

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

QUARTERLY REPORT – FIRST FINANCIAL QUARTER ENDED 31 MARCH 2018

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 2017.

A1.1 Accounting Policies

The significant accounting policies and methods of computation adopted by HeveaBoard Berhad in the condensed interim financial statements are consistent with those adopted in the audited consolidated financial statements of HeveaBoard Berhad for the financial year ended 31 December 2017 other than the application of a new MFRS and amendments to MFRSs which became effective for annual period beginning 1 January 2018.

		Effective for financial periods beginning on or after
<u>New MFRSs</u>		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021

HeveaBoard Berhad
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QUARTERLY REPORT – FIRST FINANCIAL QUARTER ENDED 31 MARCH 2018

A1. Basis of Preparation (Continued)

A1.1 Accounting Policies (Continued)

		Effective for financial periods beginning on or after
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of MFRSs	1 January 2018
MFRS 2	Share-based Payment	1 January 2018
MFRS 3	Business Combinations	1 January 2019
MFRS 4	Insurance Contracts	1 January 2018
MFRS 9	Financial Instruments	1 January 2019
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 112	Income Taxes	1 January 2019
MFRS 119	Employee Benefits	1 January 2019
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018/ 1 January 2019/ Deferred
MFRS 140	Investment Property	1 January 2018
<u>New IC Int</u>		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019

The Group will adopt the aforementioned pronouncements when they become effective in the respective financial periods. The initial application of these new MFRS and amendments to MFRSs has no material impact on this interim financial reporting.

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.

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

QUARTERLY REPORT – FIRST FINANCIAL QUARTER ENDED 31 MARCH 2018

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 RM2.52 million for the reporting quarter.

A7. Dividend Paid

A single-tier 2nd interim dividend and a single-tier 3rd interim dividend of 1.6 sen per ordinary share each in respect of the financial year ended 31st December 2017 were paid on 5th January 2018 and 9th April 2018 respectively.

A8. Segmental Reporting (Analysis by Activities)

	← Cumulative 3-month quarter ended →			
	Current year period to-date 31.03.2018		Preceding year corresponding period to date 31.03.2017	
	Revenue RM'000	Profit/(loss) before taxation RM'000	Revenue RM'000	Profit/(loss) before taxation RM'000
Operating Segments				
Particleboards	46,381	3,998	60,654	12,199
RTA Products*	69,081	(1,419)	97,998	17,403
Others	-	(184)	-	-
	115,462	2,395	158,652	29,602

*RTA - Ready-To-Assemble

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

QUARTERLY REPORT – FIRST FINANCIAL QUARTER ENDED 31 MARCH 2018

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

Particleboard Manufacturing Sector

The revenue and profit before tax reported for this period decreased by RM14.27 million or 23.53% and RM8.20 million or 67.23% as compared to the same period last year. The lower revenue and profit before tax were mainly due to the weakening of USD/MYR exchange rate by almost 12%, lower production volume and higher raw material cost during this reporting period as compared to the same period last year.

RTA Manufacturing Sector

The revenue and profit before tax reported for this period decreased by RM28.92 million or 29.51% and RM18.82 million or 108.15% as compared to the same period last year. The lower revenue and profit before tax were mainly due to the shortage of foreign workers and this had resulted in high operational costs and optimum production capacity not being achieved. In addition, the weakened USD/MYR exchange rate had also adversely impacted the revenue and profit.

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 during the current period and year to date.

A12. Contingent Liabilities

Corporate guarantees of RM19.60 million were given to financial institutions for term loan and hire purchase facilities granted to subsidiaries as at 17 May 2018 (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 financial statements as at 31 March 2018 were as follows:

	The Group RM'000
Approved and contracted for	22,000
Approved and not contracted for	2,000
	<hr/>
	24,000
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QUARTERLY REPORT – FIRST FINANCIAL QUARTER ENDED 31 MARCH 2018

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES LISTING REQUIREMENTS

B1. Review of performance

The revenue and profit before tax of the Group for the current quarter ended 31 March 2018 were RM115.46 million and RM2.40 million, a decrease of RM43.19 million or 27.22% and RM27.21 million or 91.91% respectively as compared with the corresponding quarter in FYE 2017. The decrease was from both the particleboard and RTA sectors and the reasons for the decrease 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 RM2.40 million for the current quarter as compared to RM10.20 million for the immediate preceding quarter ended 31 December 2017, a decrease of RM7.80 million or 76.47% due to the weakened USD impacting both the particleboard and RTA sectors and also lower production volume at the particleboard sector.

