" or "the Company") continued to progress in enhancing its system of internal controls and risk management with the objective of safeguarding its shareholders' investments and the Group's assets. The Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") require the directors of listed company to include a statement in the annual report on the state of internal controls as a group. In compliance with this, the Board of Directors ("the Board") of HeveaBoard is pleased to provide the following statement which outlines the nature and scope of internal control of the HeveaBoard Group ("the Group") for the financial year ended 31 December 2008.

BOARD RESPONSIBILITY

The Board recognises the importance of sound internal controls and risk management practices and its contribution to good corporate governance. The Board affirms its overall responsibility for HeveaBoard Group's system of internal controls and risk management, and for reviewing the adequacy and integrity of these system to ensure that the Group's assets and shareholders' interests are safeguarded.

Due to the inherent limitations in any system of internal controls, such system put in place by Management can only reduce rather than eliminate all 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 effective monitoring and reviewing of the risk management framework on a continuous basis is essential to the achievement of the Group's business objectives. On a day-to-day basis, the respective Head of Departments are responsible for managing the risks of their departments and periodic management meetings are held to ensure that significant issues and risks faced by the Group are closely monitored and appropriately addressed.

During the year under review, Management with the assistance of external consultants updated the key risk profile of the Group. Risks identified were prioritised in terms of likelihood of their occurrence and the impact on the achievement of the Group's business objectives/goals. This allows Management to allocate appropriate resources in the mitigation of risks.

The abovementioned practices and initiatives effected by Management is an 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 AUDIT FUNCTION

The Group's internal control system is continually being reviewed and enhanced to ensure that changes in the Group's business and operating environment are adequately managed. The Audit Committee and Board currently obtain regular assurance on the adequacy and effectiveness of the internal control system through independent reviews performed by the internal audit function, which is outsourced to a professional services firm.

During the financial year, the internal audit function reviewed internal controls in key activities of the Group according to the annual internal audit plan approved by the Audit Committee. The internal audit adopted a risk-based approach and the audit plan is prepared based on the risk profiles of the Group's major businesses. Opportunities for improving the system of internal controls were identified and presented to the Audit Committee via internal audit reports, whilst Management formulated the relevant action plans to implement them.

STATEMENT ON INTERNAL CONTROL

In addition, the internal audit function also carried out follow-up visits to ensure recommendations for improvement on the internal control system are satisfactorily implemented. Although a number of internal control weaknesses were identified, none of the weaknesses have resulted in any material losses or contingencies that would require separate disclosure in this annual report.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

The other key elements of the Group's internal controls system are:

- Executive Directors are closely involved in the running of business and operations of the Group;
- Experienced and dedicated team of personnel across key functional units;
- Regular review and assessment of the Group's strategic direction after taking into consideration changes in the market condition and key business risk;
- Scheduled and ad-hoc management meetings are held to discuss the Group's performance, business operations and management issues as well as formulate appropriate measures to address them;
- Monthly monitoring of actual performances against budgets with major variances identified and followed-up as and when necessary;
- The Company has clearly defined organization structure with clear lines of responsibility and delegation of authority; and
- The outsourced internal audit function provides objectives and independent reviews on the adequacy and effectiveness of the Group's internal controls system.

CONCLUSION

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

STATEMENT ON DIRECTORS' RESPONSIBILITIES

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the income statement and cash flows of the Company and the Group for the financial year.

The Directors consider that, in preparing the financial statements of the Company and the Group for the year ended 31 December 2008, 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. UTILISATION OF PROCEEDS

On 6 June 2008, the Company had completed its private placement of 8,000,000 ordinary shares of RM1.00 each, representing ten percent (10%) of the issued and paid-up share capital of the Company.

The details of the utilisation of the proceeds from the private placement up to 31 December 2008 are as follows:

Description	Proposed Utilisation	Actual Utilisation	Balance Unutilised
	RM'000	RM'000	RM'000
Working capital, general capital expenditure and/or repayment of bank borrowings(1)	8,160	8,160	0
Private placement expenses	80	80	0
Total	**8,240**	**8,240**	**0**

Note:-
(1) The working capital of the Group has been utilised to finance the day-to-day operations of the Group.

2. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year ended 31 December 2008, the Company issued 2,400,000 ordinary shares of RM1.00 each at conversion price of RM2.00 per ordinary share pursuant to the exercise of warrants.

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

3. NON AUDIT FEES

The non-audit fees incurred for services rendered to the Group for the financial year ended 31 December 2008 by the external auditors or a firm or company affiliated to the external auditors firm amounted to RM1,105.00

4. MATERIAL CONTRACTS

There was no material contract entered into by the Company and its subsidiaries involving Directors and major shareholders' interests which were subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial period.

5. REVALUATION POLICY

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

ADDITIONAL COMPLIANCE INFORMATION (con't)

6. STATUS OF CORPORATE PROPOSAL

Proposed Exemption

On 30 October 2007, OSK Investment Bank Berhad announced on behalf of HeveaBoard, that the Securities Commission ("SC") had, via its letter dated 29 October 2007 approved the proposed exemption to HeveaWood Industries Sdn Bhd ("HW") and parties acting-in-concert ("PAC") from the obligation to undertake a mandatory offer for the remaining ordinary shares of HeveaBoard not already owned by HW and PAC upon the exercise of Warrants owned by HW and PAC ("Proposed Exemption"), subject to the compliance with certain terms and conditions. Pursuant to the approval by the SC, no take-over offer would arise on full exercise of the Warrants by HW and PAC for the period up to 31 December 2009, being the expiry date of the Warrants. Since November 2008, this Proposed Exemption is no longer applicable due to a disqualifying transaction by a member of the PAC with HW.

AUDIT COMMITTEE REPORT

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2008. The Audit Committee ("the Committee") met five (5) times during the year. Composition of the Committee and the details of the attendance of the Committee members are set out as follows:

COMPOSITION OF THE AUDIT COMMITTEE

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

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

TERMS OF REFERENCE

The Committee is governed by the following terms of reference:

1. Composition

The Committee shall be appointed from amongst the Board and shall comprise no fewer than three (3) members. All the audit committee members must be non-executive directors with 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

4. Meetings

The Committee shall meet at least four (4) times in each financial year. The quorum for a meeting shall be two (2) members, provided that the majority of members present at the meeting shall be independent.

The Committee may call for a meeting as and when required with reasonable notice as the Committee Members deem fit.

All decisions at such meeting shall be decided on a show of hands on a majority of votes.

The internal auditors and external auditors may appear at any meeting at the invitation of the Committee and shall appear before the Committee when required to do so by the Committee. The internal auditors and external auditors may also request a meeting if they consider it necessary.

5. Rights

The Committee shall:

(a) have authority to investigate any matter within its terms of reference;
(b) have the resources which are required to perform its duties;
(c) have full and unrestricted access to any information pertaining to the Group;
(d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
(e) have the right to obtain independent professional or other advice at the Company's expense;
(f) have the right to convene meetings with the internal auditors and external auditors, excluding the attendance of the other directors or employees of the Group, whenever deemed necessary;
(g) promptly report to 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 internal auditors and external auditors.

6. Duties

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

(b) To review the adequacy of the scope, functions, competency, resources and set the standards of the internal audit function.

(c) To provide assurance to the Board of Directors on the effectiveness of the system of internal control and risk management practices of the Group.

(d) To review the internal audit programme and results of the internal audit, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.

AUDIT COMMITTEE REPORT

(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 the Management in the process and where appropriate, the new risks are identified and incorporated for deliberation;
(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;
(f) Reviewed the internal audit reports and the results and recommendations arising from the reviews conducted by the outsourced internal audit function;
(g) Reviewed related party transactions and conflict of interest that may arise within the Company or the Group; and
(h) Considered the appointment (or re-appointment) of the external auditors and internal auditors, the audit fee and any question of resignation or dismissal.

AUDIT COMMITTEE REPORT

INTERNAL AUDIT FUNCTION

The internal audit function of the Company is outsourced to external service provider, namely, Audex Governance Sdn Bhd.

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

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

(a) Conducted internal audit reviews in accordance with the internal audit plan approved by the Committee;
(b) Reported the results of internal audits and made recommendations for improvements to the Committee on a periodic basis; and
(c) Performed follow-up visits to ensure that recommendations for improvement to the internal control systems were 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.

The cost incurred for the internal audit function in respect of the financial year ended 31 December 2008 is RM97,748.20.

CORPORATE SOCIAL RESPONSIBILITY

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

EMPLOYEES HEALTH AND SAFETY

The "Safety is our Priority" theme is re-emphasized to ensure that all employees are given necessary training to maintain a safe and healthy workplace. With the Fire Department, the Group conducts regular training and briefing sessions. The company's Emergency Response Team trained by the Fire Department's Search and Rescue team was restructured and headed by the Group's in-house Health and Safety Officer.

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

HUMAN RESOURCE DEVELOPMENT

The development of human capital which is the mainstay of the Group's success is an on going commitment. Every staff member is encouraged to conduct monthly in-house training. The main emphasis has been on retraining to equip the employees with new skills to face the challenges ahead. Team building, leadership, motivation, management and specialized technical courses are conducted regularly. Developing soft skills is another priority.

ENVIRONMENT

The Group places much importance on environmental matters. After successful operation of the Biomass Plant, the company is conducting studies on utilization of the wood waste for other "green" uses like composting and producing briquettes for fuel. The aim is to reduce the Green House Gases and examine the possibility of carbon trading.

