

EVERGREEN FIBREBOARD BERHAD

Registration No.: 199101006810

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2024

A INFORMATION REQUIRED BY MFRS 134

1. Basis of Preparation

These condensed consolidated interim financial statements, for the period ended 30 June 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 30 June 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 2nd quarter ended 30 June 2024.

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8. *Loss/(Profit) before tax*

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

	3 months ended		6 months ended	
	30 June		30 June	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Interest Income	(785)	(274)	(1,651)	(887)
Other income including investment income	(378)	(530)	(1,056)	(1,065)
Interest expense	1,810	1,151	3,724	2,549
Depreciation and amortisation	15,245	16,245	30,523	32,376
Provision for & write off of receivables	60	-	120	60
Gain on disposal of property, plant and equipment	(59)	(7)	(71)	(7)
Foreign exchange loss/ (income)	1,583	(1,926)	(3,757)	(2,907)

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	
	30 June 2024		30 June 2023	
	Segment Revenue	Segment Profit/(Loss) before tax	Segment Revenue	Segment Profit/(Loss) before tax
	RM'000	RM'000	RM'000	RM'000
Malaysia	94,482	(11,559)	77,611	(10,943)
Thailand	133,652	19,527	129,122	13,009
Others	29,139	1,915	28,413	2,612
	<u>257,273</u>	<u>9,883</u>	<u>235,146</u>	<u>4,678</u>

	6 months ended		6 months ended	
	30 June 2024		30 June 2023	
	Segment Revenue	Segment Profit/(Loss) before tax	Segment Revenue	Segment Profit/(Loss) before tax
	RM'000	RM'000	RM'000	RM'000
Malaysia	190,665	(19,187)	132,231	(27,189)
Thailand	235,473	33,568	219,568	7,358
Others	53,874	4,287	53,977	4,770
	<u>480,012</u>	<u>18,668</u>	<u>405,776</u>	<u>(15,061)</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 30 June 2024 are as follows:

	<u>RM'000</u>
Approved and contracted for	23,698
Approved but not contracted for	4,274
	<u>27,972</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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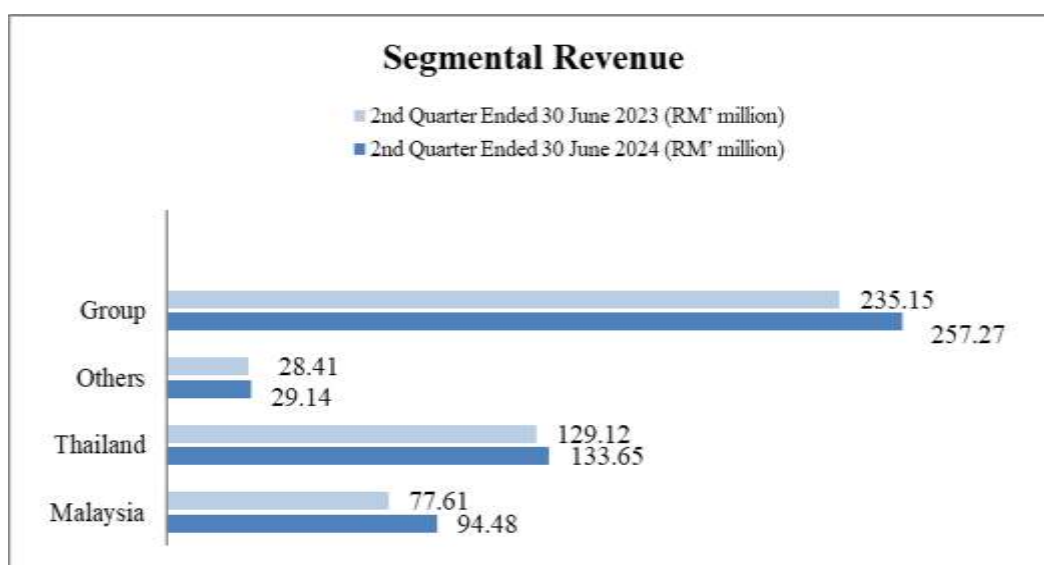
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2024

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 June 2024 (RM'000)	30 June 2023 (RM'000)		30 June 2024 (RM'000)	30 June 2023 (RM'000)	
Revenue	257,273	235,146	9.4%	480,012	405,776	18.3%
Operating Profit	52,158	43,616	19.6%	91,516	52,745	73.5%
Profit/(Loss) Before Interest and Tax	11,693	5,829	100.6%	22,392	(12,512)	279.0%
Profit/(Loss) Before Tax	9,883	4,678	111.3%	18,668	(15,061)	223.9%
Profit/(Loss) After Tax	6,000	4,808	24.8%	12,091	(14,771)	181.9%
Profit/(Loss) Attributable to Owners of the Company	6,000	4,808	24.8%	12,091	(14,771)	181.9%

