

EVERGREEN FIBREBOARD BERHAD

Registration No.: 199101006810

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2023

A INFORMATION REQUIRED BY MFRS 134

1. *Basis of Preparation*

These condensed consolidated interim financial statements, for the period ended 31 March 2023, 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 2022.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2022, except for the adoption of the Amendments to Standards and Issue Committee (IC) Interpretations effective as of 1 January 2023. The initial application of the accounting standards, interpretations or amendments that are effective from 1 January 2023 do not have any material financial impacts to the current and prior financial period of the Group.

New MFRS

MFRS 17	Insurance Contracts	1 January 2023
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Amendments/Improvements to MFRSs

MFRS 9	Financial Instruments	1 January 2023
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 112	Income Taxes	1 January 2023

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:

		Effective for financial periods <u>beginning on or after</u>
MFRS 16	Leases	1 January 2024
MFRS 101	Presentation of Financial Statements	1 January 2024
MFRS 128	Investments in Associates and Joint Ventures	Deferred

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 2022 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) 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 2023 was 1,757,200 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 2023.

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8. *Loss/(Profit) before tax*

Included in the loss/(profit) before tax are the following items:

	3 months ended		3 months ended	
	31 March		31 March	
	2023	2022	2023	2022
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Interest Income	(613)	(237)	(613)	(237)
Other (income)/loss including investment income	(536)	(657)	(536)	(657)
Interest expense	1,398	1,215	1,398	1,215
Depreciation and amortisation	16,131	17,799	16,131	17,799
Provision for & write off of receivables	60	60	60	60
(Gain)/loss on disposal of property, plant and equipment	-	(22)	-	(22)
Property, plant and equipment written off	-	1,000	-	1,000
Foreign exchange (income)/loss	(981)	(1,790)	(981)	(1,790)

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 2023		31 March 2022	
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	54,620	(16,246)	129,287	(1,090)
Thailand	90,446	(5,651)	167,324	20,258
Others	25,564	2,158	22,714	2,909
	<u>170,630</u>	<u>(19,739)</u>	<u>319,325</u>	<u>22,077</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 2023 are as follows:

	<u>RM'000</u>
Approved and contracted for	45,496
Approved but not contracted for	26,237
	<u>71,733</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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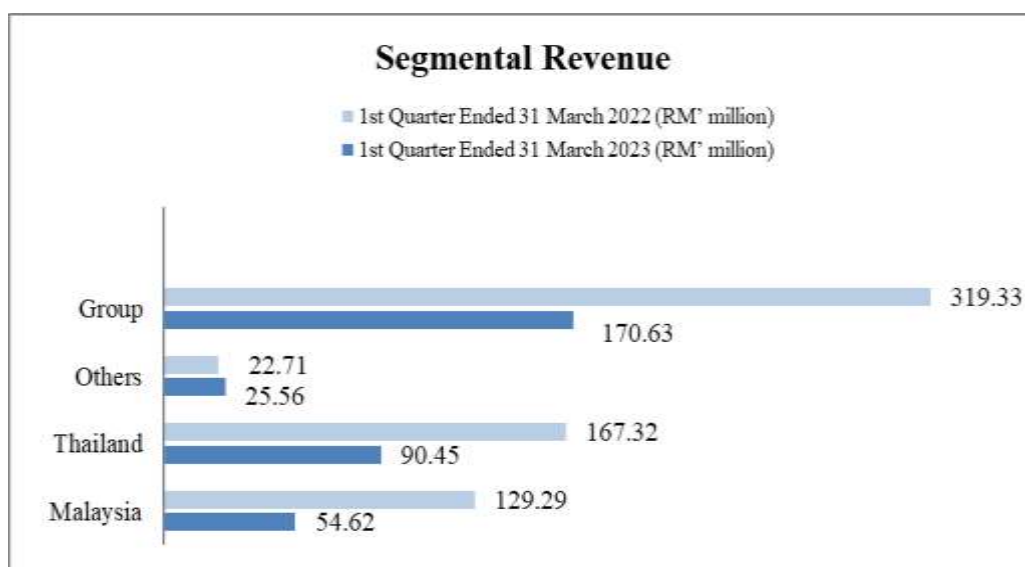
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2023

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 2023 (RM'000)	31 March 2022 (RM'000)		31 March 2023 (RM'000)	31 March 2022 (RM'000)	
Revenue	170,630	319,325	-46.6%	170,630	319,325	-46.6%
Operating Profit	9,129	79,351	-88.5%	9,129	79,351	-88.5%
Profit/(Loss) Before Interest and Tax	(18,341)	23,292	-178.7%	(18,341)	23,292	-178.7%
Profit/(Loss) Before Tax	(19,739)	22,077	-189.4%	(19,739)	22,077	-189.4%
Profit/(Loss) After Tax	(19,579)	17,528	-211.7%	(19,579)	17,528	-211.7%
Profit/(Loss) Attributable to Owners of the Company	(19,579)	17,528	-211.7%	(19,579)	17,528	-211.7%

