

# EVERGREEN FIBREBOARD BERHAD

Registration No.: 199101006810

(Incorporated in Malaysia)

## ***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023***

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

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

These condensed consolidated interim financial statements, for the period ended 30 September 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

#### Amendments/Improvements to MFRSs

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards #
MFRS 3	Business combinations #
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations #
MFRS 7	Financial Instrument: Disclosures #
MFRS 9	Financial Instruments #
MFRS 15	Revenue from Contracts with Customers #
MFRS 17	Insurance Contracts
MFRS 101	Presentation of Financial Statements # *
MFRS 107	Statement of Cash Flows #
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 112	Income Taxes
MFRS 116	Property, Plant and Equipment #
MFRS 119	Employee Benefits #
MFRS 128	Investments in Associates and Joint Venture #
MFRS 132	Financial Instruments : Presentation #
MFRS 136	Impairment of Assets #
MFRS 137	Provision, Contingent Liabilities and Contingent Assets #
MFRS 138	Intangible Assets #
MFRS 140	Investment Property #

# Amendments as to the consequences of effective of MFRS 17 Insurance Contracts

\* Amendment to MFRS 101 Presentation of Financial Statements in relation to Disclosure of Accounting Policies

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### **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 7	Financial Instruments : Disclosures	1 January 2024
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 16	Leases	1 January 2024
MFRS 101	Presentation of Financial Statements	1 January 2024
MFRS 107	Statement of Cash Flows	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.

### **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.

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### **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 30 September 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 3<sup>rd</sup> quarter ended 30 September 2023.

### **8. Loss/(Profit) before tax**

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

	3 months ended		9 months ended	
	30 September		30 September	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Interest Income	(686)	(255)	(1,573)	(696)
Other income including investment income	(4,388)	(8,230)	(5,513)	(9,879)
Interest expense	1,076	1,431	3,625	3,860
Depreciation and amortisation	16,126	19,188	48,502	54,926
Provision for & write off of receivables	60	60	180	180
Loss/(gain) on disposal of property, plant and equipment	386	14	379	(1,323)
Impairment of assets	-	3,120	-	5,120
Foreign exchange income	(1,718)	(3,296)	(4,625)	(7,002)

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## ***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023***

### 9. ***Segmental Information***

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

#### Segmental Revenue and Results

	3 months ended 30 September 2023		3 months ended 30 September 2022	
	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	84,615	(13,385)	111,303	(2,179)
Thailand	125,052	15,408	109,328	18,366
Others	30,417	6,683	32,901	3,350
	<u>240,084</u>	<u>8,706</u>	<u>253,532</u>	<u>19,537</u>

	9 months ended 30 September 2023		9 months ended 30 September 2022	
	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	216,846	(40,574)	380,831	(2,396)
Thailand	344,620	22,766	436,390	58,490
Others	84,394	11,453	85,747	8,647
	<u>645,860</u>	<u>(6,355)</u>	<u>902,968</u>	<u>64,741</u>

### 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.

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## ***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023***

