

# HeveaBoard Berhad

Registration No: 199301020774 (275512-A)

(Incorporated in Malaysia)

## QUARTERLY REPORT – FIRST FINANCIAL QUARTER ENDED 31 MARCH 2020

### 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 2019.

##### 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 2019 other than the application of a new MFRS and amendments to MFRSs which became effective for annual period beginning 1 January 2020.

		Effective for financial periods beginning on or after
<u>New MFRSs</u>		
MFRS 17	Insurance Contracts	1 January 2021
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2021 <sup>#</sup>
MFRS 3	Business Combinations	1 January 2020/ 1 January 2021 <sup>#</sup>
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021 <sup>#</sup>
MFRS 7	Financial Instruments: Disclosures	1 January 2020/ 1 January 2021 <sup>#</sup>
MFRS 9	Financial Instruments	1 January 2020/ 1 January 2021 <sup>#</sup>
MFRS 10	Consolidated Financial Statements	Deferred

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### A1. Basis of Preparation (Continued)

#### A1.1 Accounting Policies (Continued)

		Effective for financial periods beginning on or after
<u>New MFRSs</u>		
MFRS 15	Revenue from Contracts with Customers	1 January 2021 <sup>#</sup>
MFRS 101	Presentation of Financial Statements	1 January 2020/ 1 January 2021 <sup>#</sup>
MFRS 107	Statements of Cash Flows	1 January 2021 <sup>#</sup>
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020
MFRS 116	Property, Plant and Equipment	1 January 2021 <sup>#</sup>
MFRS 119	Employee Benefits	1 January 2021 <sup>#</sup>
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2021 <sup>#</sup>
MFRS 132	Financial Instruments: Presentation	1 January 2021 <sup>#</sup>
MFRS 136	Impairment of Assets	1 January 2021 <sup>#</sup>
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020/ 1 January 2021 <sup>#</sup>
MFRS 138	Intangible Assets	1 January 2020/ 1 January 2021 <sup>#</sup>
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2020
MFRS 140	Investment Property	1 January 2021 <sup>#</sup>

The Group will adopt the aforementioned pronouncements when they become effective in the respective financial periods.

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**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 RM1.5 million for the reporting quarter.

**A7. Dividend Paid**

A single-tier second interim dividend and a single-tier third interim dividend of 1.0 sen per ordinary share each in respect of the financial year ended 31 December 2019 were paid on 22 January 2020 (RM5.64 million) and 10 April 2020 (RM5.66 million).

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

	← Cumulative 3-month quarter ended →			
	Current year period to-date 31.3.2020		Preceding year corresponding period to date 31.3.2019	
	Revenue RM'000	Profit/(loss) before taxation RM'000	Revenue RM'000	Profit/(loss) before taxation RM'000
<b>Operating Segments</b>				
Particleboards	28,867	777	27,146	(2,251)
RTA Products	62,388	2,341	78,635	6,467
Fungi Cultivation	357	(609)	220	(661)
	<u>91,612</u>	<u>2,509</u>	<u>106,001</u>	<u>3,555</u>

\*RTA - Ready-To-Assemble

#### **Particleboard Manufacturing Sector**

The revenue and profit before tax reported for this period increased by RM1.72 million or 6.34% and RM3.03 million or 134.52% respectively as compared to the same period last year. Both sales and production volumes were higher as compared to the same period last year despite operation being interrupted briefly in March 2020 due to Movement Control Order (“MCO”). The USD/MYR exchange rate was also more favorable as compared to the same period last year.

#### **RTA Manufacturing Sector**

The revenue and profit before tax reported for this period decreased by RM16.25 million or 20.66% and RM4.13 million or 63.80% as compared to the same period last year. The lower revenue and profit before tax were mainly due to the softened market caused by Covid-19 pandemic and also the operation interruption resulted from the MCO.

#### **Fungi Cultivation**

The revenue reported for this period increased by RM0.14 million or 62.27% as compared to the same period last year due to more diversified distribution channels to hypermarkets despite a much reduced sales to local restaurants due to MCO. The loss before tax was slightly lower due to higher production and sales during this period.

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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 RM12.69 million were given to financial institutions for term loan and hire purchase facilities granted to subsidiaries as at 16 June 2020 (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 2020 were as follows:

Approved and not contracted for

The Group  
RM'000  
3,000

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### **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 2020 were RM91.61 million and RM2.51 million, a decrease of RM14.39 million or 13.57% and RM1.05 million or 29.42% respectively as compared with the corresponding quarter in FYE 2019.

