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 121	The Effects of Changes in Foreign Exchange Rates	1 January 2027
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 RM0.50 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 12-month ended			
	Current year period to-date 31.12.2025		Preceeding year corresponding period to-date 31.12.2024	
	Revenue RM'000	Profit/(loss) before taxation RM'000	Revenue RM'000	Profit/(loss) before taxation RM'000
Operating Segments				
Particleboard	104,260	(16,556)	118,435	(696)
RTA	198,462	(21,474)	205,450	(2,424)
Fungi Cultivation	2,830	(1,495)	3,410	(1,576)
	305,552	(39,525)	327,295	(4,696)

Particleboard Manufacturing Sector

Revenue for the reporting period declined by RM14.18 million (or 12.0%) compared to the corresponding period last year. The segment recorded a loss before tax of RM16.56 million, representing a widening of RM15.86 million from the loss reported in the same period last year.
The weaker performance was driven primarily by lower selling prices amid challenging market conditions, and the unfavorable foreign exchange movements further compounding the impact. The results were further impacted by year-end adjustments, including the reversal of deferred tax assets and inventory.

RTA Manufacturing Sector

Revenue for the reporting period declined by RM6.99 million (or 3.4%) compared to the same period last year. The segment recorded a loss before tax of RM21.47 million, representing a widening of RM19.05 million from the loss reported in the same period last year. The decline in revenue and profitability was primarily due to lower selling prices amid a challenging market environment. In addition, unfavorable foreign exchange movements further weighed on earnings. Production costs also increased following the implementation of the new minimum wage in February 2025 and the introduction of EPF contributions for foreign workers in October 2025, resulting in additional pressure on margins. The results were further impacted by year-end adjustments, including write-off of slow-moving inventory and the net reversal of deferred tax liabilities.

Fungi Cultivation

Revenue for the period decreased by RM580,000 (or 17.0%), while the loss before tax decreased by RM81,000 (or 5.1%). The marginal reduction in losses was attributable to management measures undertaken during the period following the earlier upgrade of the production facility. In early 2026, management entered into a tenancy agreement with third party for the rental of the plant and machinery.

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 RM13.7 million were given to financial institutions for term loans granted to subsidiaries as at 20 February 2026 (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 December 2025 were as follows:

	Group RM,000
Approved and contracted for	10,367

A. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES LISTING REQUIREMENTS

B1. Review of performance

For the current quarter ended 31 December 2025, the Group recorded revenue of RM88.87 million and a loss before tax of RM10.55 million. This represents an increase in revenue of RM802,000 (or 0.9%), but a reversal from profit to loss before tax of RM14.29 million compared to the corresponding quarter in FY2024.

For the 12-month period ended 31 December 2025, the Group registered revenue of RM305.55 million and a loss before tax of RM39.53 million. Revenue declined by RM21.74 million (or 6.6%), while the loss before tax rose by RM34.83 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 RM10.55 million for the current quarter, compared to a loss before tax of RM13.20 million in the preceding quarter ended 30 September 2025. The RM2.65 million improvement was primarily driven by higher sales in the particleboard and RTA sectors during the reporting quarter. Despite recording several year-end adjustments, including a goodwill impairment, reversal of deferred tax assets, and inventory write-downs and write-offs across segments, the Group reported a lower loss before tax of RM10.55 million compared to the preceding quarter.

B3. Prospect for the current financial year

The Group continues to operate amid global economic uncertainty, foreign exchange volatility, tariffs, rising costs and supply chain disruptions. Management remains focused on cost discipline, operational efficiency, innovation and investments in automation and digitalisation, while strengthening brand presence and emphasising higher-value products. In the particleboard division, marketing initiatives prioritise high-end, eco-friendly products with proprietary surface designs to enhance differentiation. The Board remains cautiously optimistic about 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 31.12.2025 RM'000	Corresponding Quarter Ended 31.12.2024 RM'000	Current Year To Date Ended 31.12.2025 RM'000	Corresponding Year To Date Ended 31.12.2024 RM'000
Interest income	(524)	(934)	(2,628)	(3,816)
Interest expenses	(55)	(178)	801	735
Impairment of goodwill	2,946	-	2,946	-
Depreciation	5,254	5,501	21,250	20,950
Net realised foreign exchange loss /(gain)	(249)	(3,449)	(181)	5,226
Net unrealised foreign exchange loss /(gain)	(2,107)	(1,034)	(358)	733

B6. Taxation

	Current Quarter		Cummulative Quarter	
	31.12.2025 RM'000	31.12.2024 RM'000	31.12.2025 RM'000	31.12.2024 RM'000
Taxation				
-Income tax	(666)	(159)	(833)	(420)
-Deferred tax	32	-	32	-
	(634)	(159)	(801)	(420)

The Group’s income tax expense for the reporting quarter was mainly attributable to the Particleboard and RTA sectors. The Particleboard sector recorded tax expenses of RM0.27 million alongside a reversal of deferred tax assets amounting to RM1.28 million. The RTA sector recognised current tax expenses of RM0.54 million and a reversal of deferred tax liabilities of RM1.3 million.

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 31.12.2025 RM'000	As at 31.12.2024 RM'000
Short term borrowing -secured		
-finance lease liabilities	28	-
-term loans	1,966	1,900
-hire purchases	46	440
	2,040	2,340

	As at 31.12.2025 RM'000	As at 31.12.2024 RM'000
Long Term borrowing -secured		
-finance lease liabilities	3,335	3,214
-term loans	12,481	13,946
-hire purchases	113	19
	15,929	17,179

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***

	31.12.2025		31.12.2024	
	Quarter Ended	Period to-date	Quarter Ended	Period to-date
Profit/(loss) attributable to the shareholders (RM'000)	(11,143)	(40,214)	3,639	(5,057)
Weighted average number of share (unit '000)	567,746	567,746	567,746	567,746
Basic earnings/(loss) per share(sen)	(1.96)	(7.08)	0.64	(0.89)

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