

EVERGREEN FIBREBOARD BERHAD (217120W)

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31ST DECEMBER 2015

A INFORMATION REQUIRED BY MFRS 134

1. *Basis of Preparation*

These condensed consolidated interim financial statements, for the period ended 31 December 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 2018
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 except as explained in Note B7.

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 31 December 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.
- (b) The private placement of 51,290,000 ordinary shares of RM0.25 each representing approximately 10% of the issued and paid up share capital of Evergreen Fibreboard Berhad were issued and listed on the Main Market of Bursa Securities Malaysia Berhad on 1st Dec 2015.

7. *Dividends Paid*

No dividend was paid during the 4th quarter ended 31 December 2015.

8. *Profit before tax*

Included in the profit before tax are the following items:

	3 months ended		12 months ended	
	31 December		31 December	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Interest Income	(346)	(276)	(1,007)	(898)
Other (income)/ expense include				
investment income	(8,743)	(6,214)	(9,571)	(9,013)
Interest expense	2,865	3,150	11,627	13,031
Depreciation and amortization	15,721	16,862	64,793	64,158
(Gain)/ loss on disposal of properties	888	(126)	1,831	(274)
Impairment of assets	3,095	-	3,095	-
Foreign exchange (gain)/ loss	3,410	(2,013)	(7,553)	(2,990)
(Gain)/ loss on derivatives	(308)	(36)	709	-

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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 31 December 2015		3 months ended 31 December 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	142,885	10,138	139,891	1,343
Thailand	105,039	11,677	88,613	13,296
Others	18,412	5,475	23,676	2,074
	<u>266,336</u>	<u>27,290</u>	<u>252,180</u>	<u>16,713</u>

	12 months ended 31 December 2015		12 months ended 31 December 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	541,893	52,984	540,275	(14,909)
Thailand	388,611	49,497	322,208	13,868
Others	83,962	12,379	79,512	5,275
	<u>1,014,466</u>	<u>114,860</u>	<u>941,995</u>	<u>4,234</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 except in Note B7.

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12. *Changes in Composition of the Group*

There were no material changes in the composition of the Group during the current financial quarter.

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 31 December 2015 are as follows:

	<u>RM'000</u>
Approved and contracted for	106,459
Approved but not contracted for	-
	<u>106,459</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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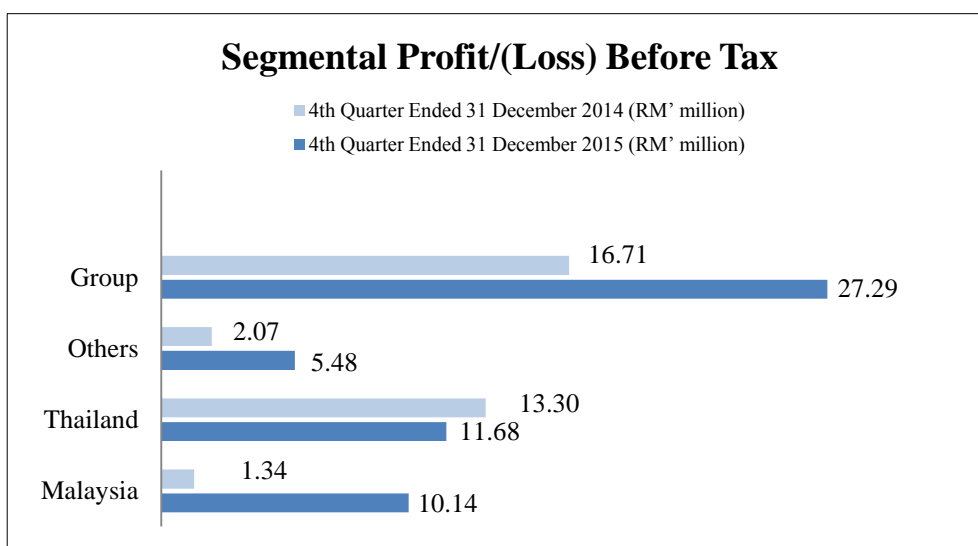
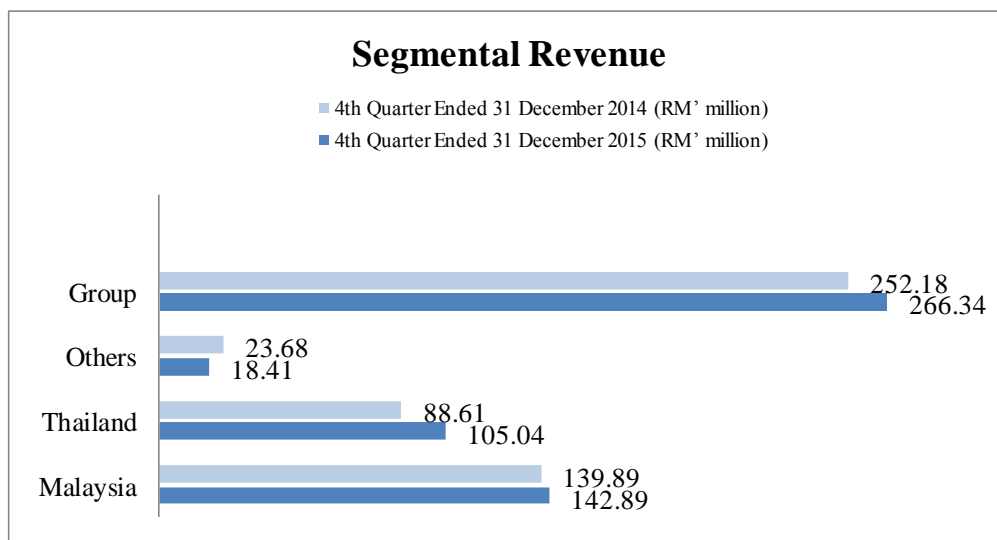
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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31ST DECEMBER 2015

