

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

QUARTERLY REPORT –FIRST FINANCIAL QUARTER ENDED 31 MARCH 2016

- 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 2015.

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 2015.

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, 2015. 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 RM 45.58 million for the reporting quarter.

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A7. Dividend Paid

A single tier 3rd interim dividend of 0.75 sen per ordinary share of RM 0.25 each (post-split) was paid on 08 April 2016 in respect of the financial year 2015.

A8. Segmental Reporting (Analysis by Activities)

	← Cumulative 3-month quarter ended →			
	Current year period to-date 31.03.2016		Preceding year corresponding period to-date 31.03.2015	
	Revenue RM'000	Profit / (Loss) Before Taxation RM'000	Revenue RM'000	Profit / (Loss) Before Taxation RM'000
Operating Segments				
Particleboards	51,732	10,155	47,753	7,723
RTA Products*	94,179	13,457	68,620	6,877
Total	145,911	23,612	116,373	14,600

*RTA - Ready-To-Assemble

Particleboard Manufacturing Sector

The revenue reported for this period increased by RM3.98 million or 8.33 % 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 stronger USD exchange rate during the reporting period.

The profit before tax reported for this period was RM 10.16 million as compared to RM 7.72 million in 2015, an increase of RM 2.43 million or 31.49% due mainly to better margin contributed by the factors described above.

RTA Manufacturing Sector

The revenue reported for this period increased by RM 25.56 million or 37.25 % as compared to the same period last year. The company continuous's effort in 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 RM 13.46 million, an increase of RM 6.58 million or 95.68 % as compared to the same period last year due mainly to benefits derived from automating its production processes as mentioned above, higher revenue, and higher USD exchange rate to Ringgit.

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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 RM 7.78 million were given to financial institutions for term loan and hire purchase facilities granted to subsidiaries as at 20 May 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 March 2016 were as follows:

	The Group
	RM'000
Approved and not contracted for	12,714
Approved and contracted for	7,286

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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 2016 was RM145.91 million, an increase of RM 29.54 million or 25.38 % as compared with the corresponding quarter in FY2015. The increase was due from both the particleboard and RTA sectors and the reasons for the increase as stated in the Segmental Reporting A8.

The profit before taxation ("PBT") of the Group for the reporting quarter was RM 23.61 million, an increase of RM 9.01 million or 61.73 % as compared with the corresponding quarter in FY2015. PBT improved due mainly to better performance in both the particleboard and RTA sectors as well and the reasons for the increase as stated in the Segmental Reporting A8.

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

The Group reported a PBT of RM 23.61 million for the current quarter as compared to RM 30.34 million for the immediate preceding quarter ended 31 December 2015, a decrease of RM 6.73 million or 22.18 %. The decrease was due to the festive season and hence fewer number of working days

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 its action 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 31/03/2016 RM'000	Corresponding Quarter Ended 31/03/2015 RM'000	Current Year to date Ended 31/03/2016 RM'000	Corresponding Year to date Ended 31/03/2015 RM'000
Interest income	(772)	-	(772)	-
Interest expense	705	629	705	629
Depreciation and amortization	6,748	6,395	6,748	6,395
Net realized foreign exchange (gain)/loss	1,193	(2,873)	1,193	(2,873)
Net unrealized foreign exchange (gain)/loss	(30)	2,967	(30)	2,967

B6. Taxation

	Current Quarter		Cumulative Quarter	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
Current Taxation:				
- For the financial year	(3,344)	(624)	(3,344)	(624)
	<u>(3,344)</u>	<u>(624)</u>	<u>(3,344)</u>	<u>(624)</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.

B7. Realised and Unrealised Profits Disclosures

	As at 31.03.2016 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	238,491
- Unrealised	30
Total group retained profits as per consolidated accounts	<u>238,521</u>

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B8. Borrowings, Debt Securities and Trade Finance

The Group's borrowings are as follows:

	As at 31.03.2016 RM'000	As at 31.12.2015 RM'000
Short term borrowings & Trade Finance- secured		
- hire purchase payables	1,033	3,364
- term loans	880	31,785
	<u>1,913</u>	<u>35,149</u>
Long term borrowings – secured		
- hire purchase payables	5,277	3,328
- term loans	6,041	19,888
	<u>11,318</u>	<u>23,216</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 single-tier final dividend in respect of the financial year ended 31st December 2015, amounting of 1.0 sen per ordinary share of RM0.25 each for shareholders' approval at the forthcoming Annual General Meeting.

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B11. 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 2016		31 March 2015	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit attributable to the shareholders (RM'000)	20,268	20,268	13,976	13,976
Weighted average number of shares (units '000)	447,255	447,255	397,796	397,796
Basic earnings per Share (sen)	4.53	4.53	3.51	3.51

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b) Diluted

The diluted earnings per share for the current financial period ended 31 March 2016 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.

	31 March 2016		31 March 2015	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit for financial year attributable to owners) of the company	20,268	20,268	13,976	13,976
Weighted average number of shares (units '000)	447,255	447,255	397,796	397,796
Add: Effect of dilution of Warrants	119,938	119,938	170,631	170,631
	<u>567,194</u>	<u>567,194</u>	<u>568,427</u>	<u>568,427</u>
Diluted earnings per share (sen)	3.57	3.57	2.46	2.46

B13. Authorisation

These Quarterly Results for the financial period ended 31 March 2016 have been viewed and approved by the Board of Directors of HeveaBoard Berhad for release to Bursa Securities.