B3. Prospect for the current financial year

The global business environment is currently challenging due to additional particleboard capacities coming on stream, and the macroeconomic condition is also highly uncertain. The Board is however of the opinion that with the particleboard sector continuing to focus on developing higher value products, to better manage cost and efficiencies, the Group should be able to manage the challenges ahead. As for the RTA sector, labour shortage issue is finally showing some positive developments and we hope to be able to get back to our desired momentum soonest.

B4. Variances from Profit Forecasts and Profit Guarantee

Not applicable.

HeveaBoard Berhad
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QUARTERLY REPORT – FIRST FINANCIAL QUARTER ENDED 31 MARCH 2018

B5. Profit/(Loss) Before Taxation

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

	Current Quarter Ended 31.03.2018 RM'000	Corresponding Quarter Ended 31.03.2017 RM'000	Current Year To Date Ended 31.03.2018 RM'000	Corresponding Year to date Ended 31.03.2017 RM'000
Interest income	(654)	(898)	(654)	(898)
Interest expense	506	396	506	396
Depreciation and amortisation	6,124	5,550	6,124	5,550
Net realised foreign exchange (gain)/loss	(469)	(250)	(469)	(250)
Net unrealised foreign exchange (gain)/loss	(286)	229	(286)	229

B6. Taxation

	Current Quarter		Cummulative Quarter	
	31.03.2018 RM'000	31.03.2017 RM'000	31.03.2018 RM'000	31.03.2017 RM'000
Taxation				
- Income tax	(17)	(4,292)	(17)	(4,292)
- Deferred tax	-	-	-	-
	<u>(17)</u>	<u>(4,292)</u>	<u>(17)</u>	<u>(4,292)</u>

The income tax expenses of the Group for the reporting quarter and financial year to date was RM0.017 million. 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.

HeveaBoard Berhad
(Company No. 275512-A)
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QUARTERLY REPORT – FIRST FINANCIAL QUARTER ENDED 31 MARCH 2018

B7. Corporate Proposal

There was no corporate proposal announced during the financial period to date.

B8. Loans and Borrowings

The Group's borrowings are as follows:

	As at 31.03.2018 RM'000	As at 31.12.2017 RM'000
Short term borrowings - secured		
-finance lease liabilities	4,305	3,496
-term loans	2,522	3,502
	<u>6,827</u>	<u>6,998</u>
Long term borrowings - secured		
-finance lease liabilities	3,982	3,785
-term loans	11,822	11,822
	<u>15,804</u>	<u>15,607</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 Final Dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 December 2017 was recommended on 30 March 2018 for shareholders' approval at the forthcoming Annual General Meeting of HeveaBoard Berhad to be held on 30 May 2018.

HeveaBoard Berhad
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QUARTERLY REPORT – FIRST FINANCIAL QUARTER ENDED 31 MARCH 2018

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 2018		31 March 2017	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit attributable to the shareholders (RM'000)	<u>2,378</u>	<u>2,378</u>	<u>25,310</u>	<u>25,310</u>
Weighted average number of shares (units '000)	<u>558,867</u>	<u>558,867</u>	<u>531,349</u>	<u>531,349</u>
Basic earnings per share (sen)	<u>0.43</u>	<u>0.43</u>	<u>4.76</u>	<u>4.76</u>

b) Diluted

The diluted earnings per share for the current financial period ended 31 March 2018 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 2018		31 March 2017	
	Quarter ended	Period to date	Quarter ended	Period to date
Profit for the financial year attributable to owners of the Company (units '000)	<u>2,378</u>	<u>2,378</u>	<u>25,310</u>	<u>25,310</u>
Weighted average number of shares (units '000)	558,867	558,867	531,349	531,349
Add: Effect of dilution of Warrants (units '000)	<u>9,486</u>	<u>9,486</u>	<u>31,806</u>	<u>31,806</u>
	<u>568,353</u>	<u>568,353</u>	<u>563,155</u>	<u>563,155</u>
Basic earnings per share (sen)	<u>0.42</u>	<u>0.42</u>	<u>4.49</u>	<u>4.49</u>

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QUARTERLY REPORT – FIRST FINANCIAL QUARTER ENDED 31 MARCH 2018

B12. Authorisation

These Quarterly Results for the financial period ended 31 March 2018 have been viewed and approved by the Board of Directors of HeveaBoard Berhad for release to Bursa Securities.