

EVERGREEN FIBREBOARD BERHAD

Registration No.: 199101006810

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2024

A INFORMATION REQUIRED BY MFRS 134

1. Basis of Preparation

These condensed consolidated interim financial statements, for the period ended 31 March 2024, 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 2023.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2023, except for the adoption of the Amendments to Standards and Issue Committee (IC) Interpretations effective as of 1 January 2024. The initial application of the accounting standards, interpretations or amendments that are effective from 1 January 2024 do not have any material financial impacts to the current and prior financial period of the Group.

		Effective for financial periods <u>beginning on or after</u>
MFRS 7	Financial Instruments : Disclosures	1 January 2024
MFRS 16	Leases	1 January 2024
MFRS 101	Presentation of Financial Statements	1 January 2024
MFRS 107	Statement of Cash Flows	1 January 2024

The adoption of the above new MFRS and amendments to MFRSs did not have any significant effect on the financial statements of the Group and did not result in significant changes to the Group's existing accounting policies.

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 10	Consolidated Financial Statements	Deferred
MFRS 121	The Effects of Changes in Foreign Exchange Rates	1 January 2025
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 2023 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 2024 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 2024.

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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	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Interest Income	(866)	(613)	(866)	(613)
Other income including investment income	(678)	(536)	(678)	(536)
Interest expense	1,914	1,398	1,914	1,398
Depreciation and amortisation	15,279	16,131	15,279	16,131
Provision for & write off of receivables	60	60	60	60
Gain on disposal of property, plant and equipment	(12)	-	(12)	-
Foreign exchange income	(5,340)	(981)	(5,340)	(981)

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 2024		31 March 2023	
	Segment Revenue	Segment Profit/(Loss) before tax	Segment Revenue	Segment Profit/(Loss) before tax
	RM'000	RM'000	RM'000	RM'000
Malaysia	96,183	(7,628)	54,620	(16,246)
Thailand	101,821	14,041	90,446	(5,651)
Others	24,735	2,372	25,564	2,158
	<u>222,739</u>	<u>8,785</u>	<u>170,630</u>	<u>(19,739)</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.

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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 2024 are as follows:

	<u>RM'000</u>
Approved and contracted for	24,480
Approved but not contracted for	<u>9,936</u>
	<u>34,415</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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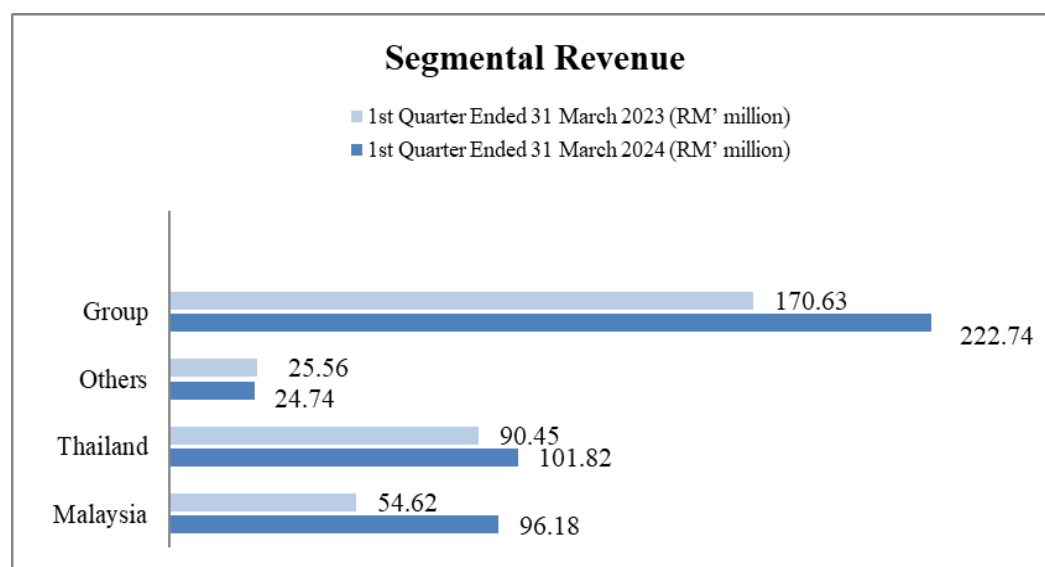
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2024

