

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

**QUARTERLY REPORT – FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2011**

**A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134, INTERIM FINANCIAL REPORTING AND BURSA LISTING REQUIREMENTS**

**A1. Basis of Preparation**

These interim financial statements are unaudited and have been prepared in accordance with the requirements of 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”). The interim financial statements should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 December 2010 and the explanatory notes attached to the interim financial statements which provide an explanation on events and transactions that are significant for the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2010.

**A2. Significant accounting policies**

The accounting policies and methods of computation adopted in these interim financial statements are consistent with those of audited financial statements for the financial year ended 31 December 2010, except for the adoption of the following Financial Reporting Standards (“FRSs”), Amendments to FRSs and Interpretations which were adopted by the Group with effect from 1 January 2011:-

FRS 7	Financial instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (revised)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendment to FRSs	FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRSs	FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and IC Interpretations 9: Reassessment of Embedded Derivatives
Amendments to FRSs Improvements to FRSs (2009)	
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions
IC Interpretation 14	FRS 119 – The limit on a Defined Benefit Assets, Minimum Funding Requirements and their interaction

Except for the application of FRS 101 and FRS 139, the application of the above FRSs, Amendments to FRSs and Interpretation did not result in any significant changes in the accounting policies and presentations of the financial statement of the Group.

**(a) FRS 101: Presentation of Financial Statements (revised)**

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity includes only details of transactions with owners. All non-owner changes in equity are presented as a single line labeled as total comprehensive income. This FRS only entails revision in presentation aspects and does not have any impact on the financial position and results of the Group.

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**(b) Amendment to FRS 117, Leases**

The Group has adopted the amendment to FRS 117. The Group has changed the classification of long leasehold lands to property, plant and equipment. This change in classification has no effect to the profit or loss of the current quarter 31 December 2011 or the comparative of prior periods.

**(c) FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instrument: Disclosures and Amendments to FRS 139: Financial Instruments: Recognition and Measurement, Amendments to FRS 7: Financial Instruments: Disclosures**

FRS 139 sets out new requirements for the recognition and measurement of the Group's financial instruments. Financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments at the balance sheet date reflects the designation of the financial instruments.

FRS 7 deals with new disclosure in relation to the financial instruments. These FRSs entail increased disclosures both quantitative and qualitative of the Group's exposure to risks, enhanced disclosure on components of the Group's financial position and performance, and possible changes to the manner of which certain items are to be presented in the financial statements.

**Financial assets**

**(i) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss comprise financial assets that are held for trading, including derivatives (except for a derivative that is a designated and effective hedging instrument) and financial assets that are specifically designated into this category upon initial recognition. Financial assets acquired principally for the purpose of selling in the near term.

Derivative that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with gains or losses recognised in the income statement.

**(ii) Held-to-maturity**

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss.

**(iii) Available-for-sale**

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment loss. Other financial assets categorised as available-for-sale subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment

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losses, foreign exchange gains or losses arising from a monetary items and gains or losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

**(iv) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, receivables and cash and cash equivalents. Such financial assets less impairment losses, if any are carried at amortised cost using the effective interest rate method.

**Financial Liabilities**

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

The adoption of FRS 139 does not have any significant impact on the profit for the financial year-to-date.

**(d) Changes in Accounting Policies**

The following MFRSs, which will be effective for financial period beginning on or after 1 January 2012 (unless otherwise indicated), have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group:-

**MFRSs**

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment
MFRS 3	Business Combinations
MFRS 4	Insurance Contracts
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations
MFRS 6	Exploration for and Evaluation of Mineral Resources
MFRS 7	Financial Instruments: Disclosures
MFRS 8	Operating Segments
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 101	Presentation of Financial Statements
MFRS 102	Inventories
MFRS 107	Statement of Cash Flows
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 110	Events after the Reporting Period
MFRS 111	Construction Contracts
MFRS 112	Income Taxes
MFRS 116	Property, Plant and Equipment
MFRS 117	Leases

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MFRS 118	Revenue
MFRS 119	Employee Benefits
MFRS 120	Accounting for Government Grants and Disclosure of Government Assistance
MFRS 121	The Effects of Changes in Foreign Exchange Rates
MFRS 123	Borrowing Costs
MFRS 124	Related Party Disclosures
MFRS 126	Accounting and Reporting by Retirement Benefit Plans
MFRS 127	Consolidated and Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
MFRS 129	Financial Reporting in Hyperinflationary Economies
MFRS 132	Financial Instruments: Presentation
MFRS 133	Earnings per Share
MFRS 134	Interim Financial Reporting
MFRS 136	Impairment of Assets
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 138	Intangible Assets
MFRS 139	Financial Instruments: Recognition and Measurement
MFRS 140	Investment Property
MFRS 141	Agriculture