### **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 30 September 2023 are as follows:

	<u>RM'000</u>
Approved and contracted for	46,969
Approved but not contracted for	22,613
	<u>69,582</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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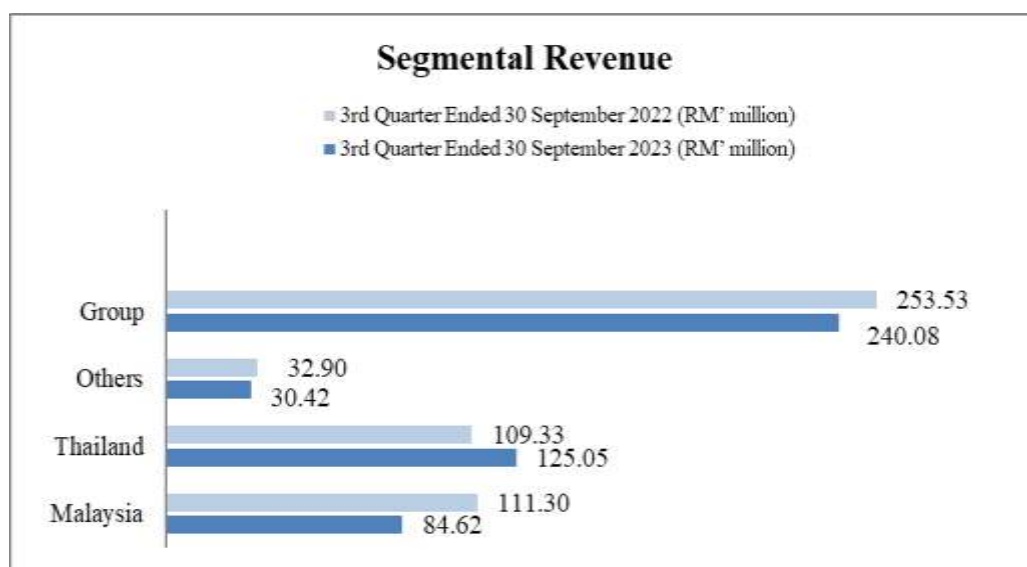
## *EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023*

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

#### **1 Performance Review**

	3 months ended		Changes %	6 months ended		Changes %
	30 September 2023 (RM'000)	30 September 2022 (RM'000)		30 September 2023 (RM'000)	30 September 2022 (RM'000)	
Revenue	240,084	253,532	-5.3%	645,860	902,968	-28.5%
Operating Profit	43,586	60,518	-28.0%	96,331	229,523	-58.0%
Profit/(Loss) Before Interest and Tax	9,782	20,968	-53.3%	(2,730)	68,601	-104.0%
Profit/(Loss) Before Tax	8,706	19,537	-55.4%	(6,355)	64,741	-109.8%
Profit/(Loss) After Tax	5,544	15,203	-63.5%	(9,227)	51,070	-118.1%
Profit/(Loss) Attributable to Owners of the Company	5,544	15,203	-63.5%	(9,227)	51,070	-118.1%

#### **Segmental Revenue and Results – for 3<sup>rd</sup> Quarter Ended 30/9/2022 vs 30/9/2023**



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## ***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023***



### **Malaysia segment**

The Malaysia segment's revenue for the quarter ended 30 September 2023 decreased by 24.0% or RM26.68 million to RM84.62 million from RM111.30 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 relocated to the Indonesian operation. Sales volume was lower due to continued 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 for the quarter ended 30 September 2023 increased by RM11.21 million to RM13.39 million from RM2.18 million recorded in the corresponding quarter of the preceding year. The loss before tax was due to lower sales margin, higher operational cost as a result of hike in electricity surcharge, higher minimum wage and lower productivity from idling cost.

### **Thailand segment**

The Thailand segment's revenue for the quarter ended 30 September 2023 increased by 14.4% or RM15.72 million to RM125.05 million from RM109.33 million recorded in the preceding year corresponding quarter. Despite softer selling price, higher volume resulted in higher revenue achieved.

Profit before tax for the quarter ended 30 September 2023 decreased by RM2.96 million to RM15.41 million from RM18.37 million recorded in the corresponding quarter of the preceding year. The decrease in profit was mainly due lower foreign exchange gain recorded in the current quarter.

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## ***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023***

### **Others segment**

The Others segment's revenue for the quarter ended 30 September 2023 decreased by 7.5% or RM2.48 million to RM30.42 million from RM32.90 million recorded in the preceding year corresponding quarter. The decrease in revenue was due to lower average selling price caused by softer market demand.

Profit before tax for the quarter ended 30 September 2023 increased by RM3.33 million to RM6.68 million from RM3.35 million recorded in the corresponding quarter of the preceding year. The increase in profit was mainly due to insurance income received in the current quarter.

### **Consolidated**

The Group's revenue for the quarter ended 30 September 2023 decreased by 5.3% or RM13.45 million to RM240.08 million from RM253.53 million recorded in the preceding year corresponding quarter. The decrease in revenue was mainly resulted from lower average selling price. Average selling price was lower due to continued 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.