COMMUNITY

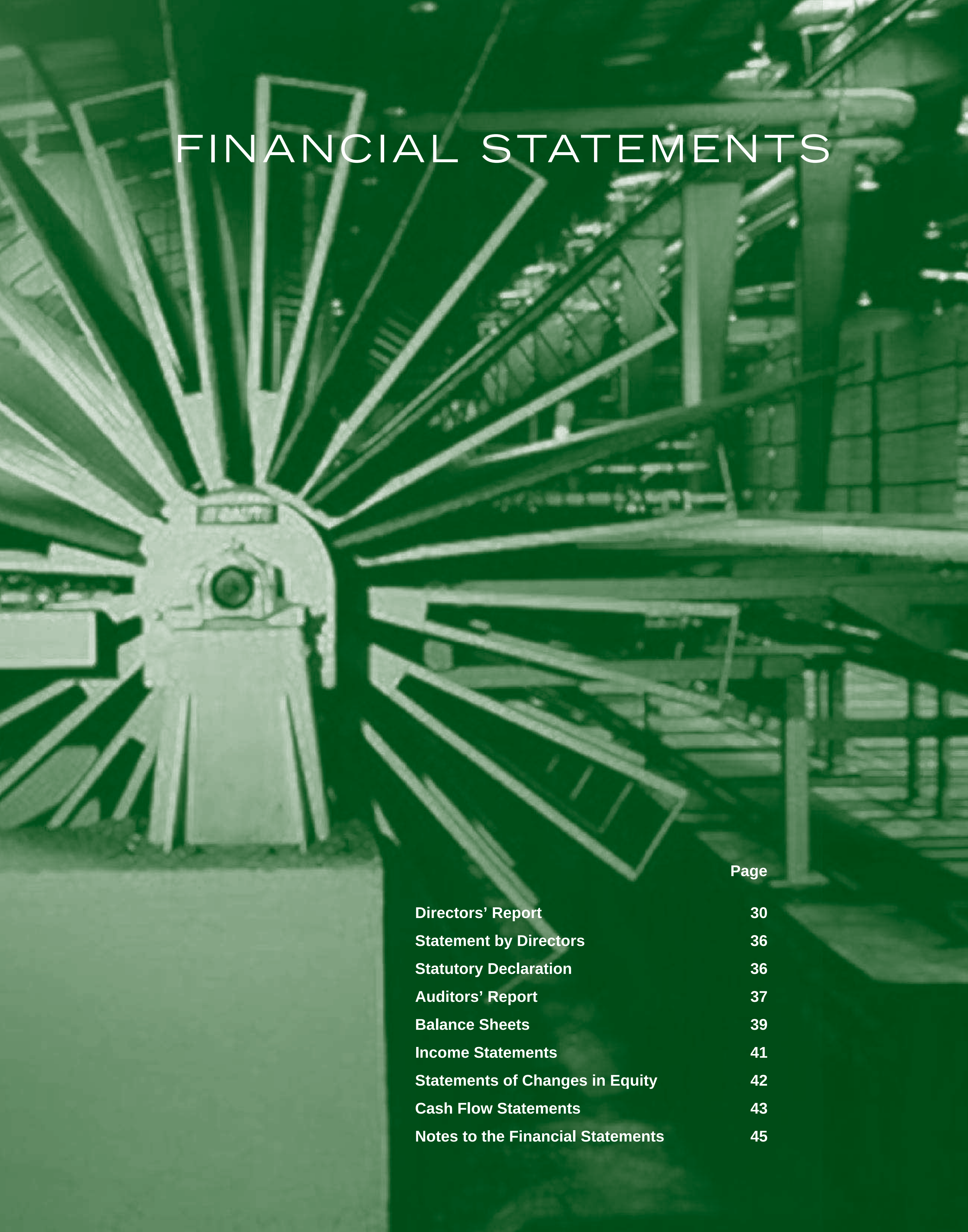
The Group has very close relationship with the local community. It supports and sponsors annual charity and sports events. The Group has also donated to education funds and local schools.

It also provides training opportunities for college and university students as part of their industrial training requirements. A MOU with Universiti Putra Malaysia was signed to conduct joint research into wood based products and the students will be conducting their research and training in the factory environment.

The blood donation drive organized by the Group and the Seremban General Hospital has been a regular feature. The employees have been very supportive and this will be an ongoing event.

STAKEHOLDERS

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



FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2008.

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

	THE GROUP	THE COMPANY
	RM'000	RM'000
Profit/(Loss) after taxation attributable to equity shareholders of the Company	874	(2,580)

DIVIDENDS

Since the end of the previous financial year, the Company, in the current financial year paid a final tax–exempt dividend of RM0.03 per ordinary share amounting to RM2,712,000 in respect of the previous financial year.

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

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year,

(a) there were no changes in the authorised share capital of the Company;

(b) the Company increased its issued and paid–up share capital from RM80,000,000 to RM90,400,000 by way of:–

  (i) the issuance of 8,000,000 new ordinary shares of RM1.00 each at RM1.03 per share pursuant to the Company's private placement exercise. The shares were issued for cash considerations; and

  (ii) the issuance of 2,400,000 new ordinary shares of RM1.00 each pursuant to the exercise of the Company's warrants at an exercise price of RM2.00 each. The shares were issued for cash considerations.

  All the new shares issued during the financial year rank pari passu in all respects with the existing shares of the Company; and

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

DIRECTORS' REPORT

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 RM2.00 each.

During the financial year, 2,400,000 warrants of the Company were exercised for cash consideration resulting in the issuance of 2,400,000 new ordinary shares of RM1.00 each.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company, 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 the additional allowance for doubtful debts in the financial statements of the Group and of the Company.

CURRENT ASSETS

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

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

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate. The financial statements of the Group and of the Company are prepared on the basis of accounting principles applicable to a going concern as disclosed in Note 4(b) to the financial statements.

DIRECTORS' REPORT

CONTINGENT AND OTHER LIABILITIES

The contingent liability is disclosed in Note 35 to the financial statements. At the date of this report, there does not exist:

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

(ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in Note 4(b) to the financial statements.

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

DIRECTORS' REPORT

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 1.1.2008	BOUGHT	SOLD	AT 31.12.2008
THE COMPANY				
DIRECT INTERESTS				
Y. BHG. TAN SRI DATO' SERI MOHAMED BIN RAHMAT	950,000	–	–	950,000
YOONG TEIN SENG @ YONG KIAN SENG	150,000	–	–	150,000
Y. BHG. DATO' LOO SWEE CHEW	150,000	–	–	150,000
YOONG HAU CHUN	150,000	–	–	150,000
LIM KAH POON	50,000	–	–	50,000
BAILEY POLICARPIO	25,000	–	–	25,000
INDIRECT INTERESTS				
Y. BHG. TAN SRI DATO' SERI MOHAMED BIN RAHMAT	7,118,000(1)	–	(5,633,000)	1,485,000(1)
YOONG TEIN SENG @ YONG KIAN SENG	35,016,000(2)	1,890,000	(1,277,100)	35,628,900(2)
Y. BHG. DATO' LOO SWEE CHEW	29,956,100(3)	–	(1,267,100)	28,689,000(3)
YOONG HAU CHUN	34,999,500(4)	1,890,000	(1,277,100)	35,612,400(4)
TAN SRI DATO' CHAN CHOONG TACK @ CHAN CHOONG TAK	63,000(5)	–	–	63,000(5)
LIM KAH POON	21,000(6)	–	–	21,000(6)
BAILEY POLICARPIO	56,000(7)	–	–	56,000(7)

	NUMBER OF WARRANTS			
	AT 1.1.2008	BOUGHT	SOLD	AT 31.12.2008
DIRECT INTERESTS				
YOONG TEIN SENG @ YONG KIAN SENG	75,000	–	–	75,000
Y. BHG. DATO' LOO SWEE CHEW	75,000	–	–	75,000
YOONG HAU CHUN	75,000	–	–	75,000
LIM KAH POON	25,000	–	–	25,000
BAILEY POLICARPIO	20,000	–	–	20,000
INDIRECT INTERESTS				
Y. BHG. TAN SRI DATO' SERI MOHAMED BIN RAHMAT	1,702,500(1)	–	–	1,702,500(1)
YOONG TEIN SENG @ YONG KIAN SENG	19,025,000(2)	–	–	19,025,000(2)
Y. BHG. DATO' LOO SWEE CHEW	13,644,300(3)	–	–	13,644,300(3)
YOONG HAU CHUN	19,012,500(4)	–	–	19,012,500(4)
TAN SRI DATO' CHAN CHOONG TACK @ CHAN CHOONG TAK	12,500(5)	–	–	12,500(5)
BAILEY POLICARPIO	25,000(7)	–	–	25,000(7)

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONT'D)

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

(2) Deemed interested by virtue of Section 6A of the Companies Act, 1965 ("the Act") (shareholdings held through Tenson Holdings Sdn Bhd, a substantial shareholder of HeveaWood Industries Sdn Bhd) and by virtue of his relationship with Yoong Hau Chun, his son, Yoong Li Yen and Yoong Li Mian, his daughters and deemed interested by virtue of HeveaWood Industries Sdn Bhd being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn Bhd.

(3) Deemed interested by virtue of his substantial shareholdings in HeveaWood Industries Sdn Bhd pursuant to Section 6A of the Act, deemed interested by virtue of HeveaWood Industries Sdn Bhd being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn Bhd and by virtue of his relationship with Loo Chin Meng (Lu Zhenming), his son.

(4) Deemed interested by virtue of his relationship with Yoong Tein Seng @ Yong Kian Seng, his father, Tan Ya Ling, his spouse and Yoong Li Yen and Yoong Li Mian, his sisters and deemed interested by virtue of HeveaWood Industries Sdn Bhd being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn Bhd.

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

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

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

By virtue of their shareholdings in the Company, Yoong Tein Seng @ Yong Kian Seng, Y. Bhg. Dato' Loo Swee Chew and Yoong Hau Chun are deemed to have interests in shares in the subsidiaries to the extent of the Company's interest, in accordance with Section 6A of the Companies Act, 1965.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full–time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with a company in which a director has a substantial financial interest as disclosed in Note 36 to the financial statements.

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

DIRECTORS' REPORT

SIGNIFICANT EVENTS

The significant events during the financial year and subsequent to the balance sheet date of the Group and of the Company are disclosed in Note 37 and Note 38 to the financial statements respectively.

AUDITORS

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

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 27 April 2009

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 39 to 84 are drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2008 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 27 April 2009

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 39 to 84 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 27 April 2009

Before me
Datin Hajah Raihela Wanchik (No. W–275) **Yoong Tein Seng @ Yong Kian Seng**

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF **HeveaBoard Berhad**

Report on the Financial Statements

We have audited the financial statements of HeveaBoard Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 39 to 84.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the financial year then ended.

