

EVERGREEN FIBREBOARD BERHAD

Registration No.: 199101006810

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2022

A INFORMATION REQUIRED BY MFRS 134

1. *Basis of Preparation*

These condensed consolidated interim financial statements, for the period ended 31 March 2022, 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 2021.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2021, except for the adoption of the Amendments to Standards and Issue Committee (IC) Interpretations effective as of 1 January 2022. The initial application of the accounting standards, interpretations or amendments that are effective from 1 January 2022 do not have any material financial impacts to the current and prior financial period of the Group.

<u>Amendments/Improvements to MFRSs</u>		Effective for financial periods <u>beginning on or after</u>
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2022 [^]
MFRS 3	Business Combinations	1 January 2022
MFRS 9	Financial Instruments	1 January 2022 [^]
MFRS 16	Leases	1 January 2022 [^]
MFRS 116	Property, Plant and Equipment	1 January 2022
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022
MFRS 141	Agriculture	1 January 2022 [^]

[^] *The Annual Improvements to MFRS Standards 2018-2020*

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>New MFRS</u>		Effective for financial periods <u>beginning on or after</u>
MFRS 17	Insurance Contracts	1 January 2023

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<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2023 [#]
MFRS 3	Business Combinations	1 January 2023 [#]
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023 [#]
MFRS 7	Financial Instruments: Disclosures	1 January 2023 [#]
MFRS 9	Financial Instruments	1 January 2023 [#]
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023 [#]
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023 [#]
MFRS 107	Statements of Cash Flows	1 January 2023 [#]
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 112	Income Taxes	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2023 [#]
MFRS 119	Employee Benefits	1 January 2023 [#]
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023 [#]
MFRS 132	Financial instruments: Presentation	1 January 2023 [#]
MFRS 136	Impairment of Assets	1 January 2023 [#]
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2023 [#]
MFRS 138	Intangible Assets	1 January 2023 [#]
MFRS 140	Investment Property	1 January 2023 [#]

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.

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2. Audit Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2021 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.

6. Debt and Equity Securities

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

- (a) During the quarter under review, the Company bought back a total of 935,200 of its issued and paid up shares from the open market at an average price of RM0.52 per share. Total consideration paid for the buy backs including transaction costs was RM486,409 and these buy backs were financed by internally generated fund. The total number of shares bought back as at the date of this report was 1,557,200 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 1st quarter ended 31 March 2022.

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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	
	2022	2021	2022	2021
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Interest Income	(237)	(246)	(237)	(246)
Other (income)/ expense including investment income	(657)	(805)	(657)	(805)
Interest expense/ Finance cost	1,215	1,813	1,215	1,813
Depreciation and amortisation	17,799	17,791	17,799	17,791
Provision for & write off of receivables	60	98	60	98
Loss/ (gain) on disposal of property, plant and equipment	(22)	(230)	(22)	(230)
Impairment of assets	1,000	-	1,000	-
Foreign exchange loss/ (gain)	(1,790)	(1,912)	(1,790)	(1,912)

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 2022		31 March 2021	
	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	129,287	(1,090)	136,577	11,406
Thailand	167,324	20,258	74,080	(2,968)
Others	22,714	2,909	22,558	2,981
	<u>319,325</u>	<u>22,077</u>	<u>233,215</u>	<u>11,419</u>

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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 requires disclosure or adjustment to the unaudited condensed interim financial statements.

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 March 2022 are as follows:

	<u>RM'000</u>
Approved and contracted for	7,905
Approved but not contracted for	13,418
	<u>21,323</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.

