

EVERGREEN FIBREBOARD BERHAD (217120W)

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31ST DECEMBER 2012

A INFORMATION REQUIRED BY MFRS 134

1. *Basis of Preparation*

These condensed consolidated interim financial statements, for the period ended 31 December 2012, have been prepared in accordance with MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards (“FRS”).

These condensed consolidated interim financial statements are the Group’s MFRS condensed consolidated interim financial statements for part of the period covered by the Group’s first MFRS annual financial statements for the year ending 31 December 2012. The Group has applied MFRS 1: First-Time Adoption of Malaysian Financial Reporting Standards with effect from 1 January 2012.

Except for certain difference, the requirements under FRS and MFRS are similar. The significant accounting policy adopted to prepare this condensed consolidated interim statements are consistent with those of the audited financial statements for year ended 31 December 2011 except for the following:

Transition to MFRS: Property, plant and equipment

Upon transition to MFRS, the Group has elected to measure property, plant and equipment using the cost model under MFRS 116, Property, Plant and equipment. At the date of transition to MFRS, the Group elected to:

Regard fair value of certain Property, plant and equipment at date of transition as its deemed cost at the date. As at the date, a decrease of RM5.67million (31 December 2011: RM5.31 million) was recognised in Property, plant and equipment of an associates company. The resulting adjustments were recognised against retained earnings.

Prior Year Adjustment on Retirement Benefits (MFRS 119)

In compliance to MFRS 119, the Group has engaged independent actuaries to perform the actuarial valuation report to make a reliable estimate of the amount of retirement benefit that employees have earned in return for their current service in the current and prior periods. The cumulative actuarial losses of RM3.17 million and RM3.59 million were adjusted to retained profits as at 1 January 2011 and 31 December 2011 respectively.

The reconciliation of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date transition under MFRS are provided below:

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(i) Reconciliation of equity as at

	<----- 1 January 2011 ----->			
	FRS as at 1 January 2011 RM'000	Transition to MFRS Property, plant and equipment RM'000	Prior Year Adjustment Retirement Benefits RM'000	MFRS as at 1 January 2011 RM'000
ASSETS				
Non-current assets	(Audited)			(Restated)
Property, plant and equipment	847,890			847,890
Other intangible asset	-			-
Land use rights	16,048			16,048
Investments in associates	10,290	(5,666)		4,624
Goodwill	18,458			18,458
Derivatives	544			544
	<u>893,230</u>			<u>887,564</u>
Current assets				
Inventories	130,173			130,173
Trade receivables	69,090			69,090
Other receivables, deposits & prepayment	57,865			57,865
Derivatives	459			459
Non-current asset held for sale	-			-
Investments in unit trust	381			381
Cash and cash equivalents	118,539			118,539
	<u>376,507</u>			<u>376,507</u>
TOTAL ASSETS	<u>1,269,737</u>			<u>1,264,071</u>
EQUITY AND LIABILITIES				
Equity attributable to owners of the Parent				
Share capital	128,250			128,250
Share premium	113,129			113,129
Treasury shares	-			-
Retained earnings	516,281	(5,666)	(3,174)	507,441
Other reserve	2,633			2,633
	<u>760,293</u>			<u>751,453</u>
Non-controlling interests	9,601			9,601
Total equity	<u>769,894</u>			<u>761,054</u>
Non-current liabilities				
Deferred tax liabilities	8,759		(965)	7,794
Long-term borrowings	236,452			236,452
Derivatives	17			17
Other payables	440		4,139	4,579
	<u>245,668</u>			<u>248,842</u>
Current liabilities				
Trade payables	47,457			47,457
Other payables and accruals	78,962			78,962
Short-term borrowings	126,631			126,631
Provision for taxation	837			837
Derivatives	289			289
	<u>254,175</u>			<u>254,175</u>
Total liabilities	<u>499,843</u>			<u>503,017</u>
TOTAL EQUITY AND LIABILITIES	<u>1,269,737</u>			<u>1,264,071</u>

