

EVERGREEN FIBREBOARD BERHAD (217120 W)

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

A INFORMATION REQUIRED BY MFRS 134

1. *Basis of Preparation*

These condensed consolidated interim financial statements, for the period ended 31 December 2018, 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 financial year ended 31 December 2017.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2017, except for the adoption of the Amendments to Standards and Issue Committee (IC) Interpretations effective as of 1 January 2018. The initial application of the accounting standards, interpretations or amendments that are effective from 1 January 2018 do not have any material financial impacts to the current and prior financial period of the Group.

<u>Description</u>	Effective for financial periods <u>beginning on or after</u>
<u>New MFRSs</u>	
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
<u>Amendments/Improvements to MFRSs</u>	
MFRS 1 First-time adoption of MFRSs	1 January 2018
MFRS 2 Share-based payment	1 January 2018
MFRS 4 Insurance Contracts	1 January 2018
MFRS 128 Investments in Associates and Joint Ventures	1 January 2018
MFRS 140 Investment Property	1 January 2018
<u>New IC Int</u>	
IC Int 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

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>	Effective for financial periods <u>beginning on or after</u>
<u>New MFRSs</u>	
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
<u>Amendments/Improvements to MFRSs</u>	
MFRS 1 First-time Adoption of Malaysian Financial	1 January 2021 [#]

EVERGREEN FIBREBOARD BERHAD (217120 W)

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

	Reporting Standards	
MFRS 2	Share-based Payment	1 January 2020*
MFRS 3	Business Combinations	1 January 2019/ 1 January 2020*
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021#
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 7	Financial Instruments: Disclosures	1 January 2021#
MFRS 9	Financial Instruments	1 January 2019
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 14	Regulatory Deferral Accounts	1 January 2020*
MFRS 15	Revenue from Contracts with Customers	1 January 2021#
MFRS 101	Presentation of Financial Statements	1 January 2020*
MFRS 107	Statements of Cash Flows	1 January 2021#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020*
MFRS 112	Income Taxes	1 January 2019
MFRS 116	Property, Plant and Equipment	1 January 2021#
MFRS 119	Employee Benefits	1 January 2019
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2019/ Deferred
MFRS 132	Financial instruments: Presentation	1 January 2021#
MFRS 134	Interim Financial Reporting	1 January 2020*
MFRS 136	Impairment of Assets	1 January 2021#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020*
MFRS 138	Intangible Assets	1 January 2020*
MFRS 140	Investment Property	1 January 2021#
<u>New IC Int</u>		
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019
<u>Amendments to IC Int</u>		
IC Int 12	Service Concession Arrangements	1 January 2020*
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020*
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020*
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2020*
IC Int 132	Intangible Assets – Web Site Costs	1 January 2020*

* *Amendments to References to the Conceptual Framework in MFRS Standards*

Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

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.

EVERGREEN FIBREBOARD BERHAD (217120 W)

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

2. Audit Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2017 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 except on period where adverse weather may affect log supply.

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.

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 2018 was 622,000 shares and the shares are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016.

7. Dividends Paid

No dividend was paid during the 4th quarter ended 31 December 2018.

EVERGREEN FIBREBOARD BERHAD (217120 W)

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

8. Profit before tax

Included in the profit before tax are the following items:

	3 months ended		12 months ended	
	31 December		31 December	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Interest Income	(502)	(728)	(1,680)	(1,881)
Other expense/(income) including investment income	(1,997)	(15,594)	(17,727)	(15,769)
Interest expense/ Finance cost	1,733	759	6,862	5,971
Depreciation and amortisation	20,132	14,118	74,592	62,902
(Gain)/ loss on disposal of property, plant and equipment	448	530	(10,751)	(107)
Goodwill written off	-	-	8,000	-
Foreign exchange (gain)/loss	(2,873)	771	(7,392)	4,506

9. Segmental Information

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

	3 months ended		3 months ended	
	31 December 2018		31 December 2017	
Segment	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	161,878	(10,570)	164,786	17,355
Thailand	96,549	345	65,948	701
Others	20,668	1,552	24,787	655
	<u>279,095</u>	<u>(8,673)</u>	<u>255,521</u>	<u>18,711</u>

	12 months ended		12 months ended	
	31 December 2018		31 December 2017	
Segment	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	652,964	2,722	575,634	48,773
Thailand	393,287	19,622	358,811	13,871
Others	75,466	4,159	89,692	5,191
	<u>1,121,717</u>	<u>26,503</u>	<u>1,024,137</u>	<u>67,835</u>

EVERGREEN FIBREBOARD BERHAD (217120 W)

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

10. Valuation of Investment and Property, Plant and Equipment

No valuation was conducted during the period on the Group's property, plant and equipment.

