

EVERGREEN FIBREBOARD BERHAD (217120W)

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30TH JUNE 2015

A INFORMATION REQUIRED BY MFRS 134

1. *Basis of Preparation*

These condensed consolidated interim financial statements, for the period ended 30 June 2015, have been prepared in accordance with MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the Group's annual audited financial statements for the year ended 31 December 2014.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2014, except for the adoption of the Amendments to Standards and Issue Committee (IC) Interpretations effective as of 1 January 2015:-

Adoption of Amendments to Standards and IC Interpretations

The Group has adopted the following Amendments to the Standards and IC Interpretations, with a date of initial application of 1 January 2015.

- Amendments to MFRS 119 Employee Benefits - Defined Benefit Plans: Employee Contributions
- Annual Improvements to MFRSs 2010-2012 Cycle
- Annual Improvements to MFRSs 2011-2013 Cycle

The adoption of the above pronouncements does not have any impact on the financial statements of the Group.

Standards issued but not yet effective

At the date of authorization of these interim financial statements, the followings standards were issued but not yet effective and have not been applied by the Group:

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
Annual Improvements to MFRSs 2012-2014 Cycle	1 January 2016
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial	

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Statements	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2017
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2018
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2018
MFRS 9 Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139	1 January 2018

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have material effect to the financial statements of the Group upon their initial application.

2. *Audit Report on Preceding Annual Financial Statements*

The auditors' report on the audited financial statements for the financial year ended 31 December 2014 was not subjected to any qualification.

3. *Seasonal or Cyclical Factors*

The Group's business operations are not affected by any major seasonal or cyclical factors.

4. *Unusual Items Due to their Nature, Size or Incidence*

There were no items affecting the assets, liabilities, equity, net income, or cash flows in the Group that are unusual because of their nature, size or incidence during the interim period.

5. *Changes in Estimates*

There are no other changes in estimates that has material effect in the current quarter results.

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6. *Debt and Equity Securities*

There were no issuance, cancellation, resale of shares bought back and repayment of debt and equity security for the financial year other than the following: -

- (a) There were no shares bought back during the quarter under review and financial year-to-date. The total number of shares bought back as at 30 June 2015 was 22,000 shares and the shares are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

7. *Dividends Paid*

No dividend was paid during the 2nd quarter ended 30 June 2015.

8. *Profit before tax*

Included in the profit before tax are the following items:

	3 months ended		6 months ended	
	30 June		30 June	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Interest Income	(230)	(219)	(458)	(429)
Other (income)/ expense include investment income	94	(529)	(344)	(2,227)
Interest expense	2,991	2,975	5,919	6,648
Depreciation and amortization	16,328	15,148	32,169	31,387
Provision for & write off of receivables	-	-	-	-
Provision for & write off of inventories	-	-	-	-
(Gain)/ loss on disposal of properties	123	(151)	351	(148)
Impairment of assets	-	-	-	-
Impairment of loss on associates	-	-	-	-
Foreign exchange (gain)/ loss	(773)	553	(2,945)	575
(Gain)/ loss on derivatives	198	7	182	(16)

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9. Segmental Information

Segmental analysis is prepared based on the geographical location of the plant.

Segmental Revenue and Results

	3 months ended 30 June 2015		3 months ended 30 June 2014	
	Segment Revenue	Segment Profit/(Loss) before tax	Segment Revenue	Segment Profit/(Loss) before tax
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	145,042	12,057	130,810	(18,890)
Thailand	93,940	14,341	66,148	(4,074)
Others	20,980	1,634	18,853	1,371
	<u>259,962</u>	<u>28,032</u>	<u>215,811</u>	<u>(21,593)</u>

	6 months ended 30 June 2015		6 months ended 30 June 2014	
	Segment Revenue	Segment Profit/(Loss) before tax	Segment Revenue	Segment Profit/(Loss) before tax
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	259,524	21,985	274,875	(19,196)
Thailand	190,548	26,671	147,690	(6,031)
Others	42,018	4,157	32,762	765
	<u>492,090</u>	<u>52,813</u>	<u>455,327</u>	<u>(24,462)</u>

10. Carrying Amount of Revalued Assets

The valuations of property, plant and equipment have been brought forward without amendment from the audited financial statements for the year ended 31 December 2014.