Profit before tax for the quarter ended 30 September 2023 decreased by RM10.83 million to RM8.71 million from RM19.54 million recorded in the corresponding quarter of the preceding year. The decrease in profit was mainly due to lower revenue and higher operational cost as a result of hike in electricity surcharge and higher minimum wage recorded in the current quarter impacting Malaysian operations. Therefore, the Group is shifting some of its Malaysian MDF capacities to Indonesia which has a lower cost structure.



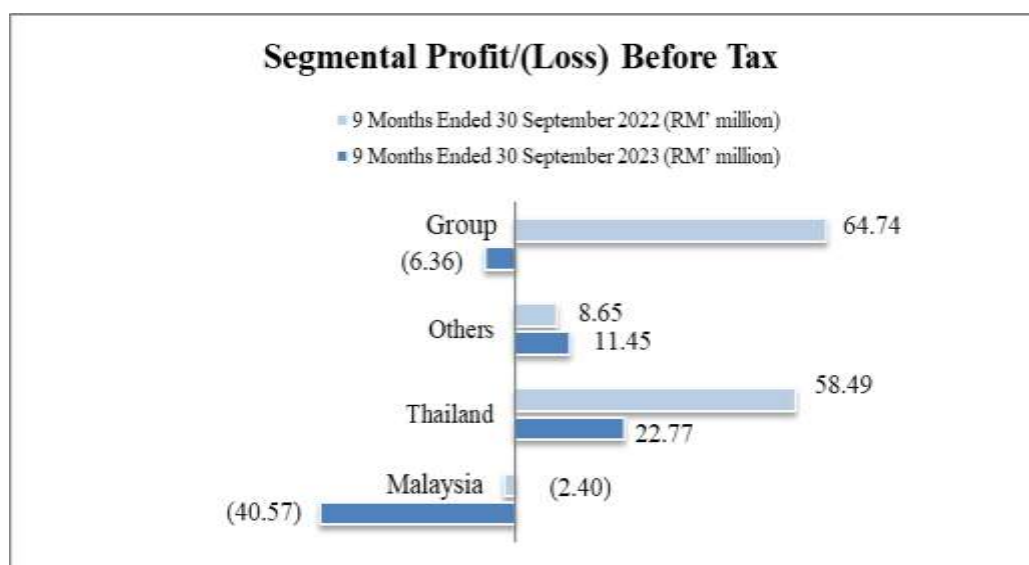
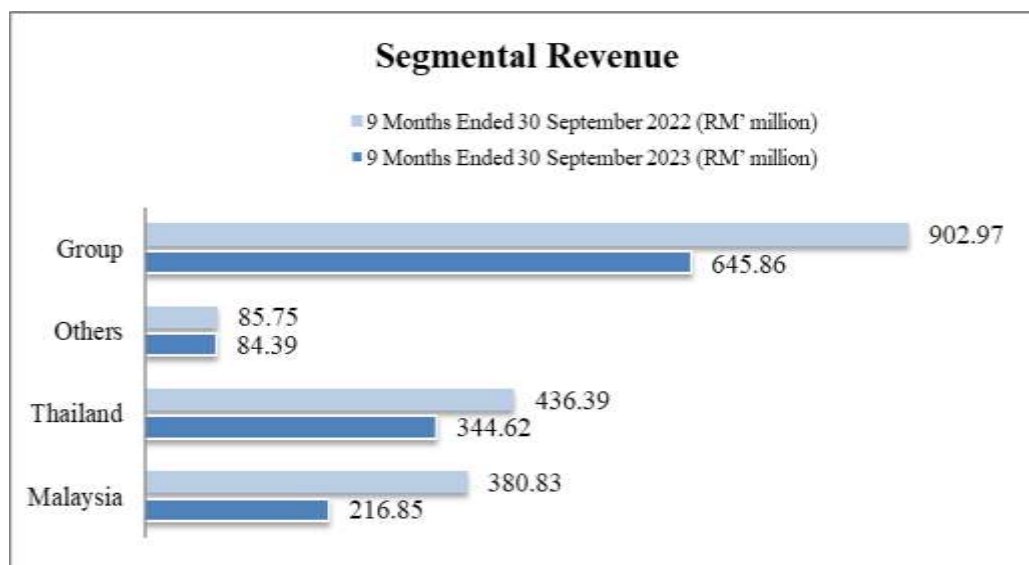
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## ***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023***