The decrease in the Group revenue and profit before tax for the reporting quarter were mainly due to the decrease in revenue of RTA sector as explained in Segmental Reporting A8.

#### **B2. Material change in profit before taxation for the quarter against the immediately preceding quarter**

The Group reported a PBT of RM2.51 million for the current quarter as compared to RM7.17 million for the immediately preceding quarter ended 31 December 2019, a decrease of RM4.66 million or 64.99% due mainly to the RTA sector impacted by the softened market caused by Covid-19 pandemic and also operation interruption resulted from MCO as explained in Segmental Reporting A8.

#### **B3. Prospect for the current financial year**

The global business environment remains challenging due to the pandemic 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, better cost management and efficiencies, this sector should be able to manage the challenges ahead.

The RTA sector is also actively developing new customer base while at the same time pursuing productivity and efficiency enhancement activities to bring further and continuous improvements to the operation.

#### **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 31.3.2020 RM'000	Corresponding Quarter Ended 31.3.2019 RM'000	Current Year To Date Ended 31.3.2020 RM'000	Corresponding Year to date Ended 31.3.2019 RM'000
Interest income	(804)	(649)	(804)	(649)
Interest expense	266	331	266	331
Depreciation	7,210	7,028	7,210	7,028
Net realised foreign exchange loss/(gain)	(294)	(26)	(294)	(26)
Net unrealised foreign exchange loss/(gain)	(311)	148	(311)	148

#### B6. Taxation

	Current Quarter		Cummulative Quarter	
	31.3.2020 RM'000	31.3.2019 RM'000	31.3.2020 RM'000	31.3.2019 RM'000
Taxation				
- Income tax	(590)	(1,526)	(590)	(1,526)
- Deferred tax	-	-	-	-
	<u>(590)</u>	<u>(1,526)</u>	<u>(590)</u>	<u>(1,526)</u>

The income tax expenses of the Group for the reporting quarter and financial year to date were RM0.59 million of which RM0.53 million was from the RTA sector for the reporting period.

The particleboard sector still has unabsorbed investment tax allowance (ITA), reinvestment allowance (RA) and unutilized tax losses available to offset against the statutory business income.

#### B7. Corporate Proposal

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

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### B8. Loans and Borrowings

The Group's borrowings are as follows:

	As at 31.3.2020 RM'000	As at 31.12.2019 RM'000
Short term borrowings - secured		
-finance lease liabilities	2,841	3,800
-term loans	1,893	2,048
	<u>4,734</u>	<u>5,848</u>
Long term borrowings - secured		
-finance lease liabilities	5,076	5,102
-term loans	7,121	7,480
	<u>12,197</u>	<u>12,582</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 1.0 sen per ordinary share in respect of the financial year ended 31 December 2019 was recommended and approved by shareholders at the Annual General Meeting of HeveaBoard Berhad held on 10 June 2020.



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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 2020		31 March 2019	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit attributable to the shareholders (RM'000)	<u>1,919</u>	<u>1,919</u>	<u>2,029</u>	<u>2,029</u>
Weighted average number of shares (units '000)	<u>567,345</u>	<u>567,345</u>	<u>560,635</u>	<u>560,635</u>
Basic earnings per share (sen)	<u>0.34</u>	<u>0.34</u>	<u>0.36</u>	<u>0.36</u>

#### b) *Diluted*

The diluted earnings per share for the financial period ended 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 2020		31 March 2019	
	Quarter ended	Period to date	Quarter ended	Period to date
Profit for the financial year attributable to owners of the Company (units '000)	<u>1,919</u>	<u>1,919</u>	<u>2,029</u>	<u>2,029</u>
Weighted average number of shares (units '000)	<u>567,345</u>	<u>567,345</u>	<u>560,635</u>	<u>560,635</u>
Add: Effect of dilution of Warrants (units '000)	<u>-</u>	<u>-</u>	<u>7,792</u>	<u>7,792</u>
	<u>567,345</u>	<u>567,345</u>	<u>568,427</u>	<u>568,427</u>
Basic earnings per share (sen)	<u>0.34</u>	<u>0.34</u>	<u>0.36</u>	<u>0.36</u>

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#### **B12. Authorisation**

These Quarterly Results for the financial period ended 31 March 2020 have been viewed and approved by the Board of Directors of HeveaBoard Berhad for release to Bursa Securities.