

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)

**SHARE BUY-BACK STATEMENT
IN RELATION TO THE
PROPOSED RENEWAL OF AUTHORITY ON SHARE BUY-BACK**

The full text of the ordinary resolution pertaining to the abovementioned Proposed Renewal of Authority on Share Buy-Back is set out in the Notice of the Company’s Twenty-Eighth Annual General Meeting (“AGM”), which is attached in the Annual Report of the Company for the financial year ended 31 December 2018 together with the Form of Proxy. The aforementioned AGM will be held at **Forest City Phoenix International Golf Hotel, Jalan Persiaran Golf 5, Forest City Golf Resort, 81550 Gelang Patah, Johor Darul Takzim, Malaysia** on **Friday, 24 May 2019** 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 Boardroom Share Registrars Sdn. Bhd. (formerly known as Symphony Share Registrars Sdn. Bhd.) Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, Malaysia not later than forty-eighth (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 AGM should you subsequently wish to do so.

This Statement is dated 26 April 2019

DEFINITIONS

In this Statement of Share Buy-Back and the accompanying appendices, 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 be made from time to time |
| “Code” | : Malaysian Code on Take-Over and Mergers 2016 and any amendments thereto made 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” | : 18 March 2019, being the latest practicable date prior to the printing and despatch of this Circular |
| “Purchased Shares” | : Shares that are purchased pursuant to Proposed Authority on Share Buy-Back |
| “Proposed Authority on Share Buy-Back” | : Proposed Authority on Share Buy-Back 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 25 May 2018, being the date of the last AGM of the Company |
| “Treasury Shares” | : Purchased Shares which are 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 |

TABLE OF CONTENTS

LETTER TO SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY ON SHARE BUY-BACK

| | |
|---|--------------|
| 1. INTRODUCTION | 4 |
| 2. DETAILS OF THE PROPOSED RENEWAL OF AUTHORITY ON SHARE BUY-BACK | 4 |
| 3. RATIONALE | 5 |
| 4. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED RENEWAL OF AUTHORITY ON SHARE BUY-BACK | 5 |
| 5. EFFECTS OF PROPOSED RENEWAL OF AUTHORITY ON SHARE BUY-BACK | 6-9 |
| 6. SOURCE OF FUNDING | 9 |
| 7. COMPANIES ACT 2016 | 9 |
| 8. HISTORICAL SHARE PRICES | 10 |
| 9. SHARES BOUGHT BACK PAST 12 MONTHS | 11 |
| 10. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS | 12-13 |
| 11. PUBLIC SHAREHOLDING SPREAD | 14 |
| 12. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS | 14 |
| 13. DIRECTORS' RECOMMENDATION | 14 |
| APPENDIX 1 FURTHER INFORMATION | 15 |



(Incorporated in Malaysia)

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

1. INTRODUCTION

On 08 April 2019, the Company had announced that the Board proposes to seek shareholders' approval for the Proposed Renewal of Existing Authority on Share Buy-back at the forthcoming AGM as set out in page 3 of the Company's 2018 Annual Report.

The purpose of this Statement is to provide you with the information on the

Proposed Renewal of Existing Authority on Share Buy-Back 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 Forest City Phoenix International Golf Hotel, Jalan Persiaran Golf 5, Forest City Golf Resort, 81550 Gelang Patah, Johor Darul Takzim, Malaysia on Friday, 24 May 2019 at 9.00 a.m.

The Notice of the 28th AGM together with the Form of Proxy are set out in the Company's 2018 Annual Report.

2. DETAILS OF THE PROPOSED AUTHORITY ON SHARE BUY-BACK

At the 27th AGM held on 25 May 2018 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 Authority on Share Buy-Back 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 Renewal of Authority on Share Buy-Back.

The Proposed Renewal of Authority on Share Buy-back will be effective immediately upon passing of the ordinary resolution up to the conclusion of the next AGM (unless earlier revoked or varied by an ordinary resolution of 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 OF THE PROPOSED RENEWAL OF AUTHORITY ON SHARE BUY-BACK

The Proposed Renewal of Authority on Share Buy-Back, 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 Renewal of Authority on Share Buy-Back, 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 Renewal of Authority on Share Buy-Back 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 as regards to the price at which the resale of treasury shares may take place on 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 to take place no earlier than 30 days from the date of purchase; and
- (ii) the resale price is not less than the cost of the purchase of Shares being resold.

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 AUTHORITY ON SHARE BUY-BACK

The potential advantages of the Proposed Authority on Share Buy-Back 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 dividends to the shareholders by the Company, it may then be served as a reward to the shareholders of the Company.

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

- (i) the Proposed Authority on Share Buy-Back 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 utilising such funds to repay bank borrowings or not depositing such funds in interest bearing instruments; and
- (iii) as the Proposed Authority on Share Buy-Back can only be made out of retained profits of the Company, it will result in the reduction of financial resources available for distribution of dividends 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 original 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 OF THE PROPOSED AUTHORITY ON SHARE BUY-BACK

The Directors propose to allocate an amount not exceeding the total retained earnings of the Company for the Proposed Authority on Share Buy-Back. As at 31 December 2018, the audited retained earnings of the Company were RM333,206,913. 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 results in the aggregate of the shares

purchased or held exceeding 10% of its total number of issued shares.