11. Subsequent Events

No material events have arisen subsequent to the Balance Sheet date that require disclosure or adjustment to the unaudited condensed interim financial statements.

12. Changes in Composition of the Group

On 10 July 2015, Evergreen Fibreboard Berhad ("EFB") announced the company through its wholly owned subsidiary Siam Fibreboard Co., Ltd. had on the 7th July 2015 obtained an Operating License for the Incorporation of its wholly-owned

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subsidiary, Siam Furniture Company Limited (Shanghai) (“SFS”) in Shanghai, Republic Of China.

The investment is for the expansion of EFB Group and is not expected to have any immediate material effect on the earnings and net assets of the EFB Group in the near future.

13. *Contingent Liabilities*

As at the date of this announcement, there were no material contingent liabilities incurred by the Group which, upon becoming enforceable, may have a material impact on the financial position of the Group.

14. *Capital commitments*

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 30 June 2015 are as follows:

	<u>RM'000</u>
Approved and contracted for	27,972
Approved but not contracted for	-
	<u>27,972</u>

15. *Significant Related Party Transactions*

Transactions that have been entered into are in the normal course of business and have been established under mutually agreed terms that are not materially different from those obtainable in transactions with unrelated parties.

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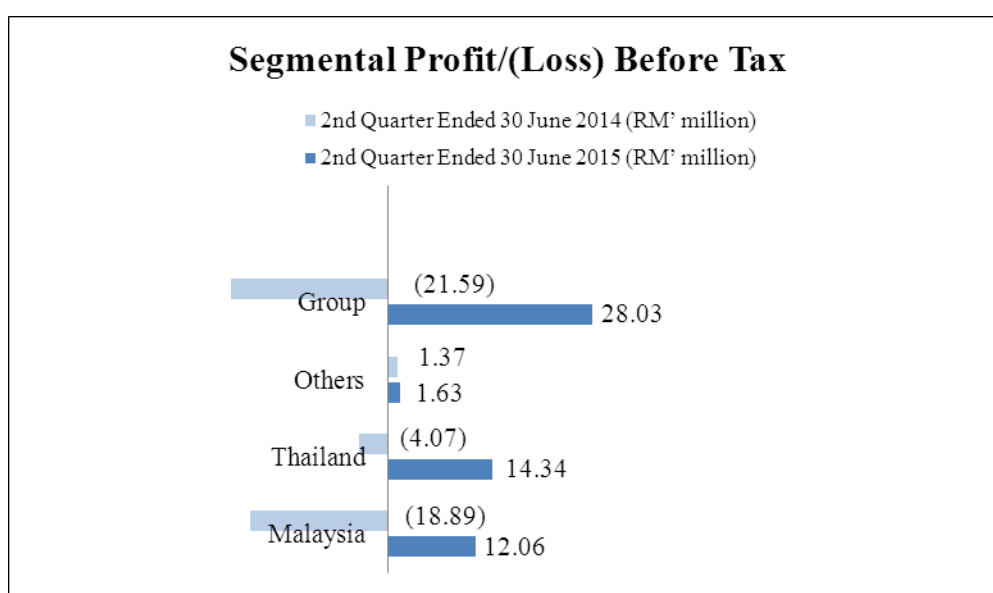
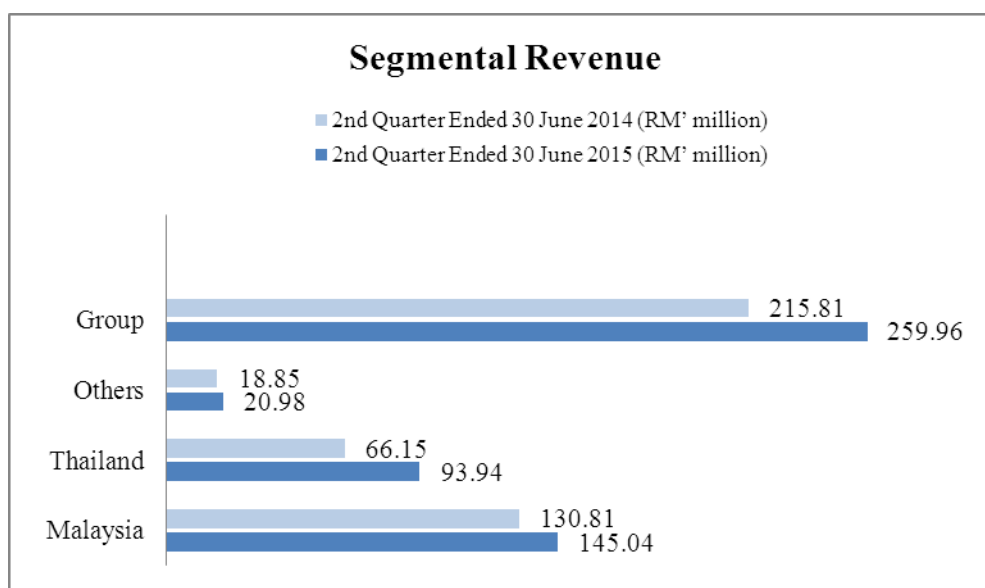
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B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1 *Performance Review*

