

**HeveaBoard Berhad**  
(Company No. 275512-A)  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
SEPTEMBER 2007**

**A. DISCLOSURE REQUIREMENTS AS PER FINANCIAL REPORTING  
STANDARDS (“FRS”) 134 (FORMERLY KNOWN AS MALAYSIAN  
ACCOUNTING STANDARDS BOARD (“MASB”) 26)**

**1. Basis of Preparation**

The interim financial statements are unaudited and have been prepared in compliance with the reporting requirements as set out in Financial Reporting Standards (“FRS”) No. 134 – “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. It should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 December 2006.

**2. Audit Report of Preceding Annual Financial Statements**

The audit report of the Group’s most recent annual audited financial statements for the financial year ended 31 December 2006 was not qualified.

**3. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows that were unusual because of their nature, size or incidence during the quarter under review.

**4. Seasonal or Cyclical Factors**

Except for the Chinese New Year festive season when activities slow down, the pace of the company’s business generally moves in tandem with the performance of the economy.

**5. Material Changes in Estimates**

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter.

**6. Debts and Equity Securities**

During the financial period, there were no issuances, cancellations, repurchases and resale of debts and equity securities. Total repayment of debts amounted to RM1,856,399.00 for the reporting quarter.

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**7. Dividend Paid**

The Final dividend of 5.0sen per share, less 27% income tax amounting to RM2,920,000 in respect of the financial period ended 30 September 2007.

**8. Segmental Reporting (Analysis by Activities)**

	← Cumulative quarter 12-month ended →			
	Current year period to-date 30.09.2007		Preceding year corresponding period to-date 30.09.2006	
	Revenue RM'000	Profit Before Taxation RM'000	Revenue RM'000	Profit Before Taxation RM'000
<b>Manufacturing</b>				
Particleboards	79,069	(2,458)	31,453	2,856
RTA Products*	91,528	3,274	64,947	(343)
<b>Trading</b>				
Particleboards	2,970	114	4,619	137
RTA Products*	18,490	467	16,634	337
<b>Others</b>	-	(3)	-	(21)
<b>Total</b>	<b>192,057</b>	<b>1,394</b>	<b>117,653</b>	<b>2,966</b>

\*RTA - Ready-To-Assemble

**9. Valuations of Investment and Property, Plant and Equipment**

There were no revaluations of property, plant and equipment during the current quarters. As at 30 September 2007, all property, plant and equipment were stated at cost less accumulated depreciation.

**10. Event Subsequent to the End of the Period**

There were no material events affecting the earnings of the Group between 30 September 2007 and 30 November 2007.

**11. Effect of Changes in the Composition of the Group**

There were no changes in the composition of the Group for the current financial year to date.

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**12. Contingent Liabilities**

Corporate guarantees of RM39.76 million are given to financial institutions for banking facilities and hire purchase facilities granted to subsidiaries as at 16 November (the latest practicable date not earlier than seven (7) days from the date of issue of this report).

**13. Capital Commitments**

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 30 September 2007 were as follows:

	The Group
	RM'000
Approved and contracted for	0
Approved but not contracted for	3,000

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**B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES LISTING REQUIREMENTS**

**1. Review of performance**

The turnover of the Group was RM62.83 million for the current year quarter ended 30 September 2007, an increase of RM24.14 million or 62.38% higher than the corresponding quarter in 2006. The increased turnover was attributed to the higher particleboard production and the increased RTA furniture sales.

The profit before tax of the Group was RM0.63 million for the reporting quarter as compared to RM2.90 million in the corresponding quarter in 2006, a decrease of RM2.27 million or 78.39%. Lower selling prices, higher raw material costs and lower US Dollar exchange rate were attributing factors to the adverse financial performance which was mitigated by the unrealised exchange gain derived from the translation of the US Dollar denominated term loan resulting in a nominal profit to the Group. For the cumulative quarter nine months to 30 September 2007, profit before tax of the Group was RM1.39 million.

**2. Material Changes in the Quarterly Results Compared to the Results of the Preceding Quarter**

There are no significant material changes in the reporting quarter as compared to the preceding quarter apart from the lower USD sales proceeds. This had resulted in the lower margin contribution as the revenue of the Group is substantially derived from export sales.

