

EVERGREEN FIBREBOARD BERHAD (217120W)

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30TH SEPTEMBER 2012

A INFORMATION REQUIRED BY MFRS 134

1. *Basis of Preparation*

These condensed consolidated interim financial statements, for the period ended 30 September 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:

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 (30 September 2011: RM5.40 million; 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.

The reconciliations 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 (Audited)	Property, plant and equipment RM'000
		MFRS as at 1 January 2011 RM'000 (Restated)
ASSETS		
Non-current assets		
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 & prepayments	57,865	57,865
Derivatives	459	459
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) 510,615
Other reserve	2,633	2,633
	<u>760,293</u>	<u>754,627</u>
Non-controlling interests	9,601	9,601
Total equity	<u>769,894</u>	<u>764,228</u>
Non-current liabilities		
Deferred tax liabilities	8,759	8,759
Long-term borrowings	236,452	236,452
Derivatives	17	17
Other payables	440	440
	<u>245,668</u>	<u>245,668</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>499,843</u>
TOTAL EQUITY AND LIABILITIES	<u>1,269,737</u>	<u>1,264,071</u>

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(i) Reconciliation of equity as at

	<----- 30 September 2011 ----->		
	FRS as at 30 September 2011 RM'000	Property, plant and equipment RM'000	MFRS as at 30 September 2011 RM'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	873,880		873,880
Other intangible asset	-		-
Land use rights	15,787		15,787
Investments in associates	10,415	(5,397)	5,018
Goodwill	19,591		19,591
Derivatives	27		27
	<u>919,700</u>		<u>914,303</u>
Current assets			
Inventories	158,107		158,107
Trade receivables	85,018		85,018
Other receivables, deposits & prepayments	37,900		37,900
Derivatives	54		54
Investments in unit trust	433		433
Cash and cash equivalents	101,848		101,848
	<u>383,360</u>		<u>383,360</u>
TOTAL ASSETS	<u>1,303,060</u>		<u>1,297,663</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	(1)		(1)
Retained earnings	558,636	(5,397)	553,239
Other reserve	1,062		1,062
	<u>801,076</u>		<u>795,679</u>
Non-controlling interests	14,042		14,042
Total equity	<u>815,118</u>		<u>809,721</u>
Non-current liabilities			
Deferred tax liabilities	8,011		8,011
Long-term borrowings	205,763		205,763
Derivatives	-		-
Other payables	548		548
	<u>214,322</u>		<u>214,322</u>
Current liabilities			
Trade payables	61,988		61,988
Other payables and accruals	82,158		82,158
Short-term borrowings	126,349		126,349
Provision for taxation	11		11
Derivatives	3,114		3,114
	<u>273,620</u>		<u>273,620</u>
Total liabilities	<u>487,942</u>		<u>487,942</u>
TOTAL EQUITY AND LIABILITIES	<u>1,303,060</u>		<u>1,297,663</u>

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30TH SEPTEMBER 2012

(i) Reconciliation of equity as at

	<----- 31 December 2011 ----->	
	FRS as at 31 December 2011 RM'000 (Audited)	Property, plant and equipment RM'000
		MFRS as at 31 December 2011 RM'000 (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	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
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	574,576
Other reserve	(2,550)	(2,550)
	<u>818,710</u>	<u>813,403</u>
Non-controlling interests	11,771	11,771
Total equity	<u>830,481</u>	<u>825,174</u>
Non-current liabilities		
Deferred tax liabilities	9,942	9,942
Long-term borrowings	200,001	200,001
Derivatives	7	7
Other payables	908	908
	<u>210,858</u>	<u>210,858</u>
Current liabilities		
Trade payables	61,021	61,021
Other payables and accruals	85,861	85,861
Short-term borrowings	117,468	117,468
Provision for taxation	19	19
Derivatives	1,319	1,319
	<u>265,688</u>	<u>265,688</u>
Total liabilities	<u>476,546</u>	<u>476,546</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 THIRD QUARTER ENDED 30TH SEPTEMBER 2012

