

HeveaBoardBerhad
(Company No. 275512-A)
(Incorporated in Malaysia)

QUARTERLY REPORT – THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 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 issued 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

HeveaBoardBerhad
(Company No. 275512-A)
(Incorporated in Malaysia)

QUARTERLY REPORT – THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012

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.

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 RM7.76 million for the reporting quarter.

A8. Dividend Paid

A first and final tax-exempt dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2011 amounted to RM904,000.00 was declared on 9 May 2012 and paid on 6 July 2012.

HeveaBoardBerhad
 (Company No. 275512-A)
 (Incorporated in Malaysia)

QUARTERLY REPORT – THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012

A9. Segmental Reporting (Analysis by Activities)

	← Cumulative 9-month quarter ended →			
	Current year period to-date 30.09.2012		Preceding year corresponding period to-date 30.09.2011	
	Revenue RM'000	Profit Before Taxation RM'000	Revenue RM'000	Profit Before Taxation RM'000
Manufacturing				
Particleboards	127,610	(348)	126,925	(1,058)
RTA Products*	140,570	8,140	132,361	1,333
Trading				
Particleboards	1,208	126	2,420	151
RTA Products*	14,119	376	15,154	225
Others	-	-	-	-
Total	283,507	8,294	276,860	650

*RTA - Ready-To-Assemble

ParticleboardManufacturing Sector

This sector had achieved slightly higher revenue from RM126.92 million to RM127.61 million, an increase of RM0.68 million or 0.5% and Loss before tax had been reduced from RM1.06 million to RM0.35 million, a reduction of RM0.71 million or 66.98% in the nine-month period ended 30 September 2012 as compared with the corresponding period in 2011. General particleboard market sentiment is still sluggish globally and the average selling price remains low during this reporting period.

RTA Manufacturing Sector

This sector had achieved higher revenue from RM132.36 million to RM140.57 million, an increase of RM8.21 million or 6.0% and higher Profit before tax from RM1.33 million to RM8.14 million, an increase of RM6.81 million or 510% for the nine-month period ended 30 September 2012 as compared with the corresponding period in 2011. These were attributed mainly to higher efficiency due to the installation of automated lines in early 2012.

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.

HeveaBoardBerhad
(Company No. 275512-A)
(Incorporated in Malaysia)

QUARTERLY REPORT – THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012

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 RM10.81 million were given to financial institutions for banking facilities and hire purchase facilities granted to subsidiaries as at 12November 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 10August 2012 were as follows:

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

HeveaBoardBerhad
(Company No. 275512-A)
(Incorporated in Malaysia)

QUARTERLY REPORT – THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES LISTING REQUIREMENTS

B1. Review of performance

The revenue of the Group for the current quarter ended 30 September 2012 was RM82.53 million, a decrease of RM7.4 million or 8% as compared with the corresponding quarter in 2011. For the nine months ended 30 September 2012, the Group had achieved a total revenue of RM283.5 million as compared with RM276.9 million in 2011, an increase of RM6.6 million or 2.4%. This higher revenue achieved was attributed mainly from the RTA furniture sector due to higher productivity and efficiency achieved after further automation was implemented early this year.

The profit before taxation (“PBT”) of the Group for the reporting quarter was RM3.58 million, an increase of RM4.47 million as compared with the corresponding quarter in 2011. For the nine months ended 30 September 2012, the Group reported a PBT of RM8.29 million as compared to RM0.65 million for the same period in 2011, an increase of RM7.64 million. The higher PBT achieved by the Group was mainly contributed by the RTA furniture sector for reasons as stated above.

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

The Group reported a PBT of RM3.58 million for the current quarter as compared to RM0.69 million for the immediate preceding quarter ended 30 June 2012, an increase of RM2.89 million or 418%. This was due mainly to the increase of the unrealized exchange gain by RM3.4 million arising from the translation of the USD denominated term loan as the USD exchange to Ringgit had weakened in the reporting quarter as compared with the immediate preceding quarter.