Segmental Revenue and Results – for 1st Quarter Ended 31/3/2022 vs 31/3/2023

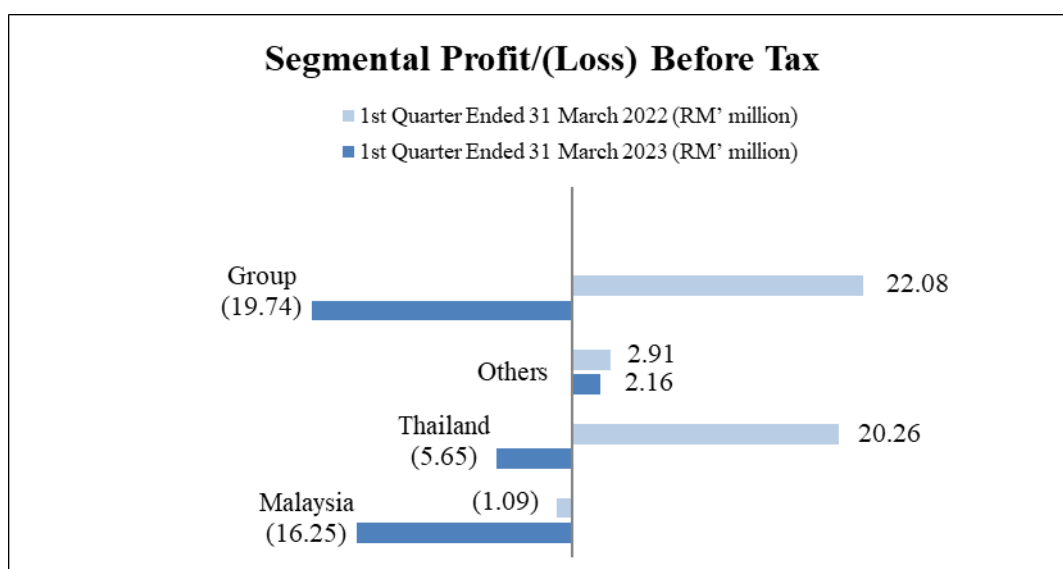


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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2023



Malaysia segment

The Malaysia segment's revenue for the quarter ended 31 March 2023 decreased by 57.8% or RM74.67 million to RM54.62 million from RM129.29 million recorded in the preceding year corresponding quarter. The decrease in revenue was mainly due to lower sales volume especially from panel boards as one of the production line was idled in preparation of being relocated to the Indonesian operation. Sales volume was lower due to soft furniture demand from the USA and Europe regions caused by high interest rates limiting consumer spending. This impacts both RTA and panel board segments.

Loss before tax was reported at RM16.25 million for the quarter ended 31 March 2023 as compared to RM1.09 million recorded in the corresponding quarter of the preceding year. The increase in loss before tax was due to lower sales margin, higher operational cost as a result of hike in electricity surcharge, higher minimum wage, lower productivity and lower foreign exchange gain being recorded in current quarter.

Thailand segment

The Thailand segment's revenue for the quarter ended 31 March 2023 decreased by 45.9% or RM76.87 million to RM90.45 million from RM167.32 million recorded in the preceding year corresponding quarter. The decrease in revenue was due to lower sales volume and average selling price. Sales volume was lower due to soft furniture demand from the USA and Europe regions caused by high interest rates limiting consumer spending.

Loss before tax was reported at RM5.65 million for the quarter ended 31 March 2023. The loss before tax was mainly due to lower sales margin and lower sales volume resulting higher operational cost recorded in the current quarter.

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Others segment

The Others segment's revenue for the quarter ended 31 March 2023 increased by 12.5% or RM2.85 million to RM25.56 million from RM22.71 million recorded in the preceding year corresponding quarter. The increase in revenue was due to higher sales volume despite lower average selling price caused by softer market demand.

Profit before tax for the quarter ended 31 March 2023 decreased by RM0.75 million to RM2.16 million from RM2.91 million recorded in the corresponding quarter of the preceding year. The decrease in profit was mainly due to lower average selling price recorded in the current quarter.

Consolidated

The Group's revenue for the quarter ended 31 March 2023 decreased by 46.6% or RM148.70 million to RM170.63 million from RM319.33 million recorded in the preceding year corresponding quarter. The decrease in revenue was mainly resulted from lower sales volume and average selling price. Sales volume was lower due to soft furniture demand from the USA and Europe regions caused by high interest rates limiting consumer spending. This impacts both RTA and panel board segments.

Loss before tax was reported at RM19.74 for the quarter ended 31 March 2023 as compared to profit before tax of RM22.08 million recorded in the corresponding quarter of the preceding year. The loss was mainly due to lower sales volume resulting in higher operational cost as a result of hike in electricity surcharge, higher minimum wage, and lower foreign exchange gain recorded in the current quarter. Included in the loss before tax for the current quarter is depreciation and amortization which are non-cash in nature, amounting to RM16.13 million.