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

	<----- For 3 Months Ended ----->		
	FRS 30 September 2011 RM'000 (Audited)	Property, plant and equipment RM'000	MFRS 30 September 2011 RM'000 (Restated)
Revenue	279,675		279,675
Cost of sales	(214,769)		(214,769)
Gross Profit	64,906		64,906
Other operating income	4,969		4,969
Selling & administrative expenses	(41,195)		(41,195)
Finance costs	(3,410)		(3,410)
Net gain/(loss) on financial instruments at fair value	(986)		(986)
Share of profit/(loss) of associates	200	90	290
Profit Before Tax	24,484		24,574
Taxation - company & subsidiary	(1,094)		(1,094)
Net Profit For The Period	23,390		23,480
<i>Net profit/(loss) attributable to:</i>			
Owners of the parent	24,071		24,161
Non-controlling interests	(681)		(681)
	23,390		23,480
Net Profit For The Period	23,390		23,480
Other comprehensive income			
Currency translation differences	9,361		9,361
Changes in fair value of cash flow hedges	(2,334)		(2,334)
Other comprehensive income net of tax	7,027		7,027
Total comprehensive income/(loss) for the period	30,417		30,507
<i>Total comprehensive income/(loss) attributable to:</i>			
Owners of the parent	31,098		31,188
Non-controlling interests	(681)		(681)
	30,417		30,507

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30TH SEPTEMBER 2012

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

	<----- For 9 Months Ended ----->		
	FRS	Property,	MFRS
	30 September	plant and	30 September
	2011	equipment	2011
	RM'000	RM'000	RM'000
	(Audited)		(Restated)
Revenue	765,511		765,511
Cost of sales	(604,717)		(604,717)
Gross Profit	160,794		160,794
Other operating income	10,367		10,367
Selling & administrative expenses	(117,992)		(117,992)
Finance costs	(9,949)		(9,949)
Net gain/(loss) on financial instruments at fair value	(1,051)		(1,051)
Share of profit/(loss) of associates	811	269	1,080
Profit Before Tax	42,980		43,249
Taxation - company & subsidiary	(2,930)		(2,930)
Net Profit For The Period	40,050		40,319
<i>Net profit/(loss) attributable to:</i>			
Owners of the parent	42,355		42,624
Non-controlling interests	(2,305)		(2,305)
	40,050		40,319
Net Profit For The Period	40,050		40,319
Other comprehensive income			
Currency translation differences	519		519
Changes in fair value of cash flow hedges	(2,090)		(2,090)
Other comprehensive income net of tax	(1,571)		(1,571)
Total comprehensive income/(loss) for the period	38,479		38,748
<i>Total comprehensive income/(loss) attributable to:</i>			
Owners of the parent	40,784		41,053
Non-controlling interests	(2,305)		(2,305)
	38,479		38,748

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

	<----- For Year Ended ----->		
	FRS 31 December 2011 RM'000 (Audited)	Property, plant and equipment RM'000	MFRS 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	10,659		10,659
Selling & administrative expenses	(160,239)		(160,239)
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		66,135
Taxation - company & subsidiary	(6,608)		(6,608)
Net Profit For The Period	59,168		59,527
<i>Net profit/(loss) attributable to:</i>			
Owners of the parent	63,602		63,961
Non-controlling interests	(4,434)		(4,434)
	59,168		59,527
Net Profit For The Period	59,168		59,527
Other comprehensive income			
Currency translation differences	(3,821)		(3,821)
Changes in fair value of cash flow hedges	(1,363)		(1,363)
Other comprehensive income net of tax	(5,184)		(5,184)
Total comprehensive income/(loss) for the period	53,984		54,343
<i>Total comprehensive income/(loss) attributable to:</i>			
Owners of the parent	49,550		58,777
Non-controlling interests	(4,434)		(4,434)
	53,984		54,343

(iii) Retained earnings

The changes which affected the retained earnings are as below:

	1 January 2011 RM'000	30 September 2011 RM'000	31 December 2011 RM'000
Property, plant and equipment	(5,666)	(5,397)	(5,307)

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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 30 September 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.

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- (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.

