

THIS STATEMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the course of action that you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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Registration no. 199101006810 (217120-W)

**SHARE BUY-BACK STATEMENT
IN RELATION TO THE**

PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

The full text of the ordinary resolution pertaining to the abovementioned Proposed Share Buy-Back Authority is set out in the Notice of the Company’s Thirty-First Annual General Meeting (“AGM”), which is attached in the Annual Report of the Company for the financial year ended 31 December 2022 together with the Form of Proxy. The aforementioned AGM will be held on: -

Date: Wednesday, 31ST May 2023

Time: 9.00 a.m.

Mode: Virtual Annual General Meeting (“AGM”)

Meeting Platform: Online Meeting Platform via Boardroom Share Registrars Sdn. Bhd.

At <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC - D6A357657)

If you are unable to attend and vote in person at the AGM, you may complete the Form of Proxy in accordance with the instructions thereon and deposit it at Boardroom Share Registrars Sdn. Bhd., 11th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not later than forty-eight (48) hours before the time of the meeting or any adjournment thereof. The return of a completed Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

This Statement is dated 27 April 2023

DEFINITIONS

In this Statement and the accompanying appendices, the following definitions shall have the following meanings unless otherwise stated:

“AGM”	: Annual General Meeting
“Board”	: The Board of Directors of EFB
“Bursa Securities”	: Bursa Malaysia Securities Berhad (Registration No. 200301033577) 635998-W)
“Bursa Securities LR”	: The Main Market Listing Requirements of Bursa Securities, including any amendment thereto that may be made from time to time
“Code”	: Malaysian Code on Take-Overs and Mergers 2016 and any amendments made thereto from time to time
“Director(s)”	: Directors of EFB
“EFB” or “the Company”	: Evergreen Fibreboard Berhad (Registration No. 199101006810 (217120-W))
“EFB Group” or “the Group”	: EFB and its Subsidiaries, collectively
“EFB Share(s)”	: Ordinary shares in EFB
“EPS”	: Earnings per share
“LPD”	: 31 March 2023, being the latest practicable date prior to the printing and despatch of this Statement
“Purchased Shares”	: Shares that are purchased pursuant to Proposed Share Buy-Back Authority
“Proposed Share Buy-Back Authority”	: Proposed Share Buy-Back Authority to enable EFB to purchase its own Shares of up to 10% of the total number of issued shares of the Company
Proposed Renewal of Existing Share Buy-Back Authority	: Proposed Renewal of Authority for the Company to purchase its own Shares of up to 10% of the total number of issued shares of the Company which was obtained on 30 May 2022, being the date of last AGM
“Treasury Shares”	: Purchased Shares which will be retained as treasury shares
“Shares”	: Ordinary shares of the Company
“Subsidiary”	: A subsidiary company of EFB as defined in Section 7 of the Companies Act, 2016
“WAMP”	: Weighted average market price

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(Incorporated in Malaysia)

SHARE BUY-BACK STATEMENT IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY FOR THE PURCHASE BY THE COMPANY OF ITS OWN SHARES

1. INTRODUCTION

On 19 April 2023, the Company had announced that the Board proposes to seek shareholders' approval for the Proposed Renewal of Existing Share Buy-back Authority at the forthcoming AGM as set out in page 3 of the 2023 Annual Report.

The purpose of this Statement is to provide you with the information on the Proposed Renewal of Existing Share Buy-Back Authority and to seek your approval for the ordinary resolution pertaining thereto to be tabled at the forthcoming AGM of the Company, which will be held on Wednesday, 31st May 2023 at 9.00 a.m. The notice of the 32nd AGM together with the Form of Proxy are set out in the 2022 Annual Report.

2. DETAILS OF THE PROPOSED SHARE BUY-BACK AUTHORITY

At the 31st AGM held on 30th May 2022, the Directors obtained shareholders' approval for the Company to purchase up to ten percent (10%) of the total number of issued shares of the Company for the time being on Bursa Securities.

In accordance with Bursa Securities LR governing the purchase of own shares by a listed company, the Proposed Share Buy-Back Authority shall lapse at the conclusion of the forthcoming AGM of the Company, unless it is renewed. Accordingly, the Directors propose to seek shareholders' approval for the Proposed Share Buy-Back Authority.