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31ST DECEMBER 2012

(i) Reconciliation of equity as at

	←----- 31 December 2011 ----->			
	Transition to MFRS		Prior Year	
	FRS as at	Property, plant and	Retirement	MFRS as at
	31 December	equipment	Benefits	31 December
	2011	RM'000	RM'000	2011
	RM'000	RM'000	RM'000	RM'000
	(Audited)			(Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	865,133			865,133
Other intangible asset	202			202
Land use rights	17,459			17,459
Investments in associates	10,140	(5,307)		4,833
Goodwill	19,591			19,591
Derivatives	21			21
	<u>912,546</u>			<u>907,239</u>
Current assets				
Inventories	157,126			157,126
Trade receivables	75,927			75,927
Other receivables, deposits & prepayments	41,741			41,741
Derivatives	754			754
Non-current asset held for sale	-			-
Investments in unit trust	436			436
Cash and cash equivalents	118,497			118,497
	<u>394,481</u>			<u>394,481</u>
TOTAL ASSETS	<u>1,307,027</u>			<u>1,301,720</u>
EQUITY AND LIABILITIES				
Equity attributable to owners of the Parent				
Share capital	128,250			128,250
Share premium	113,129			113,129
Treasury shares	(2)			(2)
Retained earnings	579,883	(5,307)	(3,588)	570,987
Other reserve	(2,550)			(2,550)
	<u>818,710</u>			<u>809,814</u>
Non-controlling interests	11,771			11,771
Total equity	<u>830,481</u>			<u>821,585</u>
Non-current liabilities				
Deferred tax liabilities	9,942		(1,196)	8,746
Long-term borrowings	200,001			200,001
Derivatives	7			7
Other payables	908		4,784	5,692
	<u>210,858</u>			<u>214,446</u>
Current liabilities				
Trade payables	61,021			61,021
Other payables and accruals	85,861			85,862
Short-term borrowings	117,468			117,468
Provision for taxation	19			19
Derivatives	1,319			1,319
	<u>265,688</u>			<u>265,689</u>
Total liabilities	<u>476,546</u>			<u>480,135</u>
TOTAL EQUITY AND LIABILITIES	<u>1,307,027</u>			<u>1,301,720</u>

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31ST DECEMBER 2012

(ii) Reconciliation of total comprehensive income for the period ended

	Individual Quarter 3 months ended <----- 31 December 2011 ----->			
	FRS as at 31 December 2011 RM'000 (Audited)	Transition to MFRS Property, plant and equipment RM'000	Prior Year Adjustment Retirement Benefits RM'000	MFRS as at 31 December 2011 RM'000 (Restated)
Revenue	296,177			296,177
Cost of sales	(228,100)			(228,100)
Gross Profit	<u>68,077</u>			<u>68,077</u>
Other operating income	(666)			(666)
Selling & administrative expenses	(42,247)		(161)	(42,408)
Finance costs	(3,623)			(3,623)
Net gain/(loss) on financial instruments at fair value	1,530			1,530
Share of profit/(loss) of associates	(544)	90		(454)
Profit Before Tax	<u>22,527</u>			<u>22,456</u>
Taxation - company & subsidiary	(3,678)		58	(3,620)
Net Profit For The Period	<u>18,849</u>			<u>18,836</u>
<i>Net profit/(loss) attributable to:</i>				
Owners of the parent	20,978			20,965
Non-controlling interests	(2,129)			(2,129)
	<u>18,849</u>			<u>18,836</u>
Net Profit For The Period	<u>18,849</u>			<u>18,836</u>
Other comprehensive income				
Currency translation differences	(4,340)			(4,340)
Changes in fair value of cash flow hedges	727			727
Other comprehensive income net of tax	<u>(3,613)</u>			<u>(3,613)</u>
Total comprehensive income/(loss) for the period	<u>15,236</u>			<u>15,223</u>
<i>Total comprehensive income/(loss) attributable to:</i>				
Owners of the parent	17,365			17,352
Non-controlling interests	(2,129)			(2,129)
	<u>15,236</u>			<u>15,223</u>

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(ii) Reconciliation of total comprehensive income for the period ended

	<-----	31 December 2011	----->
	FRS as at	Transition to MFRS	Prior Year Adjustment
	31 December	Property, plant and equipment	Retirement Benefits
	2011	RM'000	RM'000
	RM'000	RM'000	RM'000
	(Audited)		MFRS as at
			31 December
			2011
			RM'000
			(Restated)
Revenue	1,061,688		1,061,688
Cost of sales	(832,817)		(832,817)
Gross Profit	228,871		228,871
Other operating income	9,701		9,701
Selling & administrative expenses	(160,239)		(646) (160,885)
Finance costs	(13,572)		(13,572)
Net gain/(loss) on financial instruments at fair value	479		479
Share of profit/(loss) of associates	536	359	895
Profit Before Tax	65,776		65,489
Taxation - company & subsidiary	(6,608)		231 (6,377)
Net Profit For The Period	59,168		59,112
<i>Net profit/(loss) attributable to:</i>			
Owners of the parent	63,602		63,546
Non-controlling interests	(4,434)		(4,434)
	59,168		59,112
Net Profit For The Period	59,168		59,112
Other comprehensive income			
Currency translation differences	(3,821)		(3,821)
Changes in fair value of cash flow hedges	(1,362)		(1,362)
Other comprehensive income net of tax	(5,183)		(5,183)
Total comprehensive income/(loss) for the period	53,985		53,929
<i>Total comprehensive income/(loss) attributable to:</i>			
Owners of the parent	58,419		58,363
Non-controlling interests	(4,434)		(4,434)
	53,985		53,929