Amendment to MFRS

MFRS 101	Presentation of Financial Statements (Effective for financial period on or after 1 July 2012)
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IC Int

IC Int 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Int 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Int 4	Determining whether an Arrangement contains a Lease
IC Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Int 6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment
IC Int 7	Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyperinflationary Economies
IC Int 9	Reassessment of Embedded Derivatives
IC Int 10	Interim Financial Reporting and Impairment
IC Int 12	Service Concession Arrangements
IC Int 13	Customer Loyalty Programmes
IC Int 14	MFRS 119—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IC Int 15	Agreements for the Construction of Real Estate
IC Int 16	Hedges of a Net Investment in a Foreign Operation
IC Int 17	Distributions of Non-cash Assets to Owners
IC Int 18	Transfers of Assets from Customers
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine
IC Int107	Introduction of the Euro
IC Int 110	Government Assistance—No Specific Relation to Operating Activities
IC Int 112	Consolidation—Special Purpose Entities
IC Int 113	Jointly Controlled Entities—Non-Monetary Contributions by Venturers
IC Int 115	Operating Leases—Incentives
IC Int 125	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders
IC Int 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IC Int 129	Service Concession Arrangements: Disclosures
IC Int 131	Revenue—Barter Transactions Involving Advertising Services
IC Int 132	Intangible Assets—Web Site Costs

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The directors do not anticipate that the application of the above revised FRSs, amendments/improvements to FRSs, IC Int, amendments to IC Int and new MFRSs when they are effective, will have a material impact on the results and the financial position of the Group.

**A3. Declaration of audit qualification**

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

**A4. Nature and amount of unusual items**

There were no extraordinary items for the current interim period.

**A5. Seasonal or Cyclical Factors**

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

**A6. 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.

**A7. 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 RM2.11 million for the reporting quarter.

**A8. Dividend Paid**

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

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**A9. Segmental Reporting (Analysis by Activities)**

	← Cumulative 12-month quarter ended →			
	Current year period to-date 31.12.2011		Preceding year corresponding period to-date 31.12.2010	
	Revenue RM'000	Profit Before Taxation RM'000	Revenue RM'000	Profit Before Taxation RM'000
<b>Manufacturing</b>				
Particleboards	168,663	(1,720)	171,400	19,902
RTA Products*	181,278	5,107	170,890	8,037
<b>Trading</b>				
Particleboards	2,896	187	3,798	211
RTA Products*	20,212	323	17,048	263
<b>Others</b>	-	(3)	-	(3)
<b>Total</b>	<b>373,049</b>	<b>3,894</b>	<b>363,136</b>	<b>28,410</b>

\*RTA - Ready-To-Assemble

**A10. Subsequent events**

There was no material event subsequent to the end of the period reported that have not been reflected in the financial statement for the said period.

**A11. Valuations of Investment and Property, Plant and Equipment**

No valuations are conducted during the period on the Group's property, plant and equipment.

**A12. 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.

**A13. Contingent Liabilities**

Corporate guarantees of RM14.38 million are given to financial institutions for banking facilities and hire purchase facilities granted to subsidiaries as at 20 February 2012 (the latest practicable date not earlier than seven (7) days from the date of issue of this report).

**A14. Capital Commitments**

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 20 February 2012 were as follows:

	The Group  RM'000
Approved but not contracted for	5,000

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

**B1. Review of performance**

The revenue of the Group for the current quarter ended 31 December 2011 was RM96.19 million, a decrease of RM5.48 million or 5.4% as compared with the corresponding quarter in 2010. For the twelve months ended 31 December 2011, the Group achieved total revenue of RM373.05 million as compared with RM363.14 million in 2010, an increase of RM9.91 million or 2.7% attributed mainly to the RTA furniture sector which had achieved higher revenue despite being constrained by the shortage of workers and the weakened USD exchange against the Ringgit for most part of the year.

