

EVERGREEN FIBREBOARD BERHAD (217120W)

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31ST DECEMBER 2013

A INFORMATION REQUIRED BY MFRS 134

1. *Basis of Preparation*

These condensed consolidated interim financial statements, for the period ended 31 December 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

Standards issued but not yet effective

At the date of authorization of these interim financial statements, the followings standards were issued but not yet effective and have not been applied by the Group:

| <u>Description</u> | | <u>Effective for annual periods beginning on or after</u> |
|--|---|---|
| Amendments to MFRS 132 | Offsetting Financial Assets and Financial Liabilities | 1 January 2014 |
| Amendments to MFRS10, MFRS 12 and MFRS 127 | Investment Entities | 1 January 2014 |
| MFRS9 | Financial Instruments | 1 January 2015 |

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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 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.

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 December 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 4th quarter ended 31 December 2013.

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FOR THE FOURTH QUARTER ENDED 31ST DECEMBER 2013****8. Profit before tax**

Included in the profit before tax are the following items:

| | 3 months ended | | 12 months ended | |
|--|----------------|---------|-----------------|---------|
| | 31 December | | 31 December | |
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest Income | (313) | (393) | (1,030) | (1,586) |
| Other income include investment income | (1,289) | 2,145 | (2,388) | (2,985) |
| Interest expense | 3,761 | 3,536 | 14,906 | 15,294 |
| Depreciation and amortization | 16,064 | 16,817 | 68,360 | 68,229 |
| Provision for & write off of receivables | - | - | - | - |
| Provision for & write off of inventories | - | - | - | - |
| (Gain)/ loss on disposal of properties | 596 | 91 | 695 | (410) |
| Impairment of assets | - | - | - | - |
| Impairment of loss on associates | - | - | - | (906) |
| Foreign exchange (gain)/ loss | (6,456) | (1,743) | 348 | (546) |
| (Gain)/ loss on derivatives | (93) | 47 | (81) | 502 |

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 2013 | | 31 December 2012 | |
| | Segment Revenue | Segment Profit/(Loss) before tax | Segment Revenue | Segment Profit/(Loss) before tax |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Malaysia | 146,537 | (16,249) | 151,302 | (5,002) |
| Thailand | 87,579 | (972) | 74,346 | (6,045) |
| Others | 17,978 | 8,927 | 9,367 | (4,488) |
| | 252,094 | (8,294) | 235,015 | (15,535) |

| | 12 months ended | | 12 months ended | |
|----------|------------------|---------------------------|------------------|---------------------------|
| | 31 December 2013 | | 31 December 2012 | |
| | Segment Revenue | Segment Profit before tax | Segment Revenue | Segment Profit before tax |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Malaysia | 578,068 | (26,018) | 657,443 | 34,305 |
| Thailand | 305,827 | (25,438) | 324,162 | 1,327 |
| Others | 54,822 | 2,292 | 50,057 | (9,883) |
| | 938,717 | (49,164) | 1,031,662 | 25,749 |

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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.

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 December 2013 are as follows:

