

HeveaBoard Berhad

Registration No: 199301020774 (275512-A)

(Incorporated in Malaysia)

QUARTERLY REPORT – FIRST FINANCIAL QUARTER ENDED 31 MARCH 2021

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 2020.

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 2020 other than the application of a new MFRS and amendments to MFRSs which became effective for annual period beginning 1 January 2021.

		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

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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.

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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 RM1.1 million for the reporting quarter.

A7. Dividend Paid

Description	Per ordinary share (sen)	Payment Date	FYE 2020 (RM'million)
Single-tier second interim dividend	0.5	8.01.2021	2.83
Single-tier third interim dividend	0.5	9.04.2021	2.83

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A8. Segmental Reporting (Analysis by Activities)

	← Cumulative 3-month quarter ended →			
	Current year period to-date 31.3.2021		Preceding year corresponding period to date 31.3.2020	
	Revenue RM'000	Profit/(loss) before taxation RM'000	Revenue RM'000	Profit/(loss) before taxation RM'000
Operating Segments				
Particleboards	34,557	1,822	28,867	777
RTA Products	65,014	(2,302)	62,388	2,341
Fungi Cultivation	738	(351)	357	(609)
	<u>100,309</u>	<u>(831)</u>	<u>91,612</u>	<u>2,509</u>

*RTA - Ready-To-Assemble

Particleboard Manufacturing Sector

The revenue and profit before tax reported for this period increased by RM5.70 million or 19.71% and RM1.05 million or 134.49% respectively as compared to the same period last year. The improvement in revenue and profit before tax was mainly attributable to higher production and sales volumes as well as improved average selling price despite a lower average USD/MYR exchange rate.

RTA Manufacturing Sector

The revenue reported for this period increased by RM2.63 million or 4.21% and this sector reported a loss before tax of RM2.30 million. The loss was caused by some employees being tested positive for Covid-19 during the 2nd round of voluntary screening test, and as a result, production operation was suspended on 20 Feb 2021 for a duration of about 10 days. This had an adverse impact on the business operations as shipments had to be rescheduled and production planning altered, resulting in a lower production efficiency. Costs incurred for Covid-19 test, workers welfare during the quarantine period were also significantly higher during this reporting quarter.

Fungi Cultivation

The revenue reported for this period increased by RM0.38 million or 106.72% and loss before tax decreased by RM0.26 million or 42.36% as compared to the same period last year. This was mainly due to higher production and sales volumes achieved as more hypermarkets and distributors were identified locally. However, due to the spike in Covid-19 infection rates, Malaysia imposed Movement Control Order 2.0 effective 13 January 2021, hence these new outlets did not realized the full potential 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 RM8.18million were given to financial institutions for term loan and hire purchase facilities granted to subsidiaries as at 12 May 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 March 2021 were as follows:

Approved and contracted for

The Group
RM'000
6,000

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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 2021 was RM100.31 million, an increase of RM8.70 million or 9.49%. It reported a loss before tax of RM0.83 million as compared with a profit before tax of RM2.5 million in the corresponding quarter in FYE 2020.

The increase in the Group revenue and loss before tax for the reporting quarter 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 loss before tax of RM0.83 million for the current quarter as compared to profit before tax of RM10.37 million for the immediate preceding quarter ended 31 December 2020, a decrease of PBT by RM11.20 million or 108.00% due to both particleboard sector and RTA sector. The particleboard sector had 2 weeks of shut down for preventive maintenance and also incurred higher raw material cost in this reporting quarter. RTA sector was affected by the Covid-19 outbreak 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 management will continue to practice cautiousness in its decision making, monitor cost and 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.

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B5. Profit/(Loss) Before Taxation

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

	Current Quarter Ended 31.3.2021 RM'000	Corresponding Quarter Ended 31.3.2020 RM'000	Current Year To Date Ended 31.3.2021 RM'000	Corresponding Year to date Ended 31.3.2020 RM'000
Interest income	(476)	(804)	(476)	(804)
Interest expense	193	266	193	266
Depreciation	8,055	7,210	8,055	7,210
Net realised foreign exchange loss/(gain)	(655)	(294)	(655)	(294)
Net unrealised foreign exchange loss/(gain)	(216)	(311)	(216)	(311)

B6. Taxation

	Current Quarter		Cummulative Quarter	
	31.3.2021 RM'000	31.3.2020 RM'000	31.3.2021 RM'000	31.3.2020 RM'000
Taxation				
- Income tax	(130)	(590)	(130)	(590)
- Deferred tax	-	-	-	-
	<u>(130)</u>	<u>(590)</u>	<u>(130)</u>	<u>(590)</u>

The income tax expenses of the Group for the reporting quarter and financial year to date were RM0.13 million.

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

During this period, the Group, through its 100% subsidiary HeveaPac Sdn. Bhd. took up a 33% equity stake in Satria Megajuta Sdn. Bhd. which involves in the generation and supply of Solar PV power.

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B8. Loans and Borrowings

The Group's borrowings are as follows:

	As at 31.3.2021 RM'000	As at 31.12.2020 RM'000
Short term borrowings - secured		
-finance lease liabilities	945	1,669
-term loans	2,047	2,047
	<u>2,992</u>	<u>3,716</u>
Long term borrowings - secured		
-finance lease liabilities	4,496	4,336
-term loans	4,921	5,433
	<u>9,417</u>	<u>9,769</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 0.75sen per ordinary share which amounted to RM4.24 million in respect of the financial year ended 31 December 2020 was recommended to be approved by shareholders at the Twenty-Seventh Annual General Meeting of HeveaBoard Berhad to be held on 30 June 2021.

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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 2021		31 March 2020	
	Quarter ended	Period to-date	Quarter ended	Period to-date
(Loss)/Profit attributable to the shareholders (RM'000)	<u>(961)</u>	<u>(961)</u>	<u>1,919</u>	<u>1,919</u>
Weighted average number of shares (units '000)	<u>567,746</u>	<u>567,746</u>	<u>567,345</u>	<u>567,345</u>
Basic earnings per share (sen)	<u>(0.17)</u>	<u>(0.17)</u>	<u>0.34</u>	<u>0.34</u>

b) *Diluted*

The diluted earnings per ordinary share equal basic earnings per ordinary share because there were no potential dilutive shares as at the end of the reporting period.

B12. Authorisation

These Quarterly Results for the financial period ended 31 March 2021 have been viewed and approved by the Board of Directors of HeveaBoard Berhad for release to Bursa Securities.