The Proposed Renewal of Share Buy-back Authority will be effective immediately upon passing of the ordinary resolution up to the conclusion of the next AGM (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting or upon the expiration of the period within which the next AGM is required by law to be held, whichever occurs first).

3. RATIONALE

The Proposed Share Buy-Back Authority, if implemented, will enable the Company to utilise its surplus financial resources efficiently which are not immediately required for other uses to purchase its own shares from the market.

The Proposed Share Buy-Back Authority, if implemented may help to stabilise the supply and demand of EFB Shares traded on Bursa Securities and thereby supporting its fundamental value.

The Proposed Share Buy-Back Authority may also improve the future earnings per share of the Group, irrespective of whether the Purchased Shares are held as treasury shares or cancelled, as it will result in a lower number of EFB Shares being taken into account for the purpose of computing the EPS of EFB Shares.

If EFB Shares purchased are to be retained as Treasury Shares, it will provide an option for the Company to resell the Treasury Shares at a higher price and generate capital gain for the Company. In the case of a resale of treasury shares, if any, the Company has two (2) options in regards to the price at which the resale of treasury shares may take place on the Bursa Securities. The first option is to sell the treasury shares at a price that is not less than the WAMP for the Shares for the five (5) market days immediately prior to the resale (“5-day WAMP”). The second option is to sell the treasury shares at a discounted price of not more than 5% to the 5-day WAMP, provided that two (2) conditions are fulfilled, namely,

- (i) the resale takes place not earlier than 30 days from the date of purchase; and
- (ii) the resale price is not less than the cost of purchase of the Shares being resold.

Alternatively, EFB shares purchased and retained as Treasury Shares can be distributed as dividends to reward its shareholders. At present, the Board intends to retain the purchased Shares as treasury shares to support the Company’s share value.

4 POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK AUTHORITY

The potential advantages of the Proposed Share Buy-Back Authority are as follows:

- (i) will enable the Company to take preventive measures against speculation, particularly when the shares are undervalued and this would, in turn, stabilise the market price of EFB Shares and hence, enhance the investors’ confidence;
- (ii) will provide the Company the flexibility in achieving the desired capital structure, in terms of debt, equity composition and size of equity; and

- (iii) will enable the Purchased Shares to be retained as Treasury Shares, and if distributed as share dividends by the Company, it may then serve as a reward to the shareholders of the Company.

The potential disadvantages of the Proposed Share Buy-Back Authority are as follows:

- (i) the Proposed Share Buy-Back Authority will reduce the financial resources of the Group and may result in the Group foregoing better investment opportunities that may emerge in future;
- (ii) increase its interest expense or reduce its interest income respectively, that may be derived from not utilizing such funds to repay bank borrowings or not depositing such funds in interest bearing instruments; and
- (iii) as the Proposed Share Buy-Back Authority can only be made out of retained profits of the Company, it will result in the reduction of financial resources available for distribution to shareholders in the immediate future.

On the other hand, the financial resources of the Group may increase, if the resale of the Purchased Shares (not held as treasury shares) is at prices higher than the purchased price.

In any event, the Board will be mindful of the interest of the Group and its shareholders when implementing the Proposed Share Buy-Back Authority or when cancelling and/or reselling the Treasury Shares, if any.

5 EFFECTS

The Directors proposed to allocate an amount not exceeding the total retained earnings of the Company for the Proposed Share Buy-Back Authority. As at 31 December 2022, the audited retained earnings of the Company were RM407,734,248. As at LPD, the latest date practicable prior to the printing of this statement, the Company's latest quarterly report as at 31 March 2023 was not available. The Company may only purchase the Shares at a price which is not more than fifteen per centum (15%) above the WAMP for the past five (5) market days immediately preceding the date of the purchase(s). It is the present intention of the Board to retain the purchased Shares as Treasury Shares and subsequently resell them on Bursa Securities if the opportunity arises for the Company to realise gains from the resale on Bursa Securities. The actual number of Shares to be purchased, the total amount of funds involved and the timing of each purchase will depend on market conditions and stock market sentiment as well as the financial resources available in the Group.