The profit before taxation (“PBT”) of the Group for the reporting quarter was RM3.24 million, a decrease of RM 6.91 million or 68% as compared with the corresponding quarter in 2010. ‘

For the year ended 31 December 2011, the Group reported a PBT of RM3.89 million only as compared with a PBT of RM28.41 million for the same period in 2010, a decrease of RM24.52million or 86.29%. The lower PBT was due to the weakened USD exchange against the Ringgit for most part of the year, as more than 80% of the Group’s revenues were for the export market transacted in US Dollars. In addition, the impact from the translation of the USD denominated loan was minimal in 2011 but was significant in 2010, culminating to an unrealized exchange gain of RM11.8 million in 2010. The particleboard sector was also affected by the prolonged rainy season which had adversely affected the raw materials supplies and lowered its production output.

**B2. Material change in profit before taxation for the quarter against the immediate preceding quarter**

The Group reported a PBT of RM3.24 million for the current quarter as compared to a LBT of RM0.89 million for the immediate preceding quarter ended 30 September 2011. The improvement was due mainly to the higher revenues achieved by the RTA furniture sector as it was the peak season for its Japanese market.

**B3. Prospect for the current financial year**

The current business environment remains challenging but the Company expects the revenue for RTA furniture to increase in tandem with the additional production output generated from the 2 newly installed auto lines, targeted to be completed by 1<sup>st</sup> quarter 2012. For the particleboard sector, the company will continue with its R&D to produce higher value products and improve on its manufacturing processes to achieve higher productivity.

The Company had on 12 October 2011 announced that a sealed copy of the order of the High Court of Malaya sanctioning the Termination of the Restructuring Scheme pursuant to Section 176 of the Companies Act, 1965 had been lodged with the Registrar of Companies on 12 October 2011.

**B4. Variances from Profit Forecasts and Profit Guarantee**

Not applicable.

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**B5. Taxation**

	Current Quarter		Cumulative Quarter	
	31.12.2011 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2010 RM'000j
<b>Current Taxation:</b>				
- For the financial year	(464)	(152)	(661)	(731)
- Over Provision in prior year	25	3	25	3
	<u>(439)</u>	<u>(149)</u>	<u>(636)</u>	<u>(728)</u>
<b>Deferred Taxation:</b>				
- For the financial year	(328)	(3,124j)	(1,478)	(3,124)
- Over Provision in prior year	1,582	1,153	1,582	1,153
	<u>(1,254)</u>	<u>(1,971)</u>	<u>104</u>	<u>(1,971)</u>

Income tax expenses for the current quarter and financial year to date arose mainly from the Group business operations. The Group has unabsorbed capital allowances, unabsorbed investment tax allowances, unabsorbed Re-investment Allowances, and unabsorbed Allowance for Increased Export available for offset against taxable statutory income.

**B6. Realised and Unrealised Profits Disclosures**

	<b>As at</b>
	<b>31.12.2011</b>
	<b>RM'000</b>
Total retained profits of the Company and its subsidiaries:	
- Realised	85,672
- Unrealised	2,045
	<u>                    </u>
Total group retained profits as per consolidated accounts	<u>87,717</u>

**B7. Status of corporate proposals announced but not completed**

None



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**B8. Borrowings and Debt Securities**

The Group's borrowings are as follows:

	As at 31.12.2011 RM'000	As at 31.12.2010 RM'000
Short term borrowings – secured		
- bankers' acceptances/ trade bills financing	-	1,244
- hire purchase payables	2,501	3,386
- term loans	26,373	27,138
- ECR	3,180	3,615
- MBB OFCL Financing	10,951	9,909
- bank overdraft	4,437	942
	<u>47,442</u>	<u>46,234</u>
Long term borrowings – secured		
- hire purchase payables	4,549	1,009
- term loans	112,492	140,691
	<u>117,041</u>	<u>141,700</u>

**B9. 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.

**B10. Dividend**

No dividend has been declared for the financial period ended 31 December 2011.

**B11. 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**

	31 December 2011		31 December 2010	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit attributable to the shareholders (RM'000)	<u>2,908</u>	<u>3,362</u>	<u>8,036</u>	<u>25,711</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>3.22</u>	<u>3.72</u>	<u>8.89</u>	<u>28.44</u>

**b) Diluted**

There is no dilutive effect arising from the Company's unexercised warrants.

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***B12. Authorisation***

These Quarterly Results for the financial period ended 31 December 2011 have been seen and approved by the Board of Directors of HeveaBoard Berhad for release to Bursa Securities.