Segmental Revenue and Results – for 2nd Quarter Ended 30/6/2023 vs 30/6/2024

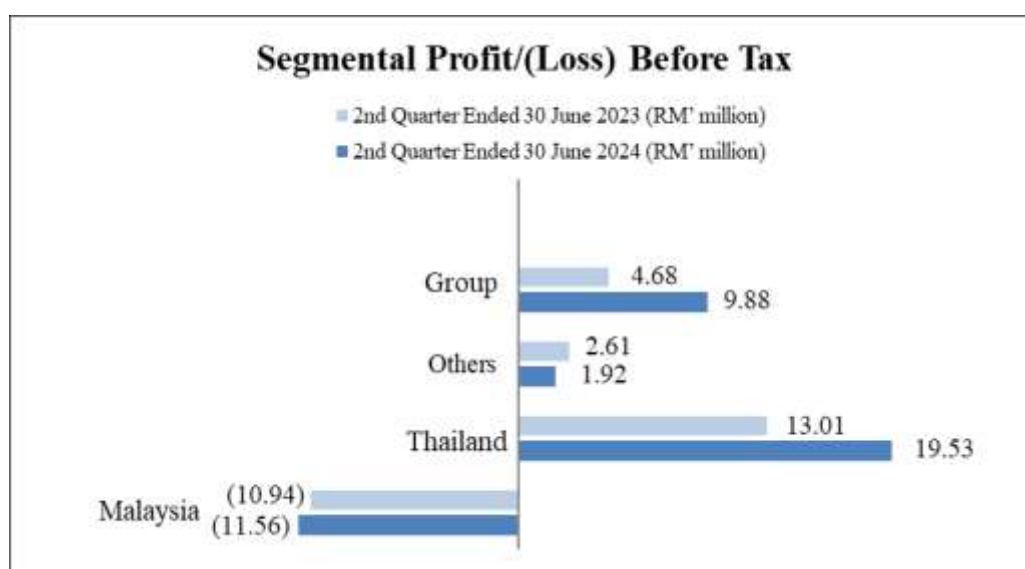


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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2024



Malaysia segment

The Malaysia segment's revenue for the quarter ended 30 June 2024 increased by 21.7% or RM16.87 million to RM94.48 million from RM77.61 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 stood at RM11.56 million which is comparable to the loss before tax RM10.94 million recorded in the corresponding quarter of the preceding year.

Thailand segment

The Thailand segment's revenue for the quarter ended 30 June 2024 increased by 3.5% or RM4.53 million to RM133.65 million from RM129.12 million recorded in the preceding year corresponding quarter. The increase in revenue was due to higher average selling price.

Profit before tax for the quarter ended 30 June 2024 increased by RM6.52 million to RM19.53 million from RM13.01 million recorded in the corresponding quarter of the preceding year. The increase in profit before tax was mainly from higher sales margin and lower operation cost as the result of higher production efficiency.

Others segment

The Others segment's revenue for the quarter ended 30 June 2024 increased by 2.6% or RM0.73 million to RM29.14 million from RM28.41 million recorded in the preceding year corresponding quarter. The increase in revenue was due to higher sales volume.

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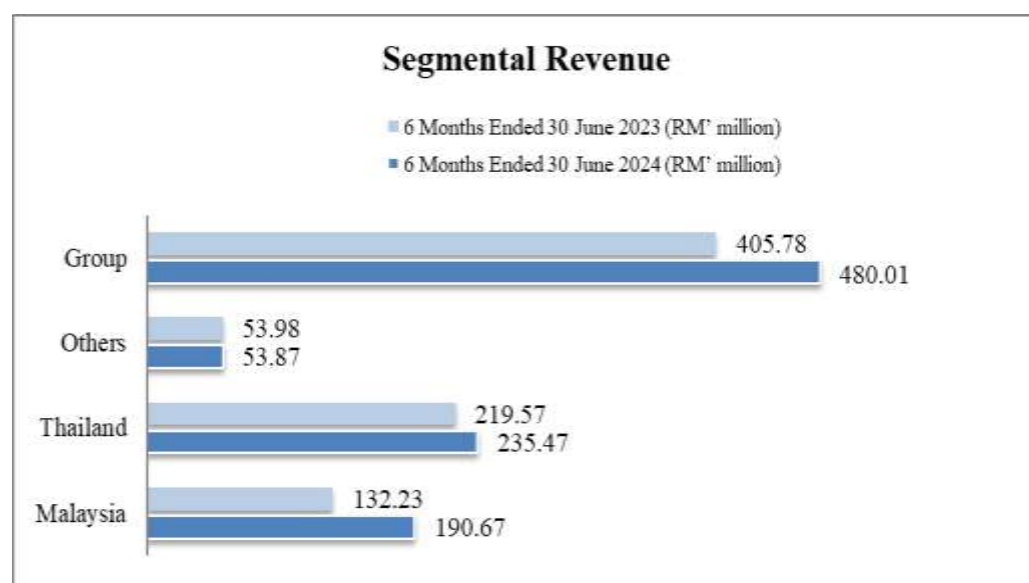
Profit before tax for the quarter ended 30 June 2024 decreased by RM0.69 million to RM1.92 million from RM2.61 million recorded in the corresponding quarter of the preceding year. The decrease in profit before tax was mainly from foreign exchange loss reported in the current quarter.