8. Profit before tax

Included in the profit before tax are the following items:

	3 months ended		9 months ended	
	30 September		30 September	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Interest Income	(289)	(512)	(1,193)	(1,326)
Other income include investment income	(3,055)	(139)	(4,123)	(1,267)
Interest expense	4,098	3,410	11,758	9,949
Depreciation and amortization	17,394	16,314	51,412	47,569
Provision for & write off receivables	33	-	33	-
Provision for & write off inventories	-	-	-	-
(Gain)/ loss on disposal of properties	(362)	(32)	(501)	(26)
Impairment of assets	-	-	-	-
Impairment of loss on associates	(906)	-	(906)	-
Foreign exchange (gain)/ loss	1,414	(4,286)	1,197	(7,748)
(Gain)/ loss on derivatives	(791)	986	455	1,051

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	
	30 September 2012		30 September 2011	
	Segment Revenue	Segment Profit before tax	Segment Revenue	Segment Profit before tax
	RM'000	RM'000	RM'000	RM'000
Malaysia	162,306	11,643	172,748	25,979
Thailand	75,594	(2,914)	91,947	24
Others	10,135	(1,490)	14,980	(1,429)
	<u>248,035</u>	<u>7,239</u>	<u>279,675</u>	<u>24,574</u>

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	9 months ended 30 September 2012		9 months ended 30 September 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>
Malaysia	506,141	39,308	469,712	54,230
Thailand	249,816	7,372	265,653	(6,198)
Others	40,690	(5,396)	30,146	(4,783)
	<u>796,647</u>	<u>41,284</u>	<u>765,511</u>	<u>43,249</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 30 September 2012 are as follows:

	<u>RM'000</u>
Approved and contracted for	4,353
Approved but not contracted for	<u>4,506</u>
	<u>8,859</u>

15. *Significant Transactions With Associate*

	3 months ended 30 September 2012 RM'000	9 months ended 30 September 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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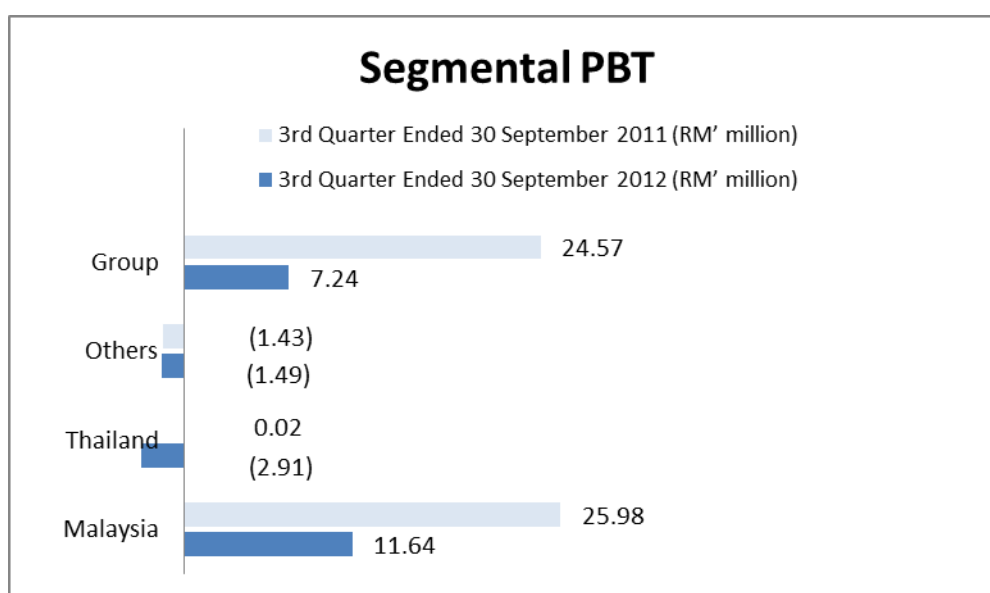
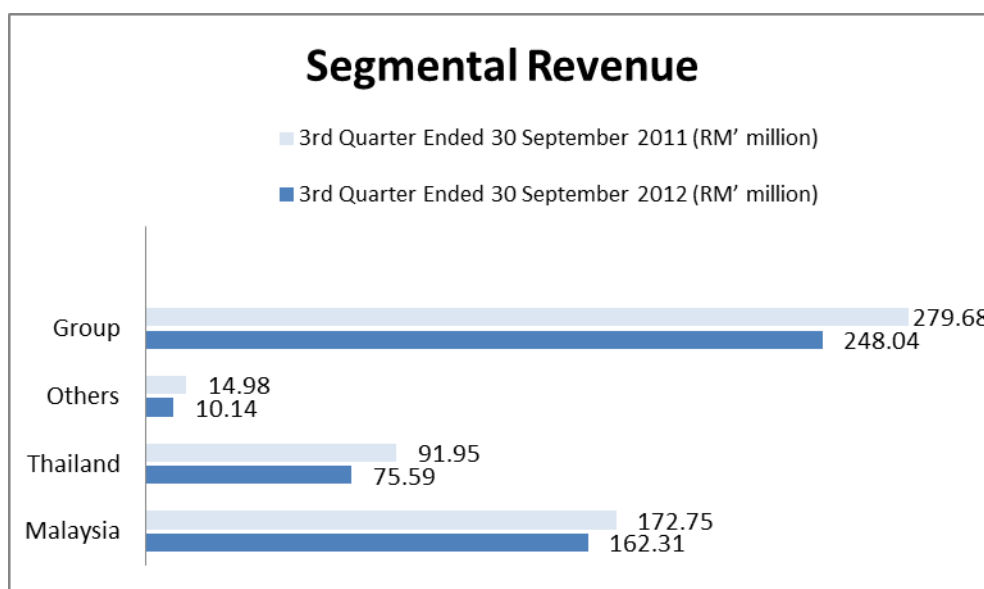
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B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1 *Performance Review*