The Company will not purchase its own shares or hold any of its own shares as treasury shares if this result in the aggregate of the shares purchased or held exceeding 10% of its total number of issued shares.

Assuming that the Proposed Share Buy-Back Authority is carried out in full (i.e., the Company purchases up to 84,642,399 EFB Shares or up to 10% of the total number of issued shares of the Company as at 31 March 2023), the financial effects of the Proposed Share Buy-Back Authority are as follows:

5.1 Share Capital

The Proposed Share Buy-Back Authority will have no impact on the Share Capital of EFB if all of the Purchased Shares are held as Treasury Shares, resold or distributed to shareholders as share dividends.

However, in the event that all the Treasury Shares are cancelled, the effect on the share capital of the Company is as follows:

	No. of Shares
Issued and fully paid up	846,423,985
Less Treasury shares (existing)	<u>(1,757,200)</u>
Existing total number of issued shares as at 31 March 2023	844,666,785
Less: Cancellation of Treasury Shares (remaining 10% may be purchased) *	(82,885,199)
Resultant issued and paid-up capital after cancellation of Treasury Shares	<u><u>761,781,586</u></u>

Note:

** The effects of the Proposed Share Buy-Back on the total number of issued shares of the Company will depend on whether the Purchased Shares are cancelled or retained as treasury shares. As illustrated above, if the Purchased Shares are cancelled, the resultant total number of issued of the Company will decrease accordingly. On the other hand, if the Purchased Shares are retained as treasury shares, resold or distributed to the shareholders in the form of share dividends, the Proposed Share Buy-Back will have no impact on the total number of issued shares of Company. 1,135,200 shares were bought back during the financial year ended 31 December 2022. As at to date, the total cumulative Shares purchased by the Company and held as treasury shares is 1,757,200 shares (representing 0.2076% of total number of issued shares). Accordingly, the number of shares which are available for further buy back by the Company is up to the maximum of 82,885,199 Shares, which together with the 1,757,200 Treasury Shares, represents approximately 10% of the total number of issued shares of the Company of 846,423,985 Shares as at to date.*

5.2 Net Assets ("NA")

The potential effect of the Proposed Share Buy-Back Authority on the NA of the Group will depend on the number of Shares purchased, the purchased price(s) of the Shares and the effective funding costs to the Group to finance the purchase of shares or any loss in interest income to the Group.

The Proposed Share Buy-Back Authority would increase the NA per share of the Group if the purchase price is less than the NA per Share at the relevant point in time, and vice versa.

If the Treasury Shares are resold through Bursa Securities, the consolidated NA per EFB Share upon the resale would increase if the Company realises a gain from the resale and vice versa.

If the Treasury Shares are distributed to shareholders as share dividends, the consolidated NA per Share of EFB would decrease by the cost of the Treasury Shares.

5.3 Earnings

The effects of the Proposed Share Buy-Back Authority on the earnings of the Group are dependent on the number of Shares being purchased, the effective funding cost to finance such purchases and/or loss in interest income to the Group, if internally generated funds are utilised. Further, the purchase of the Shares will result in a lower number of shares being taken into account for the purposes of EPS computation.

5.4 Working Capital

The Proposed Share Buy-Back Authority, as and when implemented, will reduce the working capital and cash flow of the Group, the quantum of which depends on, amongst others, the number of Shares purchased and the purchase price(s) of the Shares.

For the purchased shares which are kept as Treasury Shares, upon their resale, the working capital and the cash flow of the Group will increase upon the receipt of the proceeds from the resale. The quantum of increase in the working capital and cash flow will depend on the actual selling price(s) of the Treasury Shares and the number of Treasury Shares resold.

5.5 Dividends

The Proposed Share Buy-Back Authority may have an impact on the Company's cash available for dividend payment. Nonetheless, the Treasury Shares may be distributed as dividend to the shareholders if the Company so decides.