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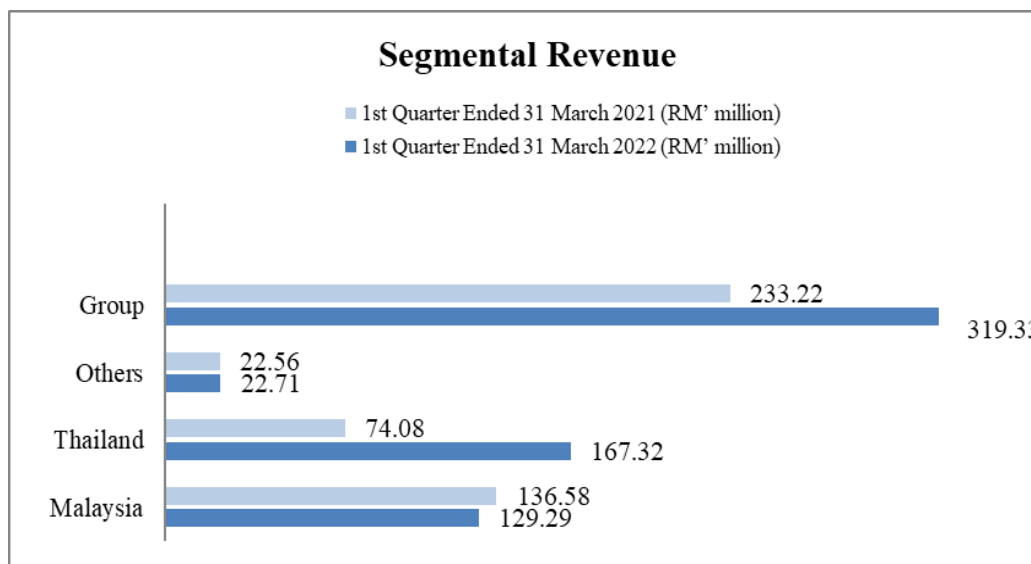
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2022

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

1 Performance Review

	3 months ended		Changes %	3 months ended		Changes %
	31 March 2022 (RM'000)	31 March 2021 (RM'000)		31 March 2022 (RM'000)	31 March 2021 (RM'000)	
Revenue	319,325	233,215	36.9%	319,325	233,215	36.9%
Operating Profit	79,351	40,636	95.3%	79,351	40,636	95.3%
Profit/(Loss) Before Interest and Tax	23,292	13,232	76.0%	23,292	13,232	76.0%
Profit/(Loss) Before Tax	22,077	11,419	93.3%	22,077	11,419	93.3%
Profit/(Loss) After Tax	17,528	9,639	81.8%	17,528	9,639	81.8%
Profit/(Loss) Attributable to Owners of the Company	17,528	9,639	81.8%	17,528	9,639	81.8%

Segmental Revenue and Results – for 1st Quarter Ended 31/3/2021 vs 31/3/2022

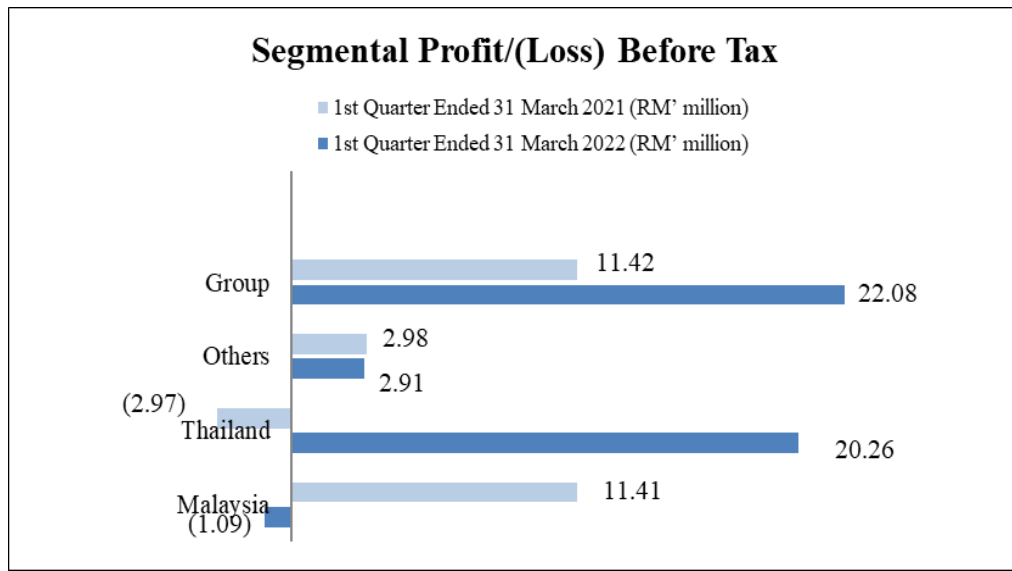


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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2022



Malaysia segment

The Malaysia segment's revenue for the quarter ended 31 March 2022 decreased by 5.3% or RM7.29 million to RM129.29 million from RM136.58 million recorded in the preceding year corresponding quarter. The decrease in revenue was mainly resulted from lower sales volume from panel boards despite of higher average selling price.