(iii) Retained earnings

The changes which affected the retained earnings are as below:

	1 January	31 December
	2011	2011
	RM'000	RM'000
Property, plant and equipment	(5,666)	(5,307)
Retirement Benefits	(3,174)	(3,588)

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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 2011 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 were no other changes in estimates that have had a material effect in the current quarter results.

6. Debt and Equity Securities

There were no issuance, cancellation, resale of shares bought back and repayment of debt and equity security for the financial year other than the following: -

- (a) During the current year, the Company bought back a total of 20,000 of its issued and paid-up shares from the open market at an average price of RM0.648 per share. Total consideration paid for the buybacks including transaction costs was RM 13,044.59 and these buybacks were financed by internally generated funds. The total number of shares bought back as at 31 December 2012 was 22,000 shares and the shares are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

7. Dividends Paid

The gross dividends paid during the current financial year-to-date were as follows:

- (a) A tax-exempt interim dividend of 6% or 1.50 sen per share in respect of the financial year ending 31 December 2011 amounting to RM7,694,970 was declared on 20 February 2012 and paid on 15 May 2012.
- (b) A tax-exempt interim dividend of 4% or 1.00 sen per share in respect of the financial year ending 31 December 2012 amounting to RM5,129,780 was declared on 13 August 2012 and paid on 8 November 2012.

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8. Profit before tax

Included in the profit before tax are the following items:

	3 months ended		12 months ended	
	31 December		31 December	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Interest Income	(335)	(657)	(1,529)	(1,983)
Other income include investment income	1,861	1,257	(3,268)	(11)
Interest expense	3,460	3,623	15,218	13,572
Depreciation and amortization	16,650	16,102	68,062	63,672
Provision for & write off receivables	-	-	-	-
Provision for & write off inventories	-	-	-	-
(Gain)/ loss on disposal of properties	68	(823)	(433)	(849)
Impairment of assets	-	-	-	-
Impairment of loss on associates	-	-	(590)	-
Foreign exchange (gain)/ loss	(1,760)	889	(563)	(6,859)
(Gain)/ loss on derivatives	47	(1,530)	502	(479)

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	
	31 December 2012		31 December 2011	
	Segment Revenue	Segment Profit before tax	Segment Revenue	Segment Profit before tax
	RM'000	RM'000	RM'000	RM'000
Malaysia	149,826	(3,590)	184,480	26,473
Thailand	74,346	(5,296)	102,227	662
Others	11,142	(4,401)	9,470	(4,679)
	<u>235,314</u>	<u>(13,287)</u>	<u>296,177</u>	<u>22,456</u>

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	12 months ended 31 December 2012		12 months ended 31 December 2011	
	Segment Revenue	Segment Profit before tax	Segment Revenue	Segment Profit before tax
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
				<u>(Restated)</u>
Malaysia	655,967	35,718	654,192	80,218
Thailand	324,162	2,076	367,880	(5,267)
Others	51,832	(9,797)	39,616	(9,462)
	<u>1,031,961</u>	<u>27,997</u>	<u>1,061,688</u>	<u>65,489</u>

10. *Carrying Amount of Revalued Assets*

Except as disclosed in Note A (1), the valuations of property, plant and equipment have been brought forward without amendment from the audited financial statements for the year ended 31 December 2011.

11. *Subsequent Events*

In the opinion of the Directors, no material events have arisen subsequent to the reporting date that require disclosure or adjustment to the unaudited condensed interim financial statements except as disclosed in Note A (12) and B (10).

