

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2009

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

1. *Basis of Preparation*

The Quarterly Report has been prepared in accordance with the reporting requirements as outlined in the Financial Reporting Standards (“FRS”) No. 134 – “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 December 2008.

2. *Declaration of audit qualification*

The preceding annual financial statements of the Group were reported on without any qualification.

3. *Nature and amount of unusual items*

There were no extraordinary items for the current interim period.

4. *Seasonal or Cyclical Factors*

There have been no material seasonal or cyclical factors affecting the results of the quarter under review.

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*

There were no issue, cancellation, repurchases, resale and repayment of debts and equity securities for the current financial year to date.

7. *Dividend Paid*

No dividend was paid in respect of the current financial year to date.

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

8. Segmental Reporting (Analysis by Activities)

	← Cumulative quarter 3-month ended →			
	Current year period to-date 31.03.2009		Preceding year corresponding period to-date 31.03.2008	
	Revenue RM'000	Profit Before Taxation RM'000	Revenue RM'000	Profit Before Taxation RM'000
Manufacturing				
Particleboards	23,512	(14,357)	31,110	4,012
RTA Products*	44,683	8,645	38,579	1,122
Trading				
Particleboards	168	(40)	698	(3)
RTA Products*	5,737	222	5,766	153
Others	-	(2)	-	(2)
Total	74,100	(5,531)	76,153	5,282

*RTA - Ready-To-Assemble

9. Valuations of Investment and Property, Plant and Equipment

The Group did not carry out any valuations on its property, plant and equipment.

10. Event Subsequent to the End of the Period

There were no materials events subsequent to the end of the period reported on that have not been reflected in the financial statement for the said period.

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 RM22.06 million are given to financial institutions for banking facilities and hire purchase facilities granted to subsidiaries as at 22 May 2009 (the latest practicable date not earlier than seven (7) days from the date of issue of this report).

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

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES LISTING REQUIREMENTS

1. Review of performance

The revenue of the Group for the current quarter ended 31 March 2009 was RM74.10 million, a decrease of RM2.05 million or 2.7% as compared with the corresponding quarter in 2008. The decreased turnover was attributed mainly to the lower particleboard production/sale and lower selling prices despite the increased sales from the RTA furniture sector.

The loss before taxation ("LBT") of the Group for the reporting quarter was RM5.53 million as compared with profit of RM5.28 million in the corresponding quarter in 2008, a decrease of RM10.81 million. The loss incurred in the current quarter was mainly due to the unrealized exchange loss of RM 6.7 million versus an unrealized exchange gain of RM6.9 million in the corresponding quarter in 2008, arising from the translation of the US Dollar denominated term loan.

2. Material change in profit before taxation for the quarter against the immediate preceding quarter

The Group reported LBT of RM5.53 million for the current quarter as compared to the LBT of RM2.19 million for the immediate preceding quarter ended 31 December 2008. The higher pre-tax loss was due to the unrealized exchange loss arising from the translation of the US Dollar denominated term loan and lower particleboard selling prices and cut-down in production volume.

3. Prospect for the current financial year

The current business environment remains challenging but the Directors expect the business operations of the Group to improve progressively.

As announced previously, pursuant to Paragraph 9.19(21) of the Listing Requirements of Bursa Malaysia Securities Berhad, a restraining order has been granted by the Kuala Lumpur High Court pursuant to section 176(10) of the Companies Act, 1965 to the Company for a period of 6 months from 3 March 2009 to 2 September 2009. Currently, HeveaBoard is finalizing its negotiation with its major lenders to restructure its loan and banking facilities.

4. Variances from Profit Forecasts and Profit Guarantee

Not applicable.

5. Taxation

	Individual Quarter 3-month Ended		Cumulative Quarter 3-month Ended	
	Current year quarter ended 31.03.2009 RM'000	Preceding year corresponding quarter ended 31.03.2008 RM'000	Current year period to-date 31.03.2009 RM'000	Preceding year corresponding period to-date 31.03.2008 RM'000
Current taxation	650	116	650	116
	<u>650</u>	<u>116</u>	<u>650</u>	<u>116</u>

Income tax expenses for the current quarter and financial year to date arose mainly from the Group business operations.

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

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 and is still effective to date.

6. Unquoted Investment and/or Properties

There were no disposals of unquoted investment and/or properties in the quarter ended 31 March 2009.

7. Quoted Investment

There was no purchase or disposal of quoted investment by the Group as at 22 May 2009.

8. (a) Status of corporate proposal announced but not completed

There were no outstanding corporate proposals announced but not completed as at 22 May 2009.

(b) Status of utilization of proceeds raised from any corporate proposal for the quarter under review.

Not applicable.

9. Borrowings and Debt Securities

The Group’s borrowings are as follows:

	As at 31.03.2009 RM'000	As at 31.12.2008 RM'000
Short term borrowings – secured		
- bankers’ acceptances	22,245	30,852
- hire purchase payables	5,401	6,787
- term loans	5,757	7,676
- ECR	-	6,669
- RS Financing	1,009	2,276
- bank overdraft	10,458	12,986
	<hr/> 44,870	<hr/> 67,246
	<hr/>	<hr/>
Long term borrowings – secured		
- hire purchase payables	9,258	9,591
- term loans	162,795	142,114
	<hr/> 172,053	<hr/> 151,705
	<hr/>	<hr/>

10. Off Balance Sheet Financial Instruments

In order to hedge its exposure against foreign exchange risks, the Group has entered into foreign currency forward contracts to hedge its sales proceeds in USD:-

<u>Foreign Currency</u>	<u>Contract Amount</u>	<u>Maturity Date</u>
USD	11.10 million	May 2009 - Dec 2009

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

Where the instrument is used to hedge against anticipated future transactions, gains and losses are not recognised until the transaction occurs. The foreign exchange currency forward contracts are entered into for a period not exceeding 12 months. The above amount represents the balance of the contracts.

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 31 December 2008.

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

	31 March 2009		31 March 2008	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit attributable to the shareholders (RM'000)	(6,181)	(6,181)	5,166	5,166
Number of ordinary shares in issue ('000)	90,400	90,400	80,000	80,000
Basic earnings per Share (sen)	(6.84)	(6.84)	6.46	6.46

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 31 March 2009 have been seen and approved by the board of directors of HeveaBoard Berhad for release to the Bursa Securities.