| | |
|---------------------------------|---------------|
| | <u>RM'000</u> |
| Approved and contracted for | 3,496 |
| Approved but not contracted for | 924 |
| | <u>4,420</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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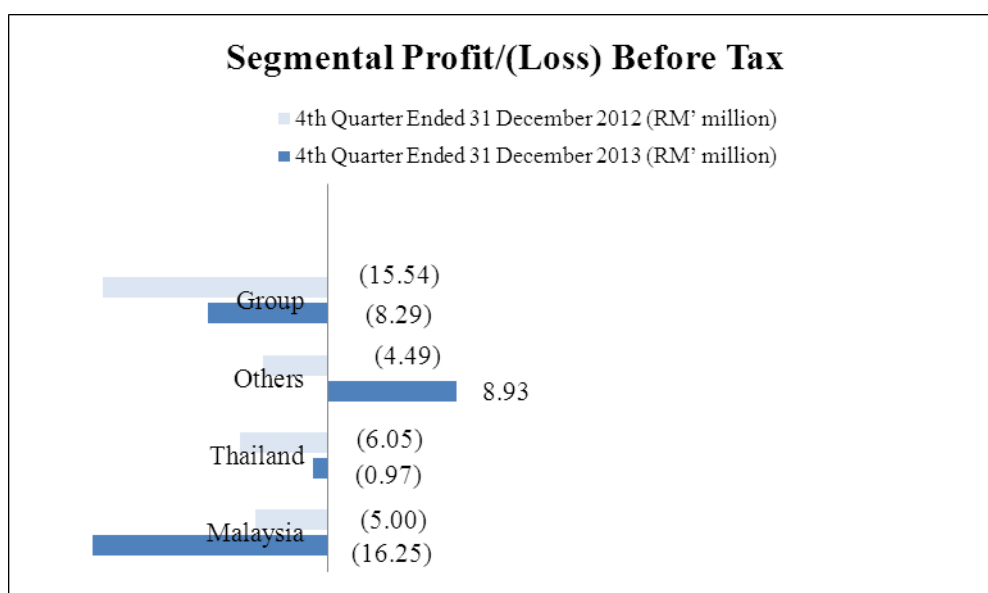
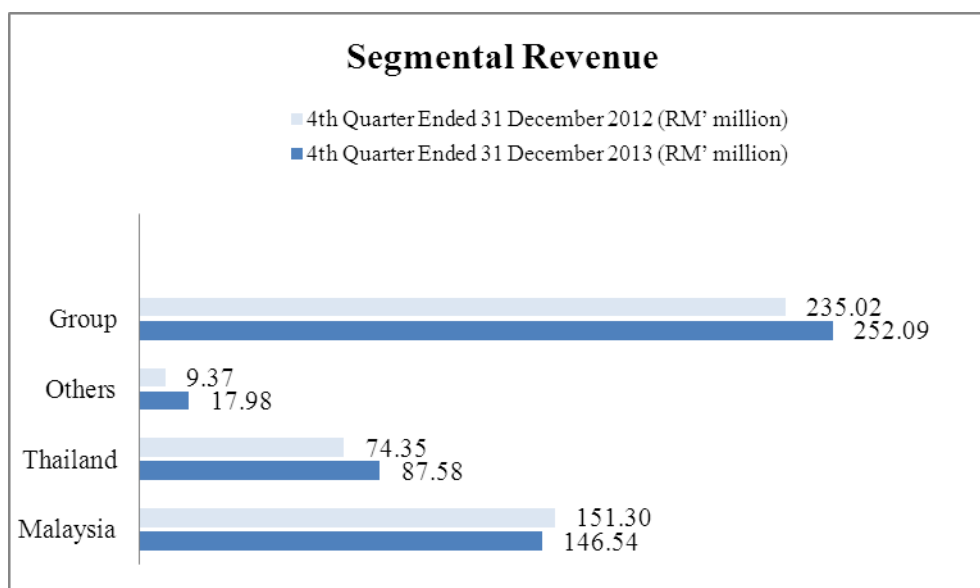
(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31ST DECEMBER 2013

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

1 *Performance Review*

Segmental Revenue and Results – for 4th Quarter Ended 31/12/2012 vs 31/12/2013



Malaysia segment

The Malaysia segment's revenue for the quarter ended 31 December 2013 decreased by 3.1% or RM4.76 million to RM146.54 million from RM151.30 million recorded in the preceding year corresponding quarter. The decrease in revenue was mainly due to the drop in average selling price.

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Loss before tax was reported at RM16.25 million for the current quarter compared to RM5.0 million recorded in the corresponding quarter of the preceding year. The increase in loss was mainly due to provision for log cost derived from uncompleted log concession projects.

Thailand segment

The Thailand segment's revenue for the quarter ended 31 December 2013 increased by 17.8% or RM13.23 million to RM87.58 million from RM74.35 million recorded in the preceding year corresponding quarter. The increase in revenue was due to higher sales volume even with lower average selling price.

