

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

QUARTERLY REPORT – FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 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 RM2.70 million for the reporting quarter.

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

QUARTERLY REPORT – FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2016

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 RM0.25 each (post-split) in respect of financial year 2015 were paid on 08 April 2016 and 13 July 2016 respectively.

A single tier 1st interim and 2nd interim dividend of 1.30 sen per ordinary share of RM0.25 each (post-split) in respect of financial year 2016 were paid on 23 September 2016 and 16 December 2016 respectively.

A8. Segmental Reporting (Analysis by Activities)

	← Cumulative 12-month quarter ended →			
	Current year period to-date 31.12.2016		Preceding year corresponding period to-date 31.12.2015	
	Revenue RM'000	Profit / (Loss) Before Taxation RM'000	Revenue RM'000	Profit / (Loss) Before Taxation RM'000
Operating Segments				
Particleboards	225,112	44,380	219,903	42,493
RTA Products*	314,933	45,915	283,406	40,341
Total	540,045	90,295	503,309	82,834

*RTA - Ready-To-Assemble

Particleboard Manufacturing Sector

The revenue reported for this period increased by RM5.21 million or 2.37% 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 RM44.38 million as compared to RM42.49 million in 2015, an increase of RM 1.89 million or 4.44% due mainly to better margin contributed by factors as described above.

RTA Manufacturing Sector

The revenue reported for this period increased by RM 31.53 million or 11.12 % as compared to the same period last year. The RTA Sector's continuous 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.

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

QUARTERLY REPORT – FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2016

The profit before tax reported for this period was RM 45.92 million, an increase of RM 5.57 million or 13.82 % as compared to the same period last year due mainly to benefits derived from the more efficient production processes as mentioned above, higher revenue, and higher USD exchange rate to Ringgit.

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 5.47 million were given to financial institutions for term loan and hire purchase facilities granted to subsidiaries as at 17 Feb 2017 (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 2016 were as follows:

	The Group
	RM'000
Approved and contracted for	31,655
Approved and not contracted for	9,745

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

QUARTERLY REPORT – FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2016

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 2016 was RM145.22 million, a decrease of RM5.80 million or 3.84% as compared with the corresponding quarter in FY2015 due mainly to the RTA sector's peak season for the Japanese market had started a little later in this reporting quarter as compared to the corresponding quarter in FY2015.

For the 12 months ended 31 December 2016, the revenue for the Group was RM540.05 million, an increase of RM36.74 million or 7.30% 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 RM29.56 million, a slight decrease of RM0.73 million or 2.42% as compared with the corresponding quarter in FY2015. This was due mainly to the RTA sector being affected by the implementation of the minimum wage order on 1 July 2016.

For the 12 months ended 31 December 2016, PBT of the Group was RM90.30 million, an increase of RM7.46 million or 9.01% as compared with the corresponding period in FY2015, due mainly to better performance in both the Particleboard and RTA sectors.

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

The Group reported a PBT of RM 29.56 million for the current quarter as compared to RM 19.19 million for the immediate preceding quarter ended 30 September 2016, an increase of RM 10.37 million or 54.04% due mainly to the reasons as explained above.

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 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.

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

QUARTERLY REPORT – FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2016

B5. Profit/(Loss) Before Taxation

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

	Current Quarter Ended 31/12/2016 RM'000	Corresponding Quarter Ended 31/12/2015 RM'000	Current Year to date Ended 31/12/2016 RM'000	Corresponding Year to date Ended 31/12/2015 RM'000
Interest income	(859)	(264)	(3,324)	(754)
Interest expense	241	775	2,049	2,088
Depreciation and amortization	6,072	6,716	25,535	26,094
Net realized foreign exchange (gain)/loss	(2,078)	2,645	(2,966)	(6,778)
Net unrealized foreign exchange (gain)/loss	(1,503)	(948)	(1,757)	9,563

B6. Taxation

	Current Quarter		Cumulative Quarter	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Current Taxation:				
- For the financial year	(1,555)	(4,602)	(9,627)	(9,263)
	<u>(1,555)</u>	<u>(4,602)</u>	<u>(9,627)</u>	<u>(9,263)</u>

The income tax expenses of the Group for the reporting quarter was RM1.55 million and for the 12 months ended 31 December 2016 was RM9.63 million. 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 by mid-2015. 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.

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

QUARTERLY REPORT – FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2016

B7. Realised and Unrealised Profits Disclosures

	As at 31.12.2016 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	276,586
- Unrealised	1,757
Total group retained profits as per consolidated accounts	<u>278,343</u>

B8. Borrowings, Debt Securities and Trade Finance

The Group's borrowings are as follows:

	As at 31.12.2016 RM'000	As at 31.12.2015 RM'000
Short term borrowings –secured		
- hire purchase payables	2,399	3,364
- term loans	<u>5,113</u>	<u>31,785</u>
	<u>7,512</u>	<u>35,149</u>
Long term borrowings – secured		
- hire purchase payables	3,772	3,328
- term loans	<u>4,205</u>	<u>19,888</u>
	<u>7,977</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 3rd Interim Dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 December 2016 is declared on 24 February 2017.

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

QUARTERLY REPORT – FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2016

B11. Earnings per Share

The earnings per Share are calculated by dividing the Group's profits attributable to shareholders by the weighted number of ordinary shares in issue in the respective periods as follows:-

a) Basic

	31 December 2016		31 December 2015	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit attributable to the shareholders (RM'000)	28,006	80,669	25,693	73,571
Weighted average number of shares (units '000)	467,180	467,180	409,981	409,981
Basic earnings per Share (sen)	5.99	17.27	6.27	17.94

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

QUARTERLY REPORT – FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2016

b) Diluted

The diluted earnings per share for the current financial period ended 31 December 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 December 2016		31 December 2015	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit for financial year attributable to owners) of the company	28,006	80,669	25,693	73,571
Weighted average number of shares (units '000)	467,180	467,180	409,981	409,981
Add: Effect of dilution of Warrants	67,275	67,275	132,098	132,098
	<u>534,455</u>	<u>534,455</u>	<u>542,079</u>	<u>542,079</u>
Diluted earnings per share (sen)	5.24	15.09	4.74	13.57

B13. Authorisation

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