Assuming that the Proposed Authority on Share Buy-Back is carried out in full (i.e. the Company purchases up to 84,020,399 EFB Shares or up to 10% of the total number of issued shares of the Company as at 18 March 2019), the financial effects of the Proposed Authority on Share Buy-Back are as follows:

5.1 Share Capital

The Proposed Authority on Share Buy-Back 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 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 18 March 2019 | 846,423,985 |
| Less: Cancellation of Treasury Shares* | 84,642,399 |
| Resultant issued and paid-up capital after cancellation of Treasury Shares | <u>761,781,587</u> |

Note:

* *The effects of the Proposed Authority on 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 Authority on Share Buy-Back will have no impact on the total number of issued shares of Company. There were 200,000 shares being bought back during the financial year ended 31 December 2018. As at to date, the total cumulative Shares purchased by the Company and held as treasury shares is 622,000 shares (representing 0.07% of total issued shares. Accordingly, the number of shares which are available for further buy back by the Company is up to the maximum of 84,020,399 Shares, which together with the 622,000 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 Authority on Share Buy-Back 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 Authority on Share Buy-Back 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 Authority on Share Buy-Back 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 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 Authority on Share Buy-Back, 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 on 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 Authority on Share Buy-Back 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 Authority on Share Buy-Back is implemented in full and the dividend quantum is maintained at historical levels, the Proposed Authority on Share Buy-Back 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 Authority on Share Buy-Back. 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 Authority on Share Buy-Back.

6 SOURCE OF FUNDING

The Proposed Authority on Share Buy-Back, 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 Authority on Share Buy-Back, 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 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 PRICES

The monthly highest and lowest market prices of EFB Shares as traded on Bursa Securities for the past 12 months from March 2018 to March 2019 are set out below: -

| | HIGH | LOW |
|-------------|-------------|------------|
| 2018 | | |
| March | 0.540 | 0.470 |
| April | 0.480 | 0.415 |
| May | 0.570 | 0.415 |
| June | 0.475 | 0.430 |
| July | 0.575 | 0.445 |
| August | 0.625 | 0.505 |
| September | 0.580 | 0.505 |
| October | 0.580 | 0.445 |
| November | 0.525 | 0.385 |
| December | 0.410 | 0.335 |

| | | |
|-------------|-------|-------|
| 2019 | | |
| January | 0.430 | 0.345 |
| February | 0.410 | 0.375 |
| March | 0.395 | 0.345 |

Last transacted market price before printing of circular
(Source: Bursa Malaysia) RM0.375

9 SHARE BOUGHT BACK PAST 12 MONTHS

During the financial year, the Company had repurchased 200,000 of its total number of issued shares from the open market for a total consideration of RM89,000.

The shares repurchased are being held as Treasury Shares and treated in accordance with the requirements of Section 127 of the Companies Act 2016. Details on the share buyback for the current financial year under review are as follows:

| Date of Purchase | No. of Shares | Purchase price per share | | | Total Consideration RM |
|------------------|----------------|--------------------------|--------------|--------------|------------------------|
| | | Highest | Lowest | Average | |
| 28 May 2018 | 200,000 | 0.445 | 0.445 | 0.445 | 89,000 |
| Total | 200,000 | 0.445 | 0.445 | 0.445 | 89,000 |

The repurchase share transaction was funded by internally generated funds and shares are held as treasury shares.

As at 31 December 2018, the Company held 622,000 issued ordinary shares as treasury shares out of its total number of issued shares of 846,423,985 shares.

Directors' Shareholdings and Substantial Shareholders' Shareholdings

10.1 Directors' Shareholdings

The effects of the Proposed Authority on Share Buy-Back on the shareholding of the Directors of EFB based on the Register of Shareholdings as at 18 March 2019 are as follow: -

| Directors | As at 18 March 2019 | | | | 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 | - | - | 301,529,585 ⁽¹⁾ | 35.65 | - | - | 301,529,585 ⁽¹⁾ | 39.58 |
| Kuo Jen Chang | 142,355,865 | 16.83 | 159,173,720 ⁽²⁾ | 18.82 | 142,355,865 | 18.69 | 159,173,720 ⁽²⁾ | 20.89 |
| Kuo Jen Chiu | 124,120,141 | 14.67 | 177,409,444 ⁽²⁾ | 20.98 | 124,120,141 | 16.29 | 177,409,444 ⁽²⁾ | 23.29 |
| Mary Henerietta Lim Kim Neo | 6 | # | - | - | 6 | # | - | - |
| Kuan Kai Seng | - | - | - | - | - | - | - | - |
| Henry S Kuo | 17,320,864 | 2.05 | 34,641,730 ⁽²⁾ | 4.10 | 17,320,864 | 2.27 | 34,641,730 ⁽²⁾ | 4.55 |
| 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 the interest of his or her children.
- (2) Deemed interest by virtue of the interest of his siblings.

11 PUBLIC SHAREHOLDING SPREAD

The public shareholding spread of the Company as at 18 March 2019 is approximately 58.15% held by 9,305 public shareholders. In implementing the Proposed Authority on Share Buy-Back, 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 Authority on Share Buy-Back 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 Authority on Share Buy-Back or resale of the Treasury Shares, if any in the future.

13 DIRECTORS' RECOMMENDATION

The Board, having considered all aspects of the Proposed Authority on Share Buy-Back are of the opinion that the Proposed Authority on Share Buy-Back 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 Authority on Share Buy-Back 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, accepts full responsibilities for the accuracy of the information given and confirms that, after making all reasonable enquiries and to the best of their knowledge and beliefs, 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 Berhad 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 28th AGM:-

- i. Memorandum and Articles of Association of Evergreen Fibreboard Berhad; and
- ii. Audited Financial Statements of Evergreen Fibreboard Berhad for the past two (2) financial years ended 31 December 2017 and 2018.

Notes :

- * **The Memorandum and Articles of Association of the Company shall have effect and enforceable under Companies Act 2016 pursuant to Section 619(3) of the Act.**