Loss before tax was reported at RM0.97 million for the current quarter compared to RM6.05 million recorded in the corresponding quarter of the preceding year. The decline in loss was mainly contributed by lower log and glue cost.

Others segment

The Others segment's revenue for the quarter ended 31 December 2013 increased by 91.9% or RM8.61 million to RM17.98 million from RM9.37 million recorded in the preceding year corresponding quarter. The increase in revenue was mainly attributable to higher sales volume even with lower average selling price.

Profit before tax was reported at RM8.93 million for the current quarter, increased by RM13.42 million compared to a loss of RM4.49 million recorded in the corresponding quarter of the preceding year. The increase in profit was contributed by higher sales revenue as well as reversal of the unrealised foreign exchange loss incurred previously.

Consolidated profit before tax

The Group's revenue for the quarter ended 31 December 2013 increased by 7.3% or RM17.07 million to RM252.09 million from RM235.02 million recorded in the preceding year corresponding quarter. The increase in revenue was mainly contributed by higher sales volume even with lower average selling price.

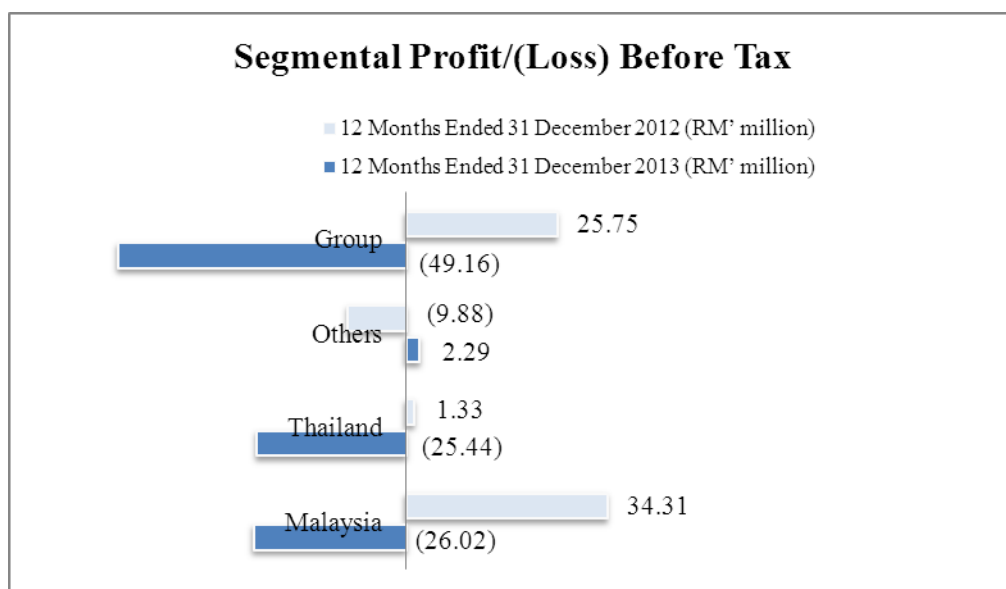
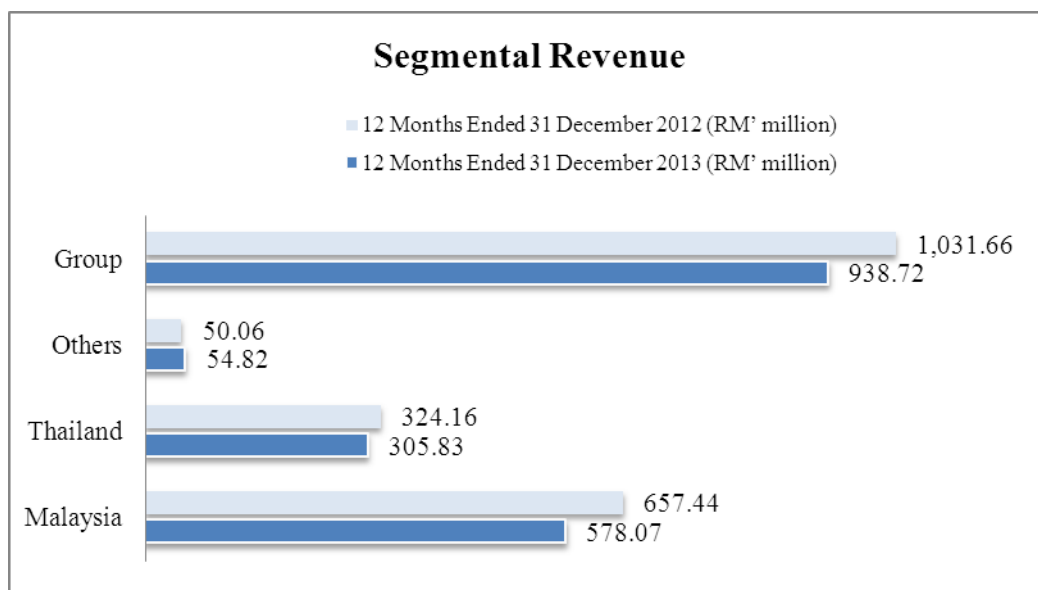
Loss before tax was registered at RM8.29 million for the current quarter, a decrease of RM7.25 million compared to RM15.54 million recorded in the preceding year corresponding quarter. Despite of taken up provision for log cost, the fall in loss before tax was contributed by reversal of the unrealised foreign exchange loss incurred previously as well as decline in glue cost.