Segmental Revenue and Results – for 2nd Quarter Ended 30/06/2014 vs 30/06/2015



Malaysia segment

The Malaysia segment's revenue for the quarter ended 30 June 2015 increased by 10.9% or RM14.23 million to RM145.04 million from RM130.81 million recorded in the preceding year corresponding quarter. The increase in revenue was mainly contributed by the strengthening of USD currency.

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Profit before tax for the current quarter increased by 163.8% or RM30.95 million to RM12.06 million compared to a loss before tax of RM18.89 million recorded in the corresponding quarter of the preceding year. The increase in profit was mainly from the lower log and glue cost, higher operational efficiency and synergistic cost savings derived from the group's recent restructuring of certain operational facilities.

Thailand segment

The Thailand segment's revenue for the quarter ended 30 June 2015 increased by 42.0% or RM27.79 million to RM93.94 million from RM66.15 million recorded in the preceding year corresponding quarter. The increase in revenue was due to higher sales volume and average selling price which was impacted from the strengthening of USD currency.

Profit before tax for the current quarter increased by 452.3% or RM18.41 million to RM14.34 million compared to a loss before tax of RM4.07 million recorded in the corresponding quarter of the preceding year. The increase in profit was mainly contributed by higher revenue, lower log and glue cost and effective management cost control measures.

Others segment

On Others segment's revenue for the quarter ended 30 June 2015 increased by 11.3% or RM2.13 million to RM20.98 million from RM18.85 million recorded in the preceding year corresponding quarter. The increase in revenue was mainly contributed by higher sales volume.

Profit before tax was reported at RM1.63 million for the current quarter, increased by 19.0% or RM0.26 million compared to RM1.37 million recorded in the corresponding quarter of the preceding year. The increase in profit was mainly resulted from higher revenue and effective cost measures undertaken by management.

Consolidated

The Group's revenue for the quarter ended 30 June 2015 increased by 20.5% or RM44.15 million to RM259.96 million from RM215.81 million recorded in the preceding year corresponding quarter. The increase in revenue was mainly contributed by higher sales volume and the strengthening of USD currency.

