

EVERGREEN FIBREBOARD BERHAD (217120W)

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31ST MARCH 2013

A INFORMATION REQUIRED BY MFRS 134

1. *Basis of Preparation*

These condensed consolidated interim financial statements, for the period ended 31 March 2013, have been prepared in accordance with MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the Group's annual audited financial statements for the year ended 31 December 2012.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2012, except for the adoption of the following new and revised Malaysian Financial Reporting Standards (MFRSs), IC Interpretation and Amendments:-

Effective for annual period beginning on 1 July 2012

- MFRS 101 Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)

Effective for annual period beginning on 1 January 2013

- MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
- MFRS 10 Consolidated Financial Statements
- MFRS 11 Joint Arrangements
- MFRS 12 Disclosure of interests in Other Entities
- MFRS 13 Fair Value Measurement
- MFRS 119 Employee Benefits
- MFRS 127 Separate Financial Statements
- MFRS 128 Investment in Associate and Joint Ventures
- Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities
- Annual Improvements to IC Interpretations and MFRSs 2009-2011 Cycle

2. *Audit Report on Preceding Annual Financial Statements*

The auditors' report on the audited financial statements for the financial year ended 31 December 2012 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.

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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) There were no shares bought back during the quarter under review and financial year-to-date. The total number of shares bought back as at 31 March 2013 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

No dividend was paid during the 1st quarter ended 31 March 2013.

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8. Profit before tax

Included in the profit before tax are the following items:

	3 months ended 31 March		3 months ended 31 March	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest Income	(225)	(401)	(225)	(401)
Other income include investment income	(230)	(413)	(230)	(413)
Interest expense	3,777	3,562	3,777	3,562
Depreciation and amortization	17,454	16,925	17,454	16,925
Provision for & write off receivables	-	-	-	-
Provision for & write off inventories	-	-	-	-
(Gain)/ loss on disposal of properties	314	(23)	314	(23)
Impairment of assets	-	-	-	-
Impairment of loss on associates	-	-	-	-
Foreign exchange (gain)/ loss	(1,692)	(173)	(1,692)	(173)
(Gain)/ loss on derivatives	85	346	85	346

9. Segmental Information

Segmental analysis is prepared based on the geographical location of the plant.

Segmental Revenue and Results

	3 months ended 31 March 2013		3 months ended 31 March 2012	
	Segment Revenue RM'000	Segment Profit/(Loss) before tax RM'000	Segment Revenue RM'000	Segment Profit/(Loss) before tax RM'000
Malaysia	148,258	(5,615)	171,700	15,563
Thailand	65,330	(11,120)	85,889	7,810
Others	13,213	(1,609)	14,641	(3,097)
	<u>226,801</u>	<u>(18,344)</u>	<u>272,230</u>	<u>20,276</u>

10. Carrying Amount of Revalued Assets

The valuations of property, plant and equipment have been brought forward without amendment from the audited financial statements for the year ended 31 December 2012.

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11. Subsequent Events

In the opinion of the Directors, no material events have arisen subsequent to the Balance Sheet date that require disclosure or adjustment to the unaudited condensed interim financial statements.

12. Changes in Composition of the Group

There were no material changes in the composition of the Group during the current financial quarter.

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 March 2013 are as follows:

	<u>RM'000</u>
Approved and contracted for	3,048
Approved but not contracted for	<u>678</u>
	<u><u>3,726</u></u>