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Segmental Revenue and Results – for 12 Months Ended 31/12/2012 vs 31/12/2013



Malaysia segment

For the financial year ended 31 December 2012 (FY2013), the Malaysia segment's revenue has decreased by 12.1% or RM79.37 million to RM578.07 million, as compared to the revenue of RM657.44 million for the financial year ended 31 December 2012 (FY2012). 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 reported at RM26.02 million for FY2013, a decrease of RM60.33 million compared to profit before tax of RM34.31 million recorded in the FY2012. The fall in profit was mainly due to lower sales revenue and provision for log cost derived from uncompleted log concession projects.

Thailand segment

For the FY2013, the Thailand segment's revenue was RM305.83 million, with a fall of RM18.33 million, as compared to the revenue of RM324.16 million for the FY2012. The decline in revenue was mainly due to drop in average selling price.

Loss before tax was reported at RM25.44 million for FY2013 compared to a profit before tax of RM1.33 million recorded in the corresponding period last year. The decrease in profit was mainly resulted from lower revenue which the impact was partially mitigated by decline in log cost.

Others segment

For the FY2013, on Other segment's revenue, has increased by 9.5% to RM54.82 million, as compared to the revenue of RM50.06 million for the corresponding period last year. The increase in revenue was mainly attributable higher sales volume even with lower average selling price.

Profit before tax was reported at RM2.29 million for the current quarter, increased by RM12.17 million compared to a loss of RM9.88 million recorded in the corresponding quarter of the preceding year. The increase in profit was contributed by higher sales revenue and higher production efficiency.

Consolidated profit before tax

For the FY2013, the Group's revenue has decreased by 9.0% to RM938.72 million, as compared to RM1,031.66 million for the corresponding period last year. The fall in revenue was mainly due to lower sales volume and average selling price.

Loss before tax was registered at RM49.16 million for FY2013 compared to profit before tax of RM25.75 million recorded in the corresponding period last year. This was mainly caused by lower sales revenue and provision for log cost derived from uncompleted log concession projects.

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

| | Current Quarter Ended 31 December 2013 <u>RM'000</u> | Immediate Preceding Quarter Ended 30 September 2013 <u>RM'000</u> |
|----------------------------------|---|--|
| Revenue | 252,094 | 233,977 |
| Profit/(Loss) Before Tax | (8,294) | (10,298) |
| Net profit/(loss) for the period | (3,387) | (11,299) |

The current quarter revenue was increased by 7.7% or RM18.11 million to RM252.09 million, as compared to RM233.98 million recorded in the preceding quarter. The increase in revenue was mainly attributable to higher sales volume even with lower average selling price.