Emphasis of Matter

Without qualifying our opinion, we draw your attention to Note 4(b) to the financial statements on the basis of preparation of the financial statements on a going concern basis.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF **HeveaBoard Berhad**

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and the subsidiary of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

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

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

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

Other Matters

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

Horwath
Firm No: AF 1018
Chartered Accountants

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

Kuala Lumpur

BALANCE SHEETS
AT 31 DECEMBER 2008

		THE GROUP		THE COMPANY	
		2008	2007	2008	2007
	NOTE	RM'000	RM'000	RM'000	RM'000
ASSETS					
NON–CURRENT ASSETS					
Investments in subsidiaries	6	–	–	40,960	40,960
Property, plant and equipment	7	332,390	347,892	276,749	290,290
Prepaid lease payments	8	10,707	10,914	3,841	3,885
Other investment	9	15	15	15	15
Goodwill on consolidation	10	2,946	2,946	–	–
		346,058	361,767	321,565	335,150
CURRENT ASSETS					
Inventories	11	56,285	38,410	32,096	19,034
Trade receivables	12	25,337	33,176	3,822	12,148
Other receivables, deposits and prepayments		7,052	6,944	3,173	3,293
Amount owing by subsidiaries	13	–	–	10,465	13,374
Tax refundable		29	944	–	1,180
Cash and bank balances		3,102	1,937	947	56
		91,805	81,411	50,503	49,085
TOTAL ASSETS		437,863	443,178	372,068	384,235
EQUITY AND LIABILITIES EQUITY					
Share capital	14	90,400	80,000	90,400	80,000
Share premium	15	15,526	12,886	15,526	12,886
Retained profits	16	35,164	37,002	15,202	20,494
TOTAL EQUITY		141,090	129,888	121,128	113,380
NON–CURRENT LIABILITIES					
Long–term borrowings	18	151,705	153,273	140,648	139,520
Provision for retirement benefits	19	1,158	970	756	629
Deferred tax liabilities	20	5,499	7,759	1,968	3,959
		158,362	162,002	143,372	144,108

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

BALANCE SHEETS
AT 31 DECEMBER 2008

		THE GROUP		THE COMPANY	
		2008	2007	2008	2007
	NOTE	RM'000	RM'000	RM'000	RM'000
CURRENT LIABILITIES					
Trade payables	21	34,894	24,313	24,318	15,968
Other payables and accruals	22	33,485	42,378	26,866	34,231
Amount owing to subsidiaries	13	–	–	6,978	6,446
Amount owing to related parties	23	1,791	10,574	1,586	9,839
Provision for taxation		995	17	239	–
Short–term borrowings	24	54,260	61,877	35,220	50,253
Bank overdrafts	27	12,986	12,129	12,361	10,010
		138,411	151,288	107,568	126,747
TOTAL LIABILITIES		296,773	313,290	250,940	270,855
TOTAL EQUITY AND LIABILITIES		437,863	443,178	372,068	384,235
NET ASSETS PER SHARE (RM)	28	1.56	1.62		

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

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

		THE GROUP		THE COMPANY	
		2008	2007	2008	2007
	NOTE	RM'000	RM'000	RM'000	RM'000
REVENUE	29	340,912	262,238	189,423	149,395
COST OF SALES		(308,028)	(240,050)	(173,763)	(142,684)
GROSS PROFIT		32,884	22,188	15,660	6,711
OTHER INCOME		3,295	10,495	5,203	9,027
		36,179	32,683	20,863	15,738
SELLING AND DISTRIBUTION EXPENSES		(4,079)	(3,132)	(2,145)	(1,938)
ADMINISTRATIVE EXPENSES		(13,813)	(13,804)	(6,436)	(6,589)
FINANCE COSTS		(13,481)	(13,729)	(11,651)	(11,966)
OTHER EXPENSES		(4,988)	(1,883)	(4,268)	(1,144)
(LOSS)/PROFIT BEFORE TAXATION	30	(182)	135	(3,637)	(5,899)
INCOME TAX EXPENSE	31	1,056	6,682	1,057	8,993
PROFIT/(LOSS) AFTER TAXATION		874	6,817	(2,580)	3,094
ATTRIBUTABLE TO :					
Equity holders of the Company		874	6,817	(2,580)	3,094
EARNINGS PER SHARE (SEN):					
BASIC	32	1.0	8.5		
DILUTED	32	N/A	N/A		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	NOTE	SHARE CAPITAL	SHARE PREMIUM	RETAINED PROFITS	TOTAL
		RM'000	RM'000	RM'000	RM'000
THE GROUP					
Balance at 1.1.2007		80,000	12,886	33,105	125,991
Profit after taxation		–	–	6,817	6,817
Dividend paid	17	–	–	(2,920)	(2,920)
Balance at 31.12.2007/1.1.2008		80,000	12,886	37,002	129,888
Private placement issue		8,000	240	–	8,240
Warrants exercised		2,400	2,400	–	4,800
Profit after taxation		–	–	874	874
Dividend paid	17	–	–	(2,712)	(2,712)
Balance at 31.12.2008		90,400	15,526	35,164	141,090

	NOTE	SHARE CAPITAL	SHARE PREMIUM	RETAINED PROFITS	TOTAL
		RM'000	RM'000	RM'000	RM'000
THE COMPANY					
Balance at 1.1.2007		80,000	12,886	20,320	113,206
Profit after taxation		–	–	3,094	3,094
Dividend paid	17	–	–	(2,920)	(2,920)
Balance at 31.12.2007/1.1.2008		80,000	12,886	20,494	113,380
Private placement issue		8,000	240	–	8,240
Warrants exercised		2,400	2,400	–	4,800
Loss after taxation		–	–	(2,580)	(2,580)
Dividend paid	17	–	–	(2,712)	(2,712)
Balance at 31.12.2008		90,400	15,526	15,202	121,128

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

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

		THE GROUP		THE COMPANY	
		2008	2007	2008	2007
	NOTE	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
(Loss)/Profit before taxation		(182)	135	(3,637)	(5,899)
Adjustments for:–					
Allowance for doubtful debts		–	11	–	–
Amortisation of prepaid lease payments		207	207	44	44
Bad debts written off		20	15	–	–
Depreciation of property, plant and equipment		24,020	23,194	18,696	18,182
Dividend income		–	–	(4,180)	–
Building written off		–	301	–	–
Interest expense		13,481	13,729	11,651	11,966
Inventories written off		401	661	–	–
Interest income		(16)	(62)	(16)	(28)
Provision for retirement benefits		188	167	127	108
Writeback of allowance for doubtful debts		(11)	–	–	–
Loss on disposal of equipment		–	5	–	5
Unrealised loss/(gain) on foreign exchange		3,889	(8,541)	3,596	(8,541)
Operating profit before working capital changes		41,997	29,822	26,281	15,837
(Increase)/Decrease in inventories		(18,276)	3,922	(13,062)	254
Decrease/(Increase) in trade and other receivables		7,429	(7,202)	8,446	(5,275)
Increase in trade and other payables		(313)	2,016	(1,016)	4,638
Increase in amount owing by subsidiaries		–	–	4,477	(8,298)
Increase in amount owing to subsidiaries		–	–	(143)	822
CASH FROM OPERATIONS		30,837	28,558	24,983	7,978
Income tax refunded/(paid)		689	1,177	797	1,068
Interest paid		(11,480)	(13,729)	(9,650)	(11,966)
NET CASH FROM/(FOR) OPERATING ACTIVITIES		20,046	16,006	16,130	(2,920)
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES					
Dividend received		–	–	2,980	–
Interest received		16	62	16	28
Proceeds from disposal of equipment		–	35	–	35
Purchase of property, plant and equipment	33	(4,494)	(10,866)	(3,921)	(8,149)
NET CASH FROM/(FOR) INVESTING ACTIVITIES		(4,478)	(10,769)	(925)	(8,086)
BALANCE CARRIED FORWARD		15,568	5,237	15,205	(11,006)

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

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (cont'd)

		THE GROUP		THE COMPANY	
		2008	2007	2008	2007
	NOTE	RM'000	RM'000	RM'000	RM'000
BALANCE BROUGHT FORWARD		15,568	5,237	15,205	(11,006)
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Proceed from issuance of shares		13,040	–	13,040	–
Dividend paid		(2,712)	(2,920)	(2,712)	(2,920)
Net (repayment to)/advances from related parties		(8,783)	2,588	(7,365)	2,887
Net advances from subsidiaries		–	–	(893)	2,045
Net (repayment)/drawdown of bankers' acceptances		(4,456)	6,795	(7,473)	15,932
Drawdown of export credit refinancing		3,819	62	–	–
Repayment of hire purchase obligations		(6,719)	(6,123)	(2,771)	(2,147)
Repayment of term loans		(9,449)	(8,741)	(8,491)	(7,839)
NET CASH (FOR)/FROM FINANCING ACTIVITIES		(15,260)	(8,339)	(16,665)	7,958
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		308	(3,102)	(1,460)	(3,048)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		(10,192)	(7,090)	(9,954)	(6,906)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	34	(9,884)	(10,192)	(11,414)	(9,954)

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

1. GENERAL INFORMATION

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 27 April 2009.

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 as the majority of its products are sold in foreign currency. The term loans, substantially taken to finance the construction of the Second Particleboard plant are denominated in United States ("US") Dollar.

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

(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.

3. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(iii) Price Risk

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

(b) Credit Risk

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

The Group's concentration of credit risk relates to amounts owing by three customers which constituted approximately 27% of its total receivables at the balance sheet date.

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

(c) Liquidity and Cash Flow Risks

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

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

4. BASIS OF ACCOUNTING

(a) Basis of Preparation

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

(a) During the current financial year, the Group has adopted the following:

(i) FRSs issued and effective for financial periods beginning on or after 1 July 2007:–

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

4. BASIS OF ACCOUNTING (CONT'D)

(a) Basis of Preparation (Cont'd)

(a) During the current financial year, the Group has adopted the following (cont'd):

FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

FRS 111 and FRS 120 are not relevant to the Group's operations. The adoption of the other standards did not have any material impact on the form and content of disclosures presented in the financial statements.

(ii) Amendment to FRS 121 – The Effects of Changes in Foreign Exchange Rates Net Investment in a Foreign Operation issued and effective for financial periods beginning on or after 1 July 2007.

This amendment is not relevant to the Group's operations.

(iii) IC interpretations issued and effective for financial periods beginning on or after 1 July 2007:

IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co–operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129_{2004} Financial Reporting in Hyperinflationary Economics
IC Interpretation 8	Scope of FRS 2

The above IC Interpretations are not relevant to the Group's operations.

The Group has not adopted the following FRSs and IC Interpretations that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:

(i) FRS issued and effective for financial periods beginning on or after 1 July 2009:

FRS 8	Operating Segments

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

4. BASIS OF ACCOUNTING (CONT'D)

(a) Basis of Preparation (Cont'd)

The Group and the Company have not adopted the following FRSs and IC Interpretations that have been issued as at the date of the authorisation of these financial statements but are not yet effective for the Group (cont'd):

(ii) FRSs issued and effective for financial periods beginning on or after 1 January 2010:

FRS 4 Insurance Contracts
FRS 7 Financial Instruments: Disclosures
FRS 139 Financial Instruments: Recognition and Measurement

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

The possible impacts of applying FRS 7 and FRS 139 on the financial statements upon their initial application are not disclosed by virtue of the exemptions given in these standards.

(iii) IC Interpretations issued and effective for financial periods beginning on or after 1 January 2010:

IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment

IC Interpretation 9 is not relevant to the Group's operations. IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation is expected to have no material impact on the financial statements of the Group upon its initial application.

(b) Going Concern

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

The Group and the Company have net current liabilities of approximately RM46,606,000 (2007 – RM69,877,000) and RM57,065,000 (2007 – RM77,662,000) respectively at the balance sheet.

During the financial year ended 31 December 2008, the Group faced a very unusual and challenging business climate as a consequence of the volatile material costs and fluctuating currency exchange rates, exacerbated by the recessions experienced by the major economies all over the world particularly in the second half of the year, which resulted in an adverse impact on the demand, cost of production and selling prices of the Group's particleboard business.

