

HeveaBoard Berhad

Registration No: 199301020774 (275512-A)

(Incorporated in Malaysia)

QUARTERLY REPORT – FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 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 2023
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2022 1 January 2023
MFRS 3	Business Combinations	1 January 2022 1 January 2023
MFRS 4	Insurance Contracts	1 January 2021 1 January 2023
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023
MFRS 7	Financial Instruments: Disclosures	1 January 2021 1 January 2023

HeveaBoard Berhad

Registration No: 199301020774 (275512-A)

(Incorporated in Malaysia)

QUARTERLY REPORT – FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2020

A1. Basis of Preparation (Continued)

A1.1 Accounting Policies (Continued)

<u>Amendments/Improvements to MFRSs (Continued)</u>		Effective for financial periods beginning on or after
MFRS 9	Financial Instruments	1 January 2021 1 January 2022 1 January 2023
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023
MFRS 16	Leases	1 June 2020 1 January 2021 1 January 2022
MFRS 101	Presentation of Financial Statements	1 January 2023 1 January 2023
MFRS 107	Statements of Cash Flows	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2022 1 January 2023
MFRS 119	Employee Benefits	1 January 2023
MFRS 128	Investments in Associates and Joint Ventures	Deferred 1 January 2023
MFRS 132	Financial instruments: Presentation	1 January 2023
MFRS 136	Impairment of Assets	1 January 2023
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022 1 January 2023
MFRS 138	Intangible Assets	1 January 2023
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2021
MFRS 140	Investment Property	1 January 2023
MFRS 141	Agriculture	1 January 2022

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

HeveaBoard Berhad

Registration No: 199301020774 (275512-A)

(Incorporated in Malaysia)

QUARTERLY REPORT – FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2020

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

Description	Per ordinary share (sen)	Payment Date	FYE 2019 (RM'million)	FYE 2020 (RM'million)
Single-tier second interim dividend	1.0	22.01.2020	5.64	-
Single-tier third interim dividend	1.0	10.04.2020	5.66	-
Single-tier final dividend	1.0	09.07.2020	5.66	-
Single-tier first interim dividend	0.5	09.10.2020	-	2.83
Single-tier second interim dividend	0.5	08.01.2021	-	2.83

HeveaBoard Berhad

Registration No: 199301020774 (275512-A)

(Incorporated in Malaysia)

QUARTERLY REPORT – FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2020

A8. Segmental Reporting (Analysis by Activities)

	← Cumulative 12-month quarter ended →			
	Current year period to-date 31.12.2020		Preceding year corresponding period to date 31.12.2019	
	Revenue RM'000	Profit/(loss) before taxation RM'000	Revenue RM'000	Profit/(loss) before taxation RM'000
Operating Segments				
Particleboards	127,284	7,679	152,706	3,362
RTA Products	259,329	11,324	265,641	15,110
Fungi Cultivation	2,027	(1,690)	845	(2,478)
	<u>388,640</u>	<u>17,313</u>	<u>419,192</u>	<u>15,994</u>

Particleboard Manufacturing Sector

The revenue reported for this period decreased by RM25.42million or 16.65% and profit before tax increased by RM4.32 million or 128.41% respectively as compared to the same period last year. The lower revenue was due mainly to production interruption during Movement Control Order (“MCO”) and high intercompany sales, which would be eliminated during account consolidation. Despite lower sales and production volumes as compared to the same period last year, the profit before tax improved due to better USD/MYR exchange rate, lower average raw material cost and improving average selling price towards the end of the year.

RTA Manufacturing Sector

The revenue and profit before tax reported for this period decreased by RM6.31 million or 2.38% and RM3.79 million or 25.06% as compared to the same period last year due mainly to the Covid-19 pandemic. The restrictions imposed during MCO had resulted in higher cost of operations as optimum production capacity could not be achieved.

Fungi Cultivation

The revenue reported for this period increased by RM1.18 million or 139.88% to RM2.03 million whereas the loss before tax decreased by RM0.79 million or 31.80% to RM1.69 million as compared to the same period last year. This was mainly due to higher production and sales volume achieved and more distribution channels had also been established.

HeveaBoard Berhad

Registration No: 199301020774 (275512-A)

(Incorporated in Malaysia)

QUARTERLY REPORT – FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2020

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 RM7.89 million were given to financial institutions for term loan and hire purchase facilities granted to subsidiaries as at 18 February 2021 (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 December 2020 were as follows:

Approved and not contracted for

The Group
RM'000
5,000

HeveaBoard Berhad

Registration No: 199301020774 (275512-A)

(Incorporated in Malaysia)

QUARTERLY REPORT – FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2020

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 December 2020 were RM124.15 million and RM10.37 million, an increase of RM2.21 million or 1.81% and RM3.19 million or 44.51% respectively as compared with the corresponding quarter in FYE 2019.

For the 12 months ended 31 December 2020, the revenue and profit before tax for the Group were RM388.64 million and RM17.31 million, a decrease of RM30.55 million or 7.29% and an increase of RM1.32 million or 8.25% respectively as compared to the corresponding period in FYE 2019 and the reasons for the changes were highlighted in Segmental Reporting A8.

