

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

QUARTERLY REPORT – SECOND FINANCIAL QUARTER ENDED 30 JUNE 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 RM10.28 million for the reporting quarter.

A7. Dividend Paid

A single tier interim dividend of 1.5 sen per ordinary share was paid on 10 April 2015 and a single tier final dividend of 2.5 sen per ordinary share was paid on 3 August 2015 in respect of the financial year ended 31 December 2014.

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A8. Segmental Reporting (Analysis by Activities)

	← Cumulative 6-month quarter ended →			
	Current year period to-date 30.06.2015		Preceding year corresponding period to-date 30.06.2014	
	Revenue RM'000	Profit / (Loss) Before Taxation RM'000	Revenue RM'000	Profit / (Loss) Before Taxation RM'000
Manufacturing				
Particleboards	98,854	18,529	83,566	6,447
RTA Products*	120,878	12,335	117,832	9,803
Trading				
Particleboards	384	123	285	(54)
RTA Products*	7,635	147	9,908	558
Others	-	-	-	-
Total	227,751	31,134	211,591	16,754

*RTA - Ready-To-Assemble

Particleboard Manufacturing Sector

The revenue reported for this period increased by RM15.29 million or 18.29 % as compared to the same period last year. The higher revenue achieved was due mainly to the achievement of higher volume and higher average selling price from sales of higher grade, value added products and higher USD exchange rate to Ringgit during this reporting period.

The profit before tax reported for this period was RM 18.53 million as compared to RM 6.45 million in 2014, an increase of RM12.08 million or 187% due mainly to higher revenue and factors described above despite being impacted by unrealised exchange loss of RM3.68 million from the translation of the USD denominated term loan.

RTA Manufacturing Sector

The revenue reported for this period increased by RM 3.05 million or 2.6 % as compared to last year.

The profit before tax reported for this period was RM12.34 million, an increase of RM2.53 million or 25.8% as compared to the same period last year. The continuous effort to automate its processes had resulted in better productivity, efficiency and capability to produce higher value and wider range of products. The other main reason for the better profit derived from the higher USD exchange rate to Ringgit during this reporting period.

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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. 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 RM6.10 million were given to financial institutions for term loan and hire purchase facilities granted to subsidiaries as at 21 August 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 30 June 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 30 June 2015 was RM111.38 million, an increase of RM4.48 million or 4.19 % as compared with the corresponding quarter in 2014. For the 6 months ended 30 June 2015, there was an increase of RM16.16 million or 7.64 % as compared with the corresponding period. 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 RM16.53 million, an increase of RM7.57 million or 84.41 % as compared with the corresponding quarter in 2014. For the 6 months ended 30 June 2015, the Group achieved a PBT of RM31.13 million, an increase of RM14.38 million or 85.83 % over the corresponding period. PBT improved due mainly to better performance in the particleboard sector resulting from higher sale and sale of higher value and value added products despite being impacted by unrealised exchange loss of RM3.68 million due to 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 RM16.53 million for the current quarter as compared to RM14.60 million for the immediate preceding quarter ended 31 March 2015, an increase of RM1.93 million or 13.2%.

B3. Prospect for the current financial year

The global business environment is full of uncertainties and challenges but the Board is of the opinion that with the particleboard sector continuing to focus on and developing higher value products, and 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 30/06/2015 RM'000	Corresponding Quarter Ended 30/06/2014 RM'000	Current Year to date Ended 30/06/2015 RM'000	Corresponding Year to date Ended 30/06/2014 RM'000
Interest expense	447	648	931	1,981
Depreciation and amortization	12,868	6,552	19,263	13,100
Net realized foreign exchange (gain)/loss	(1,220)	(484)	(4,093)	(582)
Net unrealized foreign exchange (gain)/loss	717	(1,006)	3,683	(1,218)

B6. Taxation

	Current Quarter		Cumulative Quarter	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
	RM'000	RM'000	RM'000	RM'000
Current Taxation:				
- For the financial year	(491)	(465)	(1,115)	(1,011)
	<u>(491)</u>	<u>(465)</u>	<u>(1,115)</u>	<u>(1,011)</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 30.06.2015 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	185,185
- Unrealised	(3,683)
Total group retained profits as per consolidated accounts	<u>181,502</u>

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B8. Borrowings, Debt Securities and Trade Finance

The Group's borrowings are as follows:

	As at 30.06.2015 RM'000	As at 31.12.2014 RM'000
Short term borrowings & Trade Finance- secured		
- hire purchase payables	4,293	2,807
- term loans	25,433	24,588
- Trade Financing	395	13,119
- bank overdraft	1,331	-
	<u>31,452</u>	<u>40,514</u>
Long term borrowings – secured		
- hire purchase payables	4,896	2,294
- term loans	27,661	39,362
	<u>32,557</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

A Single-Tier Interim Dividend of 0.5 sen per ordinary share of RM0.25 each (post split) in respect of the financial year ending 31 December 2015 is declared.

B11. Status of Corporate Proposals

On 23 July 2015, RHB Investment Bank, on behalf of the Board, announced that the Share Split has been completed following the listing of and quotation for 408,628,800 Subdivided Shares and 119,848,398 Additional Warrants on the Main Market of Bursa Securities with effect from 24 July 2015.

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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

	30 June 2015		30 June 2014	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit attributable to the shareholders (RM'000)	16,042	30,018	8,501	15,743
Number of ordinary shares in issue ('000)	101,393	101,393	94,600	94,600
Basic earnings per Share (sen)	15.82	29.61	8.99	16.64

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