

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 Main Market 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***

During the financial period, there were no issuances, cancellations, repurchases and resale of debts and equity securities. Total repayment of debts amounted to RM2.01 million for the reporting quarter.

**7. *Dividend Paid***

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

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

	← Cumulative quarter 9-month ended →			
	Current year period to-date 30.09.2009		Preceding year corresponding period to-date 30.09.2008	
	Revenue RM'000	Profit Before Taxation RM'000	Revenue RM'000	Profit Before Taxation RM'000
<b>Manufacturing</b>				
Particleboards	84,670	(10,007)	116,542	(1,129)
RTA Products*	130,951	20,997	122,184	2,481
<b>Trading</b>				
Particleboards	3,798	(142)	3,889	351
RTA Products*	14,413	383	17,776	343
<b>Others</b>	-	(3)	-	(36)
<b>Total</b>	233,831	11,228	260,391	2,010

\*RTA - Ready-To-Assemble

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

No valuations are conducted during the period on the Group's 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 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 RM16.14 million are given to financial institutions for banking facilities and hire purchase facilities granted to subsidiaries as at 16 November 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 September 2009 was RM83.36 million, a decrease of RM5.49 million or 6.2% as compared with the corresponding quarter in 2008. The decreased revenue was attributed mainly to lower selling prices and sales volume for particleboards but RTA furniture sector contributed significantly to the Group revenue and margin. For the 9-month ended 30 September 2009, the Group had recorded a total revenue of RM233.83 million.

The profit before taxation ("PBT") of the Group for the reporting quarter was RM10.41 million as compared with a loss of RM2.38 million in the corresponding quarter in 2008, an increase of RM12.78 million. The improvement of profit in the current quarter was mainly attributed to a higher US Dollar translation gain as compared with a significant translation loss recorded in the corresponding quarter in 2008. Lower raw materials cost and improved sales volume from RTA furniture sector also contributed to better profit. For the 9-month ended 30 September 2009, the Group recorded a PBT amounting to RM11.23 million.

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

The Group reported a PBT of RM10.41 million for the current quarter as compared to the PBT of RM6.35 million over the immediate preceding quarter ended 30 June 2009. The sales volume of particleboard had improved slightly over the preceding quarter while selling prices remain stable.

**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. The lower US dollar exchange would inevitably reduce the margins of both the particleboard and RTA furniture sectors as more than 80% of the Group sales are for the export markets.

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

Not applicable.

**5. Taxation**

	Individual Quarter 3-month Ended		Cumulative Quarter 9-month Ended	
	Current year quarter ended 30.09.2009 RM'000	Preceding year corresponding quarter ended 30.09.2008 RM'000	Current year period to-date 30.09.2009 RM'000	Preceding year corresponding period to-date 30.09.2008 RM'000
Current taxation	579	166	1,872	353
	<u>579</u>	<u>166</u>	<u>1,872</u>	<u>353</u>

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

**HeveaBoard Berhad**  
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The Ministry of Finance had granted the Company under Section 127 of the Income Tax Act 1967, the Investment Tax Allowance ("ITA") based on 100% of the qualifying capital expenditure incurred in the 5-year period effective FY 2005.

HeveaPac was awarded tax incentive under Allowance for Increased Export ("AIE") which the Company was entitled 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 acquisitions or disposals of unquoted investment and/or properties in the quarter ended 30 September 2009.

**7. Quoted Investment**

There were no purchases or disposals of quoted investments by the Group as at 30 September 2009.

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

1. As announced on 3 March 2009, 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 six (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 pending finalization and the Company had on 14 August 2009, through its solicitors, applied to the Court for (a) an order for a Court Convened Meetings for four (4) classes of 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 Meetings and the sanctioning of the Proposed Scheme by the Court.

The Company subsequently announced on 1 September 2009 that the Court had on 1 September 2009 granted the Company an order for, amongst others, an extension of the RO for a further period of ninety (90) days ending 2 December 2009 to facilitate the finalisation of the restructuring of its indebtedness. The Court had also vide the said order granted the Company leave to convene a Court Convened Meetings on 25 November 2009 of the Scheme Creditors for considering and if thought fit, approving with or without modification the Proposed Scheme under section 176 of the Act proposed by the Company to restructure the debts owing by the Company to the Scheme Creditors. The Proposed Scheme envisages that all the four (4) classes of creditors of the Company will be paid in full, over time. The Proposed Scheme was announced on 3 November 2009.

2. The Company had via its advisors, OSK Investment Bank Berhad ("OSK"), on 2 October 2009 announced that the Company proposes to implement the following ("Proposal") :
  - a) a renounceable rights issue of up to 42,666,667 new warrants in HeveaBoard ("New Warrant(s)") to all the shareholders of HeveaBoard on the basis of one (1) New Warrant for every three (3) existing ordinary shares of RM1.00 each in HeveaBoard held on an entitlement date to be determined later; and
  - b) restricted issue of up to 12,533,333 New Warrants to the holders of unexercised 2004/2009 Warrants on 31 December 2009 on the basis of one (1) New Warrant for every three (3) unexercised 2004/2009 Warrants held on the Expiry Date.

Some of the salient terms are as follows: -

- (i) The issue price is fixed at RM0.01 per New Warrant;
- (ii) The exercise price of the New Warrants is RM1.00 per new HeveaBoard Share; and

**HeveaBoard Berhad**  
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- (iii) The New Warrants may be exercised at any time within ten (10) years commencing on and including the date of issuance of the New Warrants and ending at 5.00 p.m. on the date preceding the tenth (10<sup>th</sup>) anniversary of the date of issuance. Any New Warrants not exercised during the exercise period will thereafter lapse and cease to be valid.

The Proposal was submitted by OSK on 6 November 2009 to Bursa Malaysia Securities Berhad ("Bursa Securities") for approval and Bursa Securities vide its letter dated 13 November approved the Proposal subject to the certain conditions which are now currently being dealt with by OSK and the Company.

**(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 30.09.2009 RM'000	As at 31.12.2008 RM'000
Short term borrowings – secured		
- bankers' acceptances	5,628	30,852
- hire purchase payables	1,690	6,787
- term loans	252	7,676
- ECR	-	6,669
- RS Financing	-	2,276
- bank overdraft	7,567	12,986
	<u>15,137</u>	<u>67,246</u>
Long term borrowings – secured		
- hire purchase payables	9,454	9,591
- term loans	177,936	142,114
	<u>187,390</u>	<u>151,705</u>

**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 2009.

**HeveaBoard Berhad**  
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**13. Earnings per Share**

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

**a) Basic**

	30 September 2009		30 September 2008	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit attributable to the shareholders (RM'000)	9,827	9,355	(2,541)	1,657
Number of ordinary shares in issue ('000)	90,400	90,400	90,400	90,400
Basic earnings per Share (sen)	10.87	10.35	(2.81)	1.83

**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 2009 have been seen and approved by the Board of Directors of HeveaBoard Berhad for release to the Bursa Securities.