

EVERGREEN FIBREBOARD BERHAD (“EFB”)

- I. PROPOSED PRIVATE PLACEMENT OF UP TO 51,297,800 NEW ORDINARY SHARES OF RM0.25 EACH IN EFB (“EFB SHARES”), REPRESENTING UP TO 10% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF EFB (EXCLUDING TREASURY SHARES) (“PROPOSED PRIVATE PLACEMENT”); AND
- II. PROPOSED BONUS ISSUE OF UP TO 282,137,900 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”)

(COLLECTIVELY REFERRED TO AS THE “PROPOSALS”)

1. INTRODUCTION

On behalf of the Board of Directors of EFB (“**Board**”), CIMB Investment Bank Berhad (“**CIMB**”) wishes to announce that EFB proposes to implement the Proposals.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Private Placement

2.1.1 Size of the Proposed Private Placement

The Proposed Private Placement will involve the placement of up to 51,297,800 new EFB Shares (“**Placement Shares**”), representing up to 10% of the issued and paid-up share capital of EFB (excluding treasury shares).

The Proposed Private Placement will be undertaken in accordance with the general mandate pursuant to Section 132D of the Companies Act, 1965 (“**Act**”) obtained from the shareholders of EFB in its annual general meeting (“**AGM**”) convened on 22 May 2015.

As at 16 November 2015, being the latest practicable date prior to this announcement (“**LPD**”), the issued and paid-up share capital of EFB is RM128,250,000 comprising 513,000,000 EFB Shares, of which 22,000 EFB Shares are held as treasury shares by EFB.

2.1.2 Placement arrangement

The Placement Shares will be placed to third party investors to be identified later in accordance with Paragraph 6.04(c) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”). For clarification purposes, the Placement Shares will not be placed to the following parties:

- (i) a director, major shareholder or chief executive of EFB or a holding company of EFB (“**Interested Person**”);
- (ii) a person connected with an Interested Person; or
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

In addition, the Proposed Private Placement will not be implemented in tranches.

2.1.3 Basis of determining the issue price of the Placement Shares

The issue price of the Placement Shares shall be determined and fixed at a later date (“**Price Fixing Date**”) and announced accordingly.

Based on Paragraph 6.04(a) of the Listing Requirements, the Placement Shares will not be priced at a discount of more than 10% to the volume weighted average market price (“**VWAP**”) of EFB Shares for the 5 market days immediately before the Price Fixing Date.

For illustrative purposes only, the five (5)-day VWAP of the EFB Shares up to and including 19 November 2015, being the day prior to the date of this announcement, is approximately RM2.16.

2.1.4 Ranking of the Placement Shares

The Placement Shares to be issued pursuant to the Proposed Private Placement shall, upon issuance and allotment, rank *pari passu* in all respects with the existing issued and fully paid-up EFB Shares, save and except that the holders of the Placement Shares shall not be entitled to any dividends, rights, allotments and/or other forms of distributions for which the relevant entitlement date precedes the date of issuance and allotment of the Placement Shares.

2.1.5 Listing of and quotation for the Placement Shares

An application will be made to Bursa Securities for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities.

2.1.6 Utilisation of proceeds

For illustrative purposes only, based on the issue price of RM1.95 (“**Illustrative Price**”), representing approximately a 10% discount to the 5-day VWAP of EFB Shares up to and including 19 November 2015 of RM2.16 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of up to RM100.03 million.

The proceeds raised from the Proposed Private Placement are expected to be utilised as illustrated below:

<u>Details of utilisation</u>	<u>(Up to) Amount (RM million)</u>	<u>Estimated timeframe for utilisation from completion of the Proposed Private Placement</u>
Development and business expansion of EFB	40.00 ⁽¹⁾	Within 12 months
Repayment of borrowings	30.00	Within 12 months
Working capital	28.03	Within 12 months
Estimated expenses in relation to the Proposals	2.00 ⁽²⁾	Within 3 months
Total	100.03⁽³⁾	

Notes:

- (1) *EFB is still in the midst of exploring various business expansion opportunities which will be announced (if required) as and when EFB enters into any such agreement. However, in the event such business expansion opportunities do not crystallise within the expected timeframe, EFB is expected to utilise the proceeds raised for capital expenditure and/or working capital requirement.*
- (2) *The estimated expenses consist of professional fees, fees payable to authorities and other expenses relating to the Proposals. If the actual expenses related to the Proposals are lower than the estimated amount, the excess will be allocated to working capital, and vice versa.*
- (3) *In the event that a smaller/larger amount of proceeds is raised from the Proposed Private Placement, the amount proposed for working capital will be reduced/increased accordingly.*

The actual proceeds to be raised from the Proposed Private Placement will be dependent on the issue price and actual number of Placement Shares to be issued.

2.2 Proposed Bonus Issue

2.2.1 Basis and quantum

The Proposed Bonus Issue will involve the issuance of up to 282,137,900 Bonus Shares to be credited as fully paid-up, on the basis of 1 Bonus Share for every 2 EFB Shares held by the shareholders of EFB after the Proposed Private Placement on an entitlement date to be determined and announced later.

The Proposed Bonus Issue will be implemented after the completion of the Proposed Private Placement in a single issuance.

The actual number of Bonus Shares to be issued can only be determined after the Proposed Private Placement, based on the then issued and paid-up share capital of EFB. Please refer to Section 4.1 below for an illustration of the Bonus Shares to be issued under the Proposed Bonus Issue.

Any fractional entitlements under the Proposed Bonus Issue shall be dealt with in such manner as the Board shall in its absolute discretion deem fit and in the best interest of EFB.

2.2.2 Capitalisation of reserves

The Proposed Bonus Issue shall be capitalised wholly from the share premium of EFB. Based on EFB's latest audited consolidated financial statements for the financial year ended 31 December 2014, the share premium of EFB at company level is approximately RM113.13 million, which is sufficient for capitalisation for the Proposed Bonus Issue. Further, upon completion of the Proposed Private Placement, assuming up to 51,297,800 Placement Shares, representing up to 10% of the issued and paid-up share capital of EFB (excluding treasury shares), are fully placed out at the Illustrative Price, the share premium of EFB will increase to approximately RM200.34 million, which will be in excess of the amount required for capitalisation for the Proposed Bonus Issue.

For illustration purpose, the proforma effects after the Proposed Bonus Issue on the share premium account based on EFB latest unaudited consolidated financial results for the financial period ended 30 September 2015 is as follows:

Company Level	Audited as at 31 December 2014	Unaudited as at 30 September 2015
	RM million	RM million
Share premium	113.13	113.13
Add: Share premium arising from the Proposed Private Placement	87.21	87.21
	<u>200.34</u>	<u>200.34</u>
Less: Amount to be capitalised for the Proposed Bonus Issue	(70.54)	(70.54)
Balance after the Proposals	<u>129.80</u>	<u>129.80</u>

The Board confirms that based on EFB's latest audited consolidated financial statements for the financial year ended 31 December 2014, EFB will have adequate share premium both at company level and at group level to cover the capitalisation required for the Proposed Bonus Issue. The Board also confirms that EFB's reserves are unimpaired by losses on a consolidated basis in accordance with Paragraph 6.30(1) of the Listing Requirements.

For the avoidance of doubt, the Proposed Bonus Issue will only be effected upon successful completion of the Proposed Private Placement.

2.2.3 Ranking of the Bonus Shares

The Bonus Shares to be issued pursuant to the Proposed Bonus Issue shall, upon issuance and allotment, rank *pari passu* in all respects with the existing issued and fully paid-up EFB Shares, save and except that the holders of the Bonus Shares shall not be entitled to any dividends, rights, allotments and/or other forms of distributions for which the relevant entitlement date precedes the date of issuance and allotment of the Bonus Shares.

2.2.4 Listing of and quotation for the Bonus Shares

An application will be made to Bursa Securities for the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities.

3. RATIONALE FOR THE PROPOSALS

3.1 Proposed Private Placement

The Proposed Private Placement will strengthen the capital position of EFB and provide it with the necessary funds for development and business expansion of EFB, part repayment of EFB's existing loans and borrowings, as well as for capital expenditure and/or working capital for its operations.