Consolidated

The Group's revenue for the quarter ended 30 June 2024 increased by 9.4% or RM22.12 million to RM257.27 million from RM235.15 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.

Despite incurring foreign exchange loss, profit before tax for the quarter ended 30 June 2024 increased by RM5.20 million to RM9.88 million from RM4.68 million recorded in the corresponding quarter of the preceding year. The profit before tax was mainly contributed by higher average selling price and lower operation cost as the result of higher production efficiency.

Segmental Revenue and Results – for 6 Months Ended 30/06/2023 vs 30/06/2024

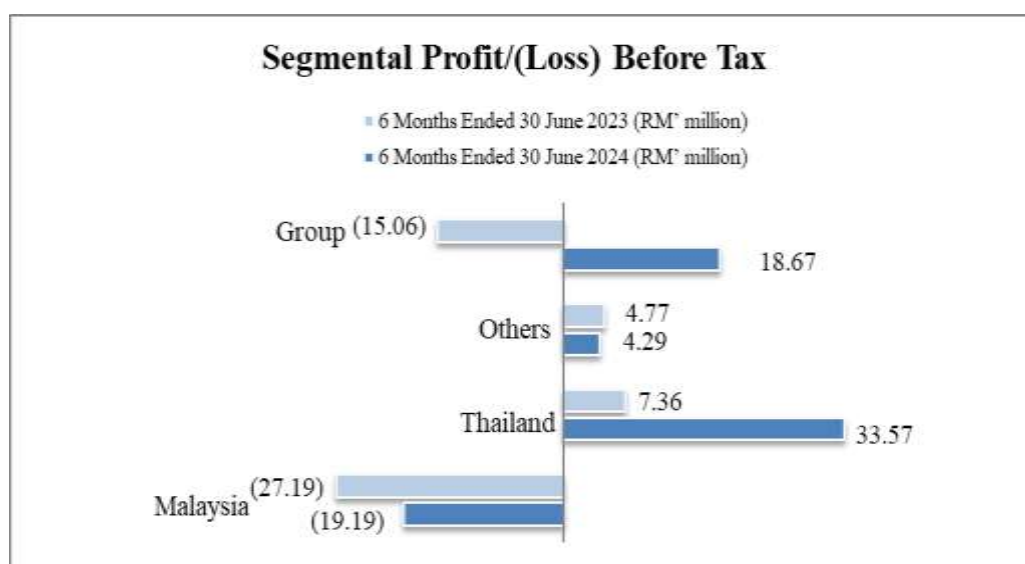


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Malaysia segment

For the current year to date, the Malaysia segment's revenue has increased by 44.2% to RM190.67 million, as compared to the revenue of RM132.23 million for the corresponding period last year. 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 was reported at RM19.19 million for the current year to date, as compared to a loss before tax of RM27.19 million recorded in the corresponding period last year. The decrease in loss before tax was due to higher sales margin and foreign exchange gain being recorded in current year to date.

Thailand segment

For the current year to date, the Thailand segment's revenue was RM235.47 million, with an increase of 7.2% or RM15.9 million, as compared to the revenue of RM219.57 million for the corresponding period last year. The increase in revenue was due to higher average selling price.

Profit before tax for the current year to date 30 June 2024 increased by RM26.21 million to RM33.57 million from RM7.36 million recorded in the corresponding period last year. The increase in profit before tax was mainly contributed from higher sales margin and lower operation cost as the result of higher production efficiency.

Others Segment

For the current year to date, Other segment's revenue of RM53.87 million is comparable to the corresponding period last year's revenue of RM53.98 million.

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For the current year to date, profit before tax stood at RM4.29 million, which is comparable to the profit before tax of RM4.77 million recorded in the corresponding period last year.

Consolidated profit before tax

For the current year to date, the Group's revenue has increased by 18.3% or RM74.23 million to RM480.01 million, as compared to RM405.78 million for the corresponding period last year. 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 RM18.67 million for the current year to date, as compared to a loss before tax of RM15.06 million recorded in the corresponding period last year. The profit before tax was mainly contributed by higher sales margin, lower operation cost as the result of higher production efficiency and higher foreign exchange gain being recorded in current year to date.

