

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

QUARTERLY REPORT – FORTH FINANCIAL QUARTER ENDED 31 DECEMBER 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 was amounting to RM8.70 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 1st interim and 2nd interim dividends of 0.5 sen per ordinary share of RM0.25 each (post-split) were paid on 8 October 2015 and 30 December 2015 in respect of the financial year ended 31 December 2015.

A8. Segmental Reporting (Analysis by Activities)

	← Cumulative 12-month quarter ended →			
	Current year period to-date 31.12.2015		Preceding year corresponding period to-date 31.12.2014	
	Revenue RM'000	Profit / (Loss) Before Taxation RM'000	Revenue RM'000	Profit / (Loss) Before Taxation RM'000
Manufacturing				
Particleboards	217,799	42,136	181,122	12,145
RTA Products*	268,561	40,100	222,017	19,243
Trading				
Particleboards	1,395	318	476	39
RTA Products*	14,845	239	18,740	658
Others	-	(5)	-	(4)
Total	502,600	82,787	422,355	32,081

*RTA - Ready-To-Assemble

Particleboard Manufacturing Sector

The revenue reported for this period increased by RM36.68 million or 20.25 % as compared to the same period last year. The higher revenue achieved was due mainly to increased 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 RM42.14 million as compared to RM12.15 million in 2014, an increase of RM29.99 million or 246.94% due mainly to higher revenue from increased sales, higher production output which had kept fixed cost lower, lower raw material costs and also factors described above despite being impacted by an unrealised exchange loss of RM9.28 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 RM46.54 million or 20.96 % 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 RM40.10 million, an increase of RM20.86 million or 108.39% 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 had 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 RM9.25 million were given to financial institutions for term loan and hire purchase facilities granted to subsidiaries as at 17 February 2016 (the latest practicable date not earlier than seven (7) days from the date of issue of this report).

A13. Capital Commitments

The commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 31 December 2015 were as follows:

	The Group
	RM'000
Approved and not contracted for	20,000

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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 December 2015 was RM151.02 million, an increase of RM35.91 million or 31.20 % as compared with the corresponding quarter in FY2014. For the 12 months ended 31 December 2015, the revenue for the Group was RM 502.60 million, an increase of RM80.25 million or 19.00 % as compared with the corresponding period. The increase was contributed by 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 RM30.30 million, an increase of RM21.26 million or 235.45 % as compared with the corresponding quarter in FY2014. The significant increase of RM21.26 million for the quarter was due mainly to better performance in the particleboard sector resulting from increased sale of higher value and value added products coupled with the strengthening of USD, and also achieving an unrealized exchange gain of RM 950,000 instead of a loss of RM3.3 million for the same quarter in FY2014. The performance improvement was also contributed by the RTA sector through reasons as mentioned in segmental reporting A8.

For the 12 months ended 31 December 2015, the Group achieved a PBT of RM82.79 million, an increase of RM50.71 million or 158.06 % over the corresponding period, due mainly to better performance in the particleboard sector. As mentioned, this was due mainly to sale of higher value and value added products, strengthened USD, and also partly from RTA sector through continuous automation, despite being impacted by an unrealised exchange loss of RM9.28 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 RM30.30 million for the current quarter as compared to RM21.36 million for the immediate preceding quarter ended 30 September 2015, an increase of RM8.94 million or 41.9%.

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, product diversification, 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.

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B4. Variances from Profit Forecasts and Profit Guarantee

Not applicable.

B5. Profit/(Loss) Before Taxation

Profit/(Loss) before taxation is arrived at after charging/(crediting):-

	Current Quarter Ended 31/12/2015 RM'000	Corresponding Quarter Ended 31/12/2014 RM'000	Current Year to date Ended 31/12/2015 RM'000	Corresponding Year to date Ended 31/12/2014 RM'000
Interest income	(264)	-	(335)	-
Interest expense	775	550	2,711	3,113
Depreciation and amortization	6,716	6,449	26,094	26,071
Net realized foreign exchange (gain)/loss	2,645	(2,058)	(6,433)	(2,058)
Net unrealized foreign exchange (gain)/loss	(948)	3,274	9,281	3,170

B6. Taxation

	Current Quarter		Cumulative Quarter	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	RM'000	RM'000	RM'000	RM'000
Current Taxation:				
- For the financial year	(4,602)	(420)	(8,960)	(1,905)
	<u>(4,602)</u>	<u>(420)</u>	<u>(8,960)</u>	<u>(1,905)</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 1st half of this year.

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B7. Realised and Unrealised Profits Disclosures

	As at 31.12.2015 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	227,790
- Unrealised	(9,281)
Total group retained profits as per consolidated accounts	<u>218,509</u>

B8. Borrowings, Debt Securities and Trade Finance

The Group's borrowings are as follows:

	As at 31.12.2015 RM'000	As at 31.12.2014 RM'000
Short term borrowings & Trade Finance-secured		
- hire purchase payables	3,384	2,807
- term loans	18,178	24,588
- Trade Financing	-	13,119
	<u>21,561</u>	<u>40,514</u>
Long term borrowings – secured		
- hire purchase payables	3,328	2,294
- term loans	33,475	39,362
	<u>36,803</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 3rd Interim Dividend of 0.75 sen per ordinary share of RM0.25 each (post-split) in respect of the financial year ended 31 December 2015 is declared on 24 February 2016.

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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.

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 December 2015		31 December 2014	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit attributable to the shareholders (RM'000)	25,693	73,827	8,611	30,176
Weighted average number of shares (units '000)	409,882	409,882	380,749	380,749
Basic earnings per Share (sen)	** 6.27	** 18.01	** 2.26	** 7.93

*** 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 31 December 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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	31 December 2015		31 December 2014	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit for financial year attributable to owners) of the company	25,693	73,827	8,611	30,176
Weighted average number of shares (units '000)	409,882	409,882	380,749	380,749
Add: Effect of dilution of Warrants	132,078	132,078	170,667	170,667
	541,981	541,981	551,416	551,416
Diluted earnings per share (sen)	** 4.74	** 13.62	** 1.56	** 5.47

*** 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.*

B13. Authorisation

These Quarterly Results for the financial period ended 31 December 2015 have been viewed and approved by the Board of Directors of HeveaBoard Berhad for release to Bursa Securities.