12. *Changes in Composition of the Group*

On 15 February 2012, Evergreen Fibreboard Berhad (“EFB”)’s wholly-owned subsidiary, Evergreen Plantation Resources Sdn. Bhd. (“EPR”), has entered into a Share Sale Agreement with Teh Ho Ann, Muhd Faisal Bin Mohd Ariff, Amin Bin Maidu and Seman Bin Buang (“the Vendors”), shareholders in Jasa Wibawa Sdn. Bhd. (“JW”) for the proposed acquisition of 3,500,000 ordinary shares of RM1.00 each representing 100% equity interest in JW for cash consideration of RM37,837,800. The principal activity of JW is dealing in sawn-logs and cultivation of rubber trees.

The investments above are for the expansion of EFB Group and are not expected to have any immediate material effect on the earnings and net assets of the EFB Group in the near future.

On 1 October 2012, as the result from the completion of the Compromise Agreement, Dynea Krabi Co., Ltd. will no longer be an associate company of EFB.

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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 31 December 2012 are as follows:

	<u>RM'000</u>
Approved and contracted for	3,868
Approved but not contracted for	3,133
	<u>7,001</u>

15. *Significant Transactions With Associate*

	3 months ended 31 December 2012 RM'000	12 months ended 31 December 2012 RM'000
Associate:		
Sales of products	-	237

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.

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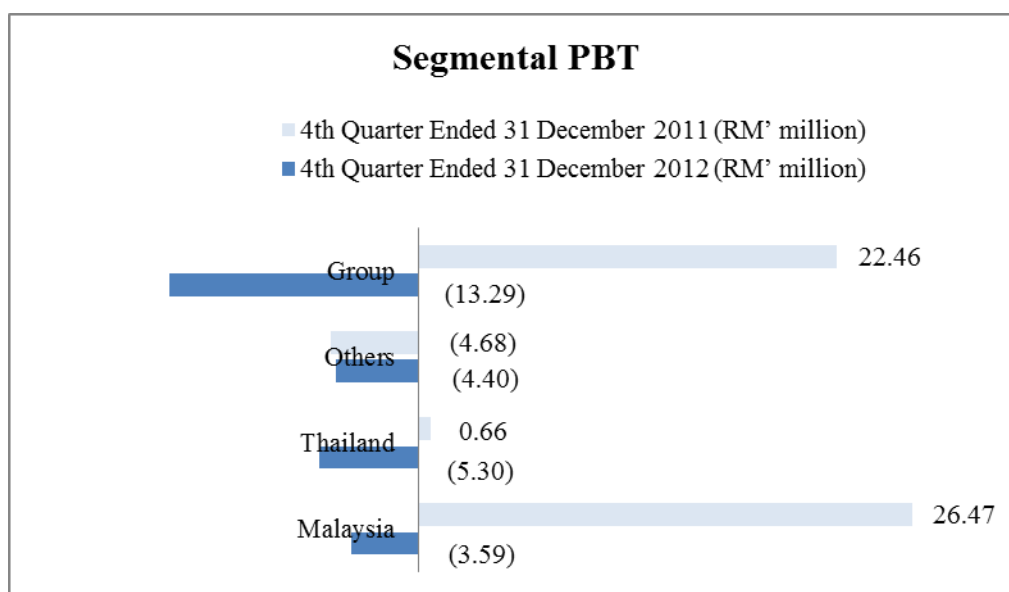
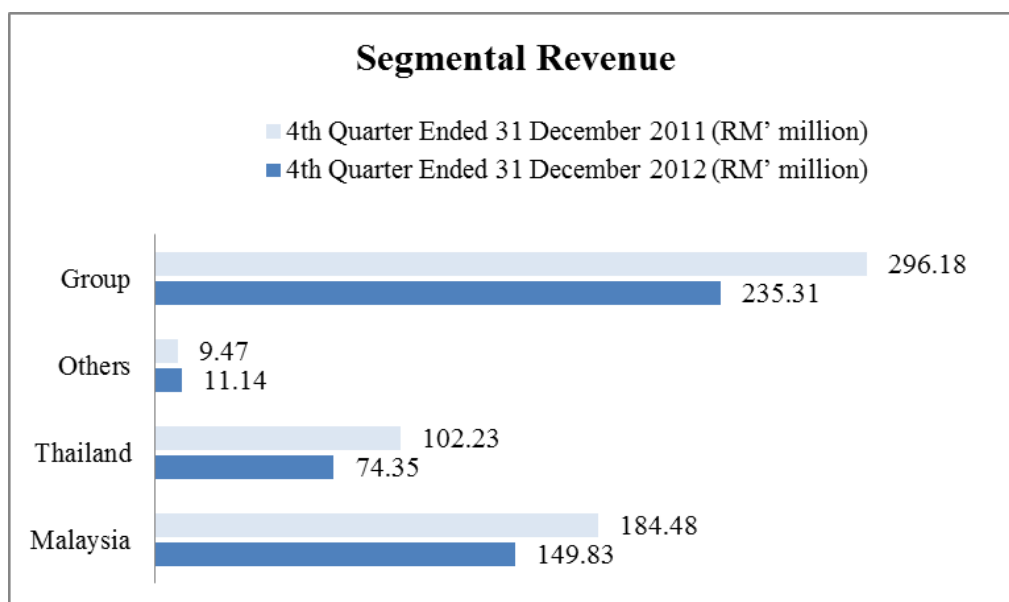
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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31ST DECEMBER 2012

