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 2025.

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 2025, except as discussed below:

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

Amendments to MFRSs

MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 10	Consolidated Financial Statements
MFRS 107	Statement of Cash Flows

The Group has 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 10	Consolidated Financial Statements	Deferred
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 RM0.52 million for the reporting quarter.

A7. Dividend Paid

No dividend was paid during the 1st quarter ended 31 March 2026.

A8. Segmental Reporting (Analysis by Activities)

	Cummulative 3-month ended			
	Current year period to-date 31.03.2026		Preceeding year corresponding period to-date 31.03.2025	
	Revenue RM'000	Profit/(loss) before taxation RM'000	Revenue RM'000	Profit/(loss) before taxation RM'000
Operating Segments				
Particleboard	21,057	(2,978)	18,995	(2,458)
RTA	46,543	(8,844)	59,316	302
Fungi Cultivation	240	(253)	947	(2)
	67,840	(12,075)	79,258	(2,158)

Particleboard Manufacturing Sector
Revenue for the reporting period increased by RM2.06 million (or 10.9%) compared to the corresponding period last year. The segment recorded a loss before tax of RM2.98 million, representing a widening of RM0.52 million from the loss reported in the same period last year. Although revenue improved, mainly attributable to higher sales of higher value products, the overall weaker performance was primarily due to unfavorable foreign exchange movements, as USD/RM exchange rate declined by more than 10% as compared to the same period last year, as well as higher resin costs arising from the Iran war, which further impacted results despite the increase in selling prices.

RTA Manufacturing Sector
Revenue for the reporting period declined by RM12.77 million (or 21.5%) compared to the corresponding period last year. This segment recorded a loss before tax of RM8.84 million, representing a reversal from a profit before tax of RM0.30 million in the corresponding period last year. The decline in both revenue and profitability was primarily due to lower selling prices amid a challenging market environment. In addition, unfavorable foreign exchange movements and increased material costs further weighed on earnings.

Fungi Cultivation
Revenue for the period decreased by RM707,000 (or 74.7%), while the loss before tax increased by RM251,000 compared to the corresponding period last year. In early 2026, the management entered into a tenancy agreement with a third party with strong biotechnology background for the rental of the plant and machinery for joint operation of the mushroom cultivation. The weaker performance was mainly driven by the transition process, while the collaboration is expected to contribute positively to future returns.

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 RM13.3 million were given to financial institutions for term loans granted to subsidiaries as at 19 May 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 March 2026 were as follows:

	Group RM,000
Approved and contracted for	9,776

A. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES LISTING REQUIREMENTS

B1. Review of performance

For the current quarter ended 31 March 2026, the Group recorded revenue of RM67.84 million and a loss before tax of RM12.08 million. This represents a decrease in revenue of RM11.42 million (or 14.4%), while the loss before tax increased by RM9.92 million compared to the corresponding quarter in FY2025.

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 RM12.08 million for the current quarter, compared to a loss before tax of RM10.55 million in the preceding quarter ended 31 December 2025. The increase in loss of RM1.53 million was mainly attributable to the persistently challenging market conditions affecting both the particleboard and RTA segments as well as the further weakening of the USD against RM.

B3. Prospect for the current financial year

The Group continues to face global economic uncertainty, foreign exchange volatility, tariffs, rising costs and supply chain disruptions. Management remains focused on strengthening resilience through disciplined cost management, operational efficiency, product differentiation and targeted investments in automation and digitalisation. The RTA sector is going through a major digital transformation to adapt to the fast-changing market, so that operational efficiencies, flexibilities can be enhanced. Management believes these measures will put the Group in a better position to navigate the near-term market challenges while supporting sustainable long-term growth across our core businesses.

B4. Variances from Profit Forecasts and Profit Guarantee

Not applicable.

B5. Profit/(Loss) Before Taxation

	Current Quarter Ended 31.03.2026 RM'000	Corresponding Quarter Ended 31.03.2025 RM'000	Current Year To Date Ended 31.03.2026 RM'000	Corresponding Year To Date Ended 31.03.2025 RM'000
Interest income	(424)	(754)	(424)	(754)
Interest expenses	264	184	264	184
Depreciation	5,323	5,519	5,323	5,519
Net realised foreign exchange loss /(gain)	89	(70)	89	(70)
Net unrealised foreign exchange loss /(gain)	537	127	537	127

B6. Taxation

	Current Quarter		Cummulative Quarter	
	31.03.2026 RM'000	31.03.2025 RM'000	31.03.2026 RM'000	31.03.2025 RM'000
Taxation				
-Income tax	(38)	(233)	(38)	(233)
-Deferred tax		-	-	-
	(38)	(233)	(38)	(233)

The Group’s income tax expense for the reporting quarter was mainly from 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 31.03.2026 RM'000	As at 31.03.2025 RM'000
Short term borrowing -secured		
-finance lease liabilities	114	-
-term loans	1,917	2,392
-hire purchases	28	245
	2,059	2,637

	As at 31.03.2026 RM'000	As at 31.03.2025 RM'000
Long Term borrowing -secured		
-finance lease liabilities	3,243	3,251
-term loans	12,032	12,979
-hire purchases	107	13
	15,382	16,243

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

No dividend has been declared during the current quarter under review.

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***

	31.03.2026		31.03.2025	
	Quarter Ended	Period to-date	Quarter Ended	Period to-date
Profit/(loss) attributable to the shareholders (RM'000)	(12,163)	(12,163)	(2,382)	(2,382)
Weighted average number of share (unit '000)	567,746	567,746	567,746	567,746
Basic earnings/(loss) per share(sen)	(2.14)	(2.14)	(0.42)	(0.42)

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 2026 have been viewed and approved by the Board of Directors of HeveaBoard Berhad for release to Bursa Securities.