The directors prepared a projected cash flow information covering the financial years ending 31 December 2009 to 31 December 2017 as part of their assessment of the situation. Based on the projected cash flows for financial years ending 31 December 2009 and 2010, the Company proposed that its debt repayments be restructured to re–align the repayments to the cashflows from operations. The two major secured lenders, representing approximately RM167.6 million of the total indebtedness of the Company as at 31 December 2008, have given their approval in principle on the proposed scheme.

Subsequently on 3 March 2009, the Company was granted a restraining order pursuant to Section 176(10) of the Companies Act 1965 by the High Court of Malaya at Kuala Lumpur for a period of 6 months from 3 March 2009 to 2 September 2009 to manage its creditors and to stay the threat of legal action and insolvency.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

4. BASIS OF ACCOUNTING (CONT'D)

(b) Going Concern (Cont'd)

As of to–date, the Company is in the process of finalising the details of the proposed restructuring scheme with its lenders and creditors.

On the basis of the support from both the major lenders mentioned above and the continuing availability of banking facilities for working capital, the directors consider it appropriate to prepare the financial statements on a going concern basis.

In the event that the going concern assumption is no longer valid, the Group and the Company may not be able to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at the amounts which could differ significantly from the amounts which are currently recorded in the balance sheet. In addition, the Group and the Company may have to reclassify the non–current assets and liabilities as current assets and liabilities, respectively.

5. SIGNIFICANT ACCOUNTING POLICIES

(a) Critical Accounting Estimates and Judgements

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

(i) Going Concern

The financial statements of the Group and of the Company are prepared on the basis of accounting principles applicable to a going concern. The details are disclosed in Note 4(b) to the financial statements.

(ii) Depreciation of Property, Plant and Equipment

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

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

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

(iii) Income Taxes

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(iv) Impairment of Assets

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

(v) Allowance for Doubtful Debts of Receivables

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

(vi) Allowance for Inventories

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

(b) Financial Instruments

(i) Financial Instruments Recognised in the Balance Sheet

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 an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

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

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

(ii) Financial Instruments Not Recognised in the Balance Sheet

The Group is a party to financial instruments such as foreign currency contracts. These instruments are not recognised in the financial statements on inception.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Financial Instruments (Cont'd)

The Group enters into foreign currency forward contracts to protect the Group from movements in exchange rate by establishing the rate at which a foreign currency asset or liability will be settled.

Exchange gains and losses arising from contracts entered into as hedges of anticipated future transactions are deferred until the date of such transactions, at which time they are included in the measurement of such transactions.

(iii) Fair Value Estimation for Disclosure Purposes

The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The face values, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year period are assumed to approximate their fair values.

(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 2008.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Basis of Consolidation (Cont'd)

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

(e) Goodwill on Consolidation

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

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

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

(f) Investments

(i) Investments in Subsidiaries

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

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

(ii) Other Investments

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

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

(g) Property, Plant and Equipment

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

(h) Impairment of Assets

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

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

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

(i) Prepaid Lease Payments

Leases of land under which the lessor have not transferred all the risks and benefits of ownership are classified as operating leases. Lease prepayment for land use rights are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged to the income statement on a straight–line basis over the lease terms.

(j) Assets under Hire Purchase

Equipment acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in Note 5(g) above. Each hire purchase payment is allocated

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Assets under Hire Purchase (Cont'd)

between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are allocated to the income over the periods of the respective hire purchase agreements.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis, and comprises the cost of materials and incidentals incurred in bringing the inventories to their present location and condition. Cost of finished goods includes cost of materials, labour and an appropriate proportion of production overheads.

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

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

(l) Receivables

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

(m) Payables

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

(n) Provisions

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

(o) Income Taxes

Income taxes for the year comprise current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the balance sheet date.

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

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Income Taxes (Cont'd)

and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

(p) Interest–bearing Borrowings

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

Borrowing costs directly attributable to the acquisition and construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale.

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

(q) Equity Instruments

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

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

(r) Segmental Information

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Segmental Information (Cont'd)

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.

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

(s) Related Parties

A party is related to an entity if:

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

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

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

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

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

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

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

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

(t) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, bank overdrafts and short–term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(u) Employee Benefits

(i) Short–term Benefits

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Employee Benefits (Cont'd)

(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.

(v) Contingent Liabilities and Contingent Assets

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

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

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

(w) Revenue Recognition

(i) Sale of Goods

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) Revenue Recognition (Cont'd)

(ii) Interest Income

Interest income is recognised on an accrual basis, based on the effective yield on the investment.

(iii) Dividend Income

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

6. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2008	**2007**
	RM'000	**RM'000**
Unquoted shares, at cost	40,960	40,960

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

Name of Company	**Effective Equity Interest**		**Principal Activities**
	2008	**2007**	
HeveaPac Sdn. Bhd.	100%	100%	Manufacturing and trading of ready–to–assemble furniture.
HeveaMart Sdn. Bhd.*	100%	100%	Trading of particleboards and other panel boards.
BocoWood Sdn. Bhd.*	100%	100%	Distribution and marketing of ready–to–assemble furniture.
Hevea OSB Sdn. Bhd.*	100%	100%	Dormant.

* Not audited by Messrs. Horwath.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

7. PROPERTY, PLANT AND EQUIPMENT

	AT 1.1.2008	ADDITIONS	DEPRECIATION CHARGE	AT 31.12.2008
	RM'000	RM'000	RM'000	RM'000
THE GROUP				
NET BOOK VALUE				
Freehold land	7,462	–	–	7,462
Buildings	54,378	542	(1,348)	53,572
Plant, machinery and equipment	283,215	7,206	(21,860)	268,561
Furniture and fittings	1,528	100	(232)	1,396
Motor vehicles	1,309	670	(580)	1,399
	347,892	8,518	(24,020)	332,390

	AT 1.1.2007	RECLASSI–FICATION	ADDITIONS	WRITTEN OFF*/ ADJUSTMENT#/ DISPOSAL	DEPRECIATION CHARGE	AT 31.12.2007
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
THE GROUP						
NET BOOK VALUE						
Freehold land	4,722	–	2,740	–	–	7,462
Buildings	49,481	1,325	5,149	(301)*	(1,276)	54,378
Plant, machinery and equipment	290,417	(1,325)	15,978	(730)#	(21,125)	283,215
Furniture and fittings	1,506	–	236	–	(214)	1,528
Motor vehicles	1,183	–	745	(40)	(579)	1,309
	347,309	–	24,848	(1,071)	(23,194)	347,892

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

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

	AT COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
	RM'000	RM'000	RM'000
AT 31.12.2008			
Freehold land	7,462	–	7,462
Buildings	59,783	(6,211)	53,572
Plant, machinery and equipment	361,045	(92,484)	268,561
Furniture and fittings	2,670	(1,274)	1,396
Motor vehicles	5,703	(4,304)	1,399
	436,663	(104,273)	332,390
AT 31.12.2007			
Freehold land	7,462	–	7,462
Buildings	59,241	(4,863)	54,378
Plant, machinery and equipment	353,839	(70,624)	283,215
Furniture and fittings	2,570	(1,042)	1,528
Motor vehicles	5,033	(3,724)	1,309
	428,145	(80,253)	347,892

	AT 1.1.2008	ADDITIONS	DEPRECIATION CHARGE	AT 31.12.2008
	RM'000	RM'000	RM'000	RM'000
THE COMPANY				
NET BOOK VALUE				
Freehold land	6,034	–	–	6,034
Buildings	26,358	448	(594)	26,212
Plant, machinery and equipment	256,675	4,194	(17,741)	243,128
Furniture and fittings	243	28	(42)	229
Motor vehicles	980	485	(319)	1,146
	290,290	5,155	(18,696)	276,749

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

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

	AT 1.1.2007	ADDITIONS	ADJUSTMENT*/ DISPOSAL	DEPRECIATION CHARGE	AT 31.12.2007
	RM'000	RM'000	RM'000	RM'000	RM'000
THE COMPANY					
NET BOOK VALUE					
Freehold land	3,294	2,740	–	–	6,034
Buildings	23,860	3,052	–	(554)	26,358
Plant, machinery and equipment	268,717	5,999	(730)*	(17,311)	256,675
Furniture and fittings	214	67	–	(38)	243
Motor vehicles	558	741	(40)	(279)	980
	296,643	12,599	(770)	(18,182)	290,290

	AT COST	ACCUMULATED DEPRECIATION	TOTAL
	RM'000	RM'000	RM'000
AT 31.12.2008			
Freehold land	6,034	–	6,034
Buildings	29,667	(3,455)	26,212
Plant, machinery and equipment	314,922	(71,794)	243,128
Furniture and fittings	606	(377)	229
Motor vehicles	3,294	(2,148)	1,146
	354,523	(77,774)	276,749

	AT COST	ACCUMULATED DEPRECIATION	TOTAL
	RM'000	RM'000	RM'000
AT 31.12.2007			
Freehold land	6,034	–	6,034
Buildings	29,219	(2,861)	26,358
Plant, machinery and equipment	310,728	(54,053)	256,675
Furniture and fittings	578	(335)	243
Motor vehicles	2,809	(1,829)	980
	349,368	(59,078)	290,290

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

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	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Freehold land	7,462	7,462	6,034	6,034
Buildings	53,540	54,378	26,179	26,358
Plant, machinery and equipment	242,664	256,169	242,664	256,169
Furniture and fittings	146	137	146	137
	303,812	318,146	275,023	288,698

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	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Plant and equipment	23,231	24,438	11,091	14,012
Motor vehicles	1,117	334	949	178
	24,348	24,772	12,040	14,190

8. PREPAID LEASE PAYMENTS

	THE GROUP		THE COMPANY	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Cost	11,590	11,590	4,061	4,061
Accumulated amortisation	(883)	(676)	(220)	(176)
Net book value	10,707	10,914	3,841	3,885

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

8. PREPAID LEASE PAYMENTS (CONT'D)

	THE GROUP 2008	THE GROUP 2007	THE COMPANY 2008	THE COMPANY 2007
	RM'000	RM'000	RM'000	RM'000
Accumulated amortisation:				
At 1.1.2008/2007	(676)	(469)	(176)	(132)
Amortisation for the financial year	(207)	(207)	(44)	(44)
At 31.12.2008/2007	(883)	676)	(220)	(176)
Analysed as:				
Long leasehold land	4,557	4,606	3,841	3,885
Short leasehold land	6,150	6,308	–	–
	10,707	10,914	3,841	3,885

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

9. OTHER INVESTMENT

	THE GROUP 2008	THE COMPANY 2007
	RM'000	RM'000
At cost:		
Club memberships	15	15
At market value	12	14

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

10. GOODWILL ON CONSOLIDATION

	THE GROUP 2008	2007
	RM'000	RM'000
Goodwill on consolidation	2,946	2,946

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

The recoverable amount of a cash–generating unit is determined based on value–in–use calculations using cash flow projections based on financial budgets approved by management covering a period of nine years. The key assumptions used for value–in–use calculations are:–

(i) *Growth Rate*

The (contracted growth)/growth rates used ranged from – 27% to 48% based on the planned capacity and forecasted demands.