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 29 November 2018, the Board of Directors of the Company wishes to announce that EVERGREEN ECO WOOD PTE LTD (Company No. 200820980R), a dormant subsidiary of the Company, has been strike off by the Registrar of Companies and Businesses ("ROCB") pursuant to Section 344 of the Singapore Companies Act, CAP. 50 on 05 November 2018 and the Secretary has received a copy on the Notice of Strike Off on 29 November 2018.

The Application for Striking Off will not have any material effect on the earnings and net assets per share of the Company for the financial year ending 31 December 2018.

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 2018 are as follows:

	<u>RM'000</u>
Approved and contracted for	3,196
Approved but not contracted for	160
	<u>3,356</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. However, no such transactions arise.

EVERGREEN FIBREBOARD BERHAD (217120 W)

(Incorporated in Malaysia)

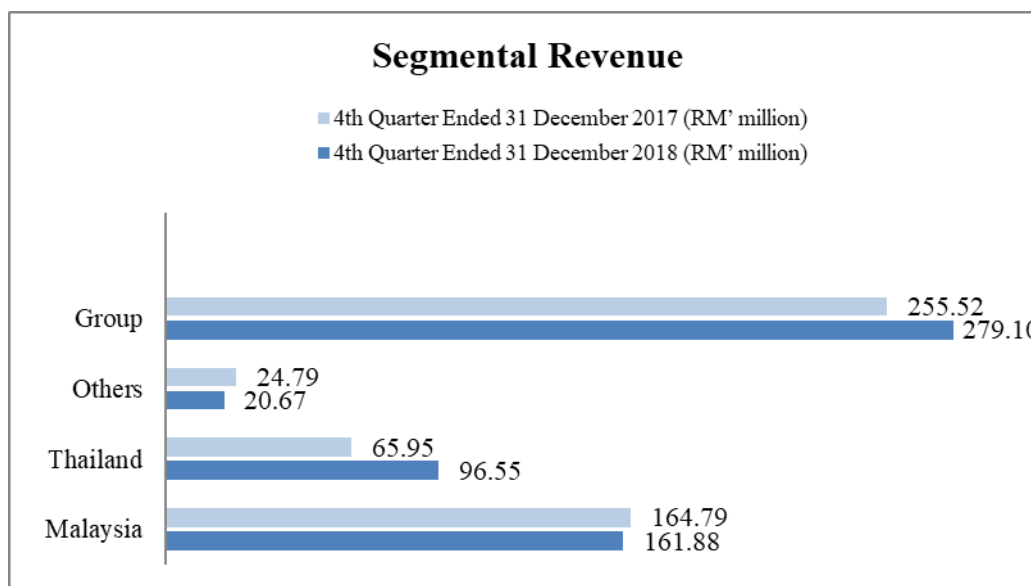
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

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

1 *Performance Review*

	3 months ended		Changes %	12 months ended		Changes %
	31 December 2018	31 December 2017		31 December 2018	31 December 2017	
	<u>(RM'000)</u>	<u>(RM'000)</u>		<u>(RM'000)</u>	<u>(RM'000)</u>	
Revenue	279,095	255,521	9.2%	1,121,717	1,024,137	9.5%
Operating Profit	38,402	47,111	-18.5%	199,661	225,468	-11.4%
Profit/(Loss) Before Interest and Tax	(6,940)	19,470	-135.6%	33,365	73,806	-54.8%
Profit/(Loss) Before Tax	(8,673)	18,711	-146.4%	26,503	67,835	-60.9%
Profit/(Loss) After Tax	(9,357)	12,775	-173.2%	15,993	46,833	-65.9%
Profit/(Loss) Attributable to Owners of the Company	(8,016)	13,136	-161.0%	16,057	44,972	-64.3%