15. Significant Related Party Transactions

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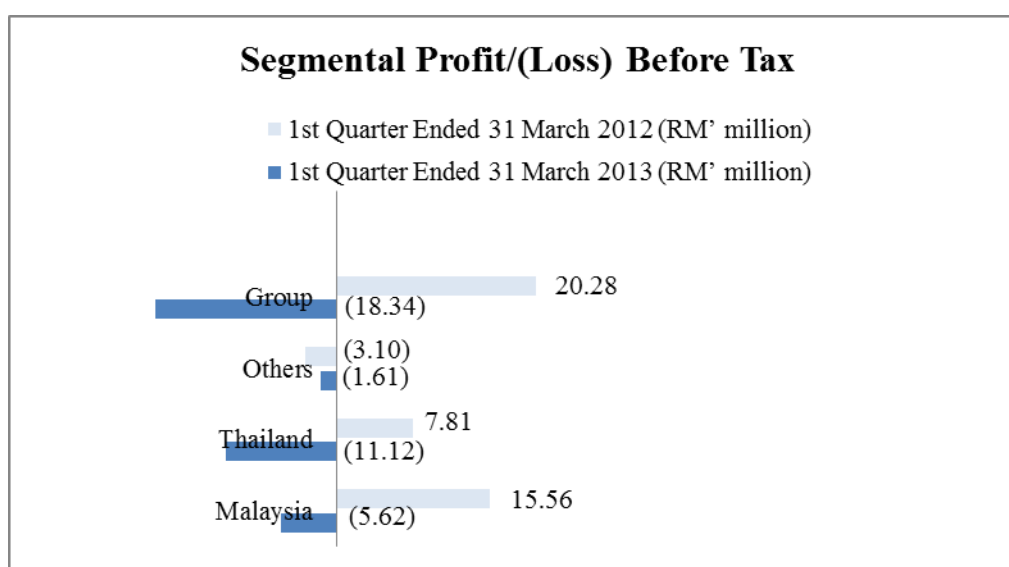
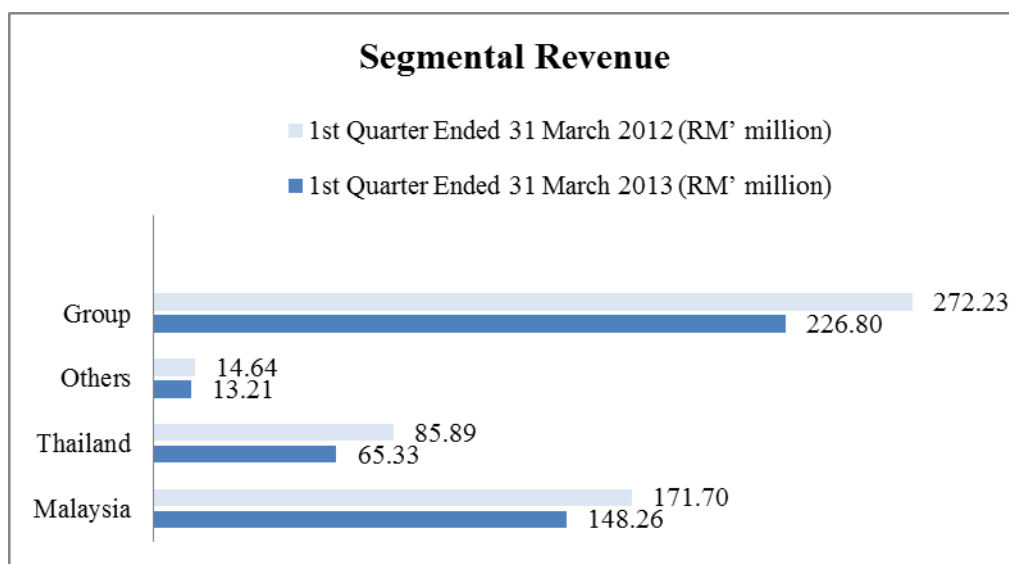
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B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1 *Performance Review*

Segmental Revenue and Results – for 1st Quarter Ended 31/3/2012 vs 31/3/2013



Malaysia segment

The Malaysia segment's revenue for the quarter ended 31 March 2013 decreased by 13.7% or RM23.44 million to RM148.26 million from RM171.7 million recorded in the preceding year corresponding quarter. The decrease in revenue was mainly due to the drop in sales volume and average selling price.

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Loss before tax was recorded at RM5.62 million for the current quarter against profit before tax of RM15.56 million recorded in the preceding year corresponding quarter. The fall in profit was mainly due to lower revenue, higher ocean freight cost and marginal impact from minimum wages enforced.

Thailand segment

The Thailand segment's revenue for the quarter ended 31 March 2013 decreased by 23.9% to RM65.33 million from RM85.89 million recorded in the preceding year corresponding quarter. The decline in revenue was due to lower sales volume and drop in average selling price.

Loss before tax was reported at RM11.12 million for the current quarter compared to a profit before tax of RM7.81 million recorded in the corresponding quarter of the preceding year. The decrease in profit was mainly resulted from lower revenue couple with higher ocean freight cost.

Others Segment

The Others segment's revenue for the quarter ended 31 March 2013 decreased by 9.8% or RM1.43 million to RM13.21 million from RM14.64 million recorded in the preceding year corresponding quarter. The decrease in revenue was mainly attributable to lower selling price.