(ii) *Gross Margin*

The budgeted gross margins used ranged from 8% to 31% based on the estimated selling prices and the fixed and variable costs, adjusted for market conditions and economic conditions and internal resource efficiency.

(iii) *Discount Rate*

The discount rate used is 7.82% which approximated the Company's weighted average cost of capital.

11. INVENTORIES

	THE GROUP 2008	2007	THE COMPANY 2008	2007
	RM'000	RM'000	RM'000	RM'000
AT COST:				
Raw materials	16,238	13,813	1,615	1,601
Work–in–progress	964	1,866	–	–
Spare parts and consumables	7,651	3,840	7,651	3,839
Finished goods	–	18,891	–	13,594
AT NET REALISABLE VALUE:				
Finished goods	31,432	–	22,830	–
	56,285	38,410	32,096	19,034

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

12. TRADE RECEIVABLES

	THE GROUP		THE COMPANY	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Trade receivables	25,370	33,220	3,822	12,148
Allowance for doubtful debts:				
At 1 January	(44)	(33)	–	–
Addition during the financial year	–	(11)	–	–
Writeback during the financial year	11	–	–	–
At 31 December	(33)	(44)	–	–
	25,337	33,176	3,822	12,148

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

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

	THE GROUP		THE COMPANY	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
United States Dollar	18,025	23,552	2,645	9,450

13. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	THE COMPANY	
	2008	2007
	RM'000	RM'000
Amount owing by subsidiaries		
– Trade	8,775	13,252
– Non–trade	1,690	122
	10,465	13,374
Amount owing to subsidiaries		
– Trade	(1,536)	(1,679)
– Non–trade	(5,442)	(4,767)
	(6,978)	(6,446)

The normal trade credit term is 90 days.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

14. SHARE CAPITAL

	THE COMPANY			
	2008	**2007**	**2008**	**2007**
	NUMBER OF SHARES ('000)		**RM'000**	**RM'000**
AUTHORISED ORDINARY SHARES OF RM1 EACH:				
AUTHORISED	500,000	500,000	500,000	500,000
ISSUED AND FULLY PAID–UP				
At 1.1.2008/2007	80,000	80,000	80,000	80,000
Issuance of shares				
– pursuant to private placement	8,000	–	8,000	–
– pursuant to exercise of warrants	2,400	–	2,400	–
At 31.12.2008/2007	90,400	80,000	90,400	80,000

During the financial year, the Company increased its issued and paid–up share capital from RM80,000,000 to RM90,400,000 by way of:

(i) the issuance of 8,000,000 new ordinary shares of RM1.00 each at RM1.03 per share pursuant to the Company's private placement exercise. The shares were issued for cash consideration; and

(ii) the issuance of 2,400,000 new ordinary shares of RM1.00 each pursuant to the exercise of the Company's warrants at an exercise price of RM2.00 each. The shares were issued for cash consideration.

All the new shares issued during the financial year rank pari passu in all respects with the existing shares of the Company.

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.

During the financial year, 2,400,000 warrants of the Company were exercised for cash consideration resulting in the issuance of 2,400,000 new ordinary shares of RM1.00 each.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

15. SHARE PREMIUM

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

16. 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.

Effective from 1 January 2008, the Company is allowed an irrevocable option to elect for the single tier tax system or continue with the use of the tax credit balance for the purpose of dividend distribution. When the tax credit balance is fully utilized, or by 31 December 2013 at the latest, the Company will automatically move to the single tier tax system.

17. DIVIDENDS

	THE GROUP/THE COMPANY	
	2008	2007
	RM'000	RM'000
Paid:		
Final tax–exempt dividend of RM0.03 (2007 – RM0.05 less 27% tax) per ordinary share in respect of the previous financial year	2,712	2,920
Proposed:		
Final tax–exempt dividend of RM0.03 per ordinary share in respect of the current financial year	–	2,400

Since the end of the previous financial year, the Company, in the current financial year paid a final tax–exempt dividend of RM0.03 per ordinary share amounting to RM2,712,000 in respect of the previous financial year.

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

18. LONG–TERM BORROWINGS

	THE GROUP		THE COMPANY	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Hire purchase payables (Note 25)	9,591	13,139	5,271	7,242
Term loans (Note 26)	142,114	140,134	135,377	132,278
	151,705	153,273	140,648	139,520

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

19. PROVISION FOR RETIREMENT BENEFITS

	THE GROUP 2008	THE GROUP 2007	THE COMPANY 2008	THE COMPANY 2007
	RM'000	RM'000	RM'000	RM'000
At 1 January	970	779	629	521
Reclassified from accruals	–	24	–	–
Charge for the financial year	188	167	127	108
At 31 December	1,158	970	756	629
The retirement benefit obligations are expected to be settled as follows:				
Non–current:				
– later than 2 years and not later than 5 years	375	327	375	327
– later than 5 years	783	643	381	302
	1,158	970	756	629

The amounts recognised in the income statements are as follows:

	THE GROUP 2008	THE GROUP 2007	THE COMPANY 2008	THE COMPANY 2007
	RM'000	RM'000	RM'000	RM'000
Current service costs	96	89	67	58
Interest costs	29	26	22	22
Past service costs	1,033	855	667	549
	1,158	970	756	629

The Group and the Company established an unfunded defined benefit plan for key personnel during the financial year ended 31 December 2004. Under the scheme, eligible employees are entitled to retirement benefits of one month salary for every completed year of service, calculated from the date of probationary appointment until the date of resignation, termination, retrenchment, retirement, death or incapability of personnel.

Retirement benefits charged for the financial year have been included in administrative expenses. Of this amount, approximately RM71,000 (2007 – RM64,000) was in respect of retirement benefits for executive directors.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

19. PROVISION FOR RETIREMENT BENEFITS (CONT'D)

The principal actuarial assumptions used are as follows:

	THE GROUP/THE COMPANY 2008	2007
	%	%
Discount rate	5	5
Expected rate of salary increases	3 to 5	3 to 5

20. DEFERRED TAX LIABILITIES

	THE GROUP 2008	THE GROUP 2007	THE COMPANY 2008	THE COMPANY 2007
	RM'000	RM'000	RM'000	RM'000
At 1 January	7,759	15,006	3,959	12,959
Recognised in income statement (Note 31)	(2,260)	(7,247)	(1,991)	(9,000)
At 31 December	5,499	7,759	1,968	3,959

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

	THE GROUP 2008	THE GROUP 2007	THE COMPANY 2008	THE COMPANY 2007
	RM'000	RM'000	RM'000	RM'000
Deferred tax liability:				
– Accelerated capital allowances	42,060	38,774	38,342	34,919
Deferred tax assets:				
– Provision for retirement benefits	(267)	(224)	(196)	(169)
– Unrealised foreign exchange loss	(76)	–	–	–
– Unutilised tax losses	(345)	(125)	(345)	(125)
– Unabsorbed capital allowances	(35,873)	(30,666)	(35,833)	(30,666)
	5,499	7,759	1,968	3,959

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

21. 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 the trade payables is as follows:

	THE GROUP		THE COMPANY	
	2008	2007	2008	2007
	RM’000	RM’000	RM’000	RM’000
Euro	1,019	12	1,019	12
US Dollar	2,426	2,255	–	437
Singapore Dollar	28	–	28	–
Swiss Franc	8	51	8	51
	3,481	2,318	1,055	500

22. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals of the Group and of the Company is an amount owing to creditors of approximately RM10.3 million (2007 – RM15 million) for the supply, installation and commissioning of a plant for the production of particleboard.

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

	THE GROUP		THE COMPANY	
	2008	2007	2008	2007
	RM’000	RM’000	RM’000	RM’000
Euro	10,315	15,690	10,315	15,690
US Dollar	1,959	434	1,926	434
	12,274	16,124	12,241	16,124

23. AMOUNT OWING TO RELATED PARTIES

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

24. SHORT–TERM BORROWINGS

	THE GROUP		THE COMPANY	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Bankers' acceptances	30,851	35,307	25,605	33,078
Export credit refinancing	8,946	5,127	–	–
Hire purchase payables (Note 25)	6,787	5,934	2,949	2,515
Term loans (Note 26)	7,676	15,509	6,666	14,660
	54,260	61,877	35,220	50,253

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

	THE GROUP		THE COMPANY	
	2008	2007	2008	2007
	%	%	%	%
Short–terms borrowings	4.50 to 5.99	4.50 to 6.43	5.05 to 5.90	5.05 to 6.51

The bankers' acceptances, export credit refinancing 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 guarantee of the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

25. HIRE PURCHASE PAYABLES

	THE GROUP		THE COMPANY	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Future minimum hire purchase payments:				
– not later than one year	7,722	6,953	3,415	3,118
– later than one year and not later than five years	10,540	14,362	5,643	7,658
– later than five year	–	334	–	334
	18,262	21,649	9,058	11,110
Future finance charges	(1,884)	(2,576)	(838)	(1,353)
Present value of hire purchase payables	16,378	19,073	8,220	9,757
Current:				
– not later than one year (Note 24)	6,787	5,934	2,949	2,515
Non–current (Note 18):				
– later than one year and not later than five years	9,591	12,812	5,271	6,915
– later than five year	–	327	–	327
	9,591	13,139	5,271	7,242
	16,378	19,073	8,220	9,757

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

	THE GROUP		THE COMPANY	
	2008	2007	2008	2007
	%	%	%	%
Hire purchase payables	2 to 5	2 to 5	2 to 5	2 to 5

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

26. TERM LOANS

	THE GROUP 2008	THE GROUP 2007	THE COMPANY 2008	THE COMPANY 2007
	RM'000	RM'000	RM'000	RM'000
Current portion:				
– repayable within one year (Note 24)	7,676	15,509	6,666	14,660
Non–current portion (Note 18):				
– repayable between one and two years	31,969	38,056	30,880	37,099
– repayable between two and five years	80,542	98,347	77,145	77,145
– repayable after five years	29,603	3,731	27,352	18,034
	142,114	140,134	135,377	132,278
	149,790	155,643	142,043	146,938

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 24 to the financial statements.

