

# HeveaBoard Berhad

Registration No: 199301020774 (275512-A)

(Incorporated in Malaysia)

## QUARTERLY REPORT – SECOND FINANCIAL QUARTER ENDED 30 JUNE 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 RM1.12 million for the reporting quarter.

### A7. Dividend Paid

Description	Per ordinary share (sen)	Payment Date	FYE 2020 (RM'million)
Single-tier second interim dividend	0.50	8.01.2021	2.83
Single-tier third interim dividend	0.50	9.04.2021	2.83
Single-tier final dividend	0.75	29.07.2021	4.24

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

	← Cumulative 6-month quarter ended →			
	Current year period to-date 30.6.2021		Preceding year corresponding period to date 30.6.2020	
	Revenue RM'000	Profit/(loss) before taxation RM'000	Revenue RM'000	Profit/(loss) before taxation RM'000
<b>Operating Segments</b>				
Particleboards	63,006	(1,324)	54,696	(2,039)
RTA Products	125,143	(2,576)	98,150	623
Fungi Cultivation	1,735	(664)	690	(971)
	189,884	(4,564)	153,536	(2,387)

#### **Particleboard Manufacturing Sector**

The revenue reported for this period increased by RM8.31 million or 15.19% and loss before tax decreased by RM0.72 million or 35.07% respectively, compared to the same period last year. The revenue improvement and reduction in loss before tax were mainly attributable to higher production and sales volumes as the implementation of FMCO only started in June 2021 while in contrast, MCO 1.0 began in March 2020 and affected a more extended period in the 2nd Quarter of FY2020, lowering production output as raw material supply was disrupted.

In addition, the average selling price had also improved compared to the same period last year despite a lower average USD/MYR exchange rate.

#### **RTA Manufacturing Sector**

The revenue reported for this period increased by RM26.99 million or 27.50% and this sector reported a loss before tax of RM2.58 million. The loss was mainly due to higher expenses incurred for Covid-19 testing and workers' welfare management as some employees were tested positive for Covid-19 towards the end of February 2021. As a result, production operation was suspended for about ten days. This adversely affected the business operations as shipments had to be rescheduled and production planning altered, resulting in lower efficiency and higher production costs.

In addition, the implementation of FMCO nationwide in June 2021 had also interrupted the recovery of this sector.

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

#### Fungi Cultivation

The revenue reported for this period increased by RM1.05 million or 151.45% and loss before tax decreased by RM0.31 million or 31.62% respectively 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, the full potential of the new markets was not realised due to the ongoing pandemic and restrictions imposed by the government to control the movements to bring down the infection rates.

### 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 RM7.58 million were given to financial institutions for term loan and hire purchase facilities granted to subsidiaries as at 22 September 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 30 June 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 30 June 2021 was RM89.58 million, an increase of RM27.65 million or 44.65%. It reported a lower loss before tax of RM3.73 million as compared to loss before tax of RM4.90 million in the corresponding quarter in FYE 2020.

For the 6 months ended 30 June 2021, the revenue and loss before tax for the Group were RM189.88 million and RM4.56 million, an increase of RM36.35 million or 23.67% and an increase of loss before tax by RM2.18 million or 91.20% respectively as compared to the corresponding period 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 RM3.73 million for the current quarter as compared to loss before tax of RM0.83 million for the immediate preceding quarter ended 31 March 2021, an increase of loss before tax by RM2.90 million or 349.40% was due to business interruption caused by the implementation of FMCO in June 2021, nationwide by the government to control the pandemic.

#### **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. During the FMCO period, the management managed to keep its premium export customers by prioritizing on limited production runs with strict adherence to SOPs, and also overcoming challenging shipment arrangements. The management will continue to practice cautiousness in its decision making especially supply chain management, cost monitoring 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.

Close to 100% of the Group's total 2500 workers have also been fully vaccinated since August 2021. With strict adherence to the SOPs set, it is hoped that the factories' operation can be more stable with lesser unexpected interruptions. 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 30.6.2021 RM'000	Corresponding Quarter Ended 30.6.2020 RM'000	Current Year To Date Ended 30.6.2021 RM'000	Corresponding Year to date Ended 30.6.2020 RM'000
Interest income	(384)	(744)	(860)	(1,548)
Interest expense	159	238	352	504
Depreciation	7,314	7,180	14,606	14,390
Net realised foreign exchange loss/(gain)	124	1,127	(531)	833
Net unrealised foreign exchange loss/(gain)	(25)	7	(242)	(304)

#### B6. Taxation

	Current Quarter		Cummulative Quarter	
	30.6.2021 RM'000	30.6.2020 RM'000	30.6.2021 RM'000	30.6.2020 RM'000
Taxation				
- Income tax	(115)	425	(245)	(165)
- Deferred tax	-	-	-	-
	<u>(115)</u>	<u>425</u>	<u>(245)</u>	<u>(165)</u>

The income tax expenses of the Group for the reporting quarter and 6 months ended were RM0.12 million and RM0.25 million respectively.

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 30.6.2021 RM'000	As at 31.12.2020 RM'000
Short term borrowings - secured		
-finance lease liabilities	959	1,669
-term loans	2,047	2,047
	<u>3,006</u>	<u>3,716</u>
Long term borrowings - secured		
-finance lease liabilities	4,190	4,336
-term loans	4,409	5,433
	<u>8,599</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

The Board has been declaring quarterly dividends for 27 consecutive quarters since 2014. In this unprecedented pandemic where operation and business environments have become highly uncertain, the Board is taking a view that quarterly dividend declaration is no longer practical under the prevailing conditions, and as such, the Board does not recommend the payment of dividend during this reporting quarter for the financial year ending 31 December 2021.

However, moving forward, the Board is committed to further review the dividend payment and timing for the remaining part of the financial year.



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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*

	30 June 2021		30 June 2020	
	Quarter ended	Period to-date	Quarter ended	Period to-date
(Loss)/Profit attributable to the shareholders (RM'000)	<u>(3,848)</u>	<u>(4,809)</u>	<u>(4,471)</u>	<u>(2,552)</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>(0.68)</u>	<u>(0.85)</u>	<u>(0.79)</u>	<u>(0.45)</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 30 June 2021 have been viewed and approved by the Board of Directors of HeveaBoard Berhad for release to Bursa Securities.