### **Segmental Revenue and Results – for 9 Months Ended 30/09/2022 vs 30/09/2023**



#### **Malaysia segment**

For the current year to date, the Malaysia segment's revenue has decreased by 43.1% to RM216.85 million, as compared to the revenue of RM380.83 million for the corresponding period last year. The decrease in revenue was mainly due to lower sales volume especially from panel boards as one of the production line was being relocated to the Indonesian operation. Sales volume was lower due to continued 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 RM40.57 million for the current year to date, as compared to a loss before tax of RM2.40 million recorded in the corresponding period last year. The increase in loss before tax was due to lower sales margin, higher

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operational cost as a result of hike in electricity surcharge, higher minimum wage and lower foreign exchange gain being recorded in current year to date.

### **Thailand segment**

For the current year to date, the Thailand segment's revenue was RM344.62 million, with a decrease of 21.0% or RM91.77 million, as compared to the revenue of RM436.39 million for the corresponding period last year. The decrease in revenue was due to lower average selling price as a result from continued soft furniture demand from the USA and Europe regions caused by high interest rates limiting consumer spending.

For the current year to date, profit before tax was reported at RM22.77 million, as compared to a profit before tax of RM58.49 million recorded in the corresponding period last year. The decrease in profit was mainly due lower sales margin, higher operational cost and lower foreign exchange gain in the current year to date.

### **Others Segment**

For the current year to date, on Other segment's revenue, has decreased by 1.6% to RM84.39 million, as compared to the revenue of RM85.75 million for the corresponding period last year. The decrease in revenue was mainly attributable to lower average selling price despite higher sales volume.

For the current year to date, profit before tax stood at RM11.45 million, which is higher to the profit before tax of RM8.65 million recorded in the corresponding period last year. The increase in profit was mainly due to amount claimed insurance received in the current quarter.

### **Consolidated profit before tax**

For the current year to date, the Group's revenue has decreased by 28.5% or RM257.11 million to RM645.86 million, as compared to RM902.97 million for the corresponding period last year. The decrease in revenue was mainly resulted from lower sales volume and average selling price. Sales volume was lower due to continued 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 RM6.36 million for the current year to date, as compared to a profit before tax of RM64.74 million recorded in the corresponding period last year. The loss before tax was mainly due to lower sales volume and higher operational cost as a result of hike in electricity surcharge and higher minimum wage recorded in the current year to date.

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## ***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023***

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

	Current Quarter 30-Sep-23 <u>RM'000</u>	Immediate Preceding Quarter 30-Jun-23 <u>RM'000</u>	Changes %
Revenue	240,084	235,146	2.1%
Operating Profit	43,586	43,616	-0.1%
Profit Before Interest and Tax	9,782	5,829	67.8%
Profit Before Tax	8,706	4,678	86.1%
Profit After Tax	5,544	4,808	15.3%
Profit Attributable to Owners of the Company	5,544	4,808	15.3%

The current quarter revenue increased by 2.1% to RM240.08 million, as compared to RM235.15 million recorded in the preceding quarter. The increase in revenue was mainly resulted from higher sales volume and average selling price from panel boards as well as downstream products.

The Group's profit before tax was reported at RM8.71 million for the current quarter, compared to profit before tax of RM4.68 million recorded in the preceding quarter. The higher profit before tax was mainly contributed from higher sales margin, lower raw material cost and insurance income received.

### **2 *Profit Forecast or Profit Guarantee***

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

### **3 *Commentary of Prospects***

As the war in Ukraine grinds on, the new conflict in Middle East has introduced new uncertainties to the world's economy. Whilst the US Federal Reserve Bank has halted raising interest rates, the cumulative effect of the increases in the past has curbed consumer spending there and resulting in softer furniture demand from the USA. Demand from the European regions remained underwhelming as well. In Malaysia, the significant hike in cost of electricity continued to burden industries which were already negatively impacted from changes in the Employment Act. Furthermore, the green electricity tariff saw a five-fold hike starting August 2023.