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

The Group reported a profit before tax of RM10.37 million for the current quarter as compared to profit before tax of RM9.33 million for the immediate preceding quarter ended 30 September 2020, an increase in profit of RM1.04 million or 11.15% due mainly to the better financial performance at both Particleboard sector and RTA sector.

B3. Prospect for the current financial year

Covid-19 pandemic continues to cause uncertainties to the business fraternity, the Company has implemented strict Covid-19 preventive SOPs and these will be strictly followed by our employees within the Group. Despite our efforts, during the 2nd round of voluntarily Covid-19 screening test at our RTA factory, positive cases were discovered and we had suspended the factories operation on 20th Feb 2020 for a duration of about 10 days and is working closely with KKM to contain the further spread of the virus. Expectation is that the Covid-19 vaccine rollout will be soon in Malaysia, we will work towards having all our employees vaccinated once available and in the interim the Group will continue to strictly follow the SOPs in place.

The management will continue to practice cautiousness in its decision making, to monitor cost and to ensure wastage is kept to a minimum. Continuous efforts will be put into maintaining our products' high-quality standard to ensure customers' satisfaction, and we will also step up our effort in product innovation in order to differentiate ourselves. With such initiatives in place, the Board is cautiously optimistic of the future prospect.

B4. Variances from Profit Forecasts and Profit Guarantee

Not applicable.

HeveaBoard Berhad

Registration No: 199301020774 (275512-A)

(Incorporated in Malaysia)

QUARTERLY REPORT – FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2020

B5. Profit/(Loss) Before Taxation

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

	Current Quarter Ended 31.12.2020 RM'000	Corresponding Quarter Ended 31.12.2019 RM'000	Current Year To Date Ended 31.12.2020 RM'000	Corresponding Year to date Ended 31.12.2019 RM'000
Interest income	(501)	(833)	(2,604)	(2,881)
Interest expense	253	469	953	1,348
Depreciation	7,285	7,311	28,890	28,726
Net realised foreign exchange loss/(gain)	(718)	(110)	(95)	(526)
Net unrealised foreign exchange loss/(gain)	190	144	70	61

B6. Taxation

	Current Quarter		Cummulative Quarter	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Taxation				
- Income tax	(114)	2,921	(1,441)	874
- Deferred tax	-	(2,428)	-	(2,428)
	<u>(114)</u>	<u>493</u>	<u>(1,441)</u>	<u>(1,554)</u>

The income tax expenses of the Group for the reporting quarter and financial year to date were RM0.11 million and RM1.44 million respectively. There were adjustments for over-provision of current income tax and under-provision of prior year income tax amounted to RM1.84 million and RM0.62 million respectively at RTA Sector.

There is no adjustment of deferred tax during the financial year.

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.

HeveaBoard Berhad

Registration No: 199301020774 (275512-A)

(Incorporated in Malaysia)

QUARTERLY REPORT – FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2020

B8. Loans and Borrowings

The Group's borrowings are as follows:

	As at 31.12.2020 RM'000	As at 31.12.2019 RM'000
Short term borrowings - secured		
-finance lease liabilities	1,669	3,800
-term loans	2,047	2,048
	<u>3,716</u>	<u>5,848</u>
Long term borrowings - secured		
-finance lease liabilities	4,337	5,102
-term loans	5,433	7,480
	<u>9,770</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 third interim dividend of 0.5 sen per ordinary share in respect of the financial year ended 31 December 2020 is declared on 25 February 2021.

HeveaBoard Berhad

Registration No: 199301020774 (275512-A)

(Incorporated in Malaysia)

QUARTERLY REPORT – FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2020

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 2020		31 December 2019	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit attributable to the shareholders (RM'000)	<u>10,253</u>	<u>15,872</u>	<u>7,667</u>	<u>14,440</u>
Weighted average number of shares (units '000)	<u>567,345</u>	<u>567,345</u>	<u>561,598</u>	<u>561,598</u>
Basic earnings per share (sen)	<u>1.81</u>	<u>2.80</u>	<u>1.37</u>	<u>2.57</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 December 2020		31 December 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>10,253</u>	<u>15,872</u>	<u>7,667</u>	<u>14,440</u>
Weighted average number of shares (units '000)	<u>567,345</u>	<u>567,345</u>	<u>561,598</u>	<u>561,598</u>
Add: Effect of dilution of Warrants (units '000)	<u>-</u>	<u>-</u>	<u>3,796</u>	<u>3,796</u>
	<u>567,345</u>	<u>567,345</u>	<u>565,394</u>	<u>565,394</u>
Basic earnings per share (sen)	<u>1.81</u>	<u>2.80</u>	<u>1.36</u>	<u>2.55</u>

HeveaBoard Berhad

Registration No: 199301020774 (275512-A)
(Incorporated in Malaysia)

QUARTERLY REPORT – FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2020

B12. Authorisation

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