

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

QUARTERLY REPORT – FIRST FINANCIAL QUARTER ENDED 31 MARCH 2015

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 to 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 2014.

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 2014.

The Group has adopted all the new and revised MFRSs and IC Interpretations that are relevant and effective for accounting periods beginning on or after 1 January, 2014. 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 RM7.08 million for the reporting quarter.

A7. Dividend Paid

A single tier interim dividend of 1.5 sen per ordinary share in respect of the financial year ended 31 December 2014 amounted to RM1.49 million was paid on 10 April 2015.

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A8. Segmental Reporting (Analysis by Activities)

	← Cumulative 3-month quarter ended →			
	Current year period to-date 31.03.2015		Preceding year corresponding period to-date 31.03.2014	
	Revenue RM'000	Profit / (Loss) Before Taxation RM'000	Revenue RM'000	Profit / (Loss) Before Taxation RM'000
Manufacturing				
Particleboards	47,561	7,622	37,174	2,053
RTA Products*	64,361	6,746	62,612	5,471
Trading				
Particleboards	192	101	181	19
RTA Products*	4,259	131	4,721	245
Others	-	-	-	-
Total	116,373	14,600	104,688	7,788

*RTA - Ready-To-Assemble

Particleboard Manufacturing Sector

The revenue reported for this period increased by RM10.39 million or 27.9 % as compared to the same period last year. The higher revenue achieved was due to the achievement of higher volume and higher average selling price from sales of higher grade, value added products and strengthening of USD during this reporting period.

The profit before tax reported for this period was RM 7.62 million as compared to RM 2.05 million in 2014, an increase of RM5.57 million or 271.26% despite being impacted by unrealised exchange loss of RM2.97 million from the translation of the USD denominated term loan.

RTA Manufacturing Sector

The revenue reported for this period increased by RM 1.75 million or 2.79 % as compared to last year.

The profit before tax reported for this period was RM6.75 million, an increase of RM1.28 million or 23.30% as compared to the same period last year.

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.

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A10. Valuation of Investment and Property, Plant and Equipment

No valuation was 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 RM5.74 million were given to financial institutions for term loan and hire purchase facilities granted to subsidiaries as at 15 May 2015 (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 2015 were as follows:

	The Group
	RM'000
Approved and 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 2015 was RM116.37 million, an increase of RM11.69 million or 11.16 % as compared with the corresponding quarter in 2014. The increase was mainly from the particleboard sector 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 RM14.60 million, an increase of RM6.81 million or 87.46 % as compared with the corresponding quarter in 2014. The much higher PBT was contributed mainly by the improved performance in the particleboard sector, despite being impacted by unrealised exchange loss of RM2.97 million from the translation of the USD denominated term loan.

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

The Group reported a PBT of RM14.60 million for the current quarter as compared to RM9.03 million for the immediate preceding quarter ended 31 December 2014, an increase of RM5.57 million or 61.68%.

B3. Prospect for the current financial year

The global business environment is still full of uncertainties and the Board is of the opinion that with the particleboard sector continuing to focus and develop higher margin products which are less price sensitive, the RTA sector continuing to embark on further automation and producing wider range of higher value products, the Group should be able to manage the 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 31/03/2015 RM'000	Corresponding Quarter Ended 31/03/2014 RM'000	Current Year to date Ended 31/03/2015 RM'000	Corresponding Year to date Ended 31/03/2014 RM'000
Interest expense	484	1,334	484	1,334
Depreciation and amortization	6,395	6,548	6,395	6,548
Net realized foreign exchange (gain)/loss	(2,873)	(98)	(2,873)	(98)
Net unrealized foreign exchange (gain)/loss	2,967	(212)	2,967	(212)

B6. Taxation

	Current Quarter		Cumulative Quarter	
	31.03.2015 RM'000	31.03.2014 RM'000	31.03.2015 RM'000	31.03.2014 RM'000
Current Taxation:				
- For the financial year	(624)	(546)	(624)	(546)
	<u>(624)</u>	<u>(546)</u>	<u>(624)</u>	<u>(546)</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 31.03.2015 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	169,918
- Unrealised	(2,966)

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Total group retained profits as per consolidated accounts 166,952

B8. Borrowings, Debt Securities and Trade Finance

The Group's borrowings are as follows:

	As at 31.03.2015 RM'000	As at 31.12.2014 RM'000
Short term borrowings & Trade Finance- secured		
- hire purchase payables	4,194	2,807
- term loans	20,811	24,588
- Trade Financing	5,623	13,119
- bank overdraft	-	-
	<u>30,628</u>	<u>40,514</u>
Long term borrowings – secured		
- hire purchase payables	4,681	2,294
- term loans	39,362	39,362
	<u>44,043</u>	<u>41,656</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 final tax exempt (single-tier) dividend in respect of the financial year ended 31st December 2014, amounting of 2.5 sen per ordinary share of RM1.00 each for shareholders' approval at the forthcoming Annual General Meeting.

B11. Status of Corporate Proposals

On 30 April 2015 and 5 May 2015, RHB Investment Bank, on behalf of the Board, announced that the Company proposes to undertake the following:-

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- Proposed share split involving the subdivision of every one (1) existing ordinary share of RM1.00 each into four (4) ordinary shares of RM0.25 each in HeveaBoard held on an entitlement date to be determined and announced later (“Proposed Share Split”); and
- Proposed amendments to the Company's Memorandum and Articles of Association to facilitate the implementation of the Proposed Share Split.
[Collectively “the Proposals”]

Bursa Securities had vide its letter dated 13 May 2015, resolved to approve the following:-

- (a) Proposed Share Split;
- (b) Listing of and quotation for up to 127,972,998 Additional Warrants arising from the adjustment made pursuant to the Proposed Share Split; and
- (c) Listing of and quotation for up to 127,972,998 new ordinary shares of RM0.25 each to be issued pursuant to the exercise of the Additional Warrants.

The approval granted by Bursa Securities is subject to the following conditions:-

- (i) HeveaBoard and RHB Investment Bank must fully comply with the relevant provisions under the Main Market Listing Requirements pertaining to the implementation of the Proposed Share Split;
- (ii) HeveaBoard and RHB Investment Bank to inform Bursa Securities upon the completion of the Proposed Share Split;
- (iii) HeveaBoard to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities’ approval once the Proposed Share Split is completed;
- (iv) HeveaBoard or RHB Investment Bank are required to make the relevant announcements pursuant to Paragraph 6.56(2)(b)(ii) & (iii) and Paragraph 13.10(2) of the Listing Requirements in relation to the Proposed Share Split; and
- (v) Shareholders’ approval be obtained for the Proposed Share Split. In this respect, HeveaBoard is required to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders approving the Proposed Share Split and proposed amendment to the Memorandum and Articles of Association of HeveaBoard prior to the listing of and quotation for the Subdivided Shares.

In addition, the Subdivided Shares and the Additional Warrants must be listed and quoted simultaneously.

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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 2015		31 March 2014	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit attributable to the shareholders (RM'000)	13,976	13,976	7,243	7,243
Number of ordinary shares in issue ('000)	99,449	99,449	90,400	90,400
Basic earnings per Share (sen)	14.05	14.05	8.01	8.01

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 2015 have been viewed and approved by the Board of Directors of HeveaBoard Berhad for release to Bursa Securities.