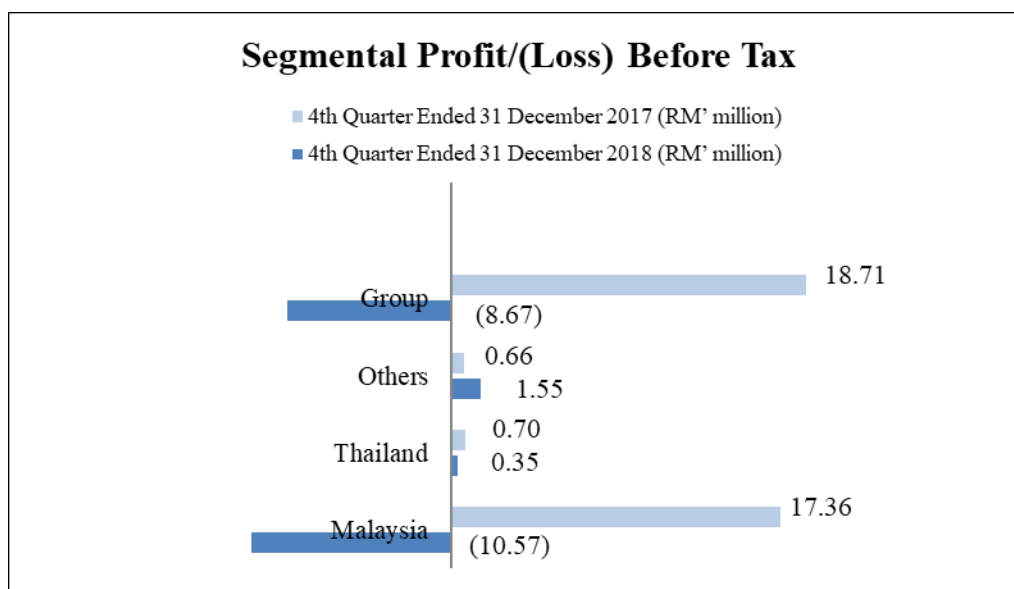
Segmental Revenue and Results – for 4th Quarter Ended 31/12/2017 vs 31/12/2018



EVERGREEN FIBREBOARD BERHAD (217120 W)

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018



Malaysia segment

The Malaysia segment's revenue for the quarter ended 31 December 2018 decreased by 1.8% or RM2.91 million to RM161.88 million from RM164.79 million recorded in the preceding year corresponding quarter. The decrease in revenue was mainly due to the lower average selling prices as a result of severe competition from the region, couple with lower sales volume.

Loss before tax was reported at RM10.57 million for the current quarter, compared to profit before tax of RM17.36 million recorded in the corresponding quarter of the preceding year. The loss was mainly resulted from lower average selling prices, lower capacity utilization due to unforeseen machine breakdown and loss arising from fair value adjustment on biological assets.

Thailand segment

The Thailand segment's revenue for the quarter ended 31 December 2018 increased by 46.4% or RM30.6 million to RM96.55 million from RM65.95 million recorded in the preceding year corresponding quarter. Despite of lower average selling price, the increase in revenue was mainly attributable to higher sales volume in current quarter compared with the lower based due to line stoppage in preceding year corresponding quarter.

Profit before tax for the current quarter decreased by RM0.35 million to RM0.35 million compared to a profit before tax of RM0.70 million recorded in the corresponding quarter of the preceding year. The decrease in profit mainly due to higher cost of raw materials couple with lower average selling prices as a result of severe competition from the region.

EVERGREEN FIBREBOARD BERHAD (217120 W)

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

Others segment

On Others segment's revenue for the quarter ended 31 December 2018 decreased by 16.6% to RM20.67 million from RM24.79 million recorded in the preceding year corresponding quarter. The decrease in revenue was mainly caused by lower sales volume and lower average selling price.

Profit before tax was reported for the current quarter increased by RM0.89 million to RM1.55 million compared to profit before tax of RM0.66 million recorded in the corresponding quarter of the preceding year. The increase in profit was mainly due to lower cost of log and glue as well as higher foreign exchange gain being recorded in the current quarter.