B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1 *Performance Review*

Segmental Revenue and Results – for 4th Quarter Ended 31/12/2011 vs 31/12/2012



Malaysia segment

The Malaysia segment's revenue for the quarter ended 31 December 2012 decreased by 18.8% to RM149.83 million from RM184.48 million recorded in the preceding year corresponding quarter. The decrease in revenue was mainly due to drop in sales volume and average selling price.

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Loss before tax was recorded at RM3.59 million for the current quarter, declined by RM30.06 million from profit before tax of RM26.47 million recorded in the preceding year corresponding quarter. The fall in profit was mainly due to lower sales revenue.

Thailand segment

The Thailand segment's revenue for the quarter ended 31 December 2012 decreased by 27.3% to RM74.35 million from RM102.23 million recorded in the preceding year corresponding quarter. The decline in revenue was due to lower sales volume and declined in average selling price.

Loss before tax was reported at RM5.30 million for the current quarter, decreased by RM5.96 million compare to a profit before tax of RM0.66 million recorded in the corresponding quarter of the preceding year. The decreased in profit was mainly resulted from lower sales volume.

Others Segment

The Others segment's revenue for the quarter ended 31 December 2012 increased by RM1.67 million to RM11.14 million from RM9.47 million recorded in the preceding year corresponding quarter. The increased in revenue was mainly attributable to the accounting impact on inter Group sales.

Loss before tax has decreased from RM4.68 million to RM4.40 million recorded in the corresponding quarter of the preceding year. The decrease in losses was mainly caused by slightly lower in operation cost.

Consolidated profit before tax

The Group's revenue for the quarter ended 31 December 2012 decreased by 20.6% to RM235.31 million from RM296.18 million recorded in the preceding year corresponding quarter. The fall in revenue was mainly contributed by lower sales volume and average selling price.