Details of the repayment terms are as follows:

TERM LOAN	NUMBER OF MONTHLY INSTALMENT	MONTHLY INSTALMENT AMOUNTS	AMOUNT OUTSTANDING THE GROUP 2008	AMOUNT OUTSTANDING THE GROUP 2007	AMOUNT OUTSTANDING THE COMPANY 2008	AMOUNT OUTSTANDING THE COMPANY 2007
		RM'000	RM'000	RM'000	RM'000	RM'000
1	180	23 to 28	2,422	2,560	–	–
2	120	58	3,330	3,751	–	–
3	36	555	17,839	19,986	17,839	19,986
4	28 (quarterly)	4,345 (quarterly)	116,026	117,566	116,026	117,566
5	8 (quarterly)	1,592 (quarterly)	8,178	9,386	8,178	9,386
6	84	27 to 29	1,477	1,729	–	–
7	60	16	518	665	–	–
			149,790	155,643	142,043	146,938

Term loans 4 and 5 are denominated in US Dollar.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

26. TERM LOANS (CONT'D)

Kreditanstalt fur Wiederaufbau ("KfW"), the principal banker financing the Second Particleboard Plant had consented to reschedule the repayment of the two term loan facilities under KfW amounting to approximately RM124 million at 31 December 2008. The initial term of the term loans, namely term loan 4 and term loan 5, are repayable on a quarterly basis with principal sums of RM4.47 million and RM1.64 million payable per quarter, respectively. KfW vide its letter dated 17 October 2007 confirmed the new repayment terms, whereby term loan 4 was repayable in 1 instalment for the financial year ended 31 December 2007 and 2 instalments in financial year ending 31 December 2008, and term loan 5 was repayable in 2 instalments for the financial year ended 31 December 2007 and 2 instalments for the financial year ending 31 December 2008. Thereafter both term loans will resume repayment on a quarterly basis according to the Loan Agreement dated 6 July 2005. On 12 October 2008, the Company had applied to KfW and was granted an interim deferment of the interest and principal due until March 2009. Subsequently on 3 March 2009, the Company was granted a restraining order pursuant to Section 176 (10) of the Companies Act 1965 by the High Court of Malaya at Kuala Lumpur to manage its lenders and creditors under a proposed restructuring which has yet to be finalised as disclosed in Note 4(b) to the financial statements.

27. BANK OVERDRAFTS

The bank overdrafts of the Group and of the Company bear effective interest rates which range from 7.56% and 7.94% (2007 – 7.92% and 7.91%) per annum and are secured in the same manner as the short–term borrowings as disclosed in Note 24 to the financial statements.

28. 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 approximately RM141,090,000 (2007 – RM129,888,000) divided by the number of ordinary shares in issue at the balance sheet date of 90,400,000 (2007 – 80,000,000) ordinary shares.

29. REVENUE

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

30. (LOSS)/PROFIT BEFORE TAXATION

	THE GROUP		THE COMPANY	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before taxation is arrived at after charging/(crediting):				
Allowance for doubtful debts	–	11	–	–
Amortisation of prepaid lease payments	207	207	44	44
Audit fee				
– for the financial year	69	57	31	23
– underprovision in the previous financial year	14	–	8	–
Bad debts written off	20	15	–	–
Building written off	–	301	–	–
Depreciation of property, plant and equipment	24,020	23,194	18,696	18,182
Directors' fees	258	227	258	227
Directors' non–fee emoluments	997	917	997	917
Interest expense:				
– bills payables	2,122	2,035	1,692	1,560
– hire purchase	1,114	1,112	640	674
– overdrafts	746	664	685	604
– term loans	9,247	9,782	8,634	9,128
– export credit refinancing	252	136	–	–
Inventories written off	401	661	–	–
Provision for retirement benefits				
– directors	71	64	71	64
– others	117	103	56	44
Loss on disposal of equipment	–	5	–	5
Loss on foreign exchange:				
– realised	1	154	–	625
– unrealised	3,889	–	3,596	–
Rental of equipment	317	250	317	235
Rental of premises	259	257	226	238
Staff costs	35,366	30,617	11,023	10,971
Dividend income	–	–	(4,180)	–
Insurance compensation	–	(961)	–	–
Gain on foreign exchange				
– realised	(2,573)	–	(301)	–
– unrealised	–	(8,541)	–	(8,541)
Interest income	(16)	(62)	(16)	(28)
Writeback of allowance for doubtful debts	(11)	–	–	–

The benefits–in–kind received by the directors of the Group and of the Company was RM59,000 (2007 – RM59,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

31. INCOME TAX EXPENSE

	THE GROUP 2008	THE GROUP 2007	THE COMPANY 2008	THE COMPANY 2007
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
– for the financial year	1,412	647	941	7
– overprovision in the previous financial year	(208)	(82)	(7)	–
	1,204	565	934	7
Deferred tax expense (Note 20)				
– relating to origination and reversal of temporary differences	(1,509)	(3,671)	(1,362)	(4,760)
– overprovision in the previous financial year	(751)	(3,576)	(629)	(4,240)
	(2,260)	(7,247)	(1,991)	(9,000)
	(1,056)	(6,682)	(1,057)	(8,993)

During the financial year, the statutory tax rate was reduced from 27% to 26%, as announced in the Malaysian Budget 2007.

A reconciliation of the income tax expense applicable to the (loss)/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 2008	THE GROUP 2007	THE COMPANY 2008	THE COMPANY 2007
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before taxation	(182)	135	(3,637)	(5,899)
Tax at the statutory tax rate of 26% (2007 – 27%)	(47)	36	(946)	(1,593)
Tax effects of:				
Differential in tax rate	(144)	(61)	–	–
Reduction in tax rate	(161)	–	(123)	–
Non–deductible expenses	1,669	1,062	648	379
Non–taxable income	–	(3,811)	–	(3,539)
Deferred tax assets not recognised	5	9	–	–
Utilisation of reinvestment allowance	(1,419)	(259)	–	–
Overprovision in previous financial years				
– current taxation	(208)	(82)	(7)	–
– deferred taxation	(751)	(3,576)	(629)	(4,240)
	(1,056)	(6,682)	(1,057)	(8,993)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

31. INCOME TAX EXPENSE (CONT'D)

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	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Unutilised tax losses	1,327	464	1,327	464
Unabsorbed capital allowances	137,969	113,563	137,815	113,563
Unabsorbed reinvestment allowances	3,463	2,654	–	–
Unabsorbed investment tax allowances	244,663	233,205	244,663	233,205
Unabsorbed allowance for exports increase	44,613	39,934	–	–
	432,035	389,820	383,805	347,232

32. EARNINGS PER SHARE

The basic earnings per share is arrived at by dividing the Group's profit after taxation of RM874,000 (2007 – RM6,817,000) by the weighted average number of ordinary shares in issue during the financial year of approximately 87,862,000 (2007–80,000,000).

The diluted earnings per share is not applicable as the effect of potential ordinary shares from the warrants conversion is anti–dilutive.

33. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	THE GROUP		THE COMPANY	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Cost of property, plant and equipment purchased	8,518	24,848	5,155	12,599
Amount financed through hire purchase	(4,024)	(13,982)	(1,234)	(4,450)
Cash disbursed for the purchase of property, plant and equipment	4,494	10,866	3,921	8,149

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

34. CASH AND CASH EQUIVALENTS

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

	THE GROUP		THE COMPANY	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	3,102	1,937	947	56
Bank overdrafts	(12,986)	(12,129)	(12,361)	(10,010)
	(9,884)	(10,192)	(11,414)	(9,954)

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

	THE GROUP	
	2008	2007
	RM'000	RM'000
United States Dollar	1,596	856

35. CONTINGENT LIABILITY – UNSECURED

	THE COMPANY	
	2008	2007
	RM'000	RM'000
Corporate guarantees given to financial institutions for banking facilities granted to subsidiaries	27,234	22,818

36. RELATED PARTY DISCLOSURES

(a) Identities of related parties

(i) the Company has controlling related party relationship with its subsidiaries as disclosed in Note 6 to the financial statements;

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

36. RELATED PARTY DISCLOSURES (CONT'D)

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

(i) Subsidiaries

	THE COMPANY	
	2008	2007
	RM'000	RM'000
Dividend received/receivable from subsidiaries	4,180	-
Sales to subsidiaries	48,754	39,435

(ii) Key management personnel

	THE GROUP		THE COMPANY	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Short–term employee benefits payable to directors (Note 39)	1,255	1,144	1,255	1,144

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

	THE GROUP		THE COMPANY	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Construction cost of property charged by related parties	1,291	3,146	1,291	3,146
Purchase of equipment from a related party	9	64	9	64

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

(a) Proposed Exemption

On 30 October 2007, OSK Investment Bank Berhad (formerly known as OSK Securities Berhad) announced on behalf the Company, that the Securities Commission ("SC") had via its letter dated 29 October 2007 approved the proposed exemption to HeveaWood Industries Sdn Bhd ("HW") and parties acting–in–concert ("PAC") from the obligation to undertake a mandatory offer for the remaining ordinary shares of the Company not already owned by HW and PAC upon the exercise of warrants owned by HW and PAC ("Proposed Exemption"), subject to the compliance with certain terms and conditions. Pursuant to the approval by the SC, no take–over offer would arise on full exercise of the warrants by HW and PAC for the period up to 31 December 2009, being the expiry date of the warrants.

This proposed exemption has since November 2008, no longer applicable due to a disqualifying transaction by a member of the PAC with HW.

(b) Private Placement

The Company had applied to the SC to undertake a proposed private placement of 8,000,000 new ordinary shares of RM1.00 each for up to 10% of the Company's issued and paid–up share capital. The application of the proposed private placement was approved by the SC on 14 February 2008. The Ministry of International Trade and Industry ("MITI") had vide its letter dated 3 March 2008 approved the proposed private placement subject to the terms and conditions imposed by the SC in their letter dated 14 February 2008.

On 6 June 2008, the Company had completed its private placement of 8,000,000 ordinary shares of RM1.00 each, representing 10% of the issued and paid–up share capital of the Company.

(c) Exercise of Warrants

On 25 June 2008, 2,400,000 warrants of the Company were exercised for cash consideration resulting in the issuance of 2,400,000 new ordinary shares of RM1.00 each.