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

1 *Performance Review*

Segmental Revenue and Results – for 4th Quarter Ended 31/12/2014 vs 31/12/2015



Malaysia segment

The Malaysia segment's revenue for the quarter ended 31 December 2015 increased by 2.1% or RM3.00 million to RM142.89 million from RM139.89 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 656.7% or RM8.80 million to RM10.14 million compared to a profit before tax of RM1.34 million recorded in the corresponding quarter of the preceding year. The increase in profit was mainly from the higher operational efficiency, synergistic cost savings derived from the group's recent restructuring of certain operational facilities and better products mix.

Thailand segment

The Thailand segment's revenue for the quarter ended 31 December 2015 increased by 18.5% or RM16.43 million to RM105.04 million from RM88.61 million recorded in the preceding year corresponding quarter. The increase in revenue was due to higher sales volume.

Profit before tax for the current quarter decreased by 12.2% to RM11.68 million compared to a profit before tax of RM13.30 million recorded in the corresponding quarter of the preceding year. The decrease in profit was mainly caused by major plants maintenance.

Others segment

On Others segment's revenue for the quarter ended 31 December 2015 decreased by 22.3% to RM18.41 million from RM23.68 million recorded in the preceding year corresponding quarter. The decrease in revenue was mainly caused by lower sales volume.

Profit before tax was reported at RM5.48 million for the current quarter, increased by 164.7% or RM3.41 million compared to RM2.07 million recorded in the corresponding quarter of the preceding year. The increase in profit was mainly attributable to insurance compensation received.

Consolidated

The Group's revenue for the quarter ended 31 December 2015 increased by 5.6% or RM14.16 million to RM266.34 million from RM252.18 million recorded in the preceding year corresponding quarter. The increase in revenue was mainly contributed by higher selling price which was impacted from the strengthening of USD.