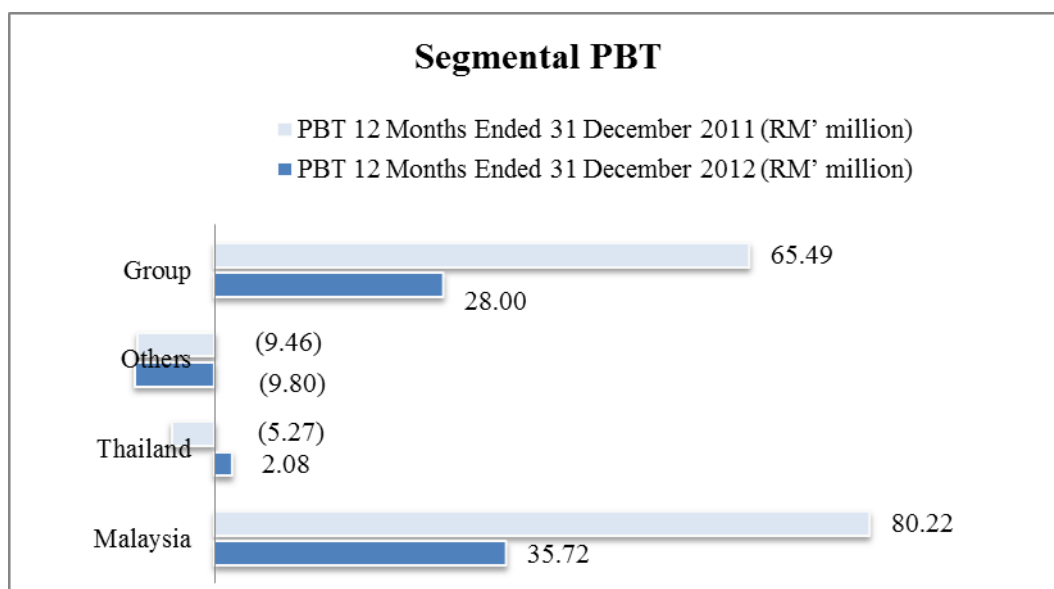
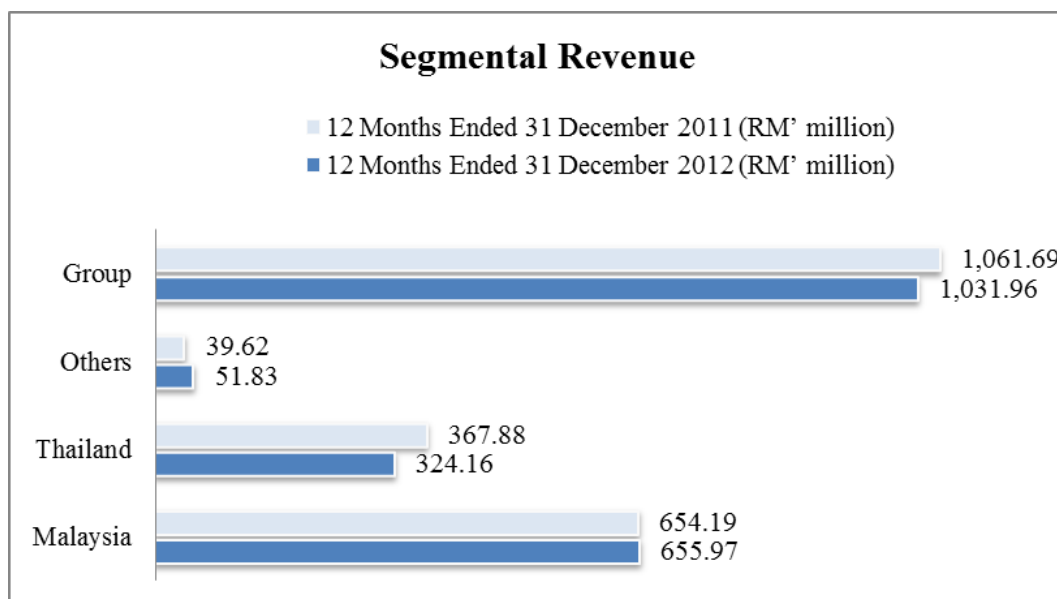
Loss before tax has reported at RM13.29 million for the current quarter, decreased by RM35.75 million as compared to a profit before tax of RM22.46 million recorded in the preceding year corresponding quarter. This was mainly caused by lower sales revenue.

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Segmental Revenue and Results – for 12 Months Ended 31/12/2011 vs 31/12/2012



Malaysia segment

For the financial year ended 31 December 2012 (FY2012), the Malaysia segment's revenue has increased by 0.3% or RM1.78 million to RM655.97 million, as compared to the revenue of RM654.19 million for the financial year ended 31 December 2011 (FY2011). The increase in revenue was mainly contributed by higher average selling price for most of the products and contribution from newly acquired subsidiary, CMTP.

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Profit before tax has dropped to RM35.72 million from RM80.22 million as recorded in the FY2011. The decline in profit before tax is mainly due to drastic hike in glue and log prices, the higher rate on electricity cost and unrealized foreign exchange loss incurred.

Thailand segment

For the FY2012, the Thailand segment's revenue was RM324.16 million, decreased from revenue of RM367.88 million recorded in corresponding period last year. The decline in revenue was mainly caused by lower sales volume, despite higher average selling price and contribution by newly acquired subsidiary, AOC.

The Thailand segment's profit before tax has increased by 139.5% or RM7.35 million to RM2.08 million from a loss of RM5.27 million as recorded in FY2011. The increase in profit before tax is mainly resulted from higher average selling price and lower log cost.

Others Segment

For the FY2012, the Others segment's revenue was increased by 130.8% to RM51.83 million, as compared to the revenue of RM39.62 million for the FY2011. The increase in revenue was mainly attributable to higher sales volume and average selling price.

The Others segment's loss before tax has marginally increased by RM0.34 million to RM9.80 million from a loss before tax of RM9.46 million in FY2011. The increased in losses was mainly due to the impact from unrealized foreign exchange loss incurred on the USD loan.

Consolidated profit before tax

For the FY2012, the Group's revenue has decreased by 2.8% to RM1,031.96 million, as compared to RM1,061.69 million for the corresponding period last year. The decline in revenue was mainly caused by lower sales volume, despite higher average selling price for majority of the Group's products and contribution from newly acquired subsidiaries, CMTP and AOC.

