

Our Ref : EFB/ADM/2018

Date : 24th May 2018

Badan Pengawas Pemegang Saham Minoriti Berhad (By Fax 03-20709107 & Hand)  
Tingkat 11, Bangunan KWSP,  
No.3, Changkat Raja Chulan,  
Off Jalan Raja Chulan,  
50200 Kuala Lumpur.

Dear Sir,

**RE : Twenty-Seventh (27th) Annual General Meeting (AGM) of  
Evergreen Fibreboard Berhad (“the Company / Group”)**

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We refer to your letter dated 24th May 2018 and hereby append our reply to the questions being raised.

**Strategic & Financial Matters**

1) The Group’s geographical market presence spreads to more than 5 continents as listed in the table below:-

<b>Continent</b>	<b>FY2017</b>	<b>FY2016</b>
Asia	55.5%	47.5%
Middle East	34.1%	42.0%
United States	5.0%	5.1%
Europe	2.7%	3.0%
Others	2.7%	2.5%

Question:

What was the main reason for the increase of its market share in Asia and the reduction of its market share in Middle East?

**Answer:**

**a) The Group prefers to diversify its markets to avoid geographical concentration risk. The Group possesses well-established marketing network in all major trading continents, especially in East Asia and Middle East. As such, the Group is able to shift its products to take advantage of trading conditions favourable to the Group at the prevailing times. The reduction in our exposure to the Middle East market is mainly due to the strengthening Ringgit which makes local prices in Malaysia more attractive and this helps to reduce the Group’s exposure to Middle East which poses some degree of geo-political risks. Furthermore, Malaysian sales is bolstered by the sales of particleboard to the local furniture manufacturers.**

Which new segment of customers the Group plans to target?

**Answer:**

**b) The Group already has a long-term and established market presence in most markets. The Group fine-tunes its segmental distributions by diversifying into other products such as premium boards, particleboard and its downstream operations.**

2. As reported in the Management Discussion and Analysis on page 28 of the Annual Report, due to the slight delay in the completion of refurbishment work on its MDF Line that was moved to Segamat, Johor, the line is now due for commercial run in the 2<sup>nd</sup> quarter of 2018.

Question :

Has the Group commence the commercial run ?

**Answer:**

**The MDF Line in Segamat, Johor has been fully relocated, refurbished and is undergoing machinery testing. We estimate full commercial run to commence by the 3<sup>rd</sup> quarter of 2018.**

3. The Group's production efficiency for its panel board has declined due to the shortage of rubber wood supply in the first half of 2017.

What was the production efficiency level before and after the shortage of rubber wood supply?

**Answer:**

**The rubber wood supply shortage due to weather conditions occurred mostly in Malaysia which has resulted in the Malaysian panel board plants' production efficiency to drop from 85% efficiency during normal period to below 80% during the wood supply shortage period.**

4. Amount written off for property, plant and equipment increased significantly by 242% to RM29.271 million in FY2017 from RM8.560 million in FY2016.

Please explain the nature of this write-off?

**Answer:**

**The property, plant and equipment written off during FY2017 consists of machinery in our Line 3 Thailand plant which was damaged by a fire incident but was fully covered by insurance, and obsolete & damaged PPE due to restructuring and refurbishment.**

5. The Group recorded realised loss on foreign exchange of RM7.285 million in FY2017 compared to a gain of RM7.542 million in FY2016.

(i) What is the reason for the Group to record foreign exchange loss of RM7.285 million?

**Answer:**

**The loss is mainly due to weakening of the United States Dollars against the Malaysian Ringgit.**

(ii) What are the control mechanism put in place to mitigate such failures?

**Answer:**

**There is no question of failure. The Group has a policy of not hedging its USD proceeds and converts it at the prevailing rate upon receipt.**

### **Corporate Governance Matters**

1) We noted that there is no resolution pertaining to approval of payment of directors' other benefits pursuant to Section 230 (1) of the Companies Act 2016.

Does it mean that during FY2018, no allowances or benefits-in-kind or any other benefits would be paid to the directors until a resolution is tabled at the AGM in 2019 and shareholders' approval obtained?

**Explanation:**

**Yes, shareholder's approval will be sought at the AGM in 2019 prior to any payment of allowances or benefits in kind to Directors for FY 2018.**

2) The Company did not disclose the senior management's remuneration component in bands of RM50,000 as recommended under Practice 7.2 of MCCG and there was no explanation of a suitable alternative practice to meet the intended outcome.

Under Paragraph 3.2A(b), Practice Note 9 of the Main Market Listing Requirements, the Company must disclose the alternatives the Intended Outcome as set out in the MCCG.

**Explanation :**

**As mentioned in our Annual Report 2017, the remuneration and benefit package of our top five Key Officers / Senior Management is not being declared in bands of RM50,000 due to sensitivity reasons in the Company / Group as well as to safeguard our key staffs against being poached by our competitors.**

**Nevertheless, the Board takes note on recommendation under Practice 7.2 of the MCCG and will look into alternative disclosure that is able to safeguard the interest of the group.**

3) While we note that the Company has 2 women directors on board and the Board remains committed in maintaining female representation on Board, there is no policy on gender diversity. Practice 4.5 of MCCG requires that the Board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets.

**Explanation :**

**The Board is currently reviewing the Policy on Diversity for the Board as well as the Senior Management which will be included as part of the Terms of Reference of the Nomination Committee on Sourcing and Appointment of Directors and Senior Management.**

The Company will be presenting the above questions and answers to shareholders at the coming AGM and it will also be posted on our website for the benefit of all shareholders.

Thank you.

Yours Sincerely,

Evergreen Fibreboard Berhad

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Mary Henerietta Lim

(Group Executive Director)