

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

QUARTERLY REPORT – FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 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 RM7.43 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 12-month quarter ended →			
	Current year period to-date 31.12.2013		Preceding year corresponding period to-date 31.12.2012	
	Revenue RM'000	Profit / (Loss) Before Taxation RM'000	Revenue RM'000	Profit / (Loss) Before Taxation RM'000
Manufacturing				
Particleboards	171,182	4,362	168,375	1,998
RTA Products*	196,349	18,638	183,532	11,189
Trading				
Particleboards	1,721	240	1,383	105
RTA Products*	20,255	672	19,307	689
Others	-	(3)	-	(4)
Total	389,507	23,909	372,597	13,977

*RTA - Ready-To-Assemble

Particleboard Manufacturing Sector

The revenue reported for this period increased by RM2.81 million or 1.7 % as compared to the same period last year despite a much higher Inter-Co Sales. Before Inter-Co Sales consolidation, the Company reported gross revenue of RM191.67 million as compared to RM184.15 million, an increase of RM7.52 million or 4.0% due mainly to better product mix contributing to higher revenue.

The profit before tax reported for this period was RM 4.36 million as compared to RM1.99 million in year 2012 an increase of RM2.36 million or 118.6% despite impacted by an unrealised exchange loss of RM4.90 million from the translation of the USD denominated term loan. The Company achieved a better and stronger financial performance in 2013 due to better costs control, better product mix and innovative marketing strategies.

RTA Manufacturing Sector

The revenue reported for this period increased by RM12.82 million or 6.9% as compared to last year due to better sales performance and more favourable USD exchange rate to Ringgit.

Despite the implementation of minimum wage in early 2013, it achieved a higher PBT of RM18.64 million, an increase of RM7.45 million or 66.6% as compared to corresponding period in 2012 due mainly to better productivity contributed by more and effective automation being set up in production.

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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 RM10.11 million were given to financial institutions for banking facilities and hire purchase facilities granted to subsidiaries as at 21 February 2014 (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 December 2013 were as follows:

	The Group
	RM'000
Approved and not contracted for	10,000
Approved and 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 2013 was RM105.13 million, an increase of RM16.05 million or 18.0% as compared with the corresponding quarter in 2012. For the twelve months ended 31 December 2013, the revenue achieved was RM389.51 million as compared with RM372.60 million in the corresponding period, an increase of RM16.91 million, or 4.5%. The increase in revenue was due mainly to better product mix and more favourable USD exchange which resulted in higher sales proceeds where more than 80% of the Group sales are for the export markets.

The profit before taxation ("PBT") of the Group for the reporting quarter was RM9.82 million, an increase of RM4.14 million or 72.8% as compared with the corresponding quarter in 2012. For the twelve months ended 31 December 2013, the Group reported a PBT of RM23.90 million as compared to RM13.98 million for the same period in 2012, an increase of RM9.92 million or 71.0%. The Group was able to achieve a better and stronger financial performance despite the very difficult business environment in 2013, due mainly to better product mix contributing to better margin, higher productivity and further automation in the RTA sector.

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

The Group reported a PBT of RM9.82 million for the current quarter as compared to RM6.05 million for the immediate preceding quarter ended 30 September 2013, an increase of RM3.77 million or 62.3%.

B3. Prospect for the current financial year

The general global business environment is still uncertain for both the particleboard and RTA sectors. The Board is of the opinion that with all the various measures undertaken by both particleboard and RTA manufacturing sectors, the Group is in the position to meet and deal with the global uncertainties and challenges ahead.

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 31/12/2013 RM'000	Corresponding Quarter Ended 31/12/2012 RM'000	Current Year to date Ended 31/12/2013 RM'000	Corresponding Year to date Ended 31/12/2012 RM'000
Interest income	-	(2)	-	(28)
Interest expense	1,691	1,803	6,621	7,856
Depreciation and amortization	6,374	6,411	25,478	25,503
Net realized foreign exchange (gain)/loss	(403)	(80)	(1,656)	(885)
Net unrealized foreign exchange (gain)/loss	220	76	4,897	(4,417)

B6. Taxation

	Current Quarter		Cumulative Quarter	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Current Taxation:				
- For the financial year	(201)	2,504	(1,590)	1,500
	<u>(201)</u>	<u>2,504</u>	<u>(1,590)</u>	<u>1,500</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 31.12.2013 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	129,477
- Unrealised	(4,897)
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Total group retained profits as per consolidated accounts	<u>124,580</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 31.12.2013 RM'000	As at 31.12.2012 RM'000
Short term borrowings – secured		
- hire purchase payables	4,562	3,580
- term loans	27,004	25,946
- ECR	-	566
- MBB OFCL Financing	22,045	15,325
- bank overdraft	4,794	4,121
	<hr/>	<hr/>
	58,405	49,538
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Long term borrowings – secured		
- hire purchase payables	3,282	4,762
- term loans	60,112	82,617
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	63,394	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 and paid for the current quarter.

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 December 2013		31 December 2012	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit attributable to the shareholders (RM'000)	9,622	22,310	8,187	15,477
Number of ordinary shares in issue ('000)	90,400	90,400	90,400	90,400
Basic earnings per Share (sen)	10.64	24.68	9.06	17.12

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 December 2013 have been viewed and approved by the Board of Directors of HeveaBoard Berhad for release to Bursa Securities.