

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 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.

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8. Segmental Reporting (Analysis by Activities)

	Cumulative quarter 6-month ended			
	← Current year period to-date 30.06.2009		Preceding year corresponding period to-date 30.06.2008 →	
	Revenue RM'000	Profit Before Taxation RM'000	Revenue RM'000	Profit Before Taxation RM'000
Manufacturing				
Particleboards	50,883	(13,982)	76,748	2,580
RTA Products*	89,018	14,555	81,579	1,584
Trading				
Particleboards	661	(54)	1,842	89
RTA Products*	9,914	305	11,381	168
Others	-	(2)	-	(36)
Total	150,476	822	171,550	4,385

*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 material 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 RM18.63 million are given to financial institutions for banking facilities and hire purchase facilities granted to subsidiaries as at 21 August 2009 (the latest practicable date not earlier than seven (7) days from the date of issue of this report).

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES LISTING REQUIREMENTS

1. *Review of performance*

The revenue of the Group for the current quarter ended 30 June 2009 was RM76.38 million, a decrease of RM19.02 million or 19.9% as compared with the corresponding quarter in 2008. The current average selling price and volume of particleboard have improved as compared with late last year and early this year. The RTA furniture sector continues to contribute positively to the Group revenue and margin despite the global slowdown. For the half year ended 30 June 2009, the Group revenue achieved was RM150.48 million as compared with RM171.55 million in the corresponding half year in 2008.

The profit before taxation ("PBT") of the Group for the reporting quarter was RM6.35 million as compared with a loss of RM0.90 million in the corresponding quarter in 2008, an increase of RM7.25 million. The profit in the current quarter was mainly contributed from the RTA furniture sector as a result of better USD exchange and lower raw material cost. In addition, the Group reported a net unrealized exchange gain of RM2.0 million in this quarter derived mainly from the US Dollar denominated term loan. For the half year ended 30 June 2009, the PBT was RM0.82 million as compared with a PBT of RM4.39 million in the corresponding half year of 2008.

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

The Group reported PBT of RM6.35 million for the current quarter as compared to the LBT of RM5.53 million for the immediate preceding quarter ended 31 March 2009. The higher PBT was due to the improved demand and selling prices of particleboard and the net unrealized exchange gain arising from the translation of the US Dollar denominated term loan coupled with higher revenue and the better margin at the RTA furniture sector.

3. *Prospect for the current financial year*

The current business environment remains challenging but the Directors expect the demand and selling prices of particleboard to improve progressively. The RTA furniture sector may be affected by stiff competition resulting in lower margin.

As announced previously, pursuant to Paragraph 9.19(21) of the Listing Requirements of Bursa Malaysia Securities Berhad, a restraining order ("RO") has been granted by the Kuala Lumpur High Court ("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, to re-structure its financial obligations to the financial institutions and certain of its trade and other creditors. The proposed scheme of arrangement ("Proposed Scheme") is still being finalised and the Company had on 14 August 2009, through its solicitors, applied to the Court for (a) an order for a Court Convened Meeting of the creditors affected by the Proposed Scheme and (b) an extension of time of the RO for another 90 days pending the conclusion of the Court Convened Meeting and the sanctioning of the Proposed Scheme by the Court.

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 30.06.2009 RM'000	Preceding year corresponding quarter ended 30.06.2008 RM'000	Current year period to-date 30.06.2009 RM'000	Preceding year corresponding period to-date 30.06.2008 RM'000
Current taxation	644	71	1,294	187
	<u>644</u>	<u>71</u>	<u>1,294</u>	<u>187</u>

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

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 June 2009.

7. Quoted Investment

There was no purchase or disposal of quoted investment by the Group as at 30 June 2009.

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

There were no outstanding corporate proposals announced but not completed as at 30 June 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 30.06.2009 RM'000	As at 31.12.2008 RM'000
Short term borrowings – secured		
- bankers' acceptances	11,812	30,852
- hire purchase payables	3,376	6,787
- term loans	505	7,676
- ECR	-	6,669
- RS Financing	-	2,276
- bank overdraft	7,933	12,986
	<u>23,626</u>	<u>67,246</u>

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Long term borrowings – secured		
- hire purchase payables	9,529	9,591
- term loans	170,631	142,114
	<u>180,160</u>	<u>151,705</u>

10. Off Balance Sheet Financial Instruments

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	5.92 million	August 2009 - Dec 2009

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

	30 June 2009		30 June 2008	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit attributable to the shareholders (RM'000)	<u>5,709</u>	<u>(472)</u>	<u>(968)</u>	<u>4,198</u>
Number of ordinary shares in issue ('000)	<u>90,400</u>	<u>90,400</u>	<u>90,400</u>	<u>90,400</u>
Basic earnings per Share (sen)	<u>6.32</u>	<u>(0.52)</u>	<u>(1.07)</u>	<u>4.64</u>

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