

HeveaBoard Berhad

Registration No: 199301020774 (275512-A)

(Incorporated in Malaysia)

QUARTERLY REPORT – FIRST FINANCIAL QUARTER ENDED 31 MARCH 2024

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 2023.

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 2023 other than the application of a new MFRS and amendments to MFRSs which became effective for annual period beginning 1 January 2024.

**Effective for
financial
periods**

Amendments/Improvements to MFRSs

MFRS 7	Financial Instruments: Disclosures	1 January 2024
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 16	Leases	1 January 2024
MFRS 101	Presentation of Financial Statement	1 January 2024
MFRS 107	Statement of Cash Flows	1 January 2024
MFRS 121	The Effects of Changes in Foreign Exchanges Rates	1 January 2025
MFRS 128	Investments in Associates and Joint Venture	1 January 2025

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 RM1.25 million for the reporting quarter.

A7. Dividend Paid

No dividend was paid during the 1st quarter ended 31 March 2024.

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A8. Segmental Reporting (Analysis by Activities)

	← Cumulative 3-month ended →			
	Current year period to-date 31.3.2024		Preceding year corresponding period to-date 31.3.2023	
	Revenue RM'000	Profit/(loss) before taxation RM'000	Revenue RM'000	Profit/(loss) before taxation RM'000
Operating Segments				
Particleboard	26,540	(1,565)	24,531	(3,409)
RTA Products	61,232	4,025	52,354	(3,013)
Fungi Cultivation	888	(364)	872	(292)
	<u>88,660</u>	<u>2,096</u>	<u>77,757</u>	<u>(6,714)</u>

Particleboard Manufacturing Sector

The revenue reported for this period increased by RM2.00 million or 8.19% and a reduction in loss before tax by RM1.84 million or 54.09 %, compared to the same period last year. The increase in revenue was mainly attributable to higher sales and production volumes during this reporting quarter. Better production cost control and a higher USD/MYR exchange rate had contributed to the reduced loss.

RTA Manufacturing Sector

The revenue reported for this period increased by RM8.88 million, or 16.96 %, and profit before tax of RM 4.0m from a loss before tax RM 3.0m, an improvement of RM7.0m or 233.59 %, compared to the same period last year. The increase in revenue and shift from loss to profit before tax was mainly due to better market conditions, higher USD/MYR exchange rates and lower raw material prices during this reporting period.

Fungi Cultivation

The revenue reported for this period increased by RM 16K or 1.83%, and the loss before tax increased by RM 72K or 24.66%. The higher loss was due to the contamination of some substrate bags. The management had to upgrade the climate-controlled incubation room to prevent further contaminations, hence a lower bagging output during this reporting 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 RM13.00 million were given to financial institutions for term loans granted to subsidiaries as at 22 February 2024 (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 2024 were as follows:

	The Group RM,000
Approved and not contracted for	7,000

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES LISTING REQUIREMENTS

B1. Review of performance

The Group's revenue and profit before tax for the current quarter ended 31 March 2024 were RM88.66 million and RM 2.09 million, respectively. Revenue increased by RM10.9 million or 14.02%, and profit before tax increased by RM 8.81 million or 131.22%, compared to the corresponding quarter in FY 2023.

Segmental Reporting A8 highlighted the reasons for the increase in Group revenue and profit before tax for the reporting period.

B2. Material change in profit before taxation for the quarter against the immediate preceding quarter

The Group reported a profit before tax of RM2.10 million for the current quarter, compared to RM 6,000 for the immediate preceding quarter that ended 31 December 2023. The increase in the profit before tax by RM2.09 million is mainly due to the better performance in the RTA sector, as the preceding quarter was primarily affected by the writing off of slow-moving stock.

B3. Prospect for the current financial year

The outlook of the Company is expected to remain challenging given the volatile external environment, geopolitical instability arising from the Russia-Ukraine conflict and tension in the Middle East. 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 differentiating ourselves from 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 31.3.2024 RM'000	Corresponding Quarter Ended 31.3.2023 RM'000	Current Year To Date Ended 31.3.2024 RM'000	Corresponding Year To Date Ended 31.3.2023 RM'000
Interest income	(971)	(923)	(971)	(923)
Interest expenses	238	104	238	104
Depreciation	5,059	5,041	5,059	5,041
Net realised foreign exchange loss /(gain)	(438)	(525)	(438)	(525)
Net unrealised foreign exchange loss /(gain)	(179)	52	(179)	52

B6. Taxation

	Current Quarter		Cummulative Quarter	
	31.3.2024 RM'000	31.3.2023 RM'000	31.3.2024 RM'000	31.3.2023 RM'000
Taxation				
-Income tax	(1,087)	(101)	(1,087)	(101)
-Deferred tax	-	-	-	-
	<u>(1,087)</u>	<u>(101)</u>	<u>(1,087)</u>	<u>(101)</u>

The Group's income tax expense for the reporting quarter and financial year to date was RM1.09 million, mainly from the RTA Products sector and RM0.098 million from the particleboard sector.

The particleboard sector still has unabsorbed investment tax allowance (ITA), reinvestment allowance (RA) and unutilised tax losses available to offset 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 31.3.2024 RM'000	As at 31.12.2023 RM'000
Short term borrowing -secured -term loans	3,096	4,296
	<u>3,096</u>	<u>4,296</u>

	As at 31.3.2024 RM'000	As at 31.12.2023 RM'000
Long Term borrowing -secured -finance lease liabilities	3,106	3,071
-term loans	13,301	11,448
	<u>16,407</u>	<u>14,519</u>

B9. Material Litigation

The Group is not engaged in any material litigation, either as plaintiff or defendant, and the directors do not know of any proceedings pending or threatened against the Group that might materially and adversely affect the Group's financial position or business.

B10. Dividend

A single-tier final dividend of 1.00 sen per ordinary share, amounting to approximately RM5.68 million for the financial year ended 31 December 2023, was recommended to be approved by shareholders at the Thirtieth Annual General Meeting of HeveaBoard Berhad, which will be held on 28 June 2024.

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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 2024		31 March 2023	
	Quarter Ended	Period to-date	Quarter Ended	Period to-date
Profit/(loss) attributable to the shareholders (RM'000)	<u>1,009</u>	<u>1,009</u>	<u>(6,815)</u>	<u>(6,815)</u>
Weighted average number of share (unit '000)	<u>567,746</u>	<u>567,746</u>	<u>567,746</u>	<u>567,746</u>
Basic earnings/(loss) per share(sen)	<u>0.18</u>	<u>0.18</u>	<u>(1.20)</u>	<u>(1.20)</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 2024 have been viewed and approved by the Board of Directors of HeveaBoard Berhad for release to Bursa Securities.