The Board is of the view that the Proposed Private Placement is the most appropriate avenue of fund raising as the Proposed Private Placement:

- (i) enables EFB to raise additional funds without having to incur interest expenses or service principal repayments as with conventional bank borrowings or the issuance of debt securities. This would allow EFB to preserve cash flow for reinvestment and/or operational purposes; and
- (ii) is an expeditious way of raising funds from the capital market as compared to other forms of fund raising such as a rights issue exercise.

3.2 Proposed Bonus Issue

The Proposed Bonus Issue is undertaken for the following purposes:

- (i) to reward the existing shareholders of EFB for their continued support and loyalty by enabling them to hold larger amount of EFB shares;
- (ii) to enhance the marketability and trading liquidity of EFB shares on Bursa Securities by way of a larger share base; and
- (iii) to increase EFB's share capital base to better facilitate fund raising exercise in the future.

4. EFFECTS OF THE PROPOSALS

4.1 Issued and paid-up share capital

The effects of the Proposals on the issued and paid-up share capital of EFB as at the LPD are set out as follows:

	No. of EFB Shares Million	Amount RM million
Issued and paid-up share capital (excluding treasury shares) as at the LPD	512.98	128.25
To be issued pursuant to the Proposed Private Placement ⁽¹⁾	51.29	12.82
	<u>564.27</u>	<u>141.07</u>
To be issued pursuant to the Proposed Bonus Issue	282.14	70.53
Enlarged issued and paid-up share capital (excluding treasury shares) after the Proposals	<u>846.41</u>	<u>211.60</u>

Note:

- (1) Based on 10% of EFB's issued and paid-up share capital (excluding treasury shares).

4.2 Net Assets (“NA”), NA per share and gearing

Based on EFB’s audited consolidated financial statements for the financial year ended 31 December 2014, the proforma effect of the Proposals on EFB’s consolidated NA, NA per share and gearing are as set out below:

	Audited as at 31 December 2014 RM million	(I) After the Proposed Private Placement RM million	(II) After (I) and the Proposed Bonus Issue RM million
Share capital	128.25	141.07	211.61
Share premium	113.13	200.34 ⁽¹⁾	129.80 ⁽¹⁾
Treasury shares	(0.01)	(0.01)	(0.01)
Retained earnings ⁽²⁾	543.79	543.79	543.79
Reserves ⁽³⁾	16.50	16.50	16.50
Equity attributable to owners of the parent / NA	801.66	901.69	901.69
Number shares in issue (excluding treasury shares) (million)	512.98	564.27	846.41
Total borrowings (RM million)	287.99	287.99	287.99
NA per share (RM) ⁽⁴⁾	1.56	1.60	1.07
Gearing (times) ⁽⁵⁾	0.36	0.32	0.32

Notes:

- (1) Assuming 51,297,800 Placement Shares are placed out at the Illustrative Price of RM1.95 per Placement Share.
- (2) The proforma does not take into consideration the estimated expenses in relation to the Proposals of approximately RM2.00 million.
- (3) Reserves comprising of equity transaction reserve, foreign exchange reserve and fair value reserve.
- (4) Calculated as NA divided by the number of EFB Shares in issue.
- (5) Calculated as total borrowings divided by NA.

4.3 Earnings and earnings per share (“EPS”)

The Proposals are not expected to have any material effect on the consolidated earnings of EFB for the financial year ending 31 December 2015.

The Proposed Private Placement is expected to contribute positively to the consolidated earnings of EFB for the ensuing financial years, when the benefits of the proposed utilisation of proceeds are realised.

The consolidated EPS of EFB is expected to reduce proportionately as a result of the additional EFB Shares issued pursuant to the Proposed Bonus Issue.

