

# EVERGREEN FIBREBOARD BERHAD (217120 W)

(Incorporated in Malaysia)

## ***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017***

### **A INFORMATION REQUIRED BY MFRS 134**

#### ***1. Basis of Preparation***

These condensed consolidated interim financial statements, for the period ended 31 March 2017, 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 2016.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2016, except for the adoption of the Amendments to Standards and Issue Committee (IC) Interpretations effective as of 1 January 2017.

#### **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 financial periods 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
MFRS 16 Leases	1 January 2019
<u>Amendments/Improvements to MFRSs</u>	
MFRS 2 Share-based Payment	1 January 2018
MFRS 4 Insurance Contracts	1 January 2018
MFRS 10 Consolidated Financial Statements	Deferred
MFRS 128 Investments in Associates and Joint Ventures	1 January 2018/ Deferred
MFRS 140 Investment Property	1 January 2018
<u>New IC Int</u>	
IC Int 22 Foreign Currency Transactions and Advance Consideration	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 2016 was not subjected to any qualification.

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## ***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017***

### ***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.

### ***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 March 2017 was 422,000 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 1<sup>st</sup> quarter ended 31 March 2017.

# EVERGREEN FIBREBOARD BERHAD (217120 W)

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### 8. ***Profit before tax***

Included in the profit before tax are the following items:

	3 months ended		3 months ended	
	31 March		31 March	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Interest Income	(322)	(428)	(322)	(428)
Other expense/(income) including investment income	432	(496)	432	(496)
Interest expense/ Finance cost	1,567	1,676	1,567	1,676
Depreciation and amortisation	16,219	16,561	16,219	16,561
(Gain)/loss on disposal of property, plant and equipment	-	(607)	-	(607)
Foreign exchange (gain)/loss	123	5,906	123	5,906
(Gain)/loss on derivatives	-	(823)	-	(823)

### 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 March 2017		31 March 2016	
Segment	Segment	Segment	Segment	
Revenue	Profit/(Loss)	Revenue	Profit/(Loss)	
	before tax		before tax	
	RM'000	RM'000	RM'000	RM'000
Malaysia	121,224	9,919	131,466	8,340
Thailand	111,630	5,783	97,609	14,610
Others	16,647	1,220	17,719	1,375
	<u>249,501</u>	<u>16,922</u>	<u>246,794</u>	<u>24,325</u>

### 10. ***Carrying Amount of Revalued Assets***

The valuation of property, plant and equipment has been brought forward without amendment from the audited financial statements for the year ended 31 December 2016.

### 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.

# EVERGREEN FIBREBOARD BERHAD (217120 W)

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## ***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017***

### **12. *Changes in Composition of the Group***

On 2 March 2017, Evergreen Fibreboard Berhad (“EFB”) announced the company had acquired the remaining 11,539,500 ordinary shares of RM1.00 each in its subsidiary Company, Craft Master Timber Products Sdn Bhd (“CMTPSB”) representing 49% of the total issued and paid up capital of CMTPSB for a total cash consideration of RM380,000.

The acquisition 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 31 March 2017 are as follows:

	<u>RM'000</u>
Approved and contracted for	29,193
Approved but not contracted for	-
	<u>29,193</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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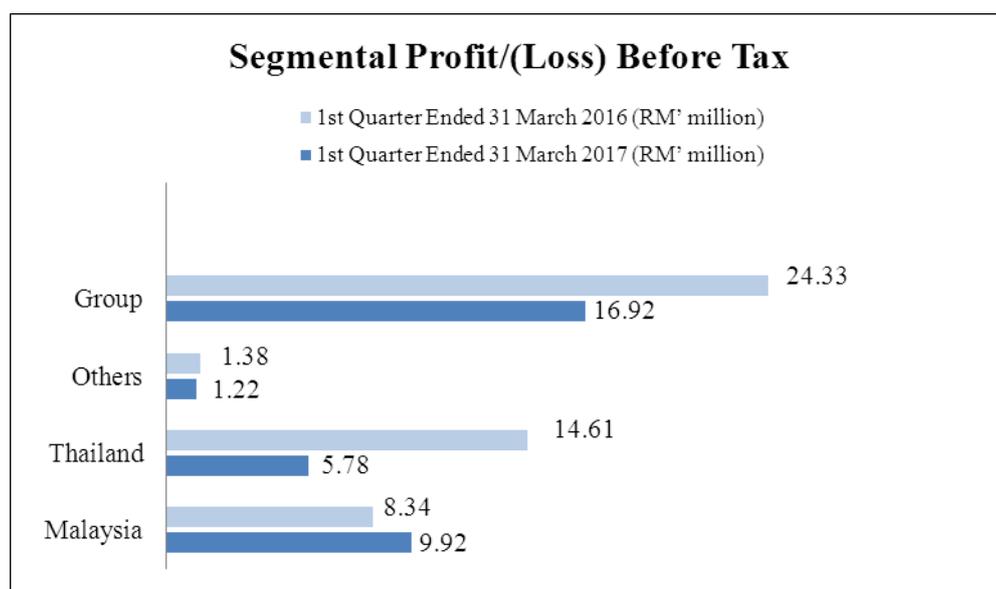
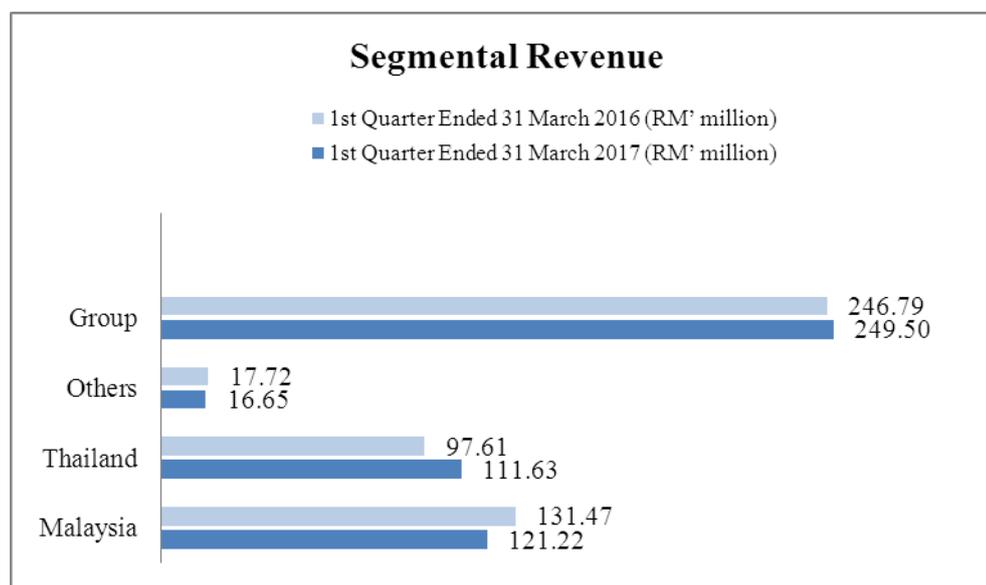
(Incorporated in Malaysia)

## ***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017***

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

#### **1 Performance Review**

#### **Segmental Revenue and Results – for 1<sup>st</sup> Quarter Ended 31/03/2016 vs 31/03/2017**



#### **Malaysia segment**

The Malaysia segment's revenue for the quarter ended 31 March 2017 decreased by 7.8% or RM10.25 million to RM121.22 million from RM131.47 million recorded in the preceding year corresponding quarter. The decrease in revenue was mainly due to lower sales volumes as floods have disrupted log supplies to Malaysia's

# EVERGREEN FIBREBOARD BERHAD (217120 W)

(Incorporated in Malaysia)

## ***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017***

operations.

Profit before tax for the current quarter increased by RM1.58 million to RM9.92 million compared to a profit before tax of RM8.34 million recorded in the corresponding quarter of the preceding year. The increase in profit was mainly due to foreign exchange loss was lower compared to the preceding year corresponding quarter.

### **Thailand segment**

The Thailand segment's revenue for the quarter ended 31 March 2017 increased by 14.4% or RM14.02 million to RM111.63 million from RM97.61 million recorded in the preceding year corresponding quarter. The increase in revenue was contributed by higher sales volumes and average selling price.

Profit before tax for the current quarter decreased to RM5.78 million compared to a profit before tax of RM14.61 million recorded in the corresponding quarter of the preceding year. The decrease in profit was mainly due to higher cost of raw materials as log supplies was disrupted by floods in Southern Thailand.

### **Others segment**

On Others segment's revenue for the quarter ended 31 March 2017 decreased by 6.0% to RM16.65 million from RM17.72 million recorded in the preceding year corresponding quarter. The decrease in revenue was mainly attributed by lower sales volume.

Profit before tax was reported at RM1.22 million for the current quarter, decreased by RM0.16 million compared to RM1.38 million recorded in the corresponding quarter of the preceding year. The decrease in profit was mainly due to lower of sales revenue and higher cost of log.

### **Consolidated**

The Group's revenue for the quarter ended 31 March 2017 increased by 1.1% or RM2.71 million to RM249.50 million from RM264.79 million recorded in the preceding year corresponding quarter. The increase in revenue was mainly due to higher average selling price as the Group emphasis more on high premium products.

Profit before tax for the current quarter decreased by 30.5% or RM7.41 million to RM16.92 million compared to a profit before tax of RM24.33 million recorded in the corresponding quarter of the preceding year. The decrease in profit was mainly due to higher cost of log as the result of disruption of log supplies caused by floods.