Consolidated

The Group's revenue for the quarter ended 31 December 2018 increased by 9.2% or RM23.58 million to RM279.10 million from RM255.52 million recorded in the preceding year corresponding quarter. The increase in revenue was mainly due to higher sales volume contributed by Thailand segment.

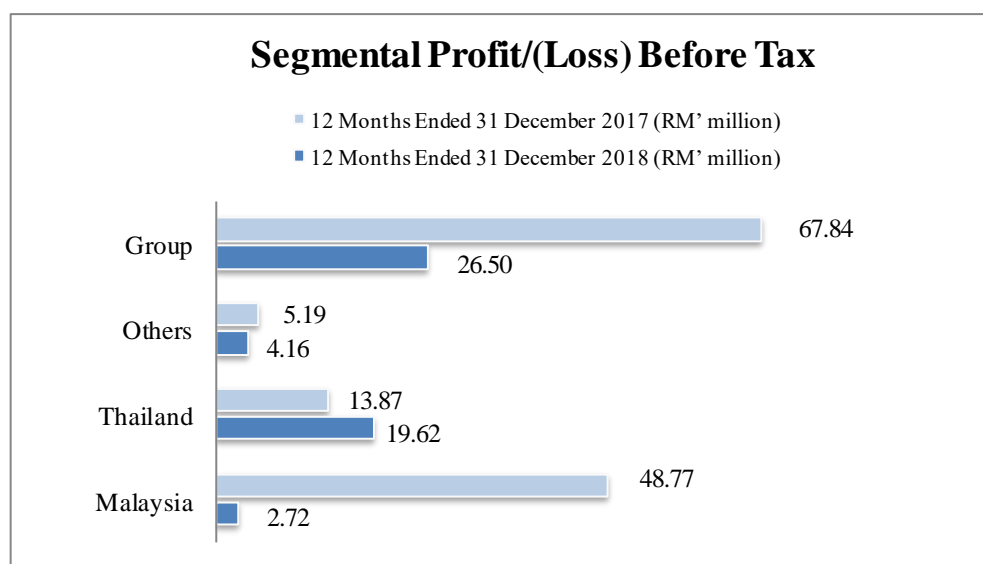
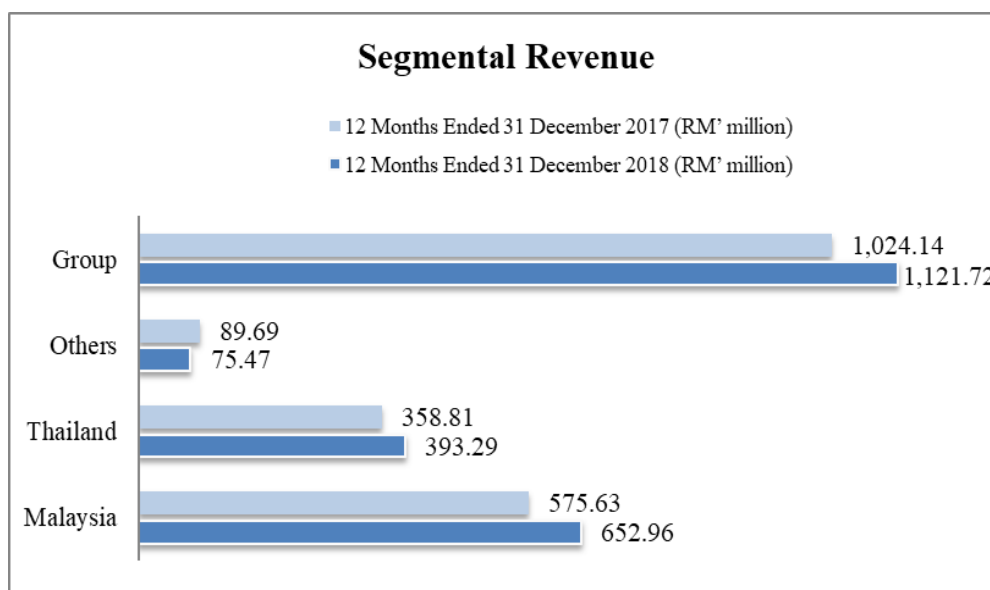
Loss before tax was reported at RM8.67 million for the current quarter, compared to profit before tax of RM18.71 million recorded in the corresponding quarter of the preceding year. The loss was mainly due to lower average selling prices as a result of severe competition from the region and loss arising from fair value adjustment on biological assets.

