

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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(Incorporated in Malaysia under the Companies Act, 1965)

**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 Twenty-Seventh Annual General Meeting (“AGM”), which is attached in the Annual Report of the Company for the financial year ended 31 December 2017 together with the Form of Proxy. The aforementioned AGM will be held at **Phoenix Hotel, Jalan Forest City 1, Pulau Satu, 81550 Gelang Patah, Johor, Malaysia** on **Friday, 25 May 2018** at **9.00 a.m.**

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 Level 6, Symphony House, Pusat Dagangan Dana, 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, 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 2018

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 (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 (217120-W)
“EFB Group” or “the Group”	: EFB and its Subsidiaries, collectively
“EFB Share(s)”	: Ordinary shares in EFB
“EPS”	: Earnings per share
“LPD”	: 30 March 2018, being the latest practicable date prior to the printing and despatch of this Circular
“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 19 May 2017, 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 6 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 9 April 2018, 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 2017 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 at Phoenix Hotel, Jalan Forest City 1, Pulau Satu, 81550 Gelang Patah, Johor, Malaysia on Friday, 25 May 2018 at 9.00 a.m. The notice of the 27th AGM together with the Form of Proxy are set out in the 2017 Annual Report.

2. DETAILS OF THE PROPOSED SHARE BUY-BACK AUTHORITY

At the 26th AGM held on 19 May 2017, 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. Alternatively, EFB shares purchased being retained as Treasury Shares can be distributed as dividends to reward its shareholders.

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 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 propose to allocate an amount not exceeding the total retained earnings of the Company for the Proposed Share Buy-Back Authority. As at 31 December 2017, the audited retained earnings of the Company were RM319,108,943. 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). 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.

Assuming that the Proposed Share Buy-Back Authority is carried out in full (i.e. the Company purchases up to 84,600,198 EFB Shares or up to 10% of the total number of issued shares of the Company as at 30 March 2018), 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
Existing total number of issued shares as at 30 March 2018	846,001,985
Less: Cancellation of Treasury Shares*	84,600,198
Resultant issued and paid-up capital after cancellation of Treasury Shares	<u>761,401,787</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. There was no shares being bought back during the financial year ended 31 December 2017. As at to date, the total cumulative Shares purchased by the Company and held as treasury shares is 422,000 shares (representing 0.05% of total issued shares).*

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 EFB 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 funding through bank borrowing is also 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 Director do purchase its own shares prior to the Directors are 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 months after the date of the declaration made.

8 HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of EFB Shares as traded on Bursa Securities for the past 12 months from March 2017 to March 2018 are set out below:-

	HIGH	LOW
2017		
March	0.900	0.816
April	0.924	0.821
May	0.919	0.816
June	0.856	0.787
July	0.900	0.826
August	0.920	0.740
September	0.820	0.780
October	0.790	0.750
November	0.790	0.695
December	0.695	0.645
2018		
January	0.705	0.570
February	0.575	0.510
March	0.540	0.490
Last transacted market price before printing the circular (Source: Bursa Malaysia)		RM0.475

9 SHARE BOUGHT BACKS PAST 12 MONTHS

There were no shares bought back for the financial year ended 31 December 2017.

Directors' Shareholdings 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 30 March 2018 are as follow: -

Directors	As at 30 March 2018				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 Wen Chi	-	-	353,492,179 ⁽¹⁾	41.78	-	-	353,492,179 ⁽¹⁾	46.43
Kuo Jen Chang	142,355,865	16.83	211,136,314 ⁽²⁾	24.96	142,355,865	18.70	211,136,314 ⁽²⁾	27.73
Kuo Jen Chiu	124,120,141	14.67	229,372,038 ⁽²⁾	27.11	124,120,141	16.30	229,372,038 ⁽²⁾	30.12
Mary Henerietta Lim Kim Neo	6	#	-	-	6	#	-	-
Yap Peng Leong	-	-	-	-	-	-	-	-
Kuan Kai Seng	-	-	-	-	-	-	-	-
Henry S Kuo	-	-	13,553,094 ⁽²⁾	1.60	-	-	13,553,094 ⁽²⁾	1.78
Nirmala A/P Doraisamy	-	-	-	-	-	-	-	-

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 his indirect shareholdings in HSBC Nominees (Asing) Sdn. Bhd. and children.
 (2) Deemed interest by virtue to the interests of parent(s) and/or 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 30 March 2018 are as follow: -

Substantial Shareholders	As at 30 March 2018			After the Proposed Share Buy-Back Authority ^			
	<-----Direct----->		<-----Indirect----->	<-----Direct----->		<-----Indirect----->	
	No. of Shares held	% held	No. of Shares held	No. of Shares held	% held	No. of Shares held	
Kuo Wen Chi	-	-	353,492,179 ⁽¹⁾	41.78	-	353,492,179 ⁽¹⁾	46.43
Kuo Jen Chang	142,355,865	16.83	211,136,314 ⁽³⁾	24.96	142,355,865	211,136,314 ⁽³⁾	27.73
Kuo Jen Chiu	124,120,141	14.67	229,372,038 ⁽³⁾	27.11	124,120,141	229,372,038 ⁽³⁾	30.12
Kuo Huei Chen*	35,053,579	4.14	318,438,600 ⁽³⁾	37.64	35,053,579	318,438,600 ⁽³⁾	41.82
Hsu Mei Lan*	-	-	353,492,179 ⁽²⁾	41.78	-	353,492,179 ⁽²⁾	46.43
Kuo-Ting Yer Ping*	13,553,094	1.60	339,939,085 ⁽⁴⁾	40.18	13,553,094	339,939,085 ⁽⁴⁾	44.65

Notes:

- ^ Assuming the Shares purchased are not from the above Substantial Shareholders and are retained as Treasury Shares or cancelled.
- (1) Deemed interest by virtue of his indirect shareholdings in HSBC Nominees (Asing) Sdn. Bhd. and children.
 - (2) Deemed interest by virtue of the interest of spouse
 - (3) Deemed interest by virtue of the interests of parents and siblings.
 - (4) Deemed interest pursuant to Section 8 of Companies Act, 2016.

* They are also person connected to Directors / Major Shareholders of the Company.

11 PUBLIC SHAREHOLDING SPREAD

The public shareholding spread of the Company as at 30 March 2018 is approximately 56.558% held by 9,312 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 Level 6, Symphony House, Pusat Dagangan Dana, 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor 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 27th AGM:-

- i. Memorandum and Articles of Association of Evergreen Fibreboard Board; and
- ii. Audited Financial Statements of Evergreen Fibreboard Board for the past two (2) financial years ended 31 December 2016 and 2017.

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