

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

**QUARTERLY REPORT – FIRST FINANCIAL QUARTER ENDED 31 MARCH 2012**

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

**A1. Basis of Preparation**

The interim financial report is unaudited and has been prepared in accordance with the reporting requirements of MFRS 134: Interim Financial Reporting and the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). For the periods up to and including the year ended 31 December 2011, the Group prepared its financial report in accordance with Financial Reporting Standards (“FRS”).

The interim financial report should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 December 2011. The explanatory notes attached to the interim financial statements 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 2011.

**A2. Significant accounting policies**

**MASB Approved Accounting Standards, MFRSs**

In conjunction with the planned convergence of FRSs with International Financial Reporting Standards as issued by the International Accounting Standards Board on 1st January 2012, the MASB had on 19th November 2011 issue a new MASB approved accounting standards, MFRSs (“MFRSs Framework”) for application in the annual periods beginning on or after 1st January 2012.

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1st January 2012, with the exception of entities subject to the application of MFRS 141 *Agriculture* and/or IC Int 15 *Agreements for the Construction of Real Estate (“Transitioning Entities”)*. The Transitioning Entities are given an option to defer adoption of the MFRSs framework for an additional one year. Transitioning Entities also includes those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply the FRSs framework for annual periods beginning on or after 1st January 2012.

Accordingly, the Group and the Company which are not Transitioning Entities are required to adopt the MFRSs framework for the next financial year, being the first set of financial statements prepared in accordance with the MFRSs framework.

**Application of MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (“MFRS 1”)**

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs effective for annual periods beginning on or after 1st January 2012 have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRSs.

The initial applications of the MFRSs do not have any significant impact on the financial statements of the Group and the Company.

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**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 RM7.67 million for the reporting quarter.

**A8. Dividend Paid**

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

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

	← Cumulative 3-month quarter ended →			
	Current year period to-date 31.03.2012		Preceding year corresponding period to-date 31.03.2011	
	Revenue RM'000	Profit Before Taxation RM'000	Revenue RM'000	Profit Before Taxation RM'000
<b>Manufacturing</b>				
Particleboards	37,830	821	37,059	(912)
RTA Products*	61,585	3,010	53,412	1,222
<b>Trading</b>				
Particleboards	530	65	678	48
RTA Products*	4,470	125	5,219	123
<b>Others</b>	-	-	-	-
<b>Total</b>	<b>104,415</b>	<b>4,021</b>	<b>96,368</b>	<b>481</b>

\*RTA - Ready-To-Assemble

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**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 RM13.70 million are given to financial institutions for banking facilities and hire purchase facilities granted to subsidiaries as at 20 May 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 May 2012 were as follows:

	The Group
	RM'000
Approved but not contracted for	12,500

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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 March 2012 was RM104.42 million, an increase of RM8.05 million or 8.4% as compared with the corresponding quarter in 2011, attributed mainly to the higher revenue achieved by the RTA furniture sector.

The profit before taxation (“PBT”) of the Group for the reporting quarter was RM4.02 million, an increase of RM 3.54 million or 736% as compared with the corresponding quarter in 2011. This is due mainly to the improved profit contribution from the RTA furniture sector, although the particleboard sector is still experiencing a slowdown generally in its main markets.

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

The Group reported a PBT of RM4.02 million for the current quarter as compared to RM3.24 million for the immediate preceding quarter ended 31 December 2011.

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

The current business environment remains challenging as RTA furniture sector expects a drastic increase in labor cost due to the minimum wage policy to be announced in June 2012. This will be mitigated by the expected installation of additional auto lines during the year which would reduce the dependency of workers

For the particleboard sector, the company will continue with its R&D to produce higher value products and continuously improve on its manufacturing processes to achieve higher productivity.

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

Not applicable.

**B5. Taxation**

	Current Quarter		Cumulative Quarter	
	31.03.2012 RM'000	31.03.2011 RM'000	31.03.2012 RM'000	31.03.2011 RM'000j
<b>Current Taxation:</b>				
- For the financial year	(280)	(141)	(280)	(141)
	<u>(280)</u>	<u>(141)</u>	<u>(280)</u>	<u>(141)</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.

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**B6. Realised and Unrealised Profits Disclosures**

	As at
	31.03.2012
	RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	88,032
- Unrealised	3,405
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Total group retained profits as per consolidated accounts	<u>91,437</u>

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

None

**B8. Borrowings and Debt Securities**

The Group's borrowings are as follows:

	As at	As at
	31.03.2012	31.12.2011
	RM'000	RM'000
Short term borrowings – secured		
- hire purchase payables	1,630	2,557
- term loans	21,028	26,373
- ECR	2,005	3,180
- MBB OFCL Financing	10,091	10,951
- bank overdraft	4,883	4,437
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	39,637	47,498
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Long term borrowings – secured		
- hire purchase payables	6,179	4,492
- term loans	107,688	112,492
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	113,868	116,984
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**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 March 2012.

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**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 March 2012		31 March 2011	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit attributable to the shareholders (RM'000)	3,741	3,741	339	339
Number of ordinary shares in issue ('000)	90,400	90,400	90,400	90,400
Basic earnings per Share (sen)	4.14	4.14	0.38	0.38

**b) Diluted**

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

**B12. Authorisation**

These Quarterly Results for the financial period ended 31 March 2012 have been seen and approved by the Board of Directors of HeveaBoard Berhad for release to Bursa Securities.