4.4 Substantial shareholders' shareholdings

The effects of the Proposals on the shareholdings of the substantial shareholders of EFB as at the LPD are as follows:

Names	As at the LPD				(I) After the Proposed Private Placement				(II) After (I) and the Proposed Bonus Issue			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of EFB Shares Million	%	No. of EFB Shares Million	%	No. of EFB Shares Million	%	No. of EFB Shares Million	%	No. of EFB Shares Million	%	No. of EFB Shares Million	%
Kuo Wen Chi	0.00	0.00	235.19 ⁽¹⁾	45.85	0.00	0.00	235.19 ⁽¹⁾	41.68	0.00	0.00	352.79 ⁽¹⁾	41.68
Kuo Jen Chang	94.90	18.50	140.29 ⁽²⁾	27.35	94.90	16.82	140.29 ⁽²⁾	24.86	142.35	16.82	210.44 ⁽²⁾	24.86
Kuo Jen Chiu	82.75	16.13	152.45 ⁽²⁾	29.72	82.75	14.66	152.45 ⁽²⁾	27.02	124.13	14.66	228.68 ⁽²⁾	27.02
Kuo Huei Chen	23.37	4.56	211.82 ⁽²⁾	41.29	23.37	4.14	211.82 ⁽²⁾	37.54	35.06	4.14	317.73 ⁽²⁾	37.54
Hsu Mei Lan	0.00	0.00	235.19 ⁽²⁾	45.85	0.00	0.00	235.19 ⁽²⁾	41.68	0.00	0.00	352.79 ⁽²⁾	41.68
Kuo-Ting Yer Ping	9.04	1.76	226.16 ⁽²⁾	44.09	9.04	1.60	226.16 ⁽²⁾	40.08	13.56	1.60	339.24 ⁽²⁾	40.08
Number of EFB Shares in issue	512,978,000				564,275,800				846,413,700			

Notes:

(1) Deemed interested by virtue of his indirect shareholdings in HSBC Bank Malaysia Berhad and pursuant to Section 6(A) of the Act.

(2) Deemed interested pursuant to Section 6(A) of the Act.

4.5 Convertible securities

EFB does not have any convertible securities as at the LPD.

5. APPROVALS REQUIRED

The Proposals are subject to the following:

- (i) approval of Bursa Securities for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities pursuant to the Proposed Private Placement;
- (ii) approval of Bursa Securities for the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities pursuant to the Proposed Bonus Issue;
- (iii) approval of the shareholders of EFB in relation to the Proposed Bonus Issue at an extraordinary general meeting to be convened; and
- (iv) approval of any other relevant parties/authorities (if required).

EFB obtained the approval of its shareholders at its AGM convened on 22 May 2015 pursuant to Section 132D of the Act, and subject to the approval of the relevant authorities, the Directors of EFB (“**Directors**”) be and hereby empowered to issue shares in EFB from time to time, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of EFB for the time being and that the Directors be and also empowered to obtain approval for the listing of and quotation for the additional shares and that such authority shall continue in force until the conclusion of the next AGM of EFB.

The Proposed Bonus Issue is conditional upon the completion of the Proposed Private Placement but not vice versa.

Save as stated above, the Proposals are not conditional upon any other corporate exercise of EFB.

Barring any unforeseen circumstances, the applications to the relevant regulatory authorities for the Proposals are expected to be made within 1 month from the date of this announcement.

6. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the Directors and major shareholders of EFB and/or persons connected to them have any interest, direct or indirect, in the Proposed Private Placement in view that the Placement Shares will be placed to third party investors as detailed in Section 2.1.2 above.

None of the Directors and major shareholders of EFB and/or persons connected to them have any interest, direct or indirect, in the Proposed Bonus Issue, other than their respective entitlements under the Proposed Bonus Issue as shareholders of EFB (where applicable), which is also available to all other shareholders of EFB.

7. DIRECTORS’ STATEMENT

The Board, having considered the current and prospective financial position of EFB and all aspects of the Proposals including the rationale and effects of the Proposals, is of the opinion that the Proposals are in the best interest of EFB and its shareholders.

8. ADVISER

CIMB has been appointed by EFB as the Principal Adviser for the Proposals and as Sole Placement Agent for the Proposed Private Placement. ZJ Advisory Sdn Bhd has been appointed by EFB as the Financial Adviser for the Proposals.

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposals are expected to complete by the 1st quarter of 2016.

This announcement is dated 20 November 2015.