

HeveaBoard Berhad

Registration No: 199301020774 (275512-A)

(Incorporated in Malaysia)

QUARTERLY REPORT – SECOND FINANCIAL QUARTER ENDED 30 JUNE 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 adoption of the above new amendments/improvements to MFRSs are not expected to have any material impact on the financial statements of the Group.

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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

Description	Per ordinary share (sen)	Payment Date	FYE 2023 (RM'million)
Single-tier & final dividend	1.00	30.07.2024	5.66

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A8. Segmental Reporting (Analysis by Activities)

	Cumulative 6-month ended			
	Current year period to-date 30.6.2024		Preceding year corresponding period to-date 30.6.2023	
	Revenue RM'000	Profit/(loss) before taxation RM'000	Revenue RM'000	Profit/(loss) before taxation RM'000
Operating Segments				
Particleboard	58,105	(586)	51,356	(784)
RTA Products	100,553	2,588	86,441	(4,975)
Fungi Cultivation	1,638	(841)	1,678	(696)
	<u>160,296</u>	<u>1,161</u>	<u>139,475</u>	<u>(6,455)</u>

Particleboard Manufacturing Sector

The revenue reported for this period increased by RM 6.75 million, or 13.14%, and the loss before tax was reduced by RM 198,000, or 25.26%, compared to the same period last year. The reduction in the loss was mainly attributable to higher sales of value-added products, better production cost control, and a favourable USD/MYR exchange rate during this reporting period.

RTA Manufacturing Sector

The revenue reported for this period increased by RM14.11 million, or 16.33%, and profit before tax of RM2.59 million from a loss before tax of RM4.98 million, an improvement of RM7.56 million or 152.02%, compared to the same period last year. The significant increase in revenue and the shift from a loss to a profit before tax were primarily driven by improved market conditions and favourable USD/MYR exchange rates during this reporting period.

Fungi Cultivation

The revenue reported for this period decreased by RM 40,000, or 2.38%, while the loss before tax increased by RM 145,000, or 20.83%. The higher loss was due to the contamination of some substrate bags during the early part of this year. Management had already upgraded the climate-controlled incubation room to prevent further contamination, which resulted in 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 August 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 30 June 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 revenue and loss before tax of the Group for the current quarter ended 30 June 2024 were RM 71.64 million and RM 0.94 million, respectively. Revenue increased by RM 9.92 million, or 16.07%, while loss before tax increased by RM 1.19 million compared to the corresponding quarter in FY 2023.

For the 6-months ended 30 June 2024, the revenue and profit before tax of the Group were RM 160.30 million and RM 1.161 million, respectively. Revenue increased by RM 20.82 million, or 14.93%, while profit before tax increased by RM 7.616 million compared to the corresponding period 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 loss before tax of RM0.93 million for the current quarter, compared to a profit before tax of RM 2.10 million for the immediately preceding quarter that ended 31 March 2023. The increase in the loss before tax by RM3.03 million or 144.29% is mainly due to the low season in the RTA sector.

B3. Prospect for the current financial year

The Company faces ongoing challenges due to external economic pressures, geopolitical instability, particularly from the Russia-Ukraine conflict and tensions in the Middle East, and the volatility in foreign exchange rates. In response, management will continue to innovate by maintaining high product quality, enhancing cost management, improving operational efficiencies, scaling up automation, and differentiating ourselves from competitors. The Board remains cautiously optimistic that, with these strategies, the Group will navigate the current challenges successfully

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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 30.6.2024 RM'000	Corresponding Quarter Ended 30.6.2023 RM'000	Current Year To Date Ended 30.6.2024 RM'000	Corresponding Year To Date Ended 30.6.2023 RM'000
Interest income	(1,010)	(997)	(1,981)	(1,920)
Interest expenses	101	109	339	213
Depreciation	5,146	4,931	10,205	9,972
Net realised foreign exchange loss /(gain)	(240)	(124)	(678)	(649)
Net unrealised foreign exchange loss /(gain)	(97)	(503)	(276)	(451)

B6. Taxation

	Current Quarter		Cummulative Quarter	
	30.6.2024 RM'000	30.6.2023 RM'000	30.6.2024 RM'000	30.6.2023 RM'000
Taxation				
-Income tax	226	(110)	(861)	(211)
-Deferred tax	-	-	-	-
	<u>226</u>	<u>(110)</u>	<u>(861)</u>	<u>(211)</u>

There was a reversal of income tax expenses in the RTA sector due to the over-provision of tax for the reporting quarter.

The particleboard sector still has unabsorbed investment tax allowance (ITA), reinvestment allowance (RA), and unutilised tax losses that can be 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 30.6.2024 RM'000	As at 31.12.2023 RM'000
Short term borrowing -secured		
-term loans	2,326	3,366
-hire purchases	463	931
	<u>2,789</u>	<u>5,228</u>

	As at 30.6.2024 RM'000	As at 31.12.2023 RM'000
Long Term borrowing -secured		
-finance lease liabilities	3,142	3,071
-term loans	13,623	11,041
-hire purchases	432	406
	<u>17,197</u>	<u>14,518</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

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

	30 June 2024		30 June 2023	
	Quarter Ended	Period to-date	Quarter Ended	Period to-date
Profit/(loss) attributable to the shareholders (RM'000)	<u>(709)</u>	<u>300</u>	<u>149</u>	<u>(6,666)</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	<u>(0.12)</u>	<u>0.05</u>	<u>0.03</u>	<u>(1.17)</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 2024 have been viewed and approved by the Board of Directors of HeveaBoard Berhad for release to Bursa Securities.