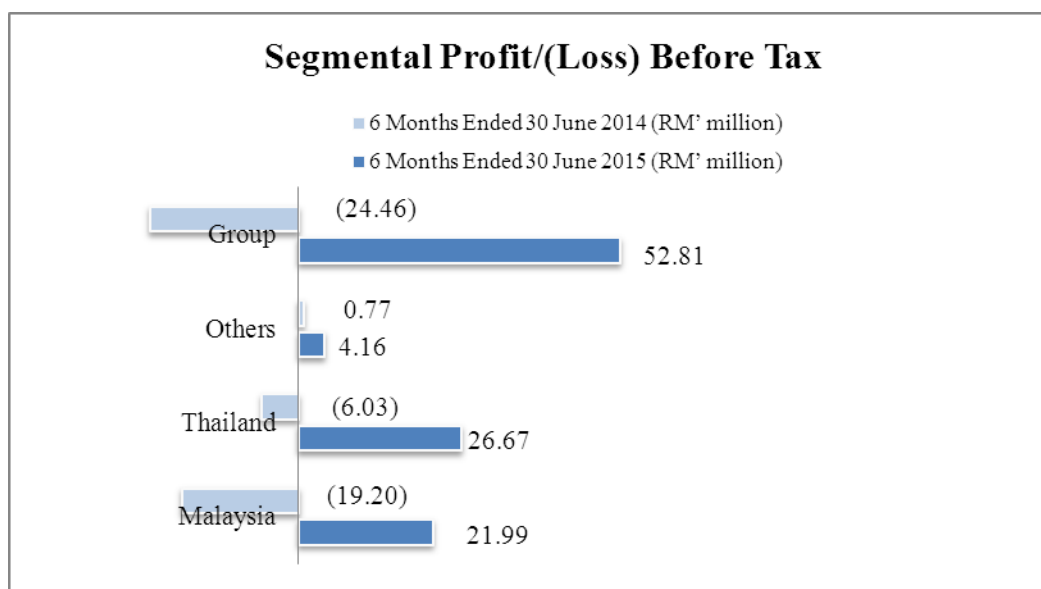
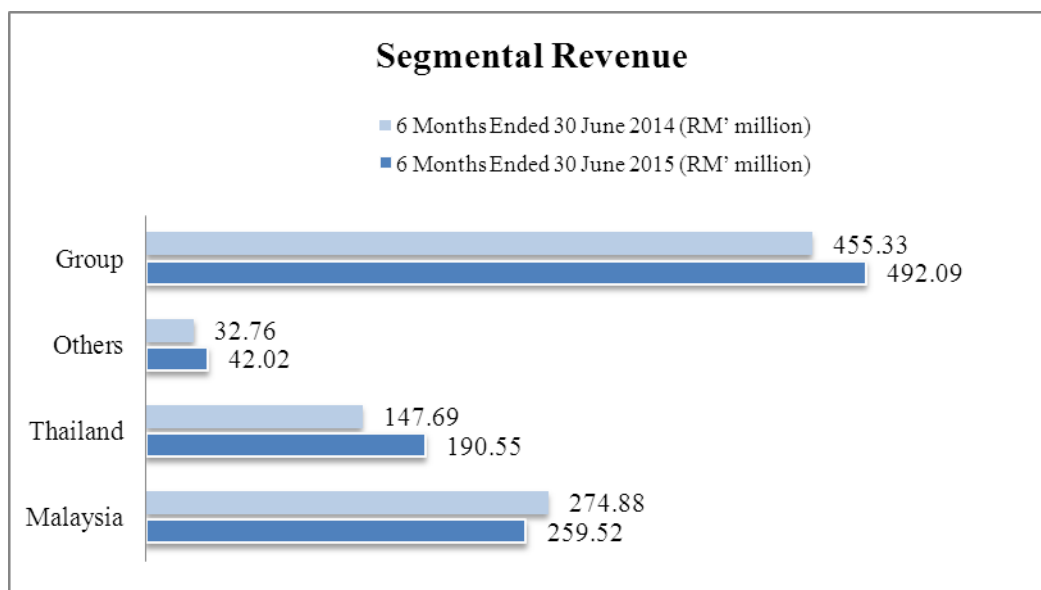
Profit before tax for the current quarter increased by 229.8% or RM49.62 million to RM28.03 million compared to a loss before tax of RM21.59 million recorded in the corresponding quarter of the preceding year. The increase in profit was mainly contributed by the lower cost of log and glue, higher operational efficiency and synergistic cost savings derived from the group's recent restructuring of certain operational facilities.

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Segmental Revenue and Results – for 6 Months Ended 30/6/2014 vs 30/6/2015



Malaysia segment

For the current year to date, the Malaysia segment's revenue has decreased by 5.6% or RM15.36 million to RM259.52 million, as compared to the revenue of RM274.88 million for the corresponding period last year. The decrease in revenue was mainly caused by drop in sales volume which was resulted from restructuring of certain operational facilities. The impact has been mitigated by the strengthening of USD currency.

