

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

**QUARTERLY REPORT – THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 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 RM8.06 million for the reporting quarter.

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**A7. Dividend Paid**

A single tier interim and final dividends of 1.5 sen and 2.5 sen per ordinary share of RM1.00 each were paid on 10 April 2015 and 3 August 2015 in respect of the financial year ended 31 December 2014.

A single tier 1<sup>st</sup> interim of 0.5 sen per ordinary share of RM 0.25 each (post-split) was paid on 8 October 2015 in respect of the financial year ending 31 December 2015.

**A8. Segmental Reporting (Analysis by Activities)**

	← Cumulative 9-month quarter ended →			
	Current year period to-date 30.09.2015		Preceding year corresponding period to-date 30.09.2014	
	Revenue RM'000	Profit / (Loss) Before Taxation RM'000	Revenue RM'000	Profit / (Loss) Before Taxation RM'000
<b>Manufacturing</b>				
Particleboards	158,741	29,563	130,004	10,572
RTA Products*	180,771	22,523	162,325	11,752
<b>Trading</b>				
Particleboards	898	233	303	(14)
RTA Products*	11,171	173	14,617	739
<b>Others</b>	-	-	-	-
<b>Total</b>	<b>351,581</b>	<b>52,492</b>	<b>307,249</b>	<b>23,049</b>

\*RTA - Ready-To-Assemble

**Particleboard Manufacturing Sector**

The revenue reported for this period increased by RM28.74 million or 22.10 % as compared to the same period last year. The higher revenue achieved was due mainly to higher sales, sales of higher grade products, increased sales in value added products and higher USD exchange rate to Ringgit during this reporting period.

The profit before tax reported for this period was RM 29.56 million as compared to RM 10.57 million in 2014, an increase of RM18.99 million or 179.70% due mainly to higher revenue and factors described above despite being impacted by an unrealised exchange loss of RM10.23 million from the translation of the USD denominated term loan.

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**RTA Manufacturing Sector**

The revenue reported for this period increased by RM 18.45 million or 11.36 % as compared to last year. The company's strategy in continuously enhancing and automating its processes had resulted in higher productivity, efficiency and also the capability to produce higher value and wider range of products.

The profit before tax reported for this period was RM22.52 million, an increase of RM10.77 million or 91.7% as compared to the same period last year due mainly to higher revenue and reasons as stated above. The other main reason for the better profit was derived from the higher USD exchange rate to Ringgit in this reporting period.

**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 RM5.27 million were given to financial institutions for term loan and hire purchase facilities granted to subsidiaries as at 11 November 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 September 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 September 2015 was RM123.83 million, an increase of RM28.17 million or 29.45 % as compared with the corresponding quarter in FY2014. For the 9 months ended 30 September 2015, there was an increase of RM44.33 million or 14.43 % as compared with the corresponding period. The increase was due to 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 RM21.36 million, an increase of RM15.06 million or 239.30 % as compared with the corresponding quarter in 2014. For the 9 months ended 30 September 2015, the Group achieved a PBT of RM52.49 million, an increase of RM29.44 million or 127.74 % 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, and partly from RTA sector through continuous automation, despite being impacted by an unrealised exchange loss of RM10.23 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 RM21.36 million for the current quarter as compared to RM16.53 million for the immediate preceding quarter ended 30 June 2015, an increase of RM4.83 million or 29.30%.

**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 30/09/2015 RM'000	Corresponding Quarter Ended 30/09/2014 RM'000	Current Year to date Ended 30/09/2015 RM'000	Corresponding Year to date Ended 30/09/2014 RM'000
Interest income	(59)		(70)	
Interest expense	553	581	1,485	2,563
Depreciation and amortization	6510	6,552	19,378	19,623
Net realized foreign exchange (gain)/loss	(4,985)	(205)	(9,078)	-
Net unrealized foreign exchange (gain)/loss	6,546	1,115	10,229	(103)

**B6. Taxation**

	Current Quarter		Cumulative Quarter	
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
	RM'000	RM'000	RM'000	RM'000
<b>Current Taxation:</b>				
- For the financial year	(3,243)	(474)	(4,358)	(1,485)
	<u>(3,243)</u>	<u>(474)</u>	<u>(4,358)</u>	<u>(1,485)</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 and unabsorbed investment tax allowances available for offset against taxable statutory income. The Allowance for Increased Export had been fully utilised to offset against taxable statutory income earned in the 1<sup>st</sup> half of this year.

**B7. Realised and Unrealised Profits Disclosures**

	As at 30.09.2015 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	207,312
- Unrealised	(10,229)
Total group retained profits as per consolidated accounts	<u>197,083</u>

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**B8. Borrowings, Debt Securities and Trade Finance**

The Group's borrowings are as follows:

	As at 30.09.2015 RM'000	As at 31.12.2014 RM'000
Short term borrowings & Trade Finance- secured		
- hire purchase payables	3,783	2,807
- term loans	28,638	24,588
- Trade Financing	-	13,119
	32,421	40,514
Long term borrowings – secured		
- hire purchase payables	5,393	2,294
- term loans	24,432	39,362
	29,825	41,656

**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 2<sup>nd</sup> Interim Dividend of 0.5 sen per ordinary share of RM 0.25 each (post-split) in respect of the financial year ending 31 December 2015 is declared on 17 November 2015.

**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 September 2015		30 September 2014	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit attributable to the shareholders (RM'000)	18,116	48,134	5,821	21,564
Weighted average number of shares (units '000)	391,339	391,339	380,749	380,749
Basic earnings per Share (sen)	** 4.63	** 12.30	** 1.53	** 5.66

*\*\* In accordance to MFRS 133 Earnings Per Share, the comparatives have been computed/restated to account for the subdivision of every one (1) ordinary share of RM1.00 each into four (4) ordinary shares of RM0.25 each (share split) which was completed on 24 July 2015.*

**b) Diluted**

The diluted earnings per share for the current financial period ended 30 September 2015 has been calculated by dividing the Group's net profit for the period by the weighted average number of shares that would have been issued upon full exercise of the remaining warrants, adjusted for the number of such shares that would have been issued at fair value, calculated as below.

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	30 September 2015		30 September 2014	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit for financial year attributable to owners) of the company	18,116	48,134	5,821	21,564
Weighted average number of shares (units '000)	391,339	391,339	380,749	380,749
Add: Effect of dilution of Warrants	146,641	146,641	170,667	170,667
	<u>537,980</u>	<u>537,980</u>	<u>551,416</u>	<u>551,416</u>
Diluted earnings per share (sen)	** 3.37	** 8.95	** 1.06	** 3.91

*\*\* In accordance to MFRS 133 Earnings Per Share, the comparatives have been computed/restated to account for the subdivision of every one (1) ordinary share of RM1.00 each into four (4) ordinary shares of RM 0.25 each (share split) which was completed on 24 July 2015.*

**B13. Authorisation**

These Quarterly Results for the financial period ended 30 September 2015 have been viewed and approved by the Board of Directors of HeveaBoard Berhad for release to Bursa Securities.