

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

QUARTERLY REPORT – THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 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 RM8.74 million for the reporting quarter.

A7. Dividend Paid

A single tier first and final dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 December 2013 amounted to RM1,928,000.00 was paid on 1 August 2014.

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A8. Segmental Reporting (Analysis by Activities)

	← Cumulative 9-month quarter ended →			
	Current year period to-date 30.09.2014		Preceding year corresponding period to-date 30.09.2013	
	Revenue RM'000	Profit / (Loss) Before Taxation RM'000	Revenue RM'000	Profit / (Loss) Before Taxation RM'000
Manufacturing				
Particleboards	130,004	10,571	125,870	1,294
RTA Products*	162,325	11,752	142,077	12,003
Trading				
Particleboards	303	(14)	1,348	191
RTA Products*	14,617	739	15,078	590
Others	-	-	-	-
Total	307,249	23,048	284,373	14,078

*RTA - Ready-To-Assemble

Particleboard Manufacturing Sector

The revenue reported for the 9-month period increased by RM4.13 million or 3.28% as compared to the same period last year. The higher revenue achieved was mainly due to the sales of higher value and value added products. In addition, USD exchange rate to Ringgit was higher during this period as compared to last year.

The profit before tax reported for this period was RM10.67 million as compared to RM1.29 million in 2013, an increase of RM9.37 million or 724.27%, despite the increase in the electricity cost by about 19% effective January 2014. The much better profit performance was due mainly to the sales of higher value and value added products and the reduced interest cost derived from the pared down term loan facilities.

RTA Manufacturing Sector

The revenue reported for the 9-month period increased by RM20.25 million or 14.25 % as compared to last year. The continuous effort to automate its processes had achieved better productivity, efficiency and also the capability to produce higher value products.

The profit before tax reported for this period was RM11.75 million, a marginal decrease of RM0.25 million or 2.09% as compared to the same period last year.

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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 RM8.01 million were given to financial institutions for banking facilities and hire purchase facilities granted to subsidiaries as at 18 November 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 30 September 2014 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 September 2014 was RM95.66 million, an increase of RM9.38 million or 10.87 % as compared with the corresponding quarter in 2013. For the 9 months ended 30 September 2014, there was an increase of RM22.88 million or 8.04 % as compared with the corresponding period. The increase was from both the particleboard and RTA sectors and the reasons for the increase are indicated in the Segmental Reporting A8.

The profit before taxation ("PBT") of the Group for the reporting quarter was RM6.30 million, an increase of RM0.25 million or 4.12 % as compared with the corresponding quarter in 2013 despite incurring an unrealized foreign exchange loss of about RM1.1 million in this reporting quarter due to the translation of the USD denominated loan. For the 9 months ended 30 September 2014, the Group achieved a PBT of RM23.05 million, an increase of RM8.91 million or 63.73 % over the corresponding period. There was a significant profit improvement in the particleboard sector due to better profit margin from the higher value products and the reduced interest cost due to the pared down term loans.

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

The Group reported a PBT of RM6.30 million for the current quarter as compared to RM8.97 million for the immediate preceding quarter ended 30 June 2014, a decrease of RM2.67 million or 29.77% due mainly to the RTA sector experiencing the off peak season in its main market, Japan.

B3. Prospect for the current financial year

The general business environment for both the particleboard and RTA sectors are stable and the Board is of the opinion that with all the various measures undertaken and barring unforeseen circumstances, the Group is in the position to achieve better financial results this year.

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 30/09/2014 RM'000	Corresponding Quarter Ended 30/09/2013 RM'000	Current Year to date Ended 30/09/2014 RM'000	Corresponding Year to date Ended 30/09/2013 RM'000
Interest expense	581	1,562	2,563	4,930
Depreciation and amortization	6,552	6,357	19,623	19,104
Net realized foreign exchange (gain)/loss	(205)	(107)	-	(1,253)
Net unrealized foreign exchange (gain)/loss	1,115	2,246	(103)	4,677

B6. Taxation

	Current Quarter		Cumulative Quarter	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	RM'000	RM'000	RM'000	RM'000
Current Taxation:				
- For the financial year	(474)	(545)	(1,485)	(1,390)
	<u>(474)</u>	<u>(545)</u>	<u>(1,485)</u>	<u>(1,390)</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 30.09.2014 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	144,164
- Unrealised	(103)
	<hr/>
Total group retained profits as per consolidated accounts	<u>144,061</u>

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B8. Borrowings and Debt Securities

The Group's borrowings are as follows:

	As at 30.09.2014 RM'000	As at 31.12.2013 RM'000
Short term borrowings – secured		
- hire purchase payables	1,147	4,562
- term loans	6,921	27,004
- MBB OFCL Financing	15,131	22,045
- bank overdraft	(372)	4,794
	<u>22,827</u>	<u>58,405</u>
Long term borrowings – secured		
- hire purchase payables	5,172	3,282
- term loans	59,426	60,112
	<u>64,598</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

No dividend has been declared for the financial period ended 30 September 2014.

B11. Status of Corporate Proposals

On 21 July 2014, on behalf of the Board of Directors of HeveaBoard, RHB Investment Bank announced that 9,040,000 Placement Shares representing 10.0% of the issued and paid-up capital of HeveaBoard were issued pursuant to the Private Placement and were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad, marking the completion of the Private Placement.

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B12. Status of Utilisation of Proceeds

The utilization of the proceeds from Private Placement as at 19 August 2014 is as per the table append below:-

Purpose	Proceeds Raised RM'000	Amount Utilised RM'000	Amount Unutilised RM'000
Capital Expenditure	3,500	3,500	-
Bank Borrowings	4,000	4,000	-
Working Capital	3,568	3,568	-
Listing Expenses	300	300	-
Total	11,368	11,368	-

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

	30 September 2014		30 September 2013	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit attributable to the shareholders (RM'000)	5,821	21,564	5,501	12,688
Number of ordinary shares in issue ('000)	99,440	99,440	90,400	90,400
Basic earnings per Share (sen)	5.85	21.69	6.09	14.04

b) Diluted

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

B14. Authorisation

These Quarterly Results for the financial period ended 30 September 2014 have been viewed and approved by the Board of Directors of HeveaBoard Berhad for release to Bursa Securities.