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

	Current Quarter 30-Jun-24 <u>RM'000</u>	Immediate Preceding Quarter 31-Mar-24 <u>RM'000</u>	Changes <u>%</u>
Revenue	257,273	222,739	15.5%
Operating Profit	52,158	39,358	32.5%
Profit/(Loss) Before Interest and Tax	11,693	10,699	9.3%
Profit/(Loss) Before Tax	9,883	8,785	12.5%
Profit/(Loss) After Tax	6,000	6,091	-1.5%
Profit/(Loss) Attributable to Owners of the Company	6,000	6,091	-1.5%

The current quarter revenue increased by 15.5% to RM257.27 million, as compared to RM222.74 million recorded in the preceding quarter. The increase in revenue was mainly due to higher average selling price and sales volume from panel boards.

Despite incurring foreign exchange loss, the Group's profit before tax for the current quarter increased by RM1.10 million to RM9.88 million from RM8.78 million recorded in the corresponding quarter of the preceding year. The increase in profit before tax was mainly contributed from higher sales margin and lower operation cost as the result of higher production efficiency.

3 *Profit Forecast or Profit Guarantee*

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

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4 ***Commentary of Prospects***

The US Federal Reserve Bank has ‘signaled’ the possibility of an interest rate cut. Such a move could spur consumer spending in the US which will bring some much needed relief to the furniture sector. This positive news is tempered with increased uncertainty in the ongoing conflicts in the Middle East and Ukraine. MDF demand in the Middle East region remained resilient.

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		6 months ended	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Current tax expense	3,955	972	7,001	1,659
Deferred tax expense	(72)	(1,102)	(424)	(1,949)
	<u>3,883</u>	<u>(130)</u>	<u>6,577</u>	<u>(290)</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 30 June 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	-	-	3,989	-	3,989
Term loans	2,748	-	5,352	-	8,100
Lease liabilities	372	-	-	49	421
<u>Unsecured</u>					
Trade facilities	117,706	-	6,289	3,822	127,817
Term Loans	-	-	-	7,111	7,111
Lease liabilities	602	-	-	-	602
	<u>121,428</u>	<u>-</u>	<u>15,630</u>	<u>10,982</u>	<u>148,040</u>
Long Term Borrowings:					
<u>Secured</u>					
Term loans	-	-	88,280	-	88,280
Lease liabilities	223	-	-	-	223
<u>Unsecured</u>					
Term Loans	813	-	-	3,555	4,368
Lease liabilities	917	-	-	-	917
	<u>1,953</u>	<u>-</u>	<u>88,280</u>	<u>3,555</u>	<u>93,788</u>
Total	<u>123,381</u>	<u>-</u>	<u>103,910</u>	<u>14,537</u>	<u>241,828</u>

Exchange rate RM to USD1.00	4.7170
Exchange rate RM to THB1.00	0.1284
Exchange rate RM to EUR1.00	5.0689
Exchange rate RM to SGD1.00	3.4805

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As at 30 June 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	928	-	-	-	928
Term loans	7,858	-	6,534	-	14,392
Lease liabilities	63	-	-	70	133
<u>Unsecured</u>					
Trade facilities	93,492	-	6,577	-	100,069
Term Loans	-	-	-	7,134	7,134
Lease liabilities	900	-	-	-	900
	<u>103,241</u>	<u>-</u>	<u>13,111</u>	<u>7,204</u>	<u>123,556</u>
Long Term Borrowings:					
<u>Secured</u>					
Term loans	990	-	5,323	-	6,313
Lease liabilities	68	-	-	49	117
<u>Unsecured</u>					
Term Loans	-	-	-	10,701	10,701
Lease liabilities	1,444	-	-	-	1,444
	<u>2,502</u>	<u>-</u>	<u>5,323</u>	<u>10,750</u>	<u>18,575</u>
Total	<u>105,743</u>	<u>-</u>	<u>18,434</u>	<u>17,954</u>	<u>142,131</u>

Exchange rate RM to USD1.00	4.6645
Exchange rate RM to THB1.00	0.1321
Exchange rate RM to EUR1.00	5.0852
Exchange rate RM to SGD1.00	3.4468

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8 ***Changes in Material Litigation***

There was no material litigation pending as at 16 August 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		6 months ended	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
Net profit/(loss) for the period attributable to owners of the Parent (RM'000)	6,000	4,808	12,091	(14,771)
Weighted average number of ordinary shares in issue ('000)	844,667	844,667	844,667	844,667
Basic EPS (sen)	0.71	0.57	1.43	(1.75)

b. **Diluted**

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