The Group's profit before tax decreased by 57.2% to RM28.00 million from RM65.49 million in the same period last year. The decreased in profit before tax was mainly resulted from hike in glue cost and higher rate on electricity cost and impact from the loss in unrealized foreign exchange.

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

	Current Quarter Ended 30 December 2012 RM'000	Immediate Preceding Quarter Ended 30 September 2012 RM'000
Revenue	235,314	248,035
Profit Before Tax	(13,287)	7,239
Net profit for the period	(10,711)	6,996

The current quarter revenue was RM235.31 million, decreased from RM248.04 million recorded in the preceding quarter. The decline in revenue was mainly attributable to drop in average selling price, although the impact has been mitigated by increased of sales volume.

The Group's profit before tax was declined by RM20.53 million from RM7.24 million recorded in the preceding quarter to a loss before tax of RM13.29 million. The fall in the profit was mainly due to drop of sales revenue.

3 *Profit Forecast or Profit Guarantee*

Not applicable as no Profit Forecast or Profit Guarantee has been issued by the Group.

4 *Commentary of Prospects*

The world economy still facing challenges emanating from US fiscal tightening; prolonged uncertainty of Euro debt crisis; threat of asset bubbles & inflation in Asia. The currency tension and uncertainty of Global growth has an impact on the growth of worldwide MDF demand to remain stagnant. Besides, the Group also facing challenges from intensive regional competition as the emerging of higher regional production capacity of MDF from Thailand, Vietnam and Indonesia on the second half of this year.

The Group will nevertheless continue to step up efforts to enhance efficiency, increase productivity, explore marketing strategies on value added products to enhance the Group margins and emphasize cost reduction measures. The Group aims to achieve a satisfactory performance in the next quarter.

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5 *Taxation*

Major Components of tax expenses

	3 months ended		12 months ended	
	31 December 2012 RM'000	31 December 2011 RM'000 (Restated)	31 December 2012 RM'000	31 December 2011 RM'000 (Restated)
Current tax expenses	(931)	1,972	2,866	5,060
Deferred tax expenses	(1,645)	1,648	(1,195)	1,317
	<u>(2,576)</u>	<u>3,620</u>	<u>1,671</u>	<u>6,377</u>

The effective tax rate of the Group for the current quarter is lower than the statutory rate mainly due to the tax-exempt status granted to most of the companies in the Group.

6 *Realised and Unrealised Profits/Losses Disclosure*

	As at 31 December 2012 RM'000	As at 31 December 2011 RM'000 (Restated)
	Retained profits of the Company and its subsidiaries:	
- Realised	653,000	601,204
- Unrealised	(7,803)	(8,746)
	<u>645,197</u>	<u>592,458</u>
Share of retained profits from associated company:		
- Realised	-	813
	<u>645,197</u>	<u>593,271</u>
Less: Consolidation adjustments	(53,975)	(22,284)
Group retained profits as per consolidated accounts	<u>591,222</u>	<u>570,987</u>

7 *Status of Corporate Proposal Announced*

There was no outstanding corporate proposal announced as at 31 December 2012.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31ST DECEMBER 2012****8 Borrowings and Debt Securities**

The Group's borrowings are as follows: -

Denominated	As at 31 December 2012				Total RM'000
	In RM RM'000	In Baht RM'000	In USD RM'000	Others RM'000	
Short Term Borrowings:					
<u>Secured</u>					
Trade facilities	8,405	39,960	-	-	48,365
Term loans	-	28,196	6,025	-	34,221
Hire purchase and finance lease payables	356	19	-	406	781
<u>Unsecured</u>					
Trade facilities	90,414	-	2,529	-	92,943
Term Loans	33,783	-	16,373	-	50,156
	<u>132,958</u>	<u>68,175</u>	<u>24,927</u>	<u>406</u>	<u>226,466</u>
Long Term Borrowings:					
<u>Secured</u>					
Term loans	-	12,306	19,085	-	31,391
Hire purchase and finance lease payables	290	43	-	-	333
<u>Unsecured</u>					
Term Loans	80,595	-	30,830	-	111,425
	<u>80,885</u>	<u>12,349</u>	<u>49,915</u>	<u>-</u>	<u>143,149</u>
Total	<u>213,843</u>	<u>80,524</u>	<u>74,842</u>	<u>406</u>	<u>369,615</u>

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9 ***Financial Instruments***