38. SIGNIFICANT EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

Subsequent to the balance sheet date, on 3 March 2009, the Company was granted a restraining order by the Kuala Lumpur High Court for a period of 6 months from 3 March 2009 to 2 September 2009 to facilitate the finalisation of the Company's proposed restructuring scheme.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

39. DIRECTORS' REMUNERATION

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

	THE GROUP/THE COMPANY 2008 RM'000	2007 RM'000
Directors of the Company:		
Executive directors:		
– salaries, bonus and EPF	997	917
Non–Executive directors:		
– fees	258	227
	1,255	1,144
Retirement benefits for executive directors	71	64

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

	THE GROUP/THE COMPANY 2008	2007
Executive directors		
RM250,001 – RM300,000	–	1
RM300,001 – RM350,000	1	–
RM550,001 – RM600,000	–	1
RM600,001 – RM650,000	1	–
	2	2
Non–Executive directors:		
Below RM50,000	2	4
RM50,001 – RM100,000	3	1
	7	7

40. CAPITAL COMMITMENT

	THE GROUP 2008 RM'000	2007 RM'000	THE COMPANY 2008 RM'000	2007 RM'000
Plant and equipment:				
– Approved but not contracted for	3,000	3,000	–	–

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

41. SEGMENTAL INFORMATION

	MANUFACTURING		TRADING		OTHERS		ELIMINATIONS		GROUP	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue										
Total revenue	379,592	293,227	26,915	27,409	–	–	(65,595)	(58,398)	340,912	262,238
Results:										
Segment results	13,870	10,138	553	849	(3)	(3)	(4,241)	45	10,179	11,029
Finance costs									(10,361)	(10,894)
(Loss)/Profit before taxation									(182)	135
Taxation									1,056	6,682
Profit after taxation									874	6,817
Other information										
Segment assets #	478,111	488,277	8,602	8,701	6,160	6,164	(55,039)	(60,908)	437,834	442,234
Unallocated corporate assets									29	944
									437,863	443,178
Segment liabilities *	136,403	149,256	5,204	4,939	21	22	(17,114)	(56,094)	124,514	98,123
Unallocated corporate liabilities									172,259	215,167
									296,773	313,290
Capital expenditure	8,334	24,841	184	7	–	–	–	–	8,518	24,848
Depreciation and amortisation	24,158	23,360	69	41	–	–	–	–	24,227	23,401

The Group operates wholly in Malaysia.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

42. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

(a) Hire Purchase Payables

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

(b) Term Loans

Fair values of the term loans are not estimated as the Group is in the process finalising the details of the proposed restructuring scheme as disclosed in Note 4 (b) to the financial statements.

(c) Bank Balances and Other Short–Term Receivables/Payables

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

(d) Contingent Liabilities

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

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

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

		THE COMPANY	
		Nominal Amount	Net Fair Value
	Note	RM'000	RM'000
At 31 December 2007			
Corporate guarantees	35	22,818	*

* 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.

NOTES TO THE FINANCIAL STATEMENTS
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42. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D)

(d) Foreign Currency Forward Contracts

Foreign exchange forward contracts are entered into to manage exposure to fluctuations in foreign currency rate on specific transactions.

As at the balance sheet date, the Group had entered into forward foreign exchange contracts with the following notional amounts, fair values and maturities:

		The Group		The Company	
	Currency	Notional Amount	Liabilities at FairValue	Notional Amount	Liabilities at Fair value
		RM'000	RM'000	RM'000	RM'000
As at 31 December 2008					
Forwards used to hedge receivables					
– within one year	USD	10,752	896	10,752	896
Future option contracts used to hedge receivables					
– within one year	USD	59,099	4,940	44,493	3,709
		69,851	5,836	55,245	4,605

There were no forward foreign exchange and future option contracts entered into in respect of the previous financial year.

LIST OF PROPERTIES

Registered Owner	Location	Description/ existing use	Tenure of Land	Land Area	Audited Net Book Value as at 31st December 2008 (RM'000)
HeveaBoard	Lot 1941 & 1942, Batu Tiga Jalan Tampin 73400 Gemas Negeri Sembilan	Factory, Office and Warehouse	Freehold	47,255 sq. m	9,913
	Lot 4577/8, Batu Tiga Jalan Tampin 73400 Gemas Negeri Sembilan	Factory and Warehouse	Leasehold (Expires on 13–8–2095)	81,824 sq. m	23,399
	Lot 4184, 4185 & 4186 Jalan Tampin 73400 Gemas Negeri Sembilan	Storage Yard for logs and wood slabs	Freehold	33,194 sq. m	2,740
	PT 2584/2585/2586/2587 Mukim of Gemas Daerah Tampin Negeri Sembilan	Staff Quarters	Leasehold (Expires on 21–2–2090)	1,104 sq. m	254
Hevea OSB	Lot 1943, Batu Tiga Jalan Tampin 73400 Gemas Negeri Sembilan	Vacant Land	Freehold	20,283 sq. m	1,429
HeveaPac	PT 414, Kawasan Perindustrian Sg. Gadut KM 11, Jalan Tampin 71450 Seremban Negeri Sembilan	Factory Buildings and Office Blocks	Leasehold (Expires on 22–1–2047)	39,659 sq. m	12,559
	PT 406, Kawasan Perindustrian Sg. Gadut KM 11, Jalan Tampin 71450 Seremban Negeri Sembilan	Factory Buildings and Office Blocks	Leasehold (Expires on 24–3–2046)	40,468 sq. m	16,196
	PT 403, Kawasan Perindustrian Sg. Gadut KM 11, Jalan Tampin 71450 Seremban Negeri Sembilan	Warehouse Hostel	Leasehold (Expires on 21–3–2045)	21,044sq. m	4,115

ANALYSIS OF SHAREHOLDINGS

A.

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

B. DISTRIBUTION OF SHAREHOLDINGS AS AT 6 MAY 2009

Size of Shareholdings	No. of Holders	%	No. of Shares	%
Less than 100	2	0.13	138	0.00
100 – 1,000	680	45.58	210,100	0.23
1,001 – 10,000	403	27.01	2,128,550	2.35
10,001 – 100,000	319	21.38	12,443,100	13.77
100,001 – 4,519,999 (less than 5% of issued shares)	85	5.70	43,949,112	48.62
4,520,000 (5% of issued shares) and above	3	0.20	31,669,000	35.03
Total	**1,492**	**100.00**	**90,400,000**	**100.00**

C. SUBSTANTIAL SHAREHOLDERS AS AT 6 MAY 2009

		Direct		Indirect		
	Name	**No. of Shares**	**%**	**No. of Shares**	**%**	
1.	HeveaWood Industries Sdn Bhd	27,075,000	29.95	962,400	1.06	@
2.	Firama Holdings Sdn Bhd	4,969,000	5.50	29,927,400	33.11	*
3.	Liang Chong Wai	2,588,600	2.86	28,037,400	31.01	~
4.	Yoong Tein Seng @ Yong Kian Seng	150,000	0.17	35,102,400	38.83	***
5.	Yoong Hau Chun	150,000	0.17	35,102,400	38.83	#
6.	Dato' Loo Swee Chew	150,000	0.17	28,037,400	31.01	~
7.	Tenson Holdings Sdn Bhd	–	–	34,896,400	38.60	**
8.	Mah Fah Victor Group Sdn Bhd	–	–	34,896,400	38.60	**

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

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

~ Deemed interested by virtue of its/his substantial shareholdings in HeveaWood Industries Sdn Bhd pursuant to Section 6A of the Act and deemed interested by virtue of HeveaWood Industries Sdn Bhd being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn Bhd.

ANALYSIS OF SHAREHOLDINGS

*** Deemed interested by virtue of Section 6A of the Act (shareholdings held through Tenson Holdings Sdn Bhd, a substantial shareholder of HeveaWood Industries Sdn Bhd) and by virtue of his relationship with Yoong Hau Chun, his son and Yoong Li Yen, his daughter and deemed interested by virtue of HeveaWood Industries Sdn Bhd being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn Bhd.

Deemed interested by virtue of his relationship with Yoong Tein Seng @ Yong Kian Seng, his father and Yoong Li Yen, his sister and deemed interested by virtue of HeveaWood Industries Sdn Bhd being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn Bhd.

** Deemed interested by virtue of its substantial shareholdings in HeveaWood Industries Sdn Bhd, Firama Holdings Sdn Bhd and Firama Engineering Bhd (shareholdings held under through Firama Holdings Sdn Bhd) pursuant to Section 6A the Act and deemed interested by virtue of HeveaWood Industries Sdn Bhd being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn Bhd.

D. DIRECTORS' SHAREHOLDINGS AS AT 6 MAY 2009

	Name	Direct No. of Shares	%	Indirect No. of Shares	%
1	Tan Sri Dato' Seri Mohamed bin Rahmat	950,000	1.05	1,485,000(1)	1.64
2.	Yoong Tein Seng @ Yong Kian Seng	150,000	0.17	35,128,900(2)	38.86
3.	Yoong Hau Chun	150,000	0.17	35,112,400(3)	38.84
4.	Dato' Loo Swee Chew	150,000	0.17	28,189,000(4)	31.18
5.	Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	–	–	63,000(5)	0.07
6.	Lim Kah Poon	50,000	0.06	21,000(6)	0.02
7.	Bailey Policarpio	25,000	0.03	56,000(7)	0.06

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

(2) Deemed interested by virtue of Section 6A of the Act (shareholdings held through Tenson Holdings Sdn Bhd, a substantial shareholder of HeveaWood Industries Sdn Bhd) and by virtue of his relationship with Yoong Hau Chun, his son, Yoong Li Yen and Yoong Li Mian, his daughters and deemed interested by virtue of HeveaWood Industries Sdn Bhd being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn Bhd.

(3) Deemed interested by virtue of his relationship with Yoong Tein Seng @ Yong Kian Seng, his father, Tan Ya Ling, his spouse and Yoong Li Yen, 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.

(4) Deemed interested by virtue of his substantial shareholdings in HeveaWood Industries Sdn Bhd pursuant to Section 6A of the Act, deemed interested by virtue of HeveaWood Industries Sdn Bhd being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn Bhd and by virtue of his relationship with Loo Chin Meng (Lu Zhenming), his son.