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 2024 (RM'000)	31 March 2023 (RM'000)		31 March 2024 (RM'000)	31 March 2023 (RM'000)	
Revenue	222,739	170,630	30.5%	222,739	170,630	30.5%
Operating Profit	39,358	9,129	331.1%	39,358	9,129	331.1%
Profit/(Loss) Before Interest and Tax	10,699	(18,341)	-158.3%	10,699	(18,341)	-158.3%
Profit/(Loss) Before Tax	8,785	(19,739)	-144.5%	8,785	(19,739)	-144.5%
Profit/(Loss) After Tax	6,091	(19,579)	-131.1%	6,091	(19,579)	-131.1%
Profit/(Loss) Attributable to Owners of the Company	6,091	(19,579)	-131.1%	6,091	(19,579)	-131.1%

Segmental Revenue and Results – for 1st Quarter Ended 31/3/2023 vs 31/3/2024

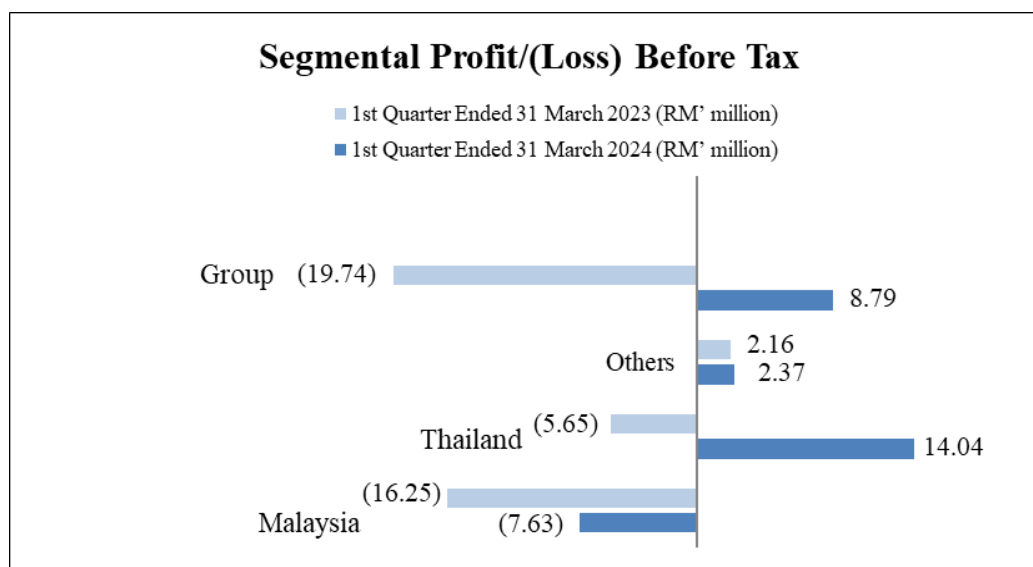


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Malaysia segment

The Malaysia segment's revenue for the quarter ended 31 March 2024 increased by 76.1% or RM41.56 million to RM96.18 million from RM54.62 million recorded in the preceding year corresponding quarter. The increase in revenue was mainly due to higher average selling price and sales volume from panel boards as well as downstream products.

Loss before tax for the quarter ended 31 March 2024 decreased by RM8.62 million to RM7.63 million from RM16.25 million recorded in the corresponding quarter of the preceding year. The decrease in current loss before tax was due to higher foreign exchange gain, higher sales margin, lower operational cost as a result of higher production volume.

Thailand segment

The Thailand segment's revenue for the quarter ended 31 March 2024 increased by 12.6% or RM11.37 million to RM101.82 million from RM90.45 million recorded in the preceding year corresponding quarter. The increase in revenue was due to higher average selling price.

Profit before tax was reported at RM14.04 million for the quarter ended 31 March 2024, as compared to a loss before tax of RM5.65 million recorded in the corresponding period last year. The increase in profit before tax was mainly contributed from higher revenue, lower operation cost as the result of higher production efficiency and higher foreign exchange gain being recorded.

Others segment

The Others segment's revenue for the quarter ended 31 March 2024 decreased by 3.2% or RM0.82 million to RM24.74 million from RM25.56 million recorded in the

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preceding year corresponding quarter. The decrease in revenue was due to lower sales volume.

Profit before tax for the quarter ended 31 March 2024 is comparable to the profit before tax recorded in the corresponding quarter of the preceding year despite recording a lower foreign exchange gain.

