

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

QUARTERLY REPORT – SECOND FINANCIAL QUARTER ENDED 30 JUNE 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.

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 RM7.45 million for the reporting quarter.

A7. Dividend Paid

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

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A8. Segmental Reporting (Analysis by Activities)

	← Cumulative 6-month quarter ended →			
	Current year period to-date 30.06.2013		Preceding year corresponding period to-date 30.06.2012	
	Revenue RM'000	Profit / (Loss) Before Taxation RM'000	Revenue RM'000	Profit / (Loss) Before Taxation RM'000
Manufacturing				
Particleboards	80,811	(663)	86,571	(1,384)
RTA Products*	106,187	8,143	104,355	5,784
Trading				
Particleboards	1,029	143	948	96
RTA Products*	10,064	410	9,103	217
Others	-	-	-	-
Total	198,094	8,033	200,976	4,713

*RTA - Ready-To-Assemble

Particleboard Manufacturing Sector

The revenue reported for this period decreased by RM 5.76 million or 6.6% as compared to the same period last year. Inter-Co Sales were higher and revenue was lower only by 1% before consolidation. The loss before tax was reduced to RM0.66 million or 52% lower as compared to last year, the loss arose mainly from the unrealised exchange loss derived from the translation of the USD Loan whereas it was an unrealised exchange gain in the same period last year. Generally, the overall financial performance had improved in this reporting period as compared to the same period last year.

RTA Manufacturing Sector

The revenue reported for this period increased by RM 1.83 million or 2% as compared to last year. It achieved a higher PBT of RM8.14 million, an increase of RM 2.36 million as compared to the corresponding period in 2012. This was mainly due to the higher productivity achieved through automation of the lines and on sales of higher margin products.

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.

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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 RM9.99 million were given to financial institutions for banking facilities and hire purchase facilities granted to subsidiaries as at 15 August 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 30 June 2013 were as follows:

	The Group
	RM'000
Approved and contracted for	12,000

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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 30 June 2013 was RM94.52 million, a decrease of RM2.05 million or 2% as compared with the corresponding quarter in 2012. For the six months ended 30 June 2013, the revenue achieved was RM198.10 million as compared with RM201.00 million in the corresponding period, a decrease of RM2.89 million, or 1.4%.

The profit before taxation ("PBT") of the Group for the reporting quarter was RM4.58 million, an increase of RM3.88 million as compared with the corresponding quarter in 2012. For the six months ended 30 June 2013, the Group reported a PBT of RM8.03 million as compared to RM4.71 million for the same period in 2012, an increase of RM3.32 million or 72.4% due mainly to the better financial performance from both the Particleboard and RTA Sectors despite an unrealized exchange loss of RM2.43 million as compared to an unrealised exchange gain of RM1.08 million last year, derived from the translation of the USD Loan.

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

The Group reported a PBT of RM4.58 million for the current quarter as compared to RM3.46 million for the immediate preceding quarter ended 31 March 2013, an increase of RM1.12 million or 32.4 %. This is generally due to the improved financial performance for both particleboard and RTA sectors during the second quarter.

B3. Prospect for the current financial year

The current business environment is still uncertain for the particleboard sector. The Board is of the opinion that with the various measures undertaken by the particleboard sector, it can overcome the current uncertainties and sluggish market facing the industry.

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 30/06/2013 RM'000	Corresponding Quarter Ended 30/06/2012 RM'000	Current Year to date Ended 30/06/2013 RM'000	Corresponding Year to date Ended 30/06/2012 RM'000
Interest income	-	(10)	-	(21)
Interest expense	1,622	2,103	3,368	4,140
Depreciation and amortization	6,358	6,339	12,747	12,726
Net realized foreign exchange (gain)/loss	(664)	558	(1,245)	(1,431)
Net unrealized foreign exchange (gain)/loss	1,535	(3,405)	2,431	(1,082)

B6. Taxation

	Current Quarter		Cumulative Quarter	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
	RM'000	RM'000	RM'000	RM'000
Current Taxation:				
- For the financial year	(462)	(268)	(845)	(548)
	(462)	(268)	(845)	(548)

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 30.06.2013 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	111,888
- Unrealised	(2,431)
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Total group retained profits as per consolidated accounts	<u>109,457</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 30.06.2013 RM'000	As at 31.12.2012 RM'000
Short term borrowings – secured		
- hire purchase payables	610	3,580
- term loans	16,510	25,946
- ECR	448	566
- MBB OFCL Financing	13,858	15,325
- bank overdraft	3,418	4,121
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	34,844	49,538
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Long term borrowings – secured		
- hire purchase payables	6,002	4,762
- term loans	81,446	82,617
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	87,448	87,379
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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 30 June 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

	30 June 2013		30 June 2012	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit attributable to the shareholders (RM'000)	<u>4,113</u>	<u>7,188</u>	<u>424</u>	<u>4,165</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>4.55</u>	<u>7.95</u>	<u>0.47</u>	<u>4.61</u>

b) Diluted

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

B13. Authorisation

These Quarterly Results for the financial period ended 30 June 2013 have been viewed and approved by the Board of Directors of HeveaBoard Berhad for release to Bursa Securities.