Comment on Material Change in Profit Before Taxation Against Preceding Quarter

	Current Quarter 31-Mar-23 <u>RM'000</u>	Immediate Preceding Quarter 31-Dec-22 <u>RM'000</u>	Changes %
Revenue	170,630	199,718	-14.6%
Operating Profit/(Loss)	9,129	(7,645)	-219.4%
Profit/(Loss) Before Interest and Tax	(18,341)	(75,198)	-75.6%
Profit/(Loss) Before Tax	(19,739)	(77,235)	-74.4%
Profit/(Loss) After Tax	(19,579)	(77,154)	-74.6%
Profit/(Loss) Attributable to Owners of the Company	(19,579)	(77,154)	-74.6%

The current quarter revenue decreased by 14.6% to RM170.63 million, as compared to RM199.72 million recorded in the preceding quarter. The decrease in revenue was mainly resulted from lower sales volume due to soft furniture demand from the USA and Europe regions caused by high interest rates limiting consumer spending. This impacts both RTA and panel board segments.

The Group's loss before tax was reported at RM19.74 million for the current quarter, compared to loss before tax of RM77.24 million recorded in the preceding quarter. The loss before tax was mainly due to lower sales volume and margin plus negative

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impacts from the hike in electricity surcharge in Malaysia. The loss before tax in the preceding quarter was mainly resulted from non-cash losses such as impairment of plant, machinery, inventory and goodwill of RM49.43 million and loss on disposal of AOC of RM6.29 million.

2 *Profit Forecast or Profit Guarantee*

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

3 *Commentary of Prospects*

With central banks being pre-occupied with elevating interest rates to battle inflation and the uncertainty generated from the on-going war in Ukraine, consumer sentiment and spending have been negatively affected. Such negative impacts can be clearly seen in the low furniture orders from the USA and European regions. In Malaysia, the significant hike in cost of electricity has placed additional burdens on industries which were already negatively impacted from changes in the Employment Act. ASEAN furniture makers including Malaysia saw reduced orders which in turn reduced their demand for panel boards.

There are signs of improvement seen in sales in the upcoming quarter while operating condition remains challenging. Whether such improvements are sustainable largely depends on the resolution of the various macro-economics and geopolitical challenges mentioned above and the return of consumer confidence.

The Group continues to restructure in order to mitigate and overcome the challenges from external and macro-economic factors. Management remains cautious and makes efforts to pare down its borrowings whilst maintaining a healthy cash balance, to ensure sufficient liquidity.

4 *Tax Expense*

Major Components of tax expense

	3 months ended		3 months ended	
	31 March	31 March	31 March	31 March
	2023	2022	2023	2022
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Current tax expense	687	5,344	687	5,344
Deferred tax expense	(847)	(795)	(847)	(795)
	<u>(160)</u>	<u>4,549</u>	<u>(160)</u>	<u>4,549</u>

The effective tax rate for the current quarter was higher than the statutory tax rate mainly due to the tax expense is mainly from profitable companies and certain expenses are not deductible for tax purpose.

5 *Status of Corporate Proposal Announced*

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

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6 Borrowings and Debt Securities

The Group's borrowings are as follows: -

Denominated	As at 31 March 2023				
	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	-	-	-	-	-
Term loans	4,802	-	6,814	-	11,616
Lease liabilities	63	-	-	70	133
<u>Unsecured</u>					
Trade facilities	93,771	-	3,140	-	96,911
Term Loans	-	-	-	6,709	6,709
Lease liabilities	897	-	-	-	897
	<u>99,533</u>	<u>-</u>	<u>9,954</u>	<u>6,779</u>	<u>116,266</u>
Long Term Borrowings:					
<u>Secured</u>					
Term loans	4,994	-	6,596	-	11,590
Lease liabilities	68	-	-	68	136
<u>Unsecured</u>					
Term Loans	-	-	-	13,323	13,323
Lease liabilities	1,604	-	-	-	1,604
	<u>6,666</u>	<u>-</u>	<u>6,596</u>	<u>13,391</u>	<u>26,653</u>
Total	<u>106,199</u>	<u>-</u>	<u>16,550</u>	<u>20,170</u>	<u>142,919</u>

Exchange rate RM to USD1.00	4.4225
Exchange rate RM to THB1.00	0.1298
Exchange rate RM to EUR1.00	4.7823
Exchange rate RM to SGD1.00	3.3188

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As at 31 March 2022

Denominated	In RM	In Baht	In USD	In Euro and Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
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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7 *Changes in Material Litigation*

There was no material litigation pending as at 31 May 2023.

8 *Dividend Payable*

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

9 *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 2023	31 March 2022	31 March 2023	31 March 2022
Net (loss)/profit for the period attributable to owners of the Parent (RM'000)	(19,579)	17,528	(19,579)	17,528
Weighted average number of ordinary shares in issue ('000)	844,667	845,673	844,667	845,673
Basic EPS (sen)	(2.32)	2.07	(2.32)	2.07

b. Diluted

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