Loss before tax was reported at RM1.09 million for the quarter ended 31 March 2022 as compared to profit before tax of RM11.41 million recorded in the corresponding quarter of the preceding year. The loss was mainly caused by higher log and glue cost, lower foreign exchange gain and lower sales volume.

Thailand segment

The Thailand segment's revenue for the quarter ended 31 March 2022 increased by 125.9% or RM93.24 million to RM167.32 million from RM74.08 million recorded in the preceding year corresponding quarter. The increase in revenue was due to both higher average selling price and sales volume.

Profit before tax for the quarter ended 31 March 2022 increased by RM23.23 million to RM20.26 million from a loss before tax of RM2.97 million recorded in the corresponding quarter of the preceding year. Despite the increase in raw material cost, the increase in profit before tax was mainly contributed from higher margin resulted from higher average selling prices.

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Others segment

On Others segment, the revenue of RM22.7mil for the quarter ended 31 March 2022 is comparable to the RM22.71 million revenue recorded in the preceding year corresponding quarter.

Profit before tax for the quarter ended 31 March 2022 is similarly comparable to the revenue recorded in the corresponding quarter of the preceding year.

Consolidated

The Group's revenue for the quarter ended 31 March 2022 increased by 36.9% or RM86.11 million to RM319.33 million from RM233.22 million recorded in the preceding year corresponding quarter. The increase in revenue was mainly contributed from higher average selling price and sales volume from all major category of products.

Profit before tax for the quarter ended 31 March 2022 increased by RM10.66 million to RM22.08 million from RM11.42 million recorded in the corresponding quarter of the preceding year. Despite higher raw material cost, the higher profit was mainly contributed from higher margin resulted from higher average selling prices.

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

	Current Quarter 31-Mar-22 <u>RM'000</u>	Immediate Preceding Quarter 31-Dec-21 <u>RM'000</u>	Changes %
Revenue	319,325	287,271	11.2%
Operating Profit	79,351	65,938	20.3%
Profit/(Loss) Before Interest and Tax	23,292	16,814	38.5%
Profit/(Loss) Before Tax	22,077	15,485	42.6%
Profit/(Loss) After Tax	17,528	15,228	15.1%
Profit/(Loss) Attributable to Owners of the Company	17,528	15,228	15.1%

The current quarter revenue increased by 11.2% or RM32.05 million to RM319.33 million, as compared to RM287.27 million recorded in the preceding quarter. The increase in revenue was mainly contributed by higher sales volume and average selling price from panel boards and downstream products.

The Group's profit before tax was reported at RM22.08 million for the current quarter, compared to RM15.49 million recorded in the preceding quarter. The increase in profit before tax was mainly due to higher margin from higher average selling prices.

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3 *Profit Forecast or Profit Guarantee*

Not applicable as the Group did not issue any Profit Forecast or Profit Guarantee.

4 *Commentary of Prospects*

The conflict between Russia and Ukraine took the world by surprise and has caused disruption in terms of trade activities, shipping capacities and increasing prices of certain commodities, especially oil. This has resulted in inflationary pressures on which the US Federal Reserve System to respond by increasing interest rates. However, this has strengthened the US Dollar which in turn benefits the Group's export revenue to help mitigate the inflationary rise in material cost.

Closer to home, the pro-longed wet weather and shortage of labor in Malaysia have limited the supply of logs. Coupled with festive celebrations, this has caused some disruption to the Group's Malaysian operations in the second quarter. Nonetheless, with the arrival of the Southwest Monsoon, the dryer weather ahead will normalize wood supply. The reopening of the borders should soon see inflow of foreign manpower, thereby resolving labor shortages in Malaysia.