As at the 31 December 2012, the Group has the following outstanding derivative financial instruments: -

	Notional Contract Amount (RM'000)	Fair value - Net Gains/ (Losses) (RM'000)
1. Forward contract - US Dollar		
- Less than 1 year	8,551	(82)
2. Cross currency interest rate Swap	1,500	
• Interest Rate Swap		
- Less than 1 year	*1,500	(6)
• Currency swap		
- Less than 1 year	*1,500	70
3. Structured forward contract		
- Less than 1 year	14,640	(53)

The forward foreign currency contracts are entered into for the purposes of hedging the Group's foreign currency exposures arising from expected export sales and import purchases. In accordance with the requirement of this standard, the Group has designated certain forward contracts as cash flow hedges or accounted as fair value through profit and loss. Changes in the fair values of the forward contracts designated as cash flow hedges are included in other comprehensive income, to the extent that the hedges are effective. Upon maturity of the instruments, the amounts retained in other comprehensive income will be reclassified to the profit or loss. The fair value changes in forward contracts designated as fair value through profit and loss are included in the income statement.

The Group has entered into cross currency interest rate swap. This contract has two elements consisting of a cross currency swap and an interest rate swap. The Group entered into the swap to benefit from lower USD LIBOR interest rates. The interest rate swap is accounted for at fair value through profit or loss, whereas the Group applies hedge accounting to the currency swap. The fair values of the above derivatives are affected by fluctuations in the foreign currency exchange and interest rates.

Structured foreign exchange products are entered for the purposes of hedging the Group's foreign currency exposure. Such products allow the Group to sell USD at a better than market par forward rate or at prevailing market spot rate by allowing some market participation. These products give the Group a better than market par forward rate to a certain level, after which the Group receives a rebate over the prevailing market spot rate.

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Due to the above, and the fact that these contracts have been entered into with credit-worthy financial institutions, the Group does not foresee any significant credit or market risks associated with the above foreign exchange contracts.

The derivatives have been recorded on the Consolidated Statement of Financial Position for this reporting period in compliance with MFRS 139.

There are no transaction costs for the above hedging instrument.

10 *Changes in Material Litigation*

As announced on 18 September 2012, the Material Litigation (a complaint/legal suit under the Court of Intellectual Property and International Trade in the Kingdom of Thailand has been filed against Evergreen Fibreboard Berhad (“EFB”)) has been settled and withdrawn without any cost or compensation to either party resulting from the parties having executed and registered a Compromise Agreement (“CA”) before the Central Intellectual Property and International Trade Court in Bangkok, Thailand.

In the Compromise Agreement,

- 1) It is agreed that EFB shall cease to be party of the joint venture pursuant to the sale of all its 412,500 shares in Dynea Krabi Co., Ltd. to other existing shareholders and the sale of shares to be completed on 1st October 2012.
- 2) The Plaintiffs and EFB has irrevocably agree to settle and compromise on the dispute under this Complaint/ Legal Suit and this Compromise Agreement shall constitute the absolute and final settlement of this Complaint/Legal Suit with no further claim be brought by any party against another party or parties in respect of the disputed matters in this Complaint/ Legal Suit and all related agreements in respect of the joint venture.

As announced on 1 October 2012, the Compromise Agreement was completed and therefore Dynea Krabi Co. Ltd will no longer be an associate company of EFB effective 1st October 2012.

11 *Dividend Payable*

The Board of Directors does not recommend any interim dividend for the current quarter under review.

Record of dividends paid in respect of financial year ended 31 December 2012 is as follows:

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31ST DECEMBER 2012

Financial Year Ended	Date Declared/ Approved	Type of Dividend	Dividend Rate	Amount Paid (RM)	Payment Date
2012	13 August 2012	Interim tax-exempt dividend	4% or 1 sen /share	RM5.130 million	8 November 2012

12 ***Provision of Financial Assistance***

In December 2006, the Group had provided a short term loan facility of THB9.5 million to an associate company, Dynea Krabi Co., Ltd, a former associate company. The full amount was settled in October 2012.

13 ***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		12 months ended	
	31 December 2012	31 December 2011 (Restated)	31 December 2012	31 December 2011 (Restated)
Net profit for the period attributable to owners of the Parent (RM'000)	(6,481)	20,965	33,059	63,546
Weighted average number of ordinary shares in issue ('000)	513,000	513,000	513,000	513,000
Basic earnings per share (sen)	(1.26)	4.09	6.44	12.39

b. **Diluted**

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