

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

**QUARTERLY REPORT – FIRST FINANCIAL QUARTER ENDED 31 MARCH 2013**

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

**A1. Basis of Preparation**

The interim financial report has been prepared in accordance with the reporting requirements outlined in the MFRS 134 issued by the Malaysian Accounting Standard Board (“MASB”) and the applicable disclosure provisions 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 2012.

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the year ended 31 December 2012.

The Group has adopted all the new and revised MFRSs and IC Interpretations that are relevant and effective for accounting periods beginning or after 1 January, 2013. The adoption of these new and revised MFRSs and IC Interpretations have not resulted in any material impact on the financial statements of the Group.

**A2. Declaration of audit qualification**

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

**A3. Nature and amount of unusual items**

There were no extraordinary items for the current interim period.

**A4. Seasonal or Cyclical Factors**

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

**A5. 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.

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**A6. 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 RM7.39 million for the reporting quarter.

**A7. Dividend Paid**

There were no dividends paid during the quarter under review and financial year to date.

**A8. Segmental Reporting (Analysis by Activities)**

	← Cumulative 3-month quarter ended →			
	Current year period to-date 31.03.2013		Preceding year corresponding period to-date 31.03.2012	
	Revenue RM'000	Profit / (Loss) Before Taxation RM'000	Revenue RM'000	Profit Before Taxation RM'000
<b>Manufacturing</b>				
Particleboards	38,528	(146)	37,830	821
RTA Products*	58,939	3,249	61,585	3,010
<b>Trading</b>				
Particleboards	507	71	530	65
RTA Products*	5,603	284	4,470	125
<b>Others</b>	-	-	-	-
<b>Total</b>	<b>103,577</b>	<b>3,458</b>	<b>104,415</b>	<b>4,021</b>

\*RTA - Ready-To-Assemble

**Particleboard Manufacturing Sector**

The revenue reported for this period was slightly higher as compared to last year, an increase of RM0.70 million or 1.8%. The particleboard industry globally is still sluggish and it incurred a slight Loss before Tax of RM0.15 million this quarter due to the unrealised exchange loss.

**RTA Manufacturing Sector**

The revenue reported for this period was lower as compared to last year, a decrease of RM2.65 million or 4.3%. It achieved a PBT of RM3.25 million, an increase of RM0.24 million or 7.9% as compared with the corresponding quarter last year despite the implementation of minimum wage early this year. This was mainly due to the ability to achieve higher efficiency through the installation of automated lines and focussing on higher margin products.

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**A9. 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.

**A10. Valuations of Investment and Property, Plant and Equipment**

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

**A11. 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.

**A12. Contingent Liabilities**

Corporate guarantees of RM10.99 million were given to financial institutions for banking facilities and hire purchase facilities granted to subsidiaries as at 23 May 2013 (the latest practicable date not earlier than seven (7) days from the date of issue of this report).

**A13. Capital Commitments**

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 31 March 2013 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 2013 was RM103.58 million, a decrease of RM0.84 million or 0.8% as compared with the corresponding quarter in 2012.

The profit before taxation ("PBT") of the Group for the reporting quarter was RM3.46 million, a decrease of RM0.56 million as compared with the corresponding quarter in 2012. This was achieved despite an unrealized exchange loss of RM0.9 million as compared to an unrealized exchange gain of RM3.4 million due to better operating performance. The Group had also implemented the minimum wage early this year and this had impacted the profit margin for the Group too.

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

The Group reported a PBT of RM3.46 million for the current quarter as compared to RM5.45 million for the immediate preceding quarter ended 31 December 2012, a decrease of RM1.99 million or 36%. This is mainly due to the unrealized exchange loss of RM0.90 million from the translation of the USD denominated loan.

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

The current business environment continues to be challenging for both particleboard and RTA sectors. The Board is of the opinion that with the various measures undertaken by both sectors such as automation at the RTA sector and the focus on higher value products at the particleboard sector we believe we have put the necessary measures in place to mitigate the current challenges.

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

Not applicable.

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**B5. Profit/(Loss) Before Taxation**

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

	Current Quarter Ended 31/03/2013 RM'000	Corresponding Quarter Ended 31/03/2012 RM'000	Current Year to date Ended 31/03/2013 RM'000	Corresponding Year to date Ended 31/03/2012 RM'000
Interest income	-	(10)	-	(10)
Interest expense	1,746	2,667	1,746	2,667
Depreciation and amortization	6,389	6,339	6,389	6,339
Net realized foreign exchange (gain)/loss	(580)	588	(580)	588
Net unrealized foreign exchange (gain)/loss	896	(3,405)	896	(3,405)

**B6. Taxation**

	Current Quarter		Cumulative Quarter	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
	RM'000	RM'000	RM'000	RM'000
<b>Current Taxation:</b>				
- For the financial year	(383)	(280)	(383)	(280)
	<u>(383)</u>	<u>(280)</u>	<u>(383)</u>	<u>(280)</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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**B7. Realised and Unrealised Profits Disclosures**

	As at 31.03.2013 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	106,240
- Unrealised	(896)
	<hr/>
Total group retained profits as per consolidated accounts	<hr/> 105,344 <hr/>

**B8. Status of corporate proposals announced but not completed**

None

**B9. Borrowings and Debt Securities**

The Group's borrowings are as follows:

	As at 31.03.2013 RM'000	As at 31.12.2012 RM'000
Short term borrowings – secured		
- hire purchase payables	665	3,580
- term loans	24,264	25,946
- ECR	448	566
- MBB OFCL Financing	5,003	15,325
- bank overdraft	4,611	4,121
	<hr/> 34,990 <hr/>	<hr/> 49,538 <hr/>
Long term borrowings – secured		
- hire purchase payables	6,774	4,762
- term loans	78,700	82,617
	<hr/> 85,474 <hr/>	<hr/> 87,379 <hr/>

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**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 31 March 2013.

**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:-

**a) Basic**

	31 March 2013		31 March 2012	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit attributable to the shareholders (RM'000)	3,075	3,075	3,741	3,741
Number of ordinary shares in issue ('000)	90,400	90,400	90,400	90,400
Basic earnings per Share (sen)	3.40	3.40	4.14	4.14

**b) Diluted**

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

**B13. Authorisation**

These Quarterly Results for the financial period ended 31 March 2013 have been viewed and approved by the Board of Directors of HeveaBoard Berhad for release to Bursa Securities.