EVERGREEN FIBREBOARD BERHAD (217120 W)

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

Segmental Revenue and Results – for 12 Months Ended 31/12/2017 vs 31/12/2018



Malaysia segment

For the current year to date, the Malaysia segment's revenue has increased by 13.4% to RM652.96 million, as compared to the revenue of RM575.63 million for the corresponding period last year. The increase in revenue was mainly contributed by higher sales volume especially from particle boards.

For the current year to date, profit before tax reported at RM2.72 million as compared to a profit before tax of RM48.77 million recorded in the corresponding

EVERGREEN FIBREBOARD BERHAD (217120 W)

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

period last year. The decrease in profit was mainly due to lower average selling prices resulted from severe competition from the region, higher cost of raw materials and loss arising from fair value adjustment on biological assets. This impact was mitigated by foreign exchange gain being recorded in current year to date.

Thailand segment

For the current year to date, the Thailand segment's revenue was RM393.29 million, with an increase of 9.6% or RM34.48 million, as compared to the revenue of RM358.81 million for the corresponding period last year. The increase in revenue was mainly contributed by higher sales volume, despite of lower average selling price.

For the current year to date, profit before tax has increased by RM5.75 million to RM19.62 million, as compared to RM13.87 million recorded in the corresponding period last year. The increase in profit was mainly contributed by higher synergistic cost savings from power plants and insurance claim received as compensation of line stoppage last year.

Others Segment

For the current year to date, on Other segment's revenue, has decreased by 15.9% to RM75.47 million, as compared to the revenue of RM89.69 million for the corresponding period last year. The decrease in revenue was mainly due to lower sales volume and average selling price.

Profit before tax was reported at RM4.16 million for the current year to date, decreased by RM1.03 million compared to RM5.19 million recorded in the corresponding period last year. The decrease in profit was due to lower revenue despite lower raw material costs.

Consolidated profit before tax

For the current year to date, the Group's revenue has increased by 9.5% or RM97.58 million to RM1,121.72 million, as compared to RM1,024.14 million for the corresponding period last year. The increase in revenue was mainly attributable to higher sales volume of the Group's products.

Profit before tax was registered at RM26.50 million for the current year to date, decreased by 60.9% or RM41.34 million compared to profit before tax of RM67.84 million recorded in the corresponding period last year. The decrease in profit was mainly due to lower average selling prices which caused by severe competition from region and high raw materials cost as well as loss arising from fair value adjustment on biological assets. The impact was mitigated by foreign exchange gain being recorded in current year to date and insurance claim received as compensation of line stoppage last year.

EVERGREEN FIBREBOARD BERHAD (217120 W)

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

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

	Current Quarter 31-Dec-18 <u>RM'000</u>	Immediate Preceding Quarter 30-Sep-18 <u>RM'000</u>	Changes %
Revenue	279,095	288,529	-3.3%
Operating Profit	38,402	49,536	-22.5%
Profit/(Loss) Before Interest and Tax	(6,940)	9,497	-173.1%
Profit/(Loss) Before Tax	(8,673)	7,744	-212.0%
Profit/(Loss) After Tax	(9,357)	5,743	-262.9%
Profit/(Loss) Attributable to Owners of the Company	(8,016)	5,345	-250.0%

The current quarter revenue decreased by 3.3% or RM9.43 million to RM279.10 million, as compared to RM288.53 million recorded in the preceding quarter. The decrease in revenue was mainly due to lower sales volumes and average selling prices.

The Group's loss before tax was reported at RM8.67 million for the current quarter, compared to profit before tax of RM7.74 million recorded in the preceding quarter. The decrease in profit was mainly due to lower margin resulted from lower average selling price and a lower other income recorded in the current quarter compared to preceding quarter.

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*

Increasing capacities from neighboring countries will make it a challenging year ahead. The Group will focus on achieving the best product mix that gives the optimum result in terms of profit margin and operational efficiency.