For the current year to date, profit before tax has increased by 214.5% or RM41.19 million to RM21.99 million, as compared to a loss before tax of RM19.2 million

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recorded in the corresponding period last year. The increase in profit was mainly contributed by the lower log and glue cost, the strengthening of USD currency, higher operational efficiency and synergistic cost savings derived from the group's recent restructuring of certain operational facilities.

Thailand segment

For the current year to date, the Thailand segment's revenue was RM190.55 million, with an increase of 29.0% or RM42.86 million, as compared to the revenue of RM147.69 million for the corresponding period last year. The increase in revenue was due to higher sales volume and impact from the strengthening of USD currency.

For the current year to date, profit before tax has increased by 542.3% or RM32.70 million to RM26.67 million, as compared a loss before tax of RM6.03 million recorded in the corresponding period last year. The increase in profit was mainly due to higher revenue, lower log and glue cost and effective management cost control measures.

Others Segment

For the current year to date, on Other segment's revenue, has increased by 28.3% to RM42.02 million, as compared to the revenue of RM32.76 million for the corresponding period last year. The increase in revenue was mainly attributable to the higher sales volume.

Profit before tax was reported at RM4.16 million for the current year to date, increased by 440.3% or RM3.39 million compared to RM0.77 million recorded in the corresponding period last year. The increase in profit was contributed by higher revenue and effective cost measures undertaken by management.

Consolidated profit before tax

For the current year to date, the Group's revenue has increased by 8.1% to RM492.09 million, as compared to RM455.33 million for the corresponding period last year. The increase in revenue was due to higher sales volume and impact from the strengthening of USD currency.

Profit before tax was registered at RM52.81 million for the current year to date, increased by 315.9% or RM77.27 million compared to a loss before tax of RM24.46 million recorded in the corresponding period last year. The increase in profit was mainly contributed by higher revenue, the lower cost of log and glue and effective cost measures undertaken by management.

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2 *Comment on Material Change in Profit Before Taxation Against Preceding Quarter*

	Current Quarter Ended 30 June 2015 <u>RM'000</u>	Immediate Preceding Quarter Ended 31 March 2015 <u>RM'000</u>
Revenue	259,962	232,128
Profit/(Loss) Before Tax	28,032	24,781
Net profit/(loss) for the period	24,029	20,506

The current quarter revenue increased by 12.0% to RM259.96 million, as compared to RM232.13 million recorded in the preceding quarter. The increase in revenue was mainly contributed by higher sales volume.

The Group's profit before tax increased by 13.1% or RM3.25 million to RM28.03 million, as compared to RM24.78 million recorded in the preceding quarter. The increase in profit was mainly contributed by higher revenue, the lower cost of log and glue, higher operational efficiency and synergistic cost savings derived from the group's recent restructuring of certain operational facilities.

3 *Profit Forecast or Profit Guarantee*

Not applicable as no Profit Forecast or Profit Guarantee has been issued by the Group.

4 *Commentary of Prospects*

With steady global MDF demand and the current appreciation of the US dollar for which most of the exports of our products are priced, coupled with the Group's continuous efforts on cost control measures, maximizing productivity and equipment enhancement via modernization and automation on manufacturing processes, the Board is optimistic in achieving better results in the next quarter.

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5 *Taxation*

Major Components of tax expenses

	3 months ended		6 months ended	
	30 June 2015 <u>RM'000</u>	30 June 2014 <u>RM'000</u>	30 June 2015 <u>RM'000</u>	30 June 2014 <u>RM'000</u>
Current tax expenses	2,975	396	6,009	700
Deferred tax expenses	1,028	14	2,269	29
	<u>4,003</u>	<u>410</u>	<u>8,278</u>	<u>729</u>

The effective tax rate of the Group for the current quarter is lower than the statutory rate mainly due to tax incentives granted to and tax benefits carried forward from some companies in the Group.

