

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

QUARTERLY REPORT – FIRST FINANCIAL QUARTER ENDED 31 MARCH 2017

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 2016.

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 2016.

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, 2016. 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 were no changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter.

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 RM2.57 million for the reporting quarter.

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A7. Dividend Paid

A single tier 3rd interim dividend of 2.0 sen per ordinary share amounting to RM10.7 million in respect of financial year 2016 was paid on 30 March 2017.

A8. Segmental Reporting (Analysis by Activities)

	← Cumulative 3-month quarter ended →			
	Current year period to-date 31.03.2017		Preceding year corresponding period to-date 31.03.2016	
	Revenue RM'000	Profit / (Loss) Before Taxation RM'000	Revenue RM'000	Profit / (Loss) Before Taxation RM'000
Operating Segments				
Particleboards	60,654	12,199	51,732	10,155
RTA Products*	97,998	17,403	94,179	13,457
Total	158,652	29,602	145,911	23,612

*RTA - Ready-To-Assemble

Particleboard Manufacturing Sector

The revenue reported for this period increased by RM8.92 million or 17.25 % as compared to the same period last year. The higher revenue achieved was due mainly to higher selling price, 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 RM12.20 million as compared to RM10.16 million in 2016, an increase of RM2.04 million or 20.13 % due mainly to better margin contributed by factors as described above.

RTA Manufacturing Sector

The revenue reported for this period increased by RM3.82 million or 4.06 % 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.

The profit before tax reported for this period was RM17.40 million, an increase of RM3.95 million or 29.32 % 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.

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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 4.68 million were given to financial institutions for term loan and hire purchase facilities granted to subsidiaries as at 16 May 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 March 2017 were as follows:

	The Group
	RM'000
Approved and contracted for	41,285
Approved and not contracted for	3,000

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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 March 2017 was RM158.65 million, an increase of RM12.74 million or 8.73 % as compared with the corresponding quarter in FY2016. The increase was due from both the particleboard and RTA sectors and the reasons for the increase are stated in the Segmental Reporting A8.

The profit before taxation ("PBT") of the Group for the reporting quarter was RM29.60 million, an increase of RM5.99 million or 25.37 % as compared with the corresponding quarter in FY2016. PBT improved due mainly to better performance in both the particleboard and RTA sectors and the reasons for the improvements are 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 RM29.60 million for the current quarter as compared to RM 29.56 million for the immediate preceding quarter ended 31 December 2016, a slight increase of RM 0.04 million or 0.14 % due mainly to the reason as explained above.

B3. Prospect for the current financial year

The raw material volatility for resins and rubber wood will be one of the main challenges for the current financial year. The Board is of the opinion that with the continuous effort in maximising material recovery, 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.

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 31/03/2017 RM'000	Corresponding Quarter Ended 31/03/2016 RM'000	Current Year to date Ended 31/03/2017 RM'000	Corresponding Year to date Ended 31/03/2016 RM'000
Interest income	(898)	(772)	(898)	(772)
Interest expense	396	705	396	705
Depreciation and amortization	5,550	6,748	5,550	6,748
Net realized foreign exchange (gain)/loss	(250)	1,193	(250)	1,193
Net unrealized foreign exchange (gain)/loss	229	(30)	229	(30)

B6. Taxation

	Current Quarter		Cumulative Quarter	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	RM'000	RM'000	RM'000	RM'000
Current Taxation:				
- For the financial year	(4,292)	(3,344)	(4,292)	(3,344)
	<u>(4,292)</u>	<u>(3,344)</u>	<u>(4,292)</u>	<u>(3,344)</u>

The income tax expenses of the Group for the reporting quarter and financial year to date was RM4.29 million. The RTA sector had exhausted its tax incentive on Allowance in Increased Export (“AIE”) to offset against taxable statutory income since mid-2015. The Group, however, under the particleboard sector still has unabsorbed capital allowances, unabsorbed investment tax allowance (ITA), reinvestment allowance (RA) and unutilized tax losses available to offset against the taxable statutory income.

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B7. Realised and Unrealised Profits Disclosures

	As at 31.03.2017 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	293,182
- Unrealised	(229)
Total group retained profits as per consolidated accounts	<u>292,953</u>

B8. Borrowings, Debt Securities and Trade Finance

The Group's borrowings are as follows:

	As at 31.03.2017 RM'000	As at 31.12.2016 RM'000
Short term borrowings -secured		
- hire purchase payables	2,313	2,399
- term loans	4,514	5,113
	<u>6,827</u>	<u>7,512</u>
Long term borrowings – secured		
- hire purchase payables	3,426	3,772
- term loans	3,060	4,205
	<u>6,486</u>	<u>7,977</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 Final Dividend of 2.5 sen per ordinary share in respect of the financial year ended 31 December 2016 was recommended on 22 March 2017 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 weighted number of ordinary shares in issue in the respective periods as follows:-

a) Basic

	31 March 2017		31 March 2016	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit attributable to the shareholders (RM'000)	25,310	25,310	20,268	20,268
Weighted average number of shares (units '000)	531,349	531,349	447,255	447,255
Basic earnings per Share (sen)	4.76	4.76	4.53	4.53

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b) Diluted

The diluted earnings per share for the current financial period ended 31 March 2017 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 2017		31 March 2016	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit for financial year attributable to owners) of the company	25,310	25,310	20,268	20,268
Weighted average number of shares (units '000)	531,349	531,349	447,255	447,255
Add: Effect of dilution of Warrants	31,806	31,806	119,938	119,938
	<u>563,155</u>	<u>563,155</u>	<u>567,194</u>	<u>567,194</u>
Diluted earnings per share (sen)	4.49	4.49	3.57	3.57

B13. Authorisation

These Quarterly Results for the financial period ended 31 March 2017 have been viewed and approved by the Board of Directors of HeveaBoard Berhad for release to Bursa Securities.