Assuming the Proposed Share Buy-Back Authority is implemented in full and the dividend quantum is maintained at historical levels, the Proposed Share Buy-Back Authority will have an effect of increasing the dividend rate per ordinary share of the Company as a result of the reduction in the total number of issued shares of the Company.

Any dividend to be declared by the Company in the future would depend on, inter-alia, the profitability, retained earnings, cash flow position and capital requirements of the Group.

5.6 Effects of the Malaysian Code on Take-Overs and Mergers 2016

As at the date of this Statement, the Company has yet to decide on the percentage of its own shares to be purchased pursuant to the Proposed Share Buy-Back Authority. In any case, it is not the intention of the Company to cause any shareholder to trigger an obligation to undertake a mandatory general offer under the Code and the Company will be mindful of the above implication of the Code when making any purchase of its own shares under the Proposed Share Buy-Back Authority.

6 SOURCE OF FUNDING

The Proposed Share Buy-Back Authority, if implemented, is expected to be financed by internal generated funds and/or bank borrowings. In the event that bank borrowings are used to fund the purchase of Shares pursuant to the Proposed Share Buy-Back Authority, the Company will ensure that it will have sufficient funds to repay the said bank borrowings as and when they fall due. The Company had utilized its internal generated funds to purchase Shares pursuant to Proposed Share Buy-Back Authority. If the funding through bank borrowing is required, it is not expected to have any material impact on the cash flow position of the Company.

7 COMPANIES ACT, 2016

Pursuant to Section 127 (2) of Companies Act, 2016 states that a company shall not purchase its own shares unless—

- a) the company is solvent at the date of the purchase and will not become insolvent by incurring the debts involved in the obligation to pay for the shares so purchased;
- b) the purchase is made through the stock exchange on which the shares of the company are quoted and in accordance with the relevant rules of the stock exchange; and
- c) the purchase is made in good faith and in the interests of the company.

As and when the Company do purchase its own shares and prior to which the Directors must be satisfied that-

- i. the share buyback would not result in the Company being insolvent and its capital being impaired at the date of the solvency statement; and
- ii. the Company will remain solvent after each share buyback during the period of six (6) months after the date of the declaration made.

8 HISTORICAL SHARE PRICE

The monthly highest and lowest market prices of EFB Shares as traded on Bursa Securities for the past 12 months from February 2022 to March 2023 are set out below: -

	HIGH	LOW
2022		
Feb	0.595	0.475
March	0.575	0.495
April	0.800	0.690
May	0.790	0.580
June	0.625	0.455
July	0.495	0.440
August	0.550	0.455
September	0.520	0.350
October	0.415	0.355
November	0.430	0.370
December	0.445	0.380
2023		
January	0.410	0.380
February	0.405	0.310
March	0.315	0.255
Last transacted market price before printing the circular (Source: Bursa Malaysia)		RM 0.280

9. SHARE BOUGHT BACK PAST 12 MONTHS

The details of any purchase made in the preceding 12 months giving the date of each purchase, the purchase price per share or the highest, lowest and average prices paid, and total consideration paid for such purchase(s).

During the preceding twelve (12) months up to the LPD, details of the purchase of the Share by the Company were as follows:

Date of Purchase	Number of Shares Purchased	Lowest Price (RM)	Highest Price (RM)	Average Price (RM)	Total Consideration (RM)
21/1/2022	235,000	0.530	0.530	0.530	124,550
25/1/2022	143,000	0.525	0.525	0.525	75,075
26/1/2022	107,200	0.510	0.510	0.510	54,672
17/2/2022	23,000	0.500	0.500	0.500	11,500
18/2/2022	227,000	0.510	0.510	0.510	115,770
8/3/2022	200,000	0.510	0.510	0.510	102,000
26/5/2022	200,000	0.585	0.585	0.585	117,000

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10 Directors' and Substantial Shareholders' Shareholdings

10.1 Directors' Shareholdings

The effects of the Proposed Share Buy-Back Authority on the shareholding of the Directors of EFB based on the Register of Directors' Shareholdings as at 31 March 2023 are as follow: -

