

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2008**

**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 2007.

**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 2007 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 other than as follows:

- a. The Company had on 4 June 2008 issued and allotted 8,000,000 new ordinary shares of RM1.00 each (“Share(s)”) pursuant to the Private Placement and the new Shares were granted listing of and quotation on the Main Board of Bursa Malaysia Securities Berhad on 6 June 2008; and

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- b. The Company had, on 23 June 2008, issued and allotted 2,400,000 new Shares pursuant to the conversion of 2,400,000 Warrants and the new Shares were granted listing of and quotation on the Main Board of Bursa Malaysia Securities Berhad on 26 June 2008.

Total repayment of debts amounted to RM7,982,233.00 was recorded in the reporting quarter.

**7. Dividend Paid**

A final tax-exempt dividend of 3.0 sen per Share amounted to RM2,712,000.00 was paid on 11 July 2008.

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

	← Cumulative quarter 12-month ended →			
	Current year period to-date 30.09.2008		Preceding year corresponding period to-date 30.09.2007	
	Revenue RM'000	Profit Before Taxation RM'000	Revenue RM'000	Profit Before Taxation RM'000
<b>Manufacturing</b>				
Particleboards	116,542	(1,129)	79,069	(2,458)
RTA Products*	122,184	2,481	91,528	3,274
<b>Trading</b>				
Particleboards	3,889	351	2,970	114
RTA Products*	17,776	343	18,490	467
<b>Others</b>	-	(36)	-	(3)
<b>Total</b>	<b>260,391</b>	<b>2,010</b>	<b>192,057</b>	<b>1,394</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 2008, 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 2008 and 11 November 2008.

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**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.

**12. Contingent Liabilities**

Corporate guarantees of RM36.32 million are given to financial institutions for banking facilities and hire purchase facilities granted to subsidiaries as at 11 November 2008 (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 2008 were as follows:

	The Group
	RM'000
Approved and contracted for	-
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 for the current year quarter ended 30 September 2008 was RM88.84 million, an increase of RM26.01 million or 41.39% as compared to the corresponding quarter in 2007. The increased turnover was attributed mainly to the higher volume and selling prices of particleboard and about 30% increase in production and sales from the RTA furniture sector.

The loss before tax of the Group for the reporting quarter was RM2.38 million as compared with the profit before tax of RM0.63 million in the corresponding quarter in 2007. The loss before tax was mainly attributed to the RM6.62 million unrealised exchange loss resulted from the translation of the US Dollar denominated term loan. Nevertheless, the higher USD exchange had contributed to improved margins on export sales for the Group.

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

The turnover for the Group for the current quarter has decreased by RM6.56 million or 6.9% as compared to the preceding quarter due to the slow down in sales which was affected by cost increase as a result of the surge in raw material and energy costs. The uncertainties caused by the global financial crisis and the higher USD exchange had been a key negative factor that had retarded the export sales volume.

The higher USD exchange over the preceding quarter had resulted in further unrealized exchange loss arising from the translation of the US Dollar denominated term loan taken to finance the 2<sup>nd</sup> Particleboard Line.

**3. Current Year Prospect**

The Company is constantly and progressively developing new markets with improved margins for its particleboard after achieving JIS certification for its low formaldehyde emission products on its 1<sup>st</sup> & 2<sup>nd</sup> particleboard line. Various concerted efforts taken to-date in lowering costs and improving production efficiency of the Particleboard & RTA sectors would eventually contribute to better margins for the Group.

The strengthened USD exchange would result in further unrealized exchange loss arising from the translation of the US Dollar denominated term loan but at the same time the higher exchange would contribute to better margins for export sales in both the particleboard and RTA sectors.

The next quarter results are expected 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 3-month Ended	
	Current year quarter ended 30.09.2008 RM'000	Preceding year corresponding quarter ended 30.09.2007 RM'000	Current year period to- date 30.09.2008 RM'000	Preceding year corresponding period to-date 30.09.2007 RM'000
Current taxation	166	82	353	348
	166	82	353	348

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 2008.

**7. Quoted Investment**

There was no purchase or disposal of quoted investment for the reporting quarter ended 30 September 2008.