6 *Realised and Unrealised Profits/Losses Disclosure*

	As at 30 June 2015 <u>RM'000</u>	As at 31 December 2014 <u>RM'000</u>
	Retained profits of the Company and its subsidiaries:	
- Realised	613,265	522,893
- Unrealised	(9,330)	(1,557)
	<u>603,935</u>	<u>521,336</u>
Less: Consolidation adjustments	(16,199)	22,454
Group retained profits as per consolidated accounts	<u>587,736</u>	<u>543,790</u>

7 *Status of Corporate Proposal Announced*

There was no outstanding corporate proposal announced as at 12 August 2015.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30TH JUNE 2015****8 Borrowings and Debt Securities**

The Group's borrowings are as follows: -

Denominated	As at 30 June 2015				
	In RM RM'000	In Baht RM'000	In USD RM'000	Others RM'000	Total RM'000
Short Term Borrowings:					
<u>Secured</u>					
Trade facilities	3,450	54,243	-	-	57,693
Term loans	-	-	9,648	-	9,648
Hire purchase and finance lease payables	161	204	-	26	391
<u>Unsecured</u>					
Trade facilities	116,297	-	10,475	4,481	131,253
Term Loans	10,740	-	11,975	-	22,715
	<u>130,648</u>	<u>54,447</u>	<u>32,098</u>	<u>4,507</u>	<u>221,700</u>
Long Term Borrowings:					
<u>Secured</u>					
Term loans	-	-	15,064	-	15,064
Hire purchase and finance lease payables	975	48	-	-	1,023
<u>Unsecured</u>					
Term Loans	19,620	-	5,587	-	25,207
	<u>20,595</u>	<u>48</u>	<u>20,651</u>	<u>-</u>	<u>41,294</u>
Total	<u><u>151,243</u></u>	<u><u>54,495</u></u>	<u><u>52,749</u></u>	<u><u>4,507</u></u>	<u><u>262,994</u></u>

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9 *Financial Instruments*

As at the 30 June 2015, the Group has the following outstanding derivative financial instruments: -

	Notional Contract Amount (RM'000)	Fair value - Net Gains/ (Losses) (RM'000)
Forward contract - US Dollar		
- Less than 1 year	24,604	(182)

The forward foreign currency contracts are entered into for the purposes of hedging the Group's foreign currency exposures arising from expected export sales and import purchases. In accordance with the requirement of this standard, the Group has designated certain forward contracts as cash flow hedges or accounted as fair value through profit and loss. Changes in the fair values of the forward contracts designated as cash flow hedges are included in other comprehensive income, to the extent that the hedges are effective. Upon maturity of the instruments, the amounts retained in other comprehensive income will be reclassified to the profit or loss. The fair value changes in forward contracts designated as fair value through profit and loss are included in the income statement.

Structured foreign exchange products are entered for the purposes of hedging the Group's foreign currency exposure. Such products allow the Group to sell USD at a better than market par forward rate or at prevailing market spot rate by allowing some market participation. These products give the Group a better than market par forward rate to a certain level, after which the Group receives a rebate over the prevailing market spot rate.

Due to the above, and the fact that these contracts have been entered into with credit-worthy financial institutions, the Group does not foresee any significant credit or market risks associated with the above foreign exchange contracts.

The derivatives have been recorded on the Consolidated Statement of Financial Position for this reporting period in compliance with MFRS 139.

There are no transaction costs for the above hedging instrument.

10 *Changes in Material Litigation*

There is no material litigation pending as at 12 August 2015.

11 *Dividend Payable*

The Board of Directors does not recommend any interim dividend for the current quarter under review.

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12 Earnings Per Share

a. Basic

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

	3 months ended		6 months ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
Net profit/(loss) for the period attributable to owners of the Parent (RM'000)	23,888	(21,692)	43,946	(24,274)
Weighted average number of ordinary shares in issue ('000)	513,000	513,000	513,000	513,000
Basic earnings per share (sen)	4.66	(4.23)	8.57	(4.73)

b. Diluted

No diluted earnings per share is calculated as there is no potential dilutive ordinary share.