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## ***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017***

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

	Current Quarter Ended 31 March 2017 <u>RM'000</u>	Immediate Preceding Quarter Ended 31 December 2016 <u>RM'000</u>
Revenue	249,501	262,788
Profit Before Tax	16,922	20,389
Net profit for the period	10,926	16,526

The current quarter revenue decreased by 5.1% to RM249.50 million, as compared to RM262.79 million recorded in the preceding quarter. The decrease in revenue was due to lower sales volumes, although the impact was mitigated by the higher average selling price and the strengthening of US dollar against the Malaysian Ringgit.

The Group's profit before tax was decreased by 17.0% to RM16.92 million, as compared to RM20.39 million recorded in the preceding quarter. The decrease in profit was mainly due to lower sales revenue and higher raw material costs as log supplies were disrupted by floods.

### **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 world economy is still deemed as fragile although there have been new developments which point to potential improvements. In the US, whilst the protectionist rhetoric is on-going, concrete protectionist policies are as yet few and far between. Shale oil industry is booming and while oil prices look weak, the fact that OPEC and non-OPEC members are willing to extend supply cuts limits over-supply. Generally, global growth is showing signs of solidifying with impediments to growth subsiding. Meanwhile closer to home, the rubber wood log supply disruption which hits Thailand, Malaysia and Indonesia have receded. Whilst supply has yet to fully normalize in Malaysia and Indonesia due to continuous wet weather, the situation has improved and looks to continue to improve further as the wet season spends its course. The Group expects a satisfactory performance moving forward.

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### 5 ***Tax Expense***

Major Components of tax expense

	3 months ended		3 months ended	
	31 March 2017 <u>RM'000</u>	31 March 2016 <u>RM'000</u>	31 March 2017 <u>RM'000</u>	31 March 2016 <u>RM'000</u>
Current tax expense	3,341	2,765	3,341	2,765
Deferred tax expense	2,655	912	2,655	912
	<u>5,996</u>	<u>3,677</u>	<u>5,996</u>	<u>3,677</u>

The effective tax rate of the Group for the current quarter is higher than the statutory rate mainly due to not recognising deferred tax assets on non-performing companies.

### 6 ***Realised and Unrealised Profits/Losses Disclosure***

	As at 31 March 2017 <u>RM'000</u>	As at 31 December 2016 <u>RM'000</u>
	Retained profits of the Company and its subsidiaries:	
- Realised	710,526	686,772
- Unrealised	(39,320)	(26,756)
	<u>671,206</u>	<u>660,016</u>
Less: Consolidation adjustments	38,385	39,036
Group retained profits as per consolidated accounts	<u>709,591</u>	<u>699,052</u>

### 7 ***Status of Corporate Proposal Announced***

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

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***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2017*****8 Borrowings and Debt Securities**

The Group's borrowings are as follows: -

Denominated	As at 31 March 2017				
	In RM RM'000	In Baht RM'000	In USD RM'000	In Euro RM'000	Total RM'000
<b>Short Term Borrowings:</b>					
<u>Secured</u>					
Trade facilities	-	33,746	-	-	33,746
Term loans	8,123	-	8,465	-	16,588
Hire purchase and finance lease payables	64	299	-	-	363
<u>Unsecured</u>					
Trade facilities	29,931	-	14,160	-	44,091
Term Loans	6,153	-	2,741	3,333	12,227
	<u>44,271</u>	<u>34,045</u>	<u>25,366</u>	<u>3,333</u>	<u>107,015</u>
<b>Long Term Borrowings:</b>					
<u>Secured</u>					
Term loans	28,346	-	-	-	28,346
Hire purchase and finance lease payables	173	756	-	-	929
<u>Unsecured</u>					
Term Loans	16,023	-	1,815	52,941	70,779
	<u>44,542</u>	<u>756</u>	<u>1,815</u>	<u>52,941</u>	<u>100,054</u>
Total	<u>88,813</u>	<u>34,801</u>	<u>27,181</u>	<u>56,274</u>	<u>207,069</u>

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### 9 ***Changes in Material Litigation***

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

### 10 ***Dividend Payable***

Final single tier dividend of 2 sen per ordinary share amounting to RM16,920,040 for financial year ending 31 December 2016 was approved on 19 May 2017. The entitlement date will be dated on 2 August 2017 and the final dividend will be payable on 18 August 2017.

### 11 ***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		3 months ended	
	31 March	31 March	31 March	31 March
	2017	2016	2017	2016
Net profit/(loss) for the period attributable to owners of the Parent (RM'000)	10,539	20,619	10,539	20,619
Weighted average number of ordinary shares in issue ('000)	846,424	768,915	846,424	768,915
Basic EPS (sen)	1.25	2.68	1.25	2.68

#### b. **Diluted**

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