

# HeveaBoard Berhad

Registration No: 199301020774 (275512-A)

(Incorporated in Malaysia)

## QUARTERLY REPORT – SECOND FINANCIAL QUARTER ENDED 30 JUNE 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 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023
MFRS 7	Financial Instruments: Disclosures	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 2022 1 January 2023
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023
MFRS 16	Leases	1 January 2022
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023
MFRS 107	Statements of Cash Flows	1 January 2023
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 112	Income Taxes	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 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 RM0.81 million for the reporting quarter.

### A7. Dividend Paid

Description	Per ordinary share (sen)	Payment Date	FYE2021 (RM'million)
Single-tier first & final dividend	1.00	29.07.2022	5.66

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

	← Cumulative 6-month quarter ended →			
	Current year period to-date 30.6.2022		Preceding year corresponding period to date 30.6.2021	
	Revenue RM'000	Profit/(loss) before taxation RM'000	Revenue RM'000	Profit/(loss) before taxation RM'000
<b>Operating Segments</b>				
Particleboards	81,853	3,134	63,006	(1,324)
RTA Products	150,398	7,498	125,143	(2,576)
Fungi Cultivation	1,707	(705)	1,735	(664)
	233,958	9,927	189,884	(4,564)

#### **Particleboard Manufacturing Sector**

The revenue and profit before tax reported for this period increased by RM18.85 million or 29.91% and RM4.46 million or 336.71% respectively as compared to the same period last year. The improvement in revenue and profit before tax was mainly attributable to the higher sales of value-added products and a better USD/MYR exchange rate despite lower sales and production volumes compared to the same period last year.

#### **RTA Manufacturing Sector**

The revenue and profit before tax reported for this period increased by RM25.26 million or 20.18% and RM10.07 million or 391.07% respectively as compared to the same period last year. The higher revenue and profit before tax were mainly due to no Covid-19 related operation interruptions as experienced in FY2021.

#### **Fungi Cultivation**

The revenue reported for this period decreased slightly by RM30,000 or 1.61%, and loss before tax increased by 6.17% mainly due to much higher raw material cost as compared to the same period last year.

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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 RM5.53 million were given to financial institutions for term loans granted to subsidiary as at 11 August 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 30 June 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 30 June 2022 were RM104.35 million and RM3.46 million, an increase of RM14.77 million or 16.49% and RM7.19 million or 192.69% respectively as compared to the corresponding quarter in FY 2021.

For the 6 months ended 30 June 2022, the revenue and profit before tax for the Group were RM233.96 million and RM9.93 million, an increase of RM44.07 million or 23.21% and a change from loss to profit before tax by RM14.49 million or 317.51% respectively as compared to the corresponding period in FY 2021.

The reasons for the increase in the Group revenue and a change from loss to 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 RM3.46 million for the current quarter compared to a profit before tax of RM6.47 million for the immediate preceding quarter ended 31 March 2022, a decrease of profit before tax of RM3.01 million or 46.52%. The particleboard sector experienced a lower production output due to raw material constraint, affected mainly by the wet weather. As for the RTA sector, the current reporting quarter was the low season for its main export market hence a lower factory output.

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

With global inflation hitting an-all time high, consumers' spending may be affected. There are signs of general manufacturing output slowing down, and some form of market consolidation may take place before a recovery can be observed. Volatile raw material prices will continue to be an issue, electricity and minimum wage have also been significantly adjusted upward, which will add on to further uncertainties. 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 optimistic that with the strong foundation that we are in, we will sail through and emerge stronger from this period of uncertainty.

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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 30.6.2022 RM'000	Corresponding Quarter Ended 30.6.2021 RM'000	Current Year To Date Ended 30.6.2022 RM'000	Corresponding Year to date Ended 30.6.2021 RM'000
Interest income	(445)	(384)	(880)	(860)
Interest expense	106	159	210	351
Depreciation	7,102	7,314	14,286	14,606
Net realised foreign exchange loss/(gain)	(71)	124	(340)	(531)
Net unrealised foreign exchange loss/(gain)	(407)	(25)	(508)	(242)

### B6. Taxation

	Current Quarter		Cummulative Quarter	
	30.6.2022 RM'000	30.6.2021 RM'000	30.6.2022 RM'000	30.6.2021 RM'000
Taxation				
- Income tax	(676)	(115)	(1,927)	(245)
- Deferred tax	-	-	-	-
	<u>(676)</u>	<u>(115)</u>	<u>(1,927)</u>	<u>(245)</u>

The income tax expenses of the Group for the reporting quarter and 6 months ended were RM0.68 million and RM1.93 million respectively which 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 30.06.2022 RM'000	As at 31.12.2021 RM'000
Short term borrowings - secured		
-finance lease liabilities	906	548
-term loans	2,047	2,047
	<u>2,953</u>	<u>2,595</u>
Long term borrowings - secured		
-finance lease liabilities	4,261	4,064
-term loans	2,362	3,386
	<u>6,623</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

The Board of Directors does not recommend any interim dividend during this reporting quarter for the financial year ending 31 December 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*

	30 June 2022		30 June 2021	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit/(Loss) attributable to the shareholders (RM'000)	2,784	8,000	(3,848)	(4,809)
Weighted average number of shares (units '000)	567,746	567,746	567,746	567,746
Basic earnings/(loss) per share (sen)	0.49	1.41	(0.68)	(0.85)

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