

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

**QUARTERLY REPORT –SECOND FINANCIAL QUARTER ENDED 30 JUNE 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 3.70 million for the reporting quarter.

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**A7. Dividend Paid**

A single tier 3rd interim dividend of 0.75 sen and a single tier final dividend of 1.0 sen per ordinary share of RM 0.25 each (post-split) in respect of financial year 2015 were paid on 08 April 2016 and 13 July 2016 respectively.

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

	← Cumulative 6-month quarter ended →			
	Current year period to-date 30.06.2016		Preceding year corresponding period to-date 30.06.2015	
	Revenue RM'000	Profit / (Loss) Before Taxation RM'000	Revenue RM'000	Profit / (Loss) Before Taxation RM'000
<b>Operating Segments</b>				
Particleboards	104,164	16,851	99,238	18,652
RTA Products*	163,511	24,698	128,513	12,482
<b>Total</b>	<b>267,675</b>	<b>41,549</b>	<b>227,751</b>	<b>31,134</b>

\*RTA - Ready-To-Assemble

**Particleboard Manufacturing Sector**

The revenue reported for this period increased by RM4.93 million or 4.97 % 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 16.85 million as compared to RM 18.65 million in 2015, a decrease of RM 1.80 million or 9.66% due mainly to the major shut-down for preventive maintenance in April 2016. The major shut-down resulted in lower production volume and hence a higher production cost, and the same time, a higher maintenance cost.

**RTA Manufacturing Sector**

The revenue reported for this period increased by RM 35.00 million or 27.24 % as compared to the same period last year. The RTA Sector's continuous' effort in enhancing and automating its processes had further resulted in higher productivity, efficiency and also the capability to produce higher value and wider range of products.

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The profit before tax reported for this period was RM 24.70 million, an increase of RM 12.22 million or 97.87 % as compared to the same period last year due mainly to benefits derived from automating its production processes as mentioned above. The higher USD exchange rate to Ringgit also contributed to the improvement in result.

**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 5.32 million were given to financial institutions for term loan and hire purchase facilities granted to subsidiaries as at 16 Aug 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 30 June 2016 were as follows:

	The Group
	RM'000
Approved but not contracted for	6,105
Approved and contracted for	8,055

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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 RM121.76 million, an increase of RM10.39 million or 9.32 % as compared with the corresponding quarter in FY2015. For the 6 months ended 30 June 2016, the revenue for the Group was RM267.68 million, an increase of RM39.92 million or 17.53 % 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 RM17.94 million, an increase of RM1.40 million or 8.49 % as compared with the corresponding quarter in FY2015. The profit after taxation ("PAT") of the Group for the reporting quarter was RM15.16 million, a decrease of RM0.88 million or 5.49 % as compared with the corresponding quarter in FY2015. The lower PAT was due to the higher income tax expense incurred at the RTA sector and the reasons as stated in the Taxation B6. For the 6 months ended 30 June 2016, PBT of the Group was RM 41.55 million, an increase of RM 10.42 million or 33.45 % as compared with the corresponding period in FY2015, while PAT of the Group was RM 35.43 million, an increase of RM 5.41 million or 18.00 % as compared with the corresponding period in FY2015. For the 6 months ended 30 June 2016, PBT and PAT improved due mainly to better performance in the RTA sector and the reasons for the increase was 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 17.94 million for the current quarter as compared to RM 23.61 million for the immediate preceding quarter ended 31 March 2016, a decrease of RM 5.67 million or 24.02 % mainly due to the major shut-down in April 2016 for preventive maintenance in the particleboard sector as mentioned in A8 above, and also the RTA sector is entering the off-peak season for its Japanese market.

**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 30/06/2016 RM'000	Corresponding Quarter Ended 30/06/2015 RM'000	Current Year to date Ended 30/06/2016 RM'000	Corresponding Year to date Ended 30/06/2015 RM'000
Interest income	(783)	-	(1,555)	-
Interest expense	555	600	1,261	1,229
Depreciation and amortization	6,153	6,473	12,901	12,868
Net realized foreign exchange (gain)/loss	(2,957)	(1,220)	(1,765)	(4,093)
Net unrealized foreign exchange (gain)/loss	(24)	717	(53)	3,683

**B6. Taxation**

	Current Quarter		Cumulative Quarter	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
<b>Current Taxation:</b>				
- For the financial year	(2,776)	(491)	(6,120)	(1,115)
	<u>(2,776)</u>	<u>(491)</u>	<u>(6,120)</u>	<u>(1,115)</u>

The income tax expenses of the Group for the reporting quarter was RM2.78 million, an increase of RM2.29 million or 465.44 % as compared with the corresponding quarter in FY2015. For the 6 months ended 30 June 2016, income tax expense of the Group was RM 6.12 million, an increase of RM 5.01 million or 448.88 % as compared with the corresponding period in FY2015. This is due mainly to the RTA sector having exhausted its tax incentive on Allowance in Increased Export (“AIE”) to offset against taxable statutory income. The Group, however, under the particleboard sector still has unabsorbed capital allowances and unabsorbed Investment Tax Allowance (ITA) available to offset against taxable statutory income.

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**B7. Realised and Unrealised Profits Disclosures**

	<b>As at 30.06.2016 RM'000</b>
Total retained profits of the Company and its subsidiaries:	
- Realised	250,281
- Unrealised	53
Total group retained profits as per consolidated accounts	<u>250,334</u>

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

The Group's borrowings are as follows:

	As at 30.06.2016 RM'000	As at 31.12.2015 RM'000
Short term borrowings & Trade Finance- secured		
- hire purchase payables	2,150	3,364
- term loans	<u>2,279</u>	<u>31,785</u>
	<u>4,429</u>	<u>35,149</u>
Long term borrowings – secured		
- hire purchase payables	4,827	3,328
- term loans	<u>5,400</u>	<u>19,888</u>
	<u>10,227</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**

A Single-Tier 1st Interim Dividend of 1.30 sen per ordinary share of RM 0.25 each (post-split) in respect of the financial year ending 31 December 2016 is declared on 23 August 2016.

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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**

	30 June 2016		30 June 2015	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit attributable to the shareholders (RM'000)	15,161	35,429	16,042	30,019
Weighted average number of shares (units '000)	455,781	455,781	401,890	401,890
Basic earnings per Share (sen)	3.33	7.77	3.99	7.47

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***b) Diluted***

The diluted earnings per share for the current financial period ended 30 June 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.

	30 June 2016		30 June 2015	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit for financial year attributable to owners) of the company	15,161	35,429	16,042	30,019
Weighted average number of shares (units '000)	455,781	455,781	401,890	401,890
Add: Effect of dilution of Warrants	106,760	106,760	162,907	162,907
	562,542	562,542	564,798	564,798
Diluted earnings per share (sen)	2.70	6.30	2.84	5.32

**B13. Authorisation**

These Quarterly Results for the financial period ended 30 June 2016 have been viewed and approved by the Board of Directors of HeveaBoard Berhad for release to Bursa Securities.