Segmental Revenue and Results – for 3rd Quarter Ended 30/9/2011 vs 30/9/2012



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Malaysia segment

The Malaysia segment's revenue for the quarter ended 30 September 2012 decreased by 6.0% to RM162.31 million from RM172.75 million recorded in the preceding year corresponding quarter. The decrease in revenue was mainly due to drop in sales volume.

Profit before tax was recorded at RM11.64 million for the current quarter, declined by RM14.34 million from RM25.98 million recorded in the preceding year corresponding quarter. The fall in profit, despite the increased in selling price, was mainly due to scheduled annual maintenance which resulted higher maintenance costs and low productivity.

Thailand segment

The Thailand segment's revenue for the quarter ended 30 September 2012 decreased by 17.8% to RM75.59 million from RM91.95 million recorded in the preceding year corresponding quarter. The decline in revenue was due to lower sales volume while the impact was partly compensated by higher average selling price.

Loss before tax was reported at RM2.91 million for the current quarter, decreased by RM2.93 million compare to a profit of RM0.02 million recorded in the corresponding quarter of the preceding year. The decreased in profit was mainly resulted from lower sales volume which affecting production efficiency.

Others Segment

The Others segment's revenue for the quarter ended 30 September 2012 drop by RM4.84 million to RM10.14 million from RM14.98 million recorded in the preceding year corresponding quarter. The decreased in revenue was mainly attributable to the accounting impact on inter Group sales.

Loss before tax has increased from RM1.43 million to RM1.49 million recorded in the corresponding quarter of the preceding year. The increase in losses was mainly caused by slightly higher in operation cost.

Consolidated profit before tax

The Group's revenue for the quarter ended 30 September 2012 decreased by 11.3% to RM248.04 million from RM279.68 million recorded in the preceding year corresponding quarter. The fall in revenue was mainly contributed by lower sales volume.