The Group's loss before tax was decreased by 19.5% from RM10.30 million recorded in the preceding quarter to RM8.29 million. Despite of taking into account of log cost provision, the performance improvement was contributed by lower glue cost, effort from various cost cutting measures as well as reversal of the unrealised foreign exchange loss incurred previously.

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*

Global economic growth is expected to be moderate in 2014 and with improvements of civil unrest in the Middle East that will contribute a gradual increase in the global MDF demand.

Besides focusing on market strategy on added value products, The Group will continue to pursue its effort on productivity, efficiency and cost control measures.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31ST DECEMBER 2013

5 *Taxation*

Major Components of tax expenses

| | 3 months ended | | 12 months ended | |
|-----------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 31 December 2013 RM'000 | 31 December 2012 RM'000 | 31 December 2013 RM'000 | 31 December 2012 RM'000 |
| Current tax expenses | 94 | (1,641) | 981 | 2,156 |
| Deferred tax expenses | (5,001) | (2,420) | (4,818) | (1,970) |
| | <u>(4,907)</u> | <u>(4,061)</u> | <u>(3,837)</u> | <u>186</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 2013 RM'000 | As at 31 December 2012 RM'000 |
|---|---|--|
| | Retained profits of the Company and its subsidiaries: | |
| - Realised | 586,117 | 646,163 |
| - Unrealised | (1,300) | (6,599) |
| | <u>584,817</u> | <u>639,564</u> |
| Less: Consolidation adjustments | (37,637) | (49,925) |
| Group retained profits as per consolidated accounts | <u>547,180</u> | <u>589,639</u> |

7 *Status of Corporate Proposal Announced*

There was no outstanding corporate proposal announced as at 21 February 2014.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31ST DECEMBER 2013****8 Borrowings and Debt Securities**

The Group's borrowings are as follows: -

| Denominated | As at 31 December 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 | 8,950 | 65,065 | - | - | 74,015 |
| Term loans | - | 4,459 | 16,370 | - | 20,829 |
| Hire purchase and finance lease payables | 354 | 163 | - | 162 | 679 |
| <u>Unsecured</u> | | | | | |
| Trade facilities | 83,147 | - | 9,831 | - | 92,978 |
| Term Loans | 36,240 | - | 17,267 | - | 53,507 |
| | <u>128,691</u> | <u>69,687</u> | <u>43,468</u> | <u>162</u> | <u>242,008</u> |
| Long Term Borrowings: | | | | | |
| <u>Secured</u> | | | | | |
| Term loans | - | - | 26,225 | - | 26,225 |
| Hire purchase and finance lease payables | 1,249 | 315 | - | 54 | 1,618 |
| <u>Unsecured</u> | | | | | |
| Term Loans | 44,355 | - | 23,023 | - | 67,378 |
| | <u>45,604</u> | <u>315</u> | <u>49,248</u> | <u>54</u> | <u>95,221</u> |
| Total | <u>174,295</u> | <u>70,002</u> | <u>92,716</u> | <u>216</u> | <u>337,229</u> |

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9 *Financial Instruments*

As at the 31 December 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 | 28,988 | (942) |
| 2. Structured forward contract | | |
| - Less than 1 year | 15,730 | (1,116) |

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 21 February 2014.

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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 | | 12 months ended | |
|--|------------------|------------------|------------------|------------------|
| | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 |
| Net profit/(loss) for the period attributable to owners of the Parent (RM'000) | (6,426) | (7,371) | (42,459) | 32,169 |
| Weighted average number of ordinary shares in issue ('000) | 512,978 | 512,978 | 512,978 | 512,978 |
| Basic earnings per share (sen) | (1.25) | (1.44) | (8.28) | 6.27 |

b. **Diluted**

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