Directors	As at 31 March 2023				After the Proposed Share Buy-Back Authority ^			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Shares held	% held	No. of Shares held	% held	No. of Shares held	% held	No. of Shares held	% held
Jonathan Law Ngee Song	-	-	-	-	-	-	-	-
Kuo Jen Chang	142,355,865	16.85	159,173,720 ⁽¹⁾	18.82	142,355,865	18.85	159,173,720 ⁽¹⁾	20.91
Kuo Jen Chiu	124,120,141	14.69	177,409,444 ⁽¹⁾	20.98	124,120,141	14.69%	177,409,444 ⁽¹⁾	23.31
Mary Henerietta Lim Kim Neo	6	#	-	-	6	#	-	-
Kuan Kai Seng	-	-	-	-	-	-	-	-
Henry S Kuo	17,320,864	2.05	34,641,730 ⁽¹⁾	4.10	17,320,864	2.28	34,641,730 ⁽¹⁾	4.55
Nirmala A/P Doraisamy	-	-	-	-	-	-	-	-
Tan Mui Ping	-	-	-	-	-	-	-	-

Negligible

Notes:

^ Assuming the Shares purchased are not from the above Directors and are retained as Treasury Shares or cancelled.

(1) Deemed interest by virtue of the interest of his siblings.

10.2 Substantial Shareholders' Shareholdings

The effects of the Proposed Share Buy-Back Authority on the shareholding of the substantial shareholders of EFB based on the Register of Substantial Shareholders' Shareholdings as at 31 March 2023 are as follow: -

Substantial Shareholders	As at 31 March 2023				After the Proposed Share Buy-Back Authority ^			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Shares held	% held	No. of Shares held	% held	No. of Shares held	% held	No. of Shares held	% held
Kuo Jen Chang	142,355,865	16.85	159,173,720 ⁽¹⁾	18.82	142,355,865	18.70	159,173,720 ⁽¹⁾	20.91
Kuo Jen Chiu	124,120,141	14.69	177,409,444 ⁽¹⁾	20.98	124,120,141	16.31	177,409,444 ⁽¹⁾	23.31
Kuo Huei Chen	35,053,579	4.15	266,476,006 ⁽¹⁾	31.51	35,053,579	4.61	266,476,006 ⁽¹⁾	35.01

Notes:

^ Assuming the Shares purchased are not from the above Substantial Shareholders and are retained as Treasury Shares or cancelled.

(1) Deemed interested by virtue of the interest of his or her siblings.

11 PUBLIC SHAREHOLDING SPREAD

The public shareholding spread of the Company as at 31 March 2023 is approximately 58.15% held by 8,232 public shareholders. In implementing the Proposed Share Buy-Back Authority, the Company will ensure that the minimum public shareholding spread of 25% is complied with.

12 DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Save for the inadvertent increase in the percentage shareholdings and/or voting rights of the shareholders of the Company as a consequence of the Proposed Share Buy-Back Authority as set out in Section 5 above, none of the Directors, substantial shareholders of EFB and/or persons connected to them has any interest, direct or indirect, in the Proposed Share Buy-Back Authority or resale of the Treasury Shares, if any in the future.

13. DIRECTORS' RECOMMENDATION

The Board, having considered all aspects of the Proposed Share Buy-Back Authority is of the opinion that the Proposed Share Buy-Back Authority is in the best interest of the Company. Accordingly, the Board recommends that you vote in favor of the ordinary resolution pertaining to the Proposed Renewal of Existing Share Buy-Back Authority to be tabled at the forthcoming AGM.

Further Information

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Statement has been seen and approved by the Directors of the Company, who collectively and individually, accept full responsibility for the accuracy of the information given and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no material facts omission of which would make any information herein misleading.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of Evergreen Fibreboard Board at Suite 9D, Level 9, Menara Ansar, 65, Jalan Trus, 80000 Johor Bahru, Johor from Mondays to Fridays (except public holidays) during normal business hours from the date of this Statement up to and including the date of the forthcoming 32nd AGM:-

- i. Constitution of Evergreen Fibreboard Berhad; and
- ii. Audited Financial Statements of Evergreen Fibreboard Board for the past two (2) financial years ended 31 December 2021 and 31 December 2022.

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