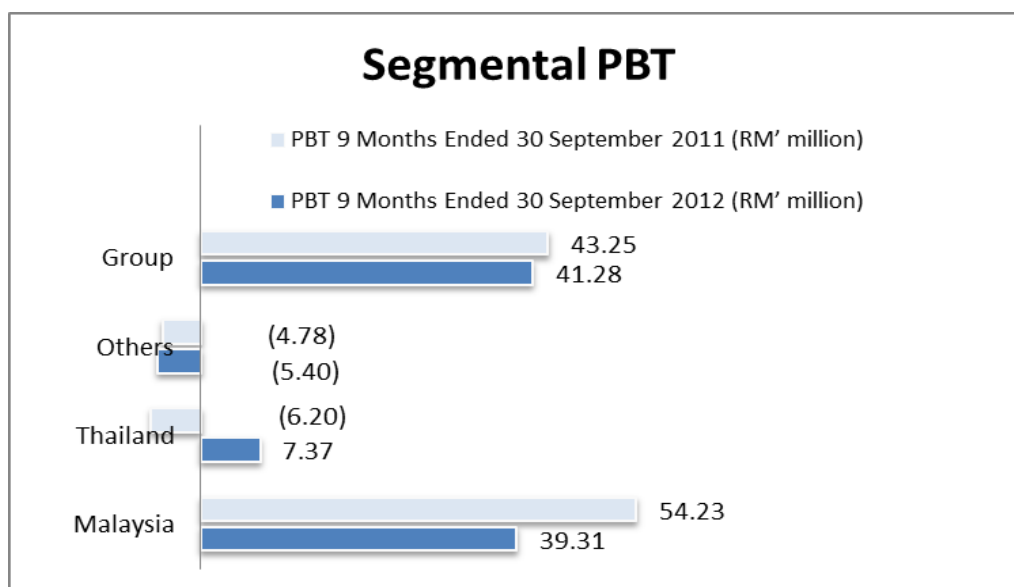
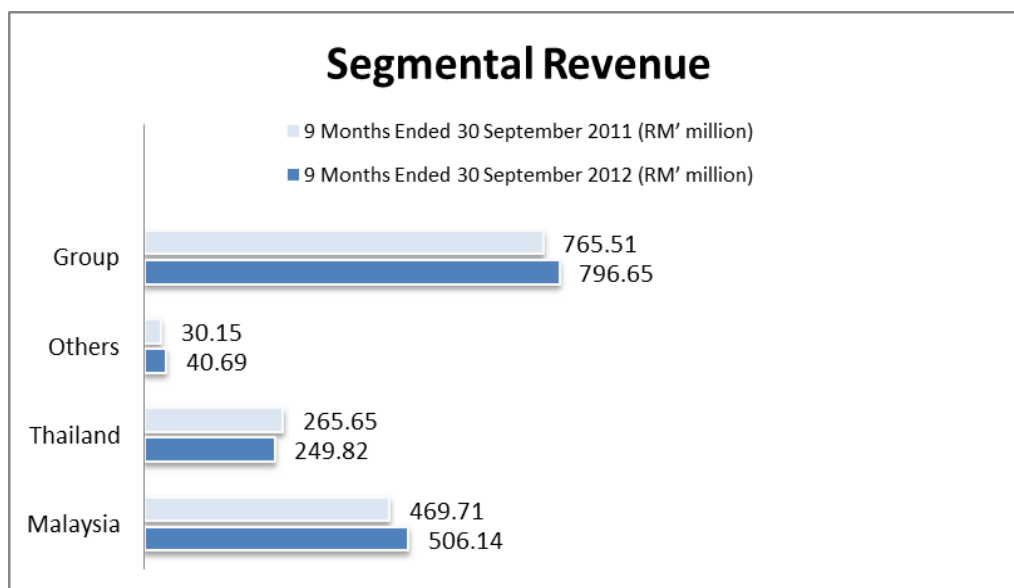
Profit before tax has decreased to RM7.24 million as compared to RM24.57 million recorded in the preceding year corresponding quarter. This was mainly caused by higher maintenance costs and lower productivity as resulted by scheduled annual service during festive period.

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Segmental Revenue and Results – for 9 Months Ended 30/9/2011 vs 30/9/2012



Malaysia segment

For the current year to date, the Malaysia segment's revenue has increased by 7.8% or RM36.43million to RM506.14 million, as compared to the revenue of RM469.71 million for the corresponding period last year. The increase in revenue was mainly contributed by higher average selling price for most of the products and contribution from newly acquired subsidiary, CMTP.

Profit before tax has dropped to RM39.31 million from RM54.23 million recorded in the corresponding period last year. 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.

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Thailand segment

For the current year to date, the Thailand segment's revenue was RM249.82 million, decreased from revenue of RM265.65 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 218.9% or RM13.57 million to RM7.37 million from a loss of RM6.20 million in the same period last year. The increase in profit before tax is mainly resulted from higher average selling price and lower log cost.