ANALYSIS OF SHAREHOLDINGS

D. DIRECTORS' SHAREHOLDINGS AS AT 6 MAY 2009 (cont'd)

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

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

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

E. LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 6 MAY 2009

	Name	No. of Shares Held	%
1.	OSK Nominees (Tempatan) Sdn Berhad – OSK Capital Sdn Bhd for HeveaWood Industries Sdn Bhd	18,000,000	19.91
2.	Cimsec Nominees (Tempatan) Sdn Bhd – CIMB Bank for HeveaWood Industries Sdn Bhd (Banking)	9,000,000	9.96
3.	TA Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Firama Holdings Sdn Bhd	4,669,000	5.16
4.	A.A. Anthony Securities Sdn Bhd – IVT (CI001)	2,869,600	3.17
5.	Liang Chong Wai	2,588,600	2.86
6.	Firama Engineering Berhad	1,890,000	2.09
7.	Syed Mohd Yusof Bin Tun Syed Nasir	1,600,000	1.77
8.	Liau Choon Hwa & Sons Sdn Bhd	1,458,500	1.61
9.	HLG Nominee (Tempatan) Sdn Bhd – Pledged Securities Account for Sanur Sdn Bhd	1,435,000	1.59
10.	Yee Kong Yin	1,418,900	1.57
11.	Kenanga Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Mak Sze Ling	1,365,500	1.51
12.	Mayban Securities Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Raja Zainal Abidin Bin Raja Hussin (REM 672)	1,200,000	1.33
13.	Yap Kiew @ Yap Chin Fook	1,200,000	1.33
14.	Liau Chern Yee	1,083,200	1.20
15.	Ah Kayu Moy @ Lee Kay Moy	1,000,000	1.11
16.	Malaysia Nominees (Tempatan) Sendirian Berhad – Pledged Securities Account for Fizwah Pembinaan Sdn Bhd	1,000,000	1.11
17.	Multi–Purpose Insurans Bhd	1,000,000	1.11
18.	Syed Mohd Yusof Bin Tun Syed Nasir	1,000,000	1.11
19.	Tan Ah Lim	995,100	1.10
20.	OSK Nominees (Tempatan) Sdn Berhad – OSK Capital Sdn Bhd for Mohamed Bin Rahmat	950,000	1.05
21.	Ang Huat Keat	940,000	1.04
22.	Lancar Indah Sdn Bhd	882,000	0.98
23.	JF Apex Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Ng Ah Chai (Margin)	780,400	0.86
24.	Yoong Kee Sin	745,000	0.82
25.	Gemas Ria Sdn Bhd	744,900	0.82
26.	Solid Earnings Sdn Bhd	725,900	0.80
27.	Malaysia Nominees (Tempatan) Sendirian Berhad – Pledged Securities Account for Liau Thai Min (40–00088–000)	720,000	0.80
28.	RHB Capital Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Lim Bee Eng (CEB)	700,000	0.77
29.	Peh Ju Chai	648,000	0.72
30.	Y.A.M. Tunku Imran Ibni Tuanku Ja'afar	580,000	0.64
		63,189,600	69.90

ANALYSIS OF WARRANTHOLDINGS

A. DISTRIBUTION OF WARRANTHOLDINGS AS AT 6 MAY 2009

Size of Warrantholdings	No. of Holders	%	No. of Warrants	%
Less than 100	23	7.44	1,150	0.00
100 – 1,000	128	41.42	84,800	0.23
1,001 – 10,000	86	27.83	381,500	1.01
10,001 – 100,000	48	15.53	1,617,494	4.30
100,001 – 1,879,999 (less than 5% of issued warrants)	18	5.83	9,350,356	24.87
1,880,000 (5% of issued warrants) and above	6	1.94	26,164,700	69.59
Total	**309**	**100.00**	**37,600,000**	**100.00**

B. LIST OF THIRTY (30) LARGEST WARRANTHOLDERS AS AT 6 MAY 2009

	Name	No. of Warrants Held	%
1.	HeveaWood Industries Sdn Bhd	13,537,500	36.00
2.	Firama Engineering Berhad	3,150,000	8.38
3.	Mak Sze Ling	2,915,900	7.76
4.	Solid Earnings Sdn Bhd	2,500,000	6.65
5.	KPF Equities Holdings Sdn Bhd	2,036,300	5.42
6.	TA Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Firama Holdings Sdn Bhd	2,025,000	5.39
7.	OSK Nominees (Tempatan) Sdn Berhad – OSK Capital Sdn Bhd for Sanur Sdn Bhd	1,677,500	4.46
8.	Liang Chong Wai	1,458,900	3.88
9.	Yap Kiew @ Yap Chin Fook	1,006,000	2.68
10.	HDM Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Yap Kiew @ Yap Chin Fook (M07)	813,500	2.16
11.	Liau Choon Hwa & Sons Sdn Bhd	625,000	1.66
12.	Y.A.M. Tunku Imran Ibni Tuanku Ja'afar	540,000	1.44
13.	Ah Kayu Moy @ Lee Kay Moy	500,000	1.33
14.	ECML Nominees (Tempatan) Sdn Bhd – Mak Sze Ling (012)	500,000	1.33
15.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Wan Hassan Bin Wan Abdul Rahman (MGN–WHW0003M)	411,000	1.09
16.	Fizwah Pembinaan Sdn Bhd	355,000	0.94
17.	Liau Thai Min	340,150	0.90
18.	Yap Kiew @ Yap Chin Fook	263,300	0.70
19.	Keoy Hun Eng	215,000	0.57
20.	Wan Mahyumi Binti Wan Mohd Fizi	150,006	0.40
21.	Wan Hassan Bin Wan Abdul Rahman	150,000	0.40
22.	Mak Meow Hoo	130,000	0.35
23.	Mak Chee Weng	110,000	0.29
24.	Raden Corporation Sdn Bhd	105,000	0.28
25.	Ng Wen Li	99,000	0.26

ANALYSIS OF WARRANTHOLDINGS

B. LIST OF THIRTY (30) LARGEST WARRANTHOLDERS AS AT 6 MAY 2009 (cont'd)

	Name	No. of Warrants Held	%
26.	Yee Kong Yin	82,300	0.22
27.	EB Nominees (Tempatan) Sendirian Berhad – Pledged Securities Account for Yong Kian Seng @ Yoong Tein Seng (SMB–SFC)	75,000	0.20
28.	EB Nominees (Tempatan) Sendirian Berhad – Pledged Securities Account for Loo Swee Chew (SMB–SFC)	75,000	0.20
29.	EB Nominees (Tempatan) Sendirian Berhad – Pledged Securities Account for Yong Tu Sang (SMB–SFC)	75,000	0.20
30.	Yoong Hau Chun	75,000	0.20
		35,996,356	95.73

C. DIRECTORS' WARRANTHOLDINGS AS AT 6 MAY 2009

	Name	Direct No. of Shares	%	Indirect No. of Shares	%
1.	Tan Sri Dato' Seri Mohamed bin Rahmat	–	–	1,702,500(1)	4.53
2.	Yoong Tein Seng @ Yong Kian Seng	75,000	0.20	19,025,000(2)	50.60
3.	Yoong Hau Chun	75,000	0.20	19,012,500(3)	50.57
4.	Dato' Loo Swee Chew	75,000	0.20	13,644,300(4)	36.29
5.	Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	–	–	12,500(5)	0.03
6.	Lim Kah Poon	25,000	0.07	–	–
7.	Bailey Policarpio	20,000	0.05	25,000(6)	0.07

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

(2) Deemed interested by virtue of Section 6A of the Act (shareholdings held through Tenson Holdings Sdn Bhd, a substantial shareholder of HeveaWood Industries Sdn Bhd) and by virtue of his relationship with Yoong Hau Chun, his son, Yoong Li Yen and Yoong Li Mian, his daughters and deemed interested by virtue of HeveaWood Industries Sdn Bhd being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn Bhd.

(3) Deemed interested by virtue of his relationship with Yoong Tein Seng @ Yong Kian Seng, his father, Tan Ya Ling, his spouse and Yoong Li Yen, 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.

(4) Deemed interested by virtue of his substantial shareholdings in HeveaWood Industries Sdn Bhd pursuant to Section 6A of the Act, deemed interested by virtue of HeveaWood Industries Sdn Bhd being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria Sdn Bhd and by virtue of his relationship with Loo Chin Meng (Lu Zhenming), his son.

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

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifteenth (15th) Annual General Meeting of HeveaBoard Berhad will be held at Hotel Equatorial, Raya Room, Mezzanine Level, Jalan Sultan Ismail, 50250 Kuala Lumpur on Friday, 26 June 2009 at 10.00 a.m., for the purpose of considering the following businesses:

AGENDA

Ordinary Business

1. To lay the Audited Financial Statements for the financial year ended 31 December 2008 together with the Reports of the Directors and Auditors thereon.

2. To approve the payment of Directors' fees of RM258,000 for the financial year ended 31 December 2008.
Ordinary Resolution 1

3. 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) Mr Yoong Hau Chun, retiring pursuant to Article 123 of the Articles of Association
   Ordinary Resolution 2

   (ii) Mr Bailey Policarpio, retiring pursuant to Article 123 of the Articles of Association
   Ordinary Resolution 3

4. To re-appoint the following Directors who, being over the age of seventy (70) years, are retiring pursuant to Section 129 (6) of the Companies Act, 1965, and being eligible, offering themselves for re-appointment:

   (i) Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak
   Ordinary Resolution 4

   (ii) Tan Sri Dato' Seri Mohamed Bin Rahmat
   Ordinary Resolution 5

5. To re-appoint Messrs Horwath as Auditors of the Company and to authorise the Directors to fix their remuneration.
Ordinary Resolution 6

Special Business

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

6. **Ordinary Resolution**
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 ten per centum (10%) of the issued capital of the Company at the time of issue and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued, subject to the Companies Act, 1965, the Articles of Association of the Company and approval from Bursa Malaysia Securities Berhad and other relevant bodies where such approval is necessary."
   Ordinary Resolution 7

NOTICE OF ANNUAL GENERAL MEETING

BY ORDER OF THE BOARD

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

Kuala Lumpur
4 June 2009

Notes:

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

2. The instrument appointing a proxy shall be in writing executed by or on behalf of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 10th Floor, Menara Hap Seng, No. 1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur, Wilayah Persekutuan at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

4. Explanatory Note on Special Business

   (i) Authority to Issue and Allot Shares pursuant to Section 132D of the Companies Act, 1965

   The proposed Ordinary Resolution 7, if passed, will give flexibility to the Directors of the Company to issue shares and allot upto a maximum of ten per centum (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.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

PROXY FORM

Number Of Shares Held

HeveaBoard Berhad

Incorporated in Malaysia (Company No: 275512-A)

I/We ____
(full name in block letters)

of (full address) ____

____ being a member of **HeveaBoard Berhad**, hereby appoint

(full name) ____

of (full address) ____

or failing him/her, (full name) ____

of (full address) ____

or failing which, the Chairman of the Meeting as my/our proxy to attend and vote for me/us on my/our behalf at the Fifteenth (15th) Annual General Meeting of the Company to be held at Hotel Equatorial, Raya Room, Mezzanine Level, Jalan Sultan Ismail, 50250 Kuala Lumpur on Friday, 26 June 2009 at 10.00 a.m. or at any adjournment thereof and to vote as indicated below:

Ordinary Resolutions		For	Against
1.	Approval of Directors' Fees		
2.	Re-election of Mr Yoong Hau Chun as Director		
3.	Re-election of Mr Bailey Policarpio as Director		
4.	Re-appointment of Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak as Director		
5.	Re-appointment of Tan Sri Dato' Seri Mohamed Bin Rahmat as Director		
6.	Re-appointment of Messrs Horwath as Auditors		
7.	Special Business Authority to Issue and Allot Shares Pursuant to Section 132D of the Companies Act, 1965		

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

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

Signed this ______________ day of ________________ 2009

____
Signature/Common Seal of Shareholder

Notes:

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

2. The instrument appointing a proxy shall be in writing executed by or on behalf of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 10th Floor, Menara Hap Seng, No. 1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur, Wilayah Persekutuan at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

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

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REGISTERED OFFICE

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

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

FACTORY

Lot 1942, Batu 3
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
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Malaysia

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Fax : +(60)3-2166 3390