**3. Current Year Prospect**

The low margin contribution continues to be a concern mainly due to lower USD sales proceeds and escalation of raw material costs particularly glue prices influenced by the surging oil prices.

The Group is progressively developing new markets with improved margins for particleboard and RTA furniture. We expect the various measures taken to-date in lowering the costs and improving production efficiency of the Particleboard and RTA furniture production will eventually contribute to better margins.

The particleboard selling prices are expected to stabilize and improve in tandem with the rising glue prices and shipping freight costs over time.

We expect the next quarter results continue to be affected by the foregoing factors.

**4. Variances from Profit Forecasts and Profit Guarantee**

Not applicable.

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### 5. Taxation

	Individual Quarter 3-month Ended		Cumulative Quarter 6-month Ended	
	Current year quarter ended 30.09.2007 RM'000	Preceding year corresponding quarter ended 30.09.2006 RM'000	Current year period to- date 30.09.2007 RM'000	Preceding year corresponding period to-date 30.09.2006 RM'000
Current taxation	81	210	348	(2,070)
	<u>81</u>	<u>210</u>	<u>348</u>	<u>(2,070)</u>

The Ministry of Finance has exempted the Company from the payment of tax in respect of the statutory income derived from its approved business, i.e. manufacturing of plain and laminated particleboard, under Section 127 of the Income Tax Act 1967. The tax exemption granted is equivalent to the Investment Tax Allowance ("ITA") based on 100% of the qualifying capital expenditure incurred/ to be incurred in the 5-year period effective FY 2005.

HeveaPac enjoys tax incentive under Allowance for Increased Export ("AIE") which allows the company to claim 100% of the value of the increased export for the period 2003 to 2004 to set-off against 70% of its statutory business income. The AIE is effective from 1 January 2004.

### 6. Unquoted Investment and/or Properties

There were no disposals of unquoted investment and/or properties in the quarter ended 30 September 2007.

### 7. Quoted Investment

There was no purchase or disposal of quoted investment for the reporting quarter ended 30 September 2007.

### 8. Status of Corporate Proposal

#### Proposed Exemption

On 27 April 2007, OSK Investment Bank Berhad (*formerly known as OSK Securities 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.

The shareholdings of HW and PAC in HeveaBoard assuming before and after the full exercise of the Warrants by HW and PAC are set out below:-

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	As at 16 November 2007					Assuming only HW and PAC exercise their Warrants in full				
	Direct		Indirect		No. of Warrants	Direct		Indirect		
	No. of Shares	%	No. of Shares	%		No. of Shares	%	No. of Shares	%	
HW	27,075,000	33.84	2,729,500 <sup>(a)</sup>	3.41	13,537,500	40,612,500	39.38	2,779,500 <sup>(a)</sup>	2.70	
<b>PAC</b>										
Gemas Ria Sdn Bhd ("Gemas Ria")	2,729,500	3.41	-	-	50,000	2,779,500	2.69	-	-	
Dato' Seri Yong Tu Sang	150,000	0.19	29,804,500 <sup>(b)</sup>	37.26	75,000	225,000	0.22	43,392,000 <sup>(b)</sup>	42.08	
Dato' Loo Swee Chew	150,000	0.19	29,804,500 <sup>(c)</sup>	37.26	75,000	225,000	0.22	43,392,000 <sup>(c)</sup>	42.08	
Yong Kian Seng @ Yoong Tein Seng	150,000	0.19	34,989,500 <sup>(d)</sup>	43.74	75,000	225,000	0.22	54,002,000 <sup>(d)</sup>	52.37	
Liang Chong Wai	188,600	0.24	29,804,500 <sup>(c)</sup>	37.26	3,858,900	4,047,500	3.93	43,392,000 <sup>(c)</sup>	42.08	
Yoong Hau Chun	150,000	0.19	34,989,500 <sup>(e)</sup>	43.74	75,000	225,000	0.22	54,002,000 <sup>(e)</sup>	52.37	
Yong Hin Siong	-	-	-	-	-	-	-	-	-	
Yoong Li Yen	56,000	0.07	-	-	25,000	81,000	0.08	-	-	
Yoong Li Mian	26,500	0.03	-	-	12,500	39,000	0.04	-	-	
Tenson Holdings Sdn Bhd ("Tenson Holdings")	-	-	34,783,500 <sup>(f)</sup>	43.48	-	-	-	53,696,000 <sup>(f)</sup>	52.08	
Firama Holdings Sdn Bhd ("Firama")	4,979,000	6.22	29,804,500 <sup>(c)</sup>	37.26	5,325,000	10,304,000	9.99	43,392,000 <sup>(c)</sup>	42.08	
Sung Lee Timber Trading Sdn Bhd ("Sung Lee")	-	-	29,804,500 <sup>(c)</sup>	37.26	-	-	-	43,392,000 <sup>(c)</sup>	42.08	
<b>Total</b>	<b>35,654,600</b>	<b>44.57</b>	<b>-</b>	<b>-</b>	<b>23,108,900</b>	<b>58,763,500</b>	<b>56.99</b>	<b>-</b>	<b>-</b>	