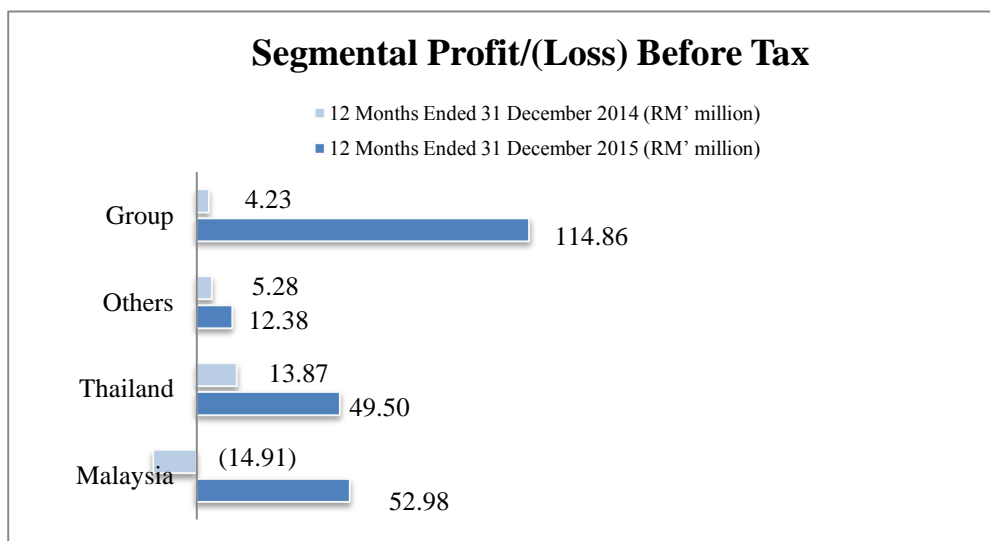
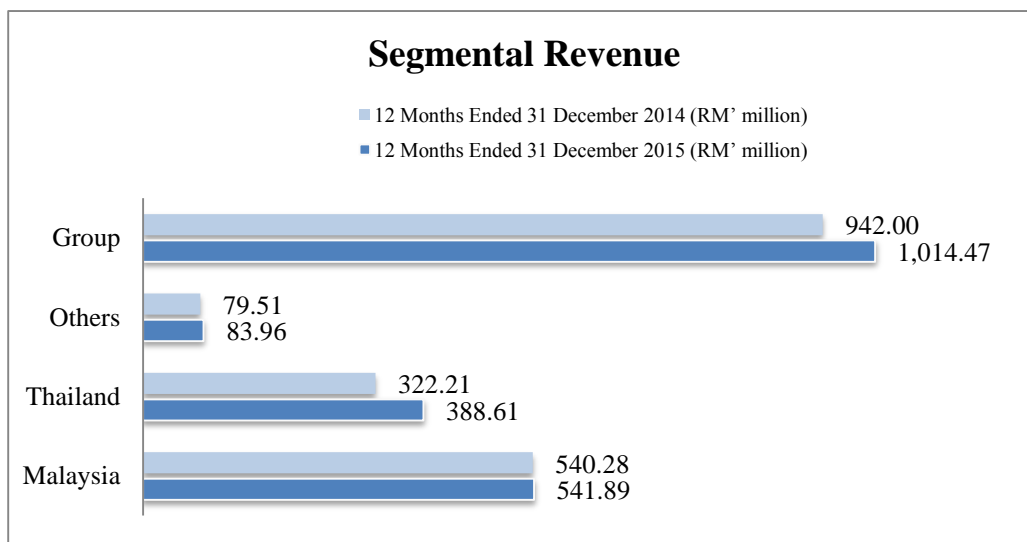
Profit before tax for the current quarter increased by 63.3% or RM10.58 million to RM27.29 million compared to a profit before tax of RM16.71 million recorded in the corresponding quarter of the preceding year. The increase in profit was mainly contributed by the lower cost of glue and log, higher operational 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 12 Months Ended 31/12/2014 vs 31/12/2015



Malaysia segment

For the current year to date, the Malaysia segment's revenue has increased by 0.3% to RM541.89 million, as compared to the revenue of RM540.28 million for the corresponding period last year. The increase in revenue was mainly contributed by the strengthening of USD currency.

For the current year to date, profit before tax has increased by 455.3% or RM67.89 million to RM52.98 million, as compared to a loss before tax of RM14.91 million

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recorded in the corresponding period last year. The increase in profit was mainly contributed by 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 RM388.61 million, with an increase of 20.6% or RM66.40 million, as compared to the revenue of RM322.21 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 256.9% or RM35.63 million to RM49.50 million, as compared a profit before tax of RM13.87 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 5.6% to RM83.96 million, as compared to the revenue of RM79.51 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 RM12.38 million for the current year to date, increased by 134.5% or RM7.10 million compared to RM5.28 million recorded in the corresponding period last year. The increase in profit was contributed by higher revenue, higher operational efficiency, lower log and glue cost and effective cost measures undertaken by management.

Consolidated profit before tax

For the current year to date, the Group's revenue has increased by 7.7% to RM1,014.47 million, as compared to RM942.00 million for the corresponding period last year. The increase in revenue was due to impact from the strengthening of USD currency.

Profit before tax was registered at RM114.86 million for the current year to date, increased by 2615.4% or RM110.63 million compared to a profit before tax of RM4.23 million recorded in the corresponding period last year. The increase in profit was mainly contributed by higher revenue, higher operational efficiency, 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 31 December 2015	Immediate Preceding Quarter Ended 30 September 2015
	<u>RM'000</u>	<u>RM'000</u>
Revenue	266,336	256,040
Profit Before Tax	27,290	34,757
Net profit for the period	22,728	28,308

The current quarter revenue increased by 4.0% to RM266.34 million, as compared to RM256.04 million recorded in the preceding quarter. The increase in revenue was mainly contributed by higher sales volume.

The Group's profit before tax decreased by 21.5% to RM27.29 million, as compared to RM34.76 million recorded in the preceding quarter. The decrease in profit was mainly attributable to lower foreign exchange gain.