The Group continues to focus on improving its competitiveness via restructuring and cost optimization in order to mitigate and overcome the challenges from external and macro-economic factors. Management remains cautious and makes efforts to maintain a healthy cash balance, to ensure sufficient liquidity.

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## ***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023***

### 4 ***Tax Expense***

Major Components of tax expense

	3 months ended		9 months ended	
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Current tax expense	4,816	5,475	6,475	17,517
Deferred tax expense	(1,654)	(1,141)	(3,603)	(3,846)
	<u>3,162</u>	<u>4,334</u>	<u>2,872</u>	<u>13,671</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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## ***EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023***

### 6 ***Borrowings and Debt Securities***

The Group's borrowings are as follows: -

Denominated	As at 30 September 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>
<b>Short Term Borrowings:</b>					
<u>Secured</u>					
Trade facilities	1,519	-	-	-	1,519
Term loans	6,580	-	6,584	-	13,164
Lease liabilities	63	-	-	72	135
<u>Unsecured</u>					
Trade facilities	117,302	-	8,226	-	125,528
Term Loans	-	-	-	6,966	6,966
Lease liabilities	742	-	-	-	742
	<u>126,206</u>	<u>-</u>	<u>14,810</u>	<u>7,038</u>	<u>148,054</u>
<b>Long Term Borrowings:</b>					
<u>Secured</u>					
Term loans	941	-	3,719	-	4,660
Lease liabilities	68	-	-	31	99
<u>Unsecured</u>					
Term Loans	-	-	-	10,449	10,449
Lease liabilities	1,445	-	-	-	1,445
	<u>2,454</u>	<u>-</u>	<u>3,719</u>	<u>10,480</u>	<u>16,653</u>
Total	<u>128,660</u>	<u>-</u>	<u>18,529</u>	<u>17,518</u>	<u>164,707</u>

Exchange rate RM to USD1.00	4.7005
Exchange rate RM to THB1.00	0.1280
Exchange rate RM to EUR1.00	4.9656
Exchange rate RM to SGD1.00	3.4372

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As at 30 September 2022

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>
<b>Short Term Borrowings:</b>					
<u>Secured</u>					
Trade facilities	-	-	-	-	-
Term loans	4,802	-	9,211	-	14,013
Lease liabilities	-	-	-	76	76
<u>Unsecured</u>					
Trade facilities	93,484	-	4,828	-	98,312
Term Loans	1,250	-	-	6,340	7,590
Lease liabilities	1,119	-	-	-	1,119
	<u>100,655</u>	<u>-</u>	<u>14,039</u>	<u>6,416</u>	<u>121,110</u>
<b>Long Term Borrowings:</b>					
<u>Secured</u>					
Term loans	8,023	-	10,179	-	18,202
Lease liabilities	-	-	-	103	103
<u>Unsecured</u>					
Term Loans	-	36,780	-	15,966	52,746
Lease liabilities	791	-	-	-	791
	<u>8,814</u>	<u>36,780</u>	<u>10,179</u>	<u>16,069</u>	<u>71,842</u>
Total	<u>109,469</u>	<u>36,780</u>	<u>24,218</u>	<u>22,485</u>	<u>192,952</u>

Exchange rate RM to USD1.00	4.6440
Exchange rate RM to THB1.00	0.1226
Exchange rate RM to EUR1.00	4.5525
Exchange rate RM to SGD1.00	3.2343

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### **7 *Changes in Material Litigation***

There was no material litigation pending as at 17 November 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		9 months ended	
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
Net profit/(loss) for the period attributable to owners of the Parent (RM'000)	5,544	15,203	(9,227)	51,070
Weighted average number of ordinary shares in issue ('000)	844,667	845,439	844,667	845,439
Basic EPS (sen)	0.66	1.80	(1.09)	6.04

#### **b. Diluted**

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