

HeveaBoard Berhad

Registration No: 199301020774 (275512-A)

(Incorporated in Malaysia)

QUARTERLY REPORT – THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 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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QUARTERLY REPORT – THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2024

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 RM1.2 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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QUARTERLY REPORT – THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2024

A8. Segmental Reporting (Analysis by Activities)

	Cummulative 9-month ended			
	Current year period to-date 30.9.2024		Preceeding year corresponding period to-date 30.9.2023	
	Revenue RM'000	Profit/(loss) before taxation RM'000	Revenue RM'000	Profit/(loss) before taxation RM'000
Operating Segments				
Particleboard	91,487	(1,743)	79,780	372
RTA Products	145,291	(5,412)	126,341	(5,278)
Fungi Cultivation	2,445	(1,280)	2,606	(1,123)
	<u>239,223</u>	<u>(8,435)</u>	<u>208,727</u>	<u>(6,029)</u>

Particleboard Manufacturing Sector

The revenue for this period increased by RM 11.71 million, or 14.67%, primarily due to higher sales mix of value added products. However, the current year to-date reflects a loss before tax of RM 1.74 million, marking a decrease of RM 2.11 million compared to the profit before tax reported in the same period last year. This loss was largely attributed to the unfavorable USD/MYR exchange rate during this period and also lower selling price due to challenging market conditions.

RTA Manufacturing Sector

Revenue for this period increased by RM 18.95 million, or 15%, compared to the same period last year, driven by the identification of new markets and increased innovation in products development. However, the current year's loss before tax was RM 5.41 million, an increase of RM 0.13 million, or 2.54%, compared to the same period last year. This loss before tax was primarily due to the unfavorable USD/MYR exchange rate.

Fungi Cultivation

Revenue for this period decreased by RM 161,000, or 6.18%, while the loss before tax increased by RM 157,000, or 13.98%. The higher loss was mainly due to contamination issues affecting some substrate bags in the earlier part of this year. To prevent further contamination, management had upgraded the climate-controlled incubation room. The contamination and facility upgrade had impacted the subsequent production schedule, which temporarily limiting bagging output during this reporting period. The upgraded facility has since been operating satisfactorily.

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QUARTERLY REPORT – THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2024

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 material changes in the composition of the Group, other than the incorporation of a new subsidiary namely HeveaLuxe Sdn Bhd.

A12. Contingent Liabilities

Corporate guarantees of RM14 million were given to financial institutions for term loans granted to subsidiaries as at 22 November 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 September 2024 were as follows:

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

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QUARTERLY REPORT – THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2024

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES LISTING REQUIREMENTS

B1. Review of performance

For the current quarter ended 30 September 2024, the Group reported revenue of RM 78.93 million and a loss before tax of RM 9.60 million. Revenue rose by RM 9.67 million, or 13.97%, compared to the corresponding quarter in FY 2023, while the loss before tax increased by RM 10.02 million over the same period.

For the nine months ended 30 September 2024, the Group reported revenue of RM 239.22 million and a loss before tax of RM 8.43 million. Revenue increased by RM 30.5 million, or 14.61%, compared to the corresponding period in FY 2023, while the loss before tax rose by RM 2.41 million, or 39.91%, over the same period.

Segmental Reporting A8 highlighted the reasons for the increase in Group revenue and loss 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 RM 9.60 million for the current quarter, compared to loss before tax of RM 0.94 million in the preceding quarter ended 30 June 2024. The RM 8.66 million increase in loss before tax was primarily due to the current quarter's unfavourable USD/MYR exchange rate.

B3. Prospect for the current financial year

The Company's outlook remains challenging amid a volatile external environment, impacted by geopolitical instability from the prolonged Russia-Ukraine conflict and the ongoing conflicts involving Israel in the Middle East. Management is committed to tackling these challenges through continuous innovation, focusing on high product quality, effective cost management, improved operational efficiencies, expanding automation initiatives, and strategic differentiation from competitors. The Board remains cautiously optimistic that, with these strategies, the Group is well-positioned to navigate through the current challenges effectively.

B4. Variances from Profit Forecasts and Profit Guarantee

Not applicable.

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QUARTERLY REPORT – THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2024

B5. Profit/(Loss) Before Taxation

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

	Current Quarter Ended 30.9.2024 RM'000	Corresponding Quarter Ended 30.9.2023 RM'000	Current Year To Date Ended 30.9.2024 RM'000	Corresponding Year To Date Ended 30.9.2023 RM'000
Interest income	(903)	(959)	(2,882)	(2,879)
Interest expenses	294	151	828	364
Depreciation	5,244	4,944	15,449	14,966
Net realised foreign exchange loss /(gain)	2,856	365	2,177	(284)
Net unrealised foreign exchange loss /(gain)	2,043	55	1,767	(397)

B6. Taxation

	Current Quarter		Cummulative Quarter	
	30.9.2024 RM'000	30.9.2023 RM'000	30.9.2024 RM'000	30.9.2023 RM'000
Taxation				
-Income tax	600	(94)	(261)	(305)
-Deferred tax	-	-	-	-
	<u>600</u>	<u>(94)</u>	<u>(261)</u>	<u>(305)</u>

In the RTA sector, there was a reversal of income tax expenses due to an 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 available to offset the statutory business income.

B7. Corporate Proposal

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

HeveaBoard Berhad

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QUARTERLY REPORT – THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2024

B8. Loans and Borrowings

The Group's borrowings are as follows:

	As at 30.9.2024 RM'000	As at 31.12.2023 RM'000
Short term borrowing -secured		
-term loans	800	3,366
-hire purchases	226	930
	<u>1,026</u>	<u>4,296</u>

	As at 30.9.2024 RM'000	As at 31.12.2023 RM'000
Long Term borrowing -secured		
-finance lease liabilities	3,178	3,071
-term loans	14,461	11,041
-hire purchases	450	406
	<u>18,089</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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QUARTERLY REPORT – THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2024

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*

Earning /(Loss)per Share

	30 Sept 2024		30 Sept 2023	
	Quarter Ended	Period to-date	Quarter Ended	Period to-date
Profit/(loss) attributable to the shareholders (RM'000)	<u>(8,996)</u>	<u>(8,696)</u>	<u>332</u>	<u>(6,334)</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>(1.58)</u>	<u>(1.53)</u>	<u>0.06</u>	<u>(1.12)</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 2024 have been viewed and approved by the Board of Directors of HeveaBoard Berhad for release to Bursa Securities.