Loss before tax has decreased from RM3.1 million to RM1.61 million recorded in the corresponding quarter of the preceding year. The decrease in losses was contributed by a slight drop in operation cost even with minimum wages being enforced.

Consolidated profit before tax

The Group's revenue for the quarter ended 31 March 2013 decreased by 16.7% to RM226.80 million from RM272.23 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 was registered at RM18.34 million for the current quarter, a decrease of RM38.62 million compared to profit before tax of RM20.28 million recorded in the preceding year corresponding quarter. This was mainly caused by lower revenue, higher ocean freight cost and marginally impacted by minimum wages enforced.

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

	Current Quarter Ended 31 March 2013 RM'000	Immediate Preceding Quarter Ended 31 December 2012 RM'000
Revenue	226,801	235,015
Profit/(Loss) Before Tax	(18,344)	(15,535)
Net profit/(loss) for the period	(17,772)	(11,474)

The current quarter revenue was RM226.80 million, decreased from RM235.02 million recorded in the preceding quarter. The decline in revenue was mainly attributable to lower sales volume and marginally impacted by strengthening of MYR against USD.

The Group's loss before tax increased by RM6.3 million from RM11.47 million recorded in the preceding quarter to RM17.77 million. The fall in profit was mainly resulted by lower revenue even with stable log and glue cost.

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 continues to face challenges on uncertainty derived from ongoing Euro debt crisis and most countries' monetary easing policy. The fluctuation in USD and uncertainty of the global growth has direct impact on growth of worldwide MDF demand.

Despite, the intensive regional competition caused by additional regional production capacity of MDF from Thailand, Vietnam and Indonesia, the Group will continue to reduce the cost of production with a tight cost control through-out the Group. The Group aims to overcome the impending challenges to achieve a satisfactory performance in the next quarter.

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5 Taxation

Major Components of tax expenses

	3 months ended		3 months ended	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
Current tax expenses	141	1,222	141	1,222
Deferred tax expenses	(713)	971	(713)	971
	<u>(572)</u>	<u>2,193</u>	<u>(572)</u>	<u>2,193</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	As at
	31 March 2013 RM'000	31 December 2012 RM'000
Retained profits of the Company and its subsidiaries:		
- Realised	628,593	646,163
- Unrealised	(5,777)	(6,599)
	<u>622,816</u>	<u>639,564</u>
Less: Consolidation adjustments	(49,393)	(49,925)
Group retained profits as per consolidated accounts	<u>573,423</u>	<u>589,639</u>

7 Status of Corporate Proposal Announced

There was no outstanding corporate proposal announced as at 20 May 2013.

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8 Borrowings and Debt Securities

The Group's borrowings are as follows: -

Denominated	As at 31 March 2013				
	In RM RM'000	In Baht RM'000	In USD RM'000	Others RM'000	Total RM'000
Short Term Borrowings:					
<u>Secured</u>					
Trade facilities	8,697	52,300	-	-	60,997
Term loans	-	29,215	6,401	-	35,616
Hire purchase and finance lease payables	460	14	-	360	834
<u>Unsecured</u>					
Trade facilities	85,498	-	3,053	-	88,551
Term Loans	34,990	-	15,529	-	50,519
	<u>129,645</u>	<u>81,529</u>	<u>24,983</u>	<u>360</u>	<u>236,517</u>
Long Term Borrowings:					
<u>Secured</u>					
Term loans	-	10,888	32,152	-	43,040
Hire purchase and finance lease payables	1,342	45	-	-	1,387
<u>Unsecured</u>					
Term Loans	70,848	-	27,408	-	98,256
	<u>72,190</u>	<u>10,933</u>	<u>59,560</u>	<u>-</u>	<u>142,683</u>
Total	<u>201,835</u>	<u>92,462</u>	<u>84,543</u>	<u>360</u>	<u>379,200</u>

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9 ***Financial Instruments***

As at the 31 March 2013, 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	29,637	(128)
2. Structured forward contract		
- Less than 1 year	29,562	(509)

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.

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.

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***

There is no material litigation pending as at 20 May 2013.

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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:

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 *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		3 months ended	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Net profit/(loss) for the period attributable to owners of the Parent (RM'000)	(16,216)	19,666	(16,216)	19,666
Weighted average number of ordinary shares in issue ('000)	513,000	513,000	513,000	513,000
Basic earnings per share (sen)	(3.16)	3.83	(3.16)	3.83

b. **Diluted**

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