B3. Prospect for the current financial year

The current business environment remains challenging for the particleboard sector in view of the global uncertainties affecting its main markets. The RTA furniture sector expects the peak season to start towards the end of the year in the Japanese market which takes up more than 50% of its export. It is expected that the minimum wage policy effective next year will have a significant impact on the financials of the RTA sector and in view of this, it has been embarking on automation as a solution to reduce labor cost.

For the particleboard sector, the company will continue to focus on its R&D to produce higher value products, seek alternative wood supplies and improve on its manufacturing process to increase productivity.

B4. Variances from Profit Forecasts and Profit Guarantee

Not applicable.

HeveaBoardBerhad
 (Company No. 275512-A)
 (Incorporated in Malaysia)

QUARTERLY REPORT – THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012

B5. Profit/(Loss) Before Taxation

Profit/(Loss) before taxation is arrived at after charging/(crediting):-

	Current Quarter Ended 30/09/2012 RM'000	Corresponding Quarter Ended 30/09/2011 RM'000	Current Year to date Ended 30/09/2012 RM'000	Corresponding Year to date Ended 30/09/2011 RM'000
Interest income	(5)	(10)	(26)	(32)
Interest expense	1,754	2,239	6,255	7,214
Depreciation and amortization	6,365	6,164	19,092	18,440
Net realized foreign exchange (gain)/loss	626	(1,216)	(805)	(1,695)
Net unrealized foreign exchange (gain)/loss	(3,410)	5,265	(4,493)	2,767

B6. Taxation

	Current Quarter		Cumulative Quarter	
	30.09.2012	30.09.2011	30.09.2012	30.09.2011
	RM'000	RM'000	RM'000	RM'000
Current Taxation:				
- For the financial year	(457)	(5)	(1,005)	(197)
	<u>(457)</u>	<u>(5)</u>	<u>(1,005)</u>	<u>(197)</u>

Income tax expenses for the current quarter and financial year to date arose mainly from the Group business operations. The Group has about RM466.4 million tax allowances in unabsorbed capital allowances, unabsorbed investment tax allowances, unabsorbed Re-investment Allowances, and unabsorbed Allowance for Increased Export available for offset against taxable statutory income.

HeveaBoardBerhad
 (Company No. 275512-A)
 (Incorporated in Malaysia)

QUARTERLY REPORT – THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012

B7. Realised and Unrealised Profits Disclosures

	As at 30.09.2012 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	90,493
- Unrealised	4,492
	<hr/>
Total group retained profits as per consolidated accounts	<u>94,985</u>

B8. Status of corporate proposals announced but not completed

None

B9. Borrowings and Debt Securities

The Group's borrowings are as follows:

	As at 30.09.2012 RM'000	As at 31.12.2011 RM'000
Short term borrowings – secured		
- hire purchase payables	625	2,557
- term loans	14,207	26,373
- ECR	824	3,180
- MBB OFCL Financing	11,457	10,951
- bank overdraft	4,354	4,437
	<hr/>	<hr/>
	31,467	47,498
	<hr/>	<hr/>
Long term borrowings – secured		
- hire purchase payables	5,935	4,492
- term loans	100,771	112,492
	<hr/>	<hr/>
	106,706	116,984
	<hr/>	<hr/>

HeveaBoardBerhad
 (Company No. 275512-A)
 (Incorporated in Malaysia)

QUARTERLY REPORT – THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012

B10. 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.

B11. Dividend

No dividend has been declared for the financial period ended 30 September 2012.

B12. 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:-

	30 September 2012		30 September 2011	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit attributable to the shareholders (RM'000)	3,124	7,289	(895)	454
Number of ordinary shares in issue ('000)	90,400	90,400	90,400	90,400
Basic earnings per Share (sen)	3.46	8.06	(0.99)	0.50

b) Diluted

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

HeveaBoardBerhad
(Company No. 275512-A)
(Incorporated in Malaysia)

QUARTERLY REPORT – THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012

B13. Authorisation

These Quarterly Results for the financial period ended 30September 2012 have been viewed and approved by the Board of Directors of HeveaBoard Berhad for release to Bursa Securities.