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*

The Group's internal efforts on better products mix, cost control measures, maximizing productivity and equipment enhancement via modernization and automation on manufacturing processes are factors that continuously enhanced the Group's performance. Couple with appreciation and stabilisation of US dollar, the Group is confident in achieving satisfactory results in the next quarter.

5 *Taxation*

Major Components of tax expenses

	3 months ended		12 months ended	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Current tax expenses	1,140	(1,639)	9,880	304
Deferred tax expenses	3,422	2,133	9,409	2,353
	<u>4,562</u>	<u>494</u>	<u>19,289</u>	<u>2,657</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.

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6 *Realised and Unrealised Profits/Losses Disclosure*

	As at 31 December 2015 RM'000	As at 31 December 2014 RM'000
Retained profits of the Company and its subsidiaries:		
- Realised	672,722	522,893
- Unrealised	(16,290)	(1,557)
	<u>656,432</u>	<u>521,336</u>
Less: Consolidation adjustments	(20,081)	22,454
Group retained profits as per consolidated accounts	<u>636,351</u>	<u>543,790</u>

7 *Status of Corporate Proposal Announced*

On 20 Nov 2015, on behalf of the Board of Directors of Evergreen Fibreboard Berhad (“EFB”), CIMB Investment Bank Berhad announced that EFB propose to undertake the following:

(a) **Proposed Private Placement**

Proposed Private Placement of up to 51,297,800 new ordinary shares of RM0.25 each in EFB, representing up to 10% of the issued and paid-up share capital of EFB (excluding treasury shares) ;

The application for Proposed Private Placement was approved by Bursa Malaysia Securities Berhad (“Bursa Securities”) on 25 November 2015.

The Proposed Private Placement was issued at issue price of RM2.05 per share and has been completed following the listing of and quotation for 51,290,000 Placement Shares on the Main Market of Bursa Securities on 1st December 2015.

EFB raised RM105.14 million from the Proposed Private Placement and the utilization of proceeds as at the date of this report are as follows:-

Purposes	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviations RM'000	Balance RM'000	Intended timeframe for utilisation
Development and business expansion	40.00	14.75	-	25.25	Within 12 months
Repayment of borrowings	30.00	30.00	-	-	Within 12 months
Working capital	33.14	2.90	-	30.24	Within 12 months
Expenses in relation to the Proposals	2.00	1.88	-	0.12	Within 3 months
Total	105.14	49.53	-	55.61	

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(b) Proposed Bonus Issue

Proposed Bonus Issue of up to 282,137,900 of new EFB shares (“Bonus Shares”) to be credited as fully paid-up on the basis of 1 bonus share for every 2 EFB shares held after the Proposed Private Placement (“Proposed Bonus Issue”)

The Proposed Bonus Issue has been completed following the listing of and quotation for 282,133,985 Bonus Shares issued pursuant to the Bonus Issue on the Main Market of Bursa Securities on 26 January 2016.

There was no outstanding corporate proposal announced as at the date of this report.

8 Borrowings and Debt Securities

The Group’s borrowings are as follows: -

Denominated	As at 31 December 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	450	44,970	-	-	45,420
Term loans	-	-	6,061	-	6,061
Hire purchase and finance lease payables	291	163	-	4	458
<u>Unsecured</u>					
Trade facilities	75,365	-	13,142	4,481	92,988
Term Loans	4,965	-	6,450	-	11,415
	<u>81,071</u>	<u>45,133</u>	<u>25,653</u>	<u>4,485</u>	<u>156,342</u>
Long Term Borrowings:					
<u>Secured</u>					
Term loans	-	-	16,763	-	16,763
Hire purchase and finance lease payables	947	-	-	-	947
<u>Unsecured</u>					
Term Loans	17,150	-	5,112	3,376	25,638
	<u>18,097</u>	<u>-</u>	<u>21,875</u>	<u>3,376</u>	<u>43,348</u>
Total	<u>99,168</u>	<u>45,133</u>	<u>47,528</u>	<u>7,861</u>	<u>199,690</u>

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9 *Financial Instruments*

As at the 31 December 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	8,730	(876)

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 the date of this report.

11 *Dividend Payable*

The Board of Directors declared a single tier interim dividend of 1 cent per share for financial year ended 31 December 2015 will be payable on 20 April 2016 to Depositors registered in the Record of Depositors at the close of business on 22 March 2016.

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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		12 months ended	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Net profit/(loss) for the period attributable to owners of the Parent (RM'000)	21,029	14,369	92,561	170
Weighted average number of ordinary shares in issue ('000)	517,356	513,000	517,356	513,000
Basic EPS (sen)	4.06	2.80	17.89	0.03

b. **Diluted**

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