**8. Status of Corporate Proposal**

**a. 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 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.

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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:-

	As at 14 Nov 2008				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	29.95	2,729,500 <sup>(a)</sup>	3.02	13,537,500	40,612,500	36.55	2,779,500 <sup>(a)</sup>	2.50	
<b>PAC</b>										
Gemas Ria Sdn Bhd ("Gemas Ria")	2,729,500	3.02	-	-	50,000	2,779,500	2.50	-	-	
Dato' Seri Yong Tu Sang	150,000	0.17	- <sup>(b)</sup>	-	75,000	225,000	0.20	- <sup>(b)</sup>	-	
Dato' Loo Swee Chew	150,000	0.17	29,804,500 <sup>(c)</sup>	32.97	75,000	225,000	0.20	43,392,000 <sup>(c)</sup>	39.05	
Yong Kian Seng @ Yoong Tein Seng	150,000	0.17	34,989,500 <sup>(d)</sup>	38.71	75,000	225,000	0.20	54,002,000 <sup>(d)</sup>	48.60	
Liang Chong Wai	2,588,600	2.86	29,804,500 <sup>(c)</sup>	32.97	1,458,900	4,047,500	3.64	43,392,000 <sup>(c)</sup>	39.05	
Yoong Hau Chun	150,000	0.17	34,989,500 <sup>(e)</sup>	38.71	75,000	225,000	0.20	54,002,000 <sup>(e)</sup>	48.60	
Yong Hin Siong	-	-	-	-	-	-	-	-	-	
Yoong Li Yen	56,000	0.06	-	-	25,000	81,000	0.07	-	-	
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>	38.48	-	-	-	53,696,000 <sup>(f)</sup>	48.33	
Firama Holdings Sdn Bhd ("Firama")	4,979,000	5.51	29,804,500 <sup>(c)</sup>	32.97	5,325,000	10,304,000	9.27	43,392,000 <sup>(c)</sup>	39.05	
Sung Lee Timber Trading Sdn Bhd ("Sung Lee")	-	-	- <sup>(b)</sup>	-	-	-	-	- <sup>(b)</sup>	-	
<b>Total</b>	<b>38,054,600</b>	<b>42.10</b>	<b>-</b>	<b>-</b>	<b>20,708,900</b>	<b>58,763,500</b>	<b>52.89</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) Ceased to have an indirect interest of the shareholdings held through HW and Gemas Ria by virtue of Section 6A (4) of the Companies Act, 1965 ("the Act")
- (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:-

<b>Issued and paid-up share capital</b>	<b>No. of Shares</b>
As at 14 Nov 2008	90,400,000
Issuance of new Shares pursuant to the exercise of Warrants by HW and PAC	20,708,900
	<u>111,108,900</u>

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**9. Borrowings and Debt Securities**

The Group's borrowings are as follows:

	As at 30.09.2008 RM'000	As at 31.12.2007 RM'000
Short term borrowings - secured		
- bankers' acceptances	33,799	35,307
- hire purchase payables	3,438	5,934
- term loans	8,231	15,509
- ECR	16,818	5,127
- RF Financing	1,163	-
- bank overdraft	9,408	12,129
	72,857	74,006
Long term borrowings - secured		
- hire purchase payables	14,062	13,139
- term loans	141,926	140,134
	155,988	153,273

**10. Off Balance Sheet Financial Instruments**

As at the date of this report, the Group had entered into the following forward foreign currency contracts to hedge its sales in USD:-

<u>Foreign Currency</u>	<u>Contract Amount</u>	<u>Maturity Date</u>
USD	25.04 million	Nov 2008 - Jul 2009

As the foreign currency contracts are entered into to hedge the Group's export proceeds in foreign currency, the contracted rates will be used to convert the foreign currency into Ringgit as and when they are taken up, on or before the maturity dates.

**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 2008.

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**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:-

**a) Basic**

	30 September 2008		30 September 2007	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit attributable to the shareholders (RM'000)	(2,541)	545	1,657	1,046
Number of ordinary shares in issue ('000)	90,400	80,000	90,400	80,000
Basic earnings per Share (sen)	(2.81)	0.68	1.83	1.31

**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 2008 have been seen and approved by the board of directors of HeveaBoard Berhad for release to the Bursa Securities.