Others Segment

For the current year to date, the Others segment's revenue was increased by 35.0% to RM40.69 million, as compared to the revenue of RM30.15 million for the corresponding period last year. 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 RM0.62 million to RM5.40 million from a loss of RM4.78 million in the same period last year. 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 current year to date, the Group's revenue has increased by 4.1% to RM796.65 million, as compared to RM765.51 million for the corresponding period last year. The increase in revenue was mainly contributed by 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 4.6% or RM1.97 million to RM41.28 million from RM43.25 million in the same period last year. The decreased in profit before tax was mainly resulted from hike in glue and log cost. The Group would have shown better performance if not for the 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 September 2012 RM'000	Immediate Preceding Quarter Ended 30 June 2012 RM'000
Revenue	248,035	276,382
Profit Before Tax	7,239	13,769
Net profit for the period	6,996	11,958

The current quarter revenue was RM248.04 million, decreased from RM276.38 million recorded in the preceding quarter. Despite higher average selling price, the decline in revenue was mainly attributable to drop in sales volume as delivery was affected by Ramadan festive period.

The Group's profit before tax was declined by RM6.53 million to RM7.24 million from RM13.77 million recorded in the preceding quarter. Besides the impact from loss in fair value measurement on associate company of RM0.91 million, the fall in profit before tax was mainly attributable to hike in log price and higher maintenance costs with low productivity due to scheduled annual maintenance.

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 is improving, but it is still a mixed picture with considerable challenges ahead on US fiscal cliff, unresolved Euro crisis, slowdown in China and uncertainty in Middle East. Furthermore, the continuation of easy money from major Central Banks and risk appetite are factors causing volatility on US Dollar and commodity prices, which represent challenges to the Group.

The Group will continue to step up efforts to enhance efficiency, increase productivity and emphasize cost reduction measures in order to deliver better result. Barring any unforeseen circumstances, the Group is confident of achieving satisfactory performance in the next quarter.

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5 ***Taxation***

Major Components of tax expenses

	3 months ended		9 months ended	
	30 September 2012	30 September 2011	30 September 2012	30 September 2011
	RM'000	RM'000	RM'000	RM'000
Current tax expenses	186	497	3,797	3,088
Deferred tax expenses	57	597	450	(158)
	<u>243</u>	<u>1,094</u>	<u>4,247</u>	<u>2,930</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
	30 September 2012	31 December 2011
	RM'000	RM'000
Retained profits of the Company and its subsidiaries:		
- Realised	629,183	605,989
- Unrealised	(10,645)	(9,942)
	<u>618,537</u>	<u>596,047</u>
Share of retained profits from associated company:		
- Realised	(590)	813
	<u>617,947</u>	<u>596,860</u>
Less: Consolidation adjustments	(16,655)	(22,284)
Group retained profits as per consolidated accounts	<u>601,292</u>	<u>574,576</u>

7 ***Status of Corporate Proposal Announced***

There was no outstanding corporate proposal announced as at 30 September 2012.

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8 Borrowings and Debt Securities

The Group's borrowings are as follows: -

Denominated	As at 30 September 2012				
	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	6,640	29,880	-	-	36,520
Term loans	-	28,696	3,971	-	32,667
Hire purchase and finance lease payables	384	2	-	342	728
<u>Unsecured</u>					
Trade facilities	93,750	-	2,842	-	96,592
Term Loans	39,531	-	17,581	-	57,112
	<u>140,305</u>	<u>58,578</u>	<u>24,394</u>	<u>342</u>	<u>223,619</u>
Long Term Borrowings:					
<u>Secured</u>					
Term loans	-	6,046	39,010	-	45,056
Hire purchase and finance lease payables	358	-	-	-	358
<u>Unsecured</u>					
Term Loans	82,198	-	34,945	-	117,143
	<u>82,556</u>	<u>6,046</u>	<u>73,955</u>	<u>-</u>	<u>162,557</u>
Total	<u>222,861</u>	<u>64,624</u>	<u>98,349</u>	<u>342</u>	<u>386,176</u>

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9 ***Financial Instruments***

As at the 30 September 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	29,885	(50)
2. Cross currency interest rate Swap	3,000	
• Interest Rate Swap		
- Less than 1 year	*3,000	7
• Currency swap		
- Less than 1 year	*3,000	116
3. Structured forward contract		
- Less than 1 year	7,843	(56)

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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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		9 months ended	
	30 September 2012	30 September 2011	30 September 2012	30 September 2011
Net profit for the period attributable to owners of the Parent (RM'000)	7,562	24,161	39,540	42,624
Weighted average number of ordinary shares in issue ('000)	513,000	513,000	513,000	513,000
Basic earnings per share (sen)	1.47	4.71	7.71	8.31

b. **Diluted**

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