

HeveaBoard Berhad

Registration No: 199301020774 (275512-A)

(Incorporated in Malaysia)

QUARTERLY REPORT – FIRST FINANCIAL QUARTER ENDED 31 MARCH 2022

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 2021.

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 2021 other than the application of a new MFRS and amendments to MFRSs which became effective for annual period beginning 1 January 2022.

		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 RM0.69 million for the reporting quarter.

A7. Dividend Paid

No dividend was paid during the 1st quarter ended 31 March 2022.

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A8. Segmental Reporting (Analysis by Activities)

	← Cumulative 3-month quarter ended →			
	Current year period to-date 31.3.2022		Preceding year corresponding period to date 31.3.2021	
	Revenue RM'000	Profit/(loss) before taxation RM'000	Revenue RM'000	Profit/(loss) before taxation RM'000
Operating Segments				
Particleboards	41,641	1,858	34,557	1,822
RTA Products	87,176	4,964	65,014	(2,302)
Fungi Cultivation	796	(355)	738	(351)
	<u>129,613</u>	<u>6,467</u>	<u>100,309</u>	<u>(831)</u>

Particleboard Manufacturing Sector

The revenue and profit before tax reported for this period increased by RM7.10 million or 20.50% and RM0.04 million or 1.98%, respectively, as compared to the same period last year. The improvement in revenue was mainly due to higher sales of value-added products to the export market resulting in better average selling prices despite a lower production and sales volumes. USD/MYR exchange rate during this reporting quarter also strengthened.

RTA Manufacturing Sector

The revenue and profit before tax reported for this period increased by RM22.16 million or 34.09% and RM7.27 million or 315.64%, respectively, as compared to the same period last year. The higher revenue and profit before tax were mainly due to higher production output, hence contributing to higher sales volumes as fewer Covid-19 related interruptions were experienced during this reporting quarter as compared to the same quarter last year.

Fungi Cultivation

The revenue reported for this period increased by RM0.06 million or 7.86%, and loss before tax increased by 1.14% mainly due to much higher raw material cost as compared to the same period last year. This higher revenue was achieved mainly due to higher production and sales volumes as more markets and distributors were identified locally.

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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 RM6.04 million were given to financial institutions for term loans granted to subsidiary as at 11 May 2022 (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 2022 were as follows:

Approved and contracted for

The Group
RM'000
23,000

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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 2022 were RM129.61 million and RM6.47 million, an increase of RM29.30 million or 29.21% and RM7.30 million or 878.22% respectively as compared to the corresponding quarter in FYE 2021.

The reasons for the increase in the Group revenue and profit before tax for the reporting period 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 RM6.47 million for the current quarter compared to a profit before tax of RM7.61 million for the immediate preceding quarter ended 31 December 2021, a decrease of profit before tax RM1.14 million or 14.98%. The particleboard sector wood supply was affected by the flood in Malaysia towards the end of December 2021 and production was halted in Jan 2022 to build up stock inventory, hence contributing to the low production output. At the same time, raw material cost for this reporting quarter also increased significantly.

B3. Prospect for the current financial year

Due to the ongoing Russia – Ukraine war and the pandemic causing supply chain disruptions, the global business environment remains challenging. Raw material prices have been volatile and may cause further uncertainties to supply and demand markets. Electricity and minimum wage had also been adjusted upwards significantly. The management will continue to be innovative in facing the challenges ahead by ensuring our products' high-quality standards are met at all times and will continue to differentiate ourselves from our competitors. The Board is cautiously optimistic about the prospect despite the prevailing challenging trading conditions.

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B4. Variances from Profit Forecasts and Profit Guarantee

Not applicable.

B5. Profit/(Loss) Before Taxation

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

	Current Quarter Ended 31.3.2022 RM'000	Corresponding Quarter Ended 31.3.2021 RM'000	Current Year To Date Ended 31.3.2022 RM'000	Corresponding Year to date Ended 31.3.2021 RM'000
Interest income	(435)	(476)	(435)	(476)
Interest expense	104	193	104	193
Depreciation	7,184	7,292	7,184	7,292
Net realised foreign exchange loss/(gain)	(269)	(655)	(269)	(655)
Net unrealised foreign exchange loss/(gain)	(101)	(216)	(101)	(216)

B6. Taxation

	Current Quarter		Cummulative Quarter	
	31.3.2022 RM'000	31.3.2021 RM'000	31.3.2022 RM'000	31.3.2021 RM'000
Taxation				
- Income tax	(1,251)	(130)	(1,251)	(130)
- Deferred tax	-	-	-	-
	<u>(1,251)</u>	<u>(130)</u>	<u>(1,251)</u>	<u>(130)</u>

The income tax expenses of the Group for the reporting quarter were RM1.25 million mainly coming from RTA sector.

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 31.3.2022 RM'000	As at 31.12.2021 RM'000
Short term borrowings - secured		
-finance lease liabilities	822	548
-term loans	2,047	2,047
	<u>2,869</u>	<u>2,595</u>
Long term borrowings - secured		
-finance lease liabilities	4,341	4,064
-term loans	2,874	3,386
	<u>7,215</u>	<u>7,450</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 first and final single-tier dividend of 1.00 sen per ordinary share which amounted to approximately RM5.66 million in respect of the financial year ended 31 December 2021 was recommended to be approved by shareholders at the Twenty-Eight Annual General Meeting of HeveaBoard Berhad to be held on 27 June 2022.

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B11. Earnings/(Loss) per Share

The earnings/(loss) 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 2022		31 March 2021	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit/(Loss) attributable to the shareholders (RM'000)	5,216	5,216	(961)	(961)
Weighted average number of shares (units '000)	567,746	567,746	567,348	567,348
Basic earnings/(loss) per share (sen)	0.92	0.92	(0.17)	(0.17)

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 2022 have been viewed and approved by the Board of Directors of HeveaBoard Berhad for release to Bursa Securities.