**Notes:-**

- (a) Deemed interested by virtue of HW being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria
- (b) Deemed interested by virtue of Section 6A of the Act (shareholdings held through Sung Lee, a substantial shareholder of HW) and deemed interested by virtue of HW being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria
- (c) Deemed interested by virtue of their substantial shareholdings in HW pursuant to Section 6A of the Act and deemed interested by virtue of HW being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria
- (d) Deemed interested by virtue of Section 6A of the Act (shareholdings held through Tenson Holdings, a substantial shareholder of HW) and by virtue of his relationship with Yoong Hau Chun, his son and Yoong Li Yen, his daughter and deemed interested by virtue of HW being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria
- (e) Deemed interested by virtue of his relationship with Yong Kian Seng @ Yoong Tein Seng, his father and Yoong Li Yen, his sister and deemed interested by virtue of HW being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria
- (f) Deemed interested by virtue of its substantial shareholdings in HW and Firama pursuant to Section 6A of the Act and deemed interested by virtue of HW being entitled to control the exercise of 100 per cent of the votes attached to the voting shares in Gemas Ria
- (g) The percentage shareholding of HW and PAC are calculated based on the following issued and paid-up share capital of HeveaBoard:-

**Issued and paid-up share capital**

As at 29 August 2007

Issuance of new Shares pursuant to the exercise of Warrants by HW and PAC

**No. of Shares**

80,000,000

23,108,900

103,108,900

**9. Borrowings and Debt Securities**

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The Group's borrowings are as follows:

	As at 30.09.2007 RM'000	As at 31.12.2006 RM'000
Short term borrowings - secured		
- bankers' acceptances	39,118	28,512
- hire purchase payables	2,811	4,357
- term loans	13,021	24,456
- ECR	1,565	5,065
- bank overdraft	11,038	9,082
	<hr/>	<hr/>
	67,553	71,472
	<hr/>	<hr/>
Long term borrowings - secured		
- hire purchase payables	13,729	6,857
- term loans	145,451	148,469
	<hr/>	<hr/>
	159,180	155,326
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### **10. Off Balance Sheet Financial Instruments**

Not Applicable

### **11. Material Litigation**

The Group is not engaged in any material litigation either as plaintiff or defendant and the directors do not have any knowledge of any proceedings pending or threatened against the Group, which might materially and adversely affect the financial position or business of the Group.

### **12. Dividend**

No dividend has been declared for the financial period ended 30 September 2007.

### **13. Earnings per Share**

The earnings per share is calculated by dividing the Group's profit attributable to shareholders by the number of ordinary shares in issue in the respective periods as follows:-

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a) **Basic**

	30 September 2007		30 September 2006	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit attributable to the shareholders (RM'000)	545	1,046	2,691	5,037
Number of ordinary shares in issue ('000)	80,000	80,000	80,000	80,000
Basic earnings per share (sen)	0.68	1.31	3.36	6.30

b) **Diluted**

There is no dilutive effect arising from the Company's unexercised warrants as the exercise price is above the average market price of the Company's shares during the period.

**14. Authorisation**

This Quarterly Results for the financial period ended 30 September 2007 have been seen and approved by the board of directors of HeveaBoard Berhad for release to the Bursa Securities.