

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

QUARTERLY REPORT – FIRST FINANCIAL QUARTER ENDED 31 MARCH 2014

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 2013.

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 2013.

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 RM8.07 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 3-month quarter ended →			
	Current year period to-date 31.03.2014		Preceding year corresponding period to-date 31.03.2013	
	Revenue RM'000	Profit / (Loss) Before Taxation RM'000	Revenue RM'000	Profit / (Loss) Before Taxation RM'000
Manufacturing				
Particleboards	37,174	2,053	38,528	(146)
RTA Products*	62,612	5,471	58,939	3,250
Trading				
Particleboards	181	19	507	71
RTA Products*	4,721	245	5,603	284
Others	-	-	-	-
Total	104,688	7,788	103,577	3,459

*RTA - Ready-To-Assemble

Particleboard Manufacturing Sector

The revenue reported for this period decreased slightly by RM1.35 million or 3.5 % as compared to the same period last year due to the lower sales volume of about 4.1%. The company had carried out a major shut-down of the Plant for about 10 days for preventive maintenance early this year. As a result, production volume was reduced and so was the sales volume.

The profit before tax reported for this period was RM 2.05 million as compared to loss of RM 0.15 million in 2013, an increase of RM2.20million or 1506%. The Company achieved a better and stronger financial performance in the reporting quarter due mainly to better costs control and better marketing strategies in promoting higher value products despite a significant tariff adjustment on electricity since 1st Jan 2014.

RTA Manufacturing Sector

The revenue reported for this period increased by RM 3.67 million or 6.2% as compared to last year due to better sales performance and the increase in the products range. In addition, it was the peak season in Japan, the main market for the RTA sector.

The profit before tax reported for this period was RM5.47 million, an increase of RM2.22million or 68.34% as compared to corresponding period in 2013 due to further automation in the production processes contributing to higher efficiency. The more favourable USD exchange rate to Ringgit Malaysia had also contributed positively to the overall performance.

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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 RM10.97 million were given to financial institutions for banking facilities and hire purchase facilities granted to subsidiaries as at 20 May 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 March 2014 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 March 2014 was RM104.68 million, an increase of RM1.11 million or 1.07% as compared with the corresponding quarter in 2013. The increase in revenue was due mainly to the RTA sector for which it was the peak season for the market in Japan.

The profit before taxation ("PBT") of the Group for the reporting quarter was RM7.79 million, an increase of RM4.33 million or 125.18% as compared with the corresponding quarter in 2013. The reasons for the increase had been explained in Note A8, Segmental Reporting.

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

The Group reported a PBT of RM7.79 million for the current quarter as compared to RM9.82 million for the immediate preceding quarter ended 31 December 2013, a decrease of RM2.03 million or 20.67%. This was due to the major shut down for the particleboard sector for preventive maintenance and the shut-down was to coincide with the long Chinese New Year holiday in its main market, China.

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 31/03/2014 RM'000	Corresponding Quarter Ended 31/03/2013 RM'000	Current Year to date Ended 31/03/2014 RM'000	Corresponding Year to date Ended 31/03/2013 RM'000
Interest income	-	-	-	-
Interest expense	1,334	1,746	1,334	1,746
Depreciation and amortization	6,548	6,389	6,548	6,389
Net realized foreign exchange (gain)/loss	(98)	(447)	(98)	(447)
Net unrealized foreign exchange (gain)/loss	(212)	896	(212)	896

B6. Taxation

	Current Quarter		Cumulative Quarter	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	RM'000	RM'000	RM'000	RM'000
Current Taxation:				
- For the financial year	(546)	(383)	(546)	(383)
	<u>(546)</u>	<u>(383)</u>	<u>(546)</u>	<u>(383)</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.

B7. Realised and Unrealised Profits Disclosures

	As at 31.03.2014 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	131,880
- Unrealised	(212)
	<hr/>
Total group retained profits as per consolidated accounts	<u>131,668</u>

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B8. Borrowings and Debt Securities

The Group's borrowings are as follows:

	As at 31.03.2014 RM'000	As at 31.12.2013 RM'000
Short term borrowings – secured		
- hire purchase payables	1,927	4,562
- term loans	25,090	27,004
- ECR	-	-
- MBB OFCL Financing	6,119	22,045
- bank overdraft	3,078	4,794
	<u>36,214</u>	<u>58,405</u>
Long term borrowings – secured		
- hire purchase payables	7,157	3,282
- term loans	55,085	60,112
	<u>62,242</u>	<u>63,394</u>

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

The Board had recommended a first and final tax exempt (single-tier) dividend in respect of the financial year ended 31st December 2013, amounting of 2.0 sen per ordinary share of RM1.00 each for shareholders' approval at the forthcoming Annual General Meeting.

B11. Status of Corporate Proposals

On 7th April 2014, on behalf of the Board of Directors of HeveaBoard, RHB Investment Bank Berhad ("RHBIB") had announced the proposal to undertake a private placement of up to ten percent (10%) of the issued and paid-up share capital of the Company to investors to be identified ("Private Placement").

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On 18th April 2014, on behalf of the Board, RHBIB had announced that Bursa Malaysia Securities Berhad (“Bursa Securities”) had vide its letter dated 17th April 2014 approved the listing of and quotation for up to 13,306,667 new ordinary shares of RM1.00 each in HeveaBoard (“Placement Share(s)”).

On 2nd May 2014, on behalf of the Board, RHBIB had announced that the Board had fixed the issue price for the placement of 500,000 new Shares, being the first tranche of the Private Placement at an issue price of RM1.24 per Placement Share. The aforementioned Placement Shares were subsequently listed on the Main Market of Bursa Securities on 12 May 2014.

On 15th May 2014, on behalf of the Board, RHBIB had announced that the Board had fixed the issue price for the placement of 500,000 new Shares, being the second tranche of the Private Placement at an issue price of RM1.25 per Placement Share. The Placement Shares pertaining to the second tranche of the Private Placement are envisaged to be listed by the end of May 2014.

Save and except for the above, there was no other corporate proposal announced but not completed as at the date of this report.

B12. Status of Utilisation of Proceeds

The first tranche of the Private Placement comprising 500,000 new ordinary shares was completed on 2nd May 2014.

The status of utilisation of the proceeds from Private Placement as at 16th May 2014 are as follows:

Purpose	Proceeds Raised RM'000	Amount Utilised RM'000	Amount Unutilised RM'000
Capital Expenditure	186	-	186
Bank Borrowings	213	-	213
Working Capital	206	-	206
Listing Expenses	15	-	15
Total	620	-	620

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B13. 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 2014		31 March 2013	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit attributable to the shareholders (RM'000)	7,243	7,243	3,076	3,076
Number of ordinary shares in issue ('000)	90,400	90,400	90,400	90,400
Basic earnings per Share (sen)	8.01	8.01	3.40	3.40

b) Diluted

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

B14. Authorisation

These Quarterly Results for the financial period ended 31 March 2014 have been viewed and approved by the Board of Directors of HeveaBoard Berhad for release to Bursa Securities.