In summary, there are challenges such as rapid inflation increasing material cost and cost of operations and higher interest rates impacting consumer spending and new home purchases. These could be mitigated by favorable foreign exchange rates, continued strong demand from the Middle East and normalization of wood and manpower supply in Malaysia. Although faced with some seasonal disruptions to its Malaysian operations in the second quarter, the Group is still cautiously optimistic as to the second half of the year.

5 *Tax Expense*

Major Components of tax expense

	3 months ended		3 months ended	
	31 March	31 March	31 March	31 March
	2022	2021	2022	2021
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Current tax expense	5,344	2,416	5,344	2,416
Deferred tax expense	(795)	(636)	(795)	(636)
	<u>4,549</u>	<u>1,780</u>	<u>4,549</u>	<u>1,780</u>

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

6 *Status of Corporate Proposal Announced*

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

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7 Borrowings and Debt Securities

The Group's borrowings are as follows: -

Denominated	As at 31 March 2022				
	In RM	In Baht	In USD	In Euro and Others	Total
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Short Term Borrowings:					
<u>Secured</u>					
Trade facilities	-	37,920	2,006	-	39,926
Term loans	4,609	-	9,616	-	14,225
Lease liabilities	19	-	-	88	107
<u>Unsecured</u>					
Trade facilities	75,971	-	6,415	-	82,386
Term Loans	2,750	-	-	6,539	9,289
Lease liabilities	1,111	-	-	-	1,111
	<u>84,460</u>	<u>37,920</u>	<u>18,037</u>	<u>6,627</u>	<u>147,044</u>
Long Term Borrowings:					
<u>Secured</u>					
Term loans	9,002	-	12,418	-	21,420
Lease liabilities	-	-	-	138	138
<u>Unsecured</u>					
Term Loans	-	-	-	19,618	19,618
Lease liabilities	1,044	-	-	-	1,044
	<u>10,046</u>	<u>-</u>	<u>12,418</u>	<u>19,756</u>	<u>42,220</u>
Total	<u>94,506</u>	<u>37,920</u>	<u>30,455</u>	<u>26,383</u>	<u>189,264</u>

Exchange rate RM to USD1.00	4.2120
Exchange rate RM to THB1.00	0.1264
Exchange rate RM to EUR1.00	4.6614
Exchange rate RM to SGD1.00	3.1049

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As at 31 March 2021

Denominated	In RM	In Baht	In USD	In Euro and Others	Total
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Short Term Borrowings:					
<u>Secured</u>					
Trade facilities	-	49,099	-	-	49,099
Term loans	8,622	-	8,018	-	16,640
Lease liabilities	25	-	-	152	177
<u>Unsecured</u>					
Trade facilities	106,599	-	6,100	-	112,699
Term Loans	-	-	-	6,826	6,826
Lease liabilities	1,110	16	-	-	1,126
	<u>116,356</u>	<u>49,115</u>	<u>14,118</u>	<u>6,978</u>	<u>186,567</u>
Long Term Borrowings:					
<u>Secured</u>					
Term loans	12,424	-	18,768	-	31,192
Lease liabilities	13	-	-	224	237
<u>Unsecured</u>					
Term Loans	1,249	-	-	27,420	28,669
Lease liabilities	2,087	-	-	-	2,087
	<u>15,773</u>	<u>-</u>	<u>18,768</u>	<u>27,644</u>	<u>62,185</u>
Total	<u>132,129</u>	<u>49,115</u>	<u>32,886</u>	<u>34,622</u>	<u>248,752</u>

Exchange rate RM to USD1.00 4.1480

Exchange rate RM to THB1.00 0.1327

Exchange rate RM to EUR1.00 4.8656

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8 ***Changes in Material Litigation***

There was no material litigation pending as at 13 May 2022.

9 ***Dividend Payable***

The Board of Directors has recommended a final single tier dividend of 1.5 sen per share for financial year ended 2021. The detail of entitlement is subject to shareholders approval at the thirty first Annual General Meeting.

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		3 months ended	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
Net profit/(loss) for the period attributable to owners of the Parent (RM'000)	17,528	9,639	17,528	9,639
Weighted average number of ordinary shares in issue ('000)	845,673	845,802	845,673	845,802
Basic EPS (sen)	2.07	1.14	2.07	1.14

b. **Diluted**

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