

HeveaBoard Berhad

Registration No: 199301020774 (275512-A)

(Incorporated in Malaysia)

QUARTERLY REPORT – THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2023

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 2022.

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 2022 other than the application of a new MFRS and amendments to MFRSs which became effective for annual period beginning 1 January 2023.

		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 RM0.90 million for the reporting quarter.

A7. Dividend Paid

Description	Per ordinary share (sen)	Payment Date	FYE2022 (RM'million)
Single-tier first & final dividend	1.20	20.07.2023	6.79

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A8. Segmental Reporting (Analysis by Activities)

	← Cumulative 3-month quarter ended →			
	Current year period to-date 30.9.2023		Preceding year corresponding period to date 30.9.2022	
	Revenue RM'000	Profit/(loss) before taxation RM'000	Revenue RM'000	Profit/(loss) before taxation RM'000
Operating Segments				
Particleboards	79,780	372	116,193	636
RTA Products	126,341	(5,278)	187,906	6,914
Fungi Cultivation	2,606	(1,123)	2,565	(1,186)
	<u>208,727</u>	<u>(6,029)</u>	<u>306,664</u>	<u>6,364</u>

Particleboard Manufacturing Sector

The revenue reported for this period decreased by RM36.41 million or 31.34% and a decrease in profit before tax by RM0.26 million or 41.51% respectively, compared to the same period last year. The decrease in revenue and profit before tax was mainly attributable to the lower average selling price, lower sales, and production volumes due to the persistently sluggish market during the reporting quarter despite a higher USD/MYR exchange rate. In addition, electricity costs had increased significantly and had impacted the cost of production.

RTA Manufacturing Sector

The revenue reported for this period decreased by RM61.57 million or 32.76% and a decrease in profit before tax to loss before tax by RM12.19 million or 176.34% respectively, compared to the same period last year. The decline in revenue and shift from profit to loss before tax was mainly due to the persistently sluggish market during this reporting period.

Fungi Cultivation

The revenue reported for this period increased by RM41,000 or 1.60%, and the loss before tax decreased by 5.31%. HeveaGro had started Grey Oyster Mushrooms cultivation towards end of June 2023. With 2 types of mushrooms, HeveaGro will be able to increase its capacity utilization to achieve better economies of scale. The management will continue to capture market share by expanding its local distribution channels for both eryngii and grey oyster mushrooms.

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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 RM10.00 million were given to financial institutions for term loans granted to subsidiaries as at 16 November 2023 (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 Sept 2023 were as follows:

Approved and contracted for

The Group
RM'000
10,501

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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 September 2023 were RM69.25 million and RM426,000 respectively. The revenue decreased by RM3.45 million or 4.75% and shifted from loss to profit before tax by RM3.99 million or 111.96% respectively as compared to the corresponding quarter in FY 2022.

For the 9 months ended 30 September 2023, the revenue and loss before tax for the Group were RM208.73 million and RM6.03 million, a decrease of RM97.94 million or 31.94% and a change from profit to loss before tax by RM12.39 million or 194.74% respectively as compared to the corresponding period in FY 2022.

The reasons for the decrease in the Group revenue and shift 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 RM426,000 for the current quarter as compared to a profit before tax of RM259,000 for the immediate preceding quarter that ended 30 June 2023, an increase of profit before tax of RM167,000 or 64.48%.

B3. Prospect for the current financial year

Due to the challenging geopolitical situation, firstly the Russia-Ukraine War and now the Israel War the management will continue to be innovative in facing the challenges ahead by ensuring high product quality, better cost management, improving operational efficiencies, scaling up automation initiatives, and continuing to differentiate ourselves from our competitors. The Board is cautiously optimistic that the Group can overcome the current challenges with better strategies in place.

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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 30.9.2023 RM'000	Corresponding Quarter Ended 30.9.2022 RM'000	Current Year To Date Ended 30.9.2023 RM'000	Corresponding Year to date Ended 30.9.2022 RM'000
Interest income	(959)	(548)	(2,879)	(1,428)
Interest expense	151	108	364	318
Depreciation	4,994	7,226	14,966	21,512
Net realised foreign exchange loss/(gain)	365	416	(284)	76
Net unrealised foreign exchange loss/(gain)	55	(293)	(397)	(801)

B6. Taxation

	Current Quarter		Cumulative Quarter	
	30.9.2023 RM'000	30.9.2022 RM'000	30.9.2023 RM'000	30.9.2022 RM'000
Taxation				
- Income tax	(94)	389	(305)	(1,538)
- Deferred tax	-	-	-	-
	<u>(94)</u>	<u>389</u>	<u>(305)</u>	<u>(1,538)</u>

The income tax expenses of the Group for the 9 months ended 30 September 2023 was RM0.31 million which came from both the particleboard and RTA sectors.

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.

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B7. Corporate Proposal

There was no corporate proposal announced during the financial period to date.

B8. Loans and Borrowings

The Group's borrowings are as follows:

	As at 30.9.2023 RM'000	As at 31.12.2022 RM'000
Short term borrowings - secured		
-finance lease liabilities	815	1,065
-term loans	2,653	2,047
	<u>3,468</u>	<u>3,112</u>
Long term borrowings - secured		
-finance lease liabilities	4,212	4,750
-term loans	9,232	1,338
	<u>13,444</u>	<u>6,088</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 2023.

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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 September 2023		30 September 2022	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit/(Loss) attributable to the shareholders (RM'000)	<u>332</u>	<u>(6,334)</u>	<u>(3,174)</u>	<u>4,826</u>
Weighted average number of shares (units '000)	<u>567,746</u>	<u>567,746</u>	<u>567,746</u>	<u>567,746</u>
Basic earnings/(loss) per share (sen)	<u>0.06</u>	<u>(1.12)</u>	<u>(0.56)</u>	<u>0.85</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 September 2023 have been viewed and approved by the Board of Directors of HeveaBoard Berhad for release to Bursa Securities.