Consolidated

The Group's revenue for the quarter ended 31 March 2024 increased by 30.5% or RM52.11million to RM222.74 million from RM170.63 million recorded in the preceding year corresponding quarter. The increase in revenue was mainly contributed by higher sales volume and average selling price from panel boards as well as downstream products.

Profit before tax was reported at RM8.79 million for the quarter ended 31 March 2024, as compared to a loss before tax of RM19.74 million recorded in the corresponding period last year. The profit before tax was mainly contributed by higher revenue, lower operation cost as the result of higher production efficiency and higher foreign exchange gain being recorded.

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

	Current Quarter 31-Mar-24 <u>RM'000</u>	Immediate Preceding Quarter 31-Dec-23 <u>RM'000</u>	Changes <u>%</u>
Revenue	222,739	235,224	-5.3%
Operating Profit	39,358	39,122	0.6%
Profit/(Loss) Before Interest and Tax	10,699	(11,669)	191.7%
Profit/(Loss) Before Tax	8,785	(15,516)	156.6%
Profit/(Loss) After Tax	6,091	(28,049)	121.7%
Profit/(Loss) Attributable to Owners of the Company	6,091	(28,049)	121.7%

The current quarter revenue decreased by 5.3% to RM222.74 million, as compared to RM235.22 million recorded in the preceding quarter. The decrease in revenue was mainly resulted from lower sales volume from panel boards as well as downstream products.

The Group's profit before tax was reported at RM13.81 million for the current quarter, compared to loss before tax of RM8.71 million recorded in the preceding quarter. The profit before tax was mainly contributed by higher selling price and foreign exchange gain in the current quarter as compared to a foreign exchange loss in the previous quarter.

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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*

With the US Federal Reserve Bank maintaining its stance of “higher for longer”, the high interest rate in US may continue to limit its consumer spending. As a result, furniture demand from the USA and European regions remained underwhelming. On a brighter note, MDF demand in the Middle East region remained firm.

The Group continues to focus on completing the relocation of one of its production line from Malaysia to Indonesia, targeted to be fully installed by the second half of this year. Management remains cautious and aims to maintain a healthy cash balance, to ensure sufficient liquidity.

5 *Tax Expense*

Major Components of tax expense

	3 months ended		3 months ended	
	31 March 2024	31 March 2023	31 March 2024	31 March 2023
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Current tax expense	3,046	687	3,046	687
Deferred tax expense	(352)	(847)	(352)	(847)
	<u>2,694</u>	<u>(160)</u>	<u>2,694</u>	<u>(160)</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 non-recognition of tax assets from some loss-making companies.

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 2024				
	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	-	-	6,815	-	6,815
Term loans	4,025	-	6,618	-	10,643
Lease liabilities	372	-	-	67	439
<u>Unsecured</u>					
Trade facilities	103,296	-	4,016	-	107,312
Term Loans	-	-	-	7,153	7,153
Lease liabilities	597	-	-	-	597
	<u>108,290</u>	<u>-</u>	<u>17,449</u>	<u>7,220</u>	<u>132,959</u>
Long Term Borrowings:					
<u>Secured</u>					
Term loans	-	-	81,210	-	81,210
Lease liabilities	222	-	-	-	222
<u>Unsecured</u>					
Term Loans	845	-	-	7,152	7,997
Lease liabilities	961	-	-	-	961
	<u>2,028</u>	<u>-</u>	<u>81,210</u>	<u>7,152</u>	<u>90,390</u>
Total	<u>110,318</u>	<u>-</u>	<u>98,659</u>	<u>14,372</u>	<u>223,349</u>

Exchange rate RM to USD1.00	4.7250
Exchange rate RM to THB1.00	0.1300
Exchange rate RM to EUR1.00	5.0987
Exchange rate RM to SGD1.00	3.5048

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As at 31 March 2023

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	-	-	-	-	-
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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8 *Changes in Material Litigation*

There was no material litigation pending as at 20 May 2024.

9 *Dividend Payable*

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

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 2024	31 March 2023	31 March 2024	31 March 2023
Net profit/(loss) for the period attributable to owners of the Parent (RM'000)	6,091	(19,579)	6,091	(19,579)
Weighted average number of ordinary shares in issue ('000)	844,667	844,667	844,667	844,667
Basic EPS (sen)	0.72	(2.32)	0.72	(2.32)

b. **Diluted**

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