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 2024.

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 2024, except as discussed below:

The Group have adopted the following amendments to MFRS for the current financial year:

Amendments to MFRS
MFRS 121 The Effects of Changes in Foreign Exchanges Rates

The Group have not adopted the following new MFRS and amendments to MFRSs that have been issued, but yet to be effective.

		Effective for financial periods
New MFRS		
MFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2026
MFRS 7	Financial Instruments: Disclosures	1 January 2026
MFRS 9	Financial Instruments	1 January 2026
MFRS 10	Consolidated Financial Statements	1 January 2026/Deferred
MFRS 107	Statement of Cash Flows	1 January 2026
MFRS 128	Investments in Associates and Joint Venture	Deferred

The adoption of the above new MFRS and amendments to MFRSs are not expected to have any material impact on the financial statements of the Group.

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 RM0.38 million for the reporting quarter.

A7. Dividend Paid

Description	Per ordinary share (sen)	Payment Date	FYE 2024 (RM' million)
Single-tier & final dividend	1.00	25.07.2025	5.66

A8. Segmental Reporting (Analysis by Activities)

	Cummulative 9-month ended			
	Current year period to-date 30.09.2025		Preceeding year corresponding period to-date 30.09.2024	
	Revenue RM'000	Profit/(loss) before taxation RM'000	Revenue RM'000	Profit/(loss) before taxation RM'000
Operating Segments				
Particleboard	74,655	(13,425)	91,487	(1,743)
RTA	139,601	(14,582)	145,291	(5,412)
Fungi Cultivation	2,422	(968)	2,445	(1,280)
	216,678	(28,975)	239,223	(8,435)

Particleboard Manufacturing Sector
Revenue for the reporting period declined by RM16.83 million (or 18.4%) compared to the corresponding period last year. The segment recorded a loss before tax of RM13.43 million, representing a widening of RM11.68 million from the loss reported in the same period last year. The loss was largely attributed to the unfavorable foreign exchange movements during this period and also lower selling price due to challenging market conditions.

RTA Manufacturing Sector
Revenue for the reporting period declined by RM5.69 million (or 3.9%) compared to the same period last year. The segment recorded a loss before tax of RM14.60 million, representing a widening of RM9.17 million from the loss reported in the same period last year. The decline in both revenue and profitability was mainly due to the difficult market environment and unfavourable foreign exchange movements. The new minimum wage implemented in February 2025 also raised production costs.

Fungi Cultivation
Revenue for the period decreased by RM23,000 (or 0.9%), while the loss before tax decreased by RM312,000 (or 24.4%). The improved performance in this segment was driven by more consistent production output following the earlier upgrade of the production facility.

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 significant changes in composition of the Group for the current financial year to date.

A12. Contingent Liabilities

Corporate guarantees of RM13.6 million were given to financial institutions for term loans granted to subsidiaries as at 11 November 2025 (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 2025 were as follows:

	Group RM,000
Approved and contracted for	13,400

A. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES LISTING REQUIREMENTS

B1. Review of performance

For the current quarter ended 30 September 2025, the Group recorded revenue of RM73.36 million and a loss before tax of RM13.20 million. This represents a decline in revenue of RM5.56 million (or 7.0%) and an increase in loss before tax of RM3.60 million compared to the corresponding quarter in FY2024.

For the 9-month period ended 30 September 2025, the Group registered revenue of RM216.68 million and a loss before tax of RM28.98 million. Revenue declined by RM22.55 million (or 9.4%), while the loss before tax rose by RM20.54 million compared to the corresponding period in FY 2024.

Segmental Reporting Note A8 outlines the key factors behind the weaker performance.

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

The Group recorded a loss before tax of RM13.20 million for the current quarter, compared to a loss before tax of RM13.60 million in the preceding quarter ended 30 June 2025. The loss was slightly lower by RM 400k due mainly to better capacity utilization at the RTA sector.

B3. Prospect for the current financial year

The Group continues to operate in a challenging environment characterized by global economic uncertainty, foreign exchange volatility, tariffs, rising costs, and ongoing supply chain disruptions. In response, management remains focused on strengthening resilience through innovation, disciplined cost management, operational efficiency, and strategic investments in automation and digitalization, particularly within the Ready-to-Assemble (RTA) segment. At same time, initiatives to enhance brand presence and broaden product offerings focusing on the higher value products are progressing.

Within the particleboard division, significant marketing efforts have been directed towards promoting high-end, eco-friendly products featuring proprietary surface designs in the both domestic and international markets. This strategy aims to differentiate the Group amid intense competition.

Despite prevailing headwinds, the Board remains cautiously optimistic that these initiatives will underpin the Group’s long -term, sustainable growth.

B4. Variances from Profit Forecasts and Profit Guarantee

Not applicable.

B5. Profit/(Loss) Before Taxation

	Current Quarter Ended 30.09.2025 RM'000	Corresponding Quarter Ended 30.09.2024 RM'000	Current Year To Date Ended 30.09.2025 RM'000	Corresponding Year To Date Ended 30.09.2024 RM'000
Interest income	(596)	(903)	(2,104)	(2,882)
Interest expenses	274	294	856	828
Depreciation	5,307	5,244	15,996	15,449
Net realised foreign exchange loss /(gain)	(1,778)	2,856	68	2,177
Net unrealised foreign exchange loss /(gain)	1,558	2,043	1,749	1,767

B6. Taxation

	Current Quarter		Cummulative Quarter	
	30.09.2025 RM'000	30.09.2024 RM'000	30.09.2025 RM'000	30.09.2024 RM'000
Taxation				
-Income tax	(56)	600	(167)	(261)
-Deferred tax	-	-	-	-
	(56)	600	(167)	(261)

The Group's income tax expenses for the reporting quarter were 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.

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 30.09.2025 RM'000	As at 30.09.2024 RM'000
Short term borrowing -secured		
-term loans	489	800
-hire purchases	47	226
	536	1,026

	As at 30.09.2025 RM'000	As at 30.09.2024 RM'000
Long Term borrowing -secured		
-finance lease liabilities	3,325	3,178
-term loans	13,922	14,461
-hire purchases	151	450
	17,398	18,089

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 Director does not recommend any interim dividend during this reporting quarter for the financial year ending 31 December 2025.

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***

	30.09.2025		30.09.2024	
	Quarter Ended	Period to-date	Quarter Ended	Period to-date
Profit/(loss) attributable to the shareholders (RM'000)	(13,231)	(29,071)	(8,996)	(8,696)
Weighted average number of share (unit '000)	567,746	567,746	567,746	567,746
Basic earnings/(loss) per share(sen	(2.33)	(5.12)	(1.58)	(1.53)

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 2025 have been viewed and approved by the Board of Directors of HeveaBoard Berhad for release to Bursa Securities.