EVERGREEN FIBREBOARD BERHAD (217120 W)

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

5 Tax Expense

Major Components of tax expense

	3 months ended		12 months ended	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'0000</u>
Current tax expense	1,566	(2,493)	10,566	5,395
Deferred tax expense	(882)	8,429	(56)	15,607
	<u>684</u>	<u>5,936</u>	<u>10,510</u>	<u>21,002</u>

The effective tax rate of the Group for the current year to date is higher than the statutory rate due to reverse of deferred tax assets previously recorded.

6 Status of Corporate Proposal Announced

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

EVERGREEN FIBREBOARD BERHAD (217120 W)

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

7 Borrowings and Debt Securities

The Group's borrowings are as follows: -

Denominated	As at 31 December 2018				Total RM'000
	In RM RM'000	In Baht RM'000	In USD RM'000	In Euro RM'000	
Short Term Borrowings:					
<u>Secured</u>					
Trade facilities	-	44,312	-	-	44,312
Term loans	10,609	-	3,649	-	14,258
Hire purchase and finance lease payables	46	272	-	56	374
<u>Unsecured</u>					
Trade facilities	41,158	-	10,133	-	51,291
Term Loans	5,004	-	644	6,648	12,296
	<u>56,817</u>	<u>44,584</u>	<u>14,426</u>	<u>6,704</u>	<u>122,531</u>
Long Term Borrowings:					
<u>Secured</u>					
Term loans	26,323	-	10,572	-	36,895
Hire purchase and finance lease payables	58	283	-	344	685
<u>Unsecured</u>					
Term Loans	9,311	-	-	39,888	49,199
	<u>35,692</u>	<u>283</u>	<u>10,572</u>	<u>40,232</u>	<u>86,779</u>
Total	<u>92,509</u>	<u>44,867</u>	<u>24,998</u>	<u>46,936</u>	<u>209,310</u>

Exchange rate RM to USD1.00	4.1360
Exchange rate RM to THB1.00	0.1277
Exchange rate RM to EUR1.00	4.7390

EVERGREEN FIBREBOARD BERHAD (217120 W)

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

As at 31 December 2017

Denominated	In RM RM'000	In Baht RM'000	In USD RM'000	In Euro RM'000	Total RM'000
Short Term Borrowings:					
<u>Secured</u>					
Trade facilities	-	49,600	-	-	49,600
Term loans	13,142	-	-	-	13,142
Hire purchase and finance lease payables	51	274	-	-	325
<u>Unsecured</u>					
Trade facilities	17,201	-	-	-	17,201
Term Loans	5,004	-	1,639	6,811	13,454
	<u>35,398</u>	<u>49,874</u>	<u>1,639</u>	<u>6,811</u>	<u>93,722</u>
Long Term Borrowings:					
<u>Secured</u>					
Term loans	60,313	-	-	-	60,313
Hire purchase and finance lease payables	104	538	-	-	642
<u>Unsecured</u>					
Term Loans	16,879	-	644	45,109	62,632
	<u>77,296</u>	<u>538</u>	<u>644</u>	<u>45,109</u>	<u>123,587</u>
Total	<u>112,694</u>	<u>50,412</u>	<u>2,283</u>	<u>51,920</u>	<u>217,309</u>

Exchange rate RM to USD1.00	4.0400
Exchange rate RM to THB1.00	0.1240
Exchange rate RM to EUR1.00	4.8553

8 ***Changes in Material Litigation***

There is no material litigation pending as at the date of this report.

EVERGREEN FIBREBOARD BERHAD (217120 W)

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

9 *Dividend Payable*

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

Record of dividends paid in respect of financial year ended 31 December 2017 is as follows:

Financial Year Ended	Date Declared/ Approved	Type of Dividend	Dividend Rate	Amount Paid (RM)	Payment Date
2017	25 May 2018	Final single tier dividend	1.38 sen /share	RM11.67 million	17 August 2018

10 *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 2018	31 December 2017	31 December 2018	31 December 2017
Net profit/(loss) for the period attributable to owners of the Parent (RM'000)	(8,016)	13,136	16,057	44,972
Weighted average number of ordinary shares in issue ('000)	845,885	846,002	845,885	846,002
Basic EPS (sen)	(0.95)	1.55	1.90	5.32

b. **Diluted**

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