



EVERGREEN FIBREBOARD BERHAD (217120-W)

Plo 22, Parit Raja Industrial Estate
86400 Parit Raja, Batu Pahat
Johor, Malaysia.

Tel : 6(07) 454 1933

Fax : 6(07) 454 2933

URL : www.evergreengroup.com.my



C O N T E N T S



| | |
|-----------|---|
| <u>02</u> | CORPORATE INFORMATION |
| <u>03</u> | DIRECTORS' PROFILE |
| <u>06</u> | CHAIRMAN'S STATEMENT |
| <u>08</u> | STATEMENT ON CORPORATE GOVERNANCE |
| <u>17</u> | STATEMENT ON INTERNAL CONTROL |
| <u>19</u> | AUDIT COMMITTEE REPORT |
| <u>23</u> | FINANCIAL STATEMENTS |
| <u>68</u> | LIST OF PROPERTIES |
| <u>72</u> | STATEMENT OF SHAREHOLDINGS |
| <u>75</u> | NOTICE OF ANNUAL GENERAL MEETING |
| <u>79</u> | STATEMENTS ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING |
| | FORM OF PROXY |

DIRECTORS

Mohd Alkaf Bin Mohd Kahar - Chairman (Independent Non-Executive Director)

Kuo Wen Chi - Deputy Chairman (Executive Director)

Kuo Jen Chang (Managing Director)

Kuo Jen Chiu (Executive Director)

Mary Henerietta Lim Kim Neo (Executive Director)

Yong Kok Fong (Senior Independent Non-Executive Director)

Kuo Huei Chen (Non-Executive Director)

AUDIT COMMITTEE

Mohd Alkaf Bin Mohd Kahar - Chairman
Yong Kok Fong
Mary Henerietta Lim Kim Neo

REMUNERATION COMMITTEE

Mohd Alkaf Bin Mohd Kahar - Chairman
Yong Kok Fong
Mary Henerietta Lim Kim Neo

NOMINATION COMMITTEE

Mohd Alkaf Bin Mohd Kahar - Chairman
Yong Kok Fong

SECRETARIES

Nuruluyun Binti Abdul Jabar (F)MIA 9113
Leong Siew Foong (F)MAICSA NO. 7007572

REGISTERED OFFICE

Suite 6-1A
Level 6, Menara Pelangi
Jalan Kuning Taman Pelangi
80400 Johor Bahru
Johor Darul Takzim
Telephone : (07) 332 3536
Fax : (07) 332 4536

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd. (378993-D)
Level 26, Menara Multi Purpose, Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Telephone : (03) 2721 2222
Fax : (03) 2721 2530

AUDITORS

Ernst & Young
Chartered Accountants
Suite 11.2, Level 11, Menara Pelangi
Jalan Kuning Taman Pelangi
80400 Johor Bahru
Johor Darul Takzim
Telephone : (07) 334 1740
Fax : (07) 334 1749

PRINCIPAL PLACE OF BUSINESS

PLO 22, Parit Raja Industrial Estate
86400 Parit Raja, Batu Pahat, Johor, Malaysia

PRINCIPAL BANKERS

RHB Bank Berhad
Bumiputra-Commerce Bank Berhad
EON Bank Berhad
Citibank Berhad

STOCK EXCHANGE

Main Board of the Bursa Malaysia Securities Berhad
Stock Code: 5101

Mohd Alkaf Bin Mohd Kahar, Malaysian, aged 58, is the Independent Non-Executive Chairman of the Company. He became a member of the Board of Directors on 15 February 1998 and was appointed as Chairman on 15 April 2004. Currently, he is the Chairman of Audit Committee, Remuneration Committee and Nomination Committee.

He graduated from the University of Malaya with a Bachelor of Arts Degree majoring in Economics in 1971. In 1975, he obtained his Masters of Arts Degree in Development Economics at Williams College in Massachusetts, United States. He joined the Administrative and Diplomatic Service and served the Government in the Economic Planning Unit, Prime Minister's Department (1971-1980) and the Ministry of Finance (1980-1983). He was the Ministry's Representative Director on the National Tobacco Board and the Terengganu State Economic Development Corporation. He was Deputy Secretary (Economic Division) of the Ministry of Finance when he left the Government service in 1984 to join RHB Bank Berhad first as Senior Manager (Treasury) then as Divisional Manager (Banking Operations) and subsequently as General Manager. He resigned from RHB Bank Berhad in 1994.

He is currently the Chairman of Kimble Corporation Berhad and also sits on the Board of Directors of Ann Joo Resources Berhad.

Kuo Wen Chi, Singaporean, aged 72, is the Executive Deputy Chairman of the Company. He is the founder of the Evergreen Group of companies. He became a member of the Board of Directors on 15 May 1991 and was appointed as Non-Executive Deputy Chairman on 15 April 2004. Subsequently, he was redesignated as Executive Deputy Chairman in the Company on 16 March 2006.

His career started in 1949 as a Production Supervisor at Lin Shan Hao Plywood Co Ltd in Taiwan. He brings with him more than 40 years of experience in the wood-based industry. Subsequently in 1972, he moved to Singapore to establish his own business with the incorporation of Evergreen Timber Products Co. Pte Ltd ("ETP"). He was then appointed the Managing Director and was responsible for the overall management of the company. In 1977, he ventured into Malaysia to establish the Evergreen Group of Companies. He has been the main driving force behind the growth and development of the Evergreen Group. His current responsibilities include management, business planning and developing the strategic direction.

He is the husband of Hsu Mei Lan, father of Kuo Jen Chang, Kuo Jen Chiu, Kuo Jen Hui and Kuo Huei Chen.

Kuo Jen Chang, Singaporean, aged 43, is the Managing Director of the Company. He became a member of the Board of Directors on 15 May 1991 and was appointed as Managing Director on 15 April 2004.

He graduated with a Bachelor's Degree in Electronic Engineering from the University of Wisconsin, United States in 1986. His career started in 1987 when he joined ETP in Singapore as Procurement Manager responsible for sourcing and negotiations on machinery for the upgrading and expansion of the company. In 1989, he was appointed as Director of Evergreen Décor Products (M) Sdn Bhd ("EDP"), a subsidiary company of the Company. He was overseeing the entire operations of the Company up until 1992. In the capacity of Managing Director, he is responsible for the entire set-up operations of the Group.

He is the son of Kuo Wen Chi and Hsu Mei Lan, brother of Kuo Jen Chiu, Kuo Jen Hui and Kuo Huei Chen.

Kuo Jen Chiu, Singaporean, aged 40, is the Executive Director of the Company. He became a member of the Board of Directors on 15 May 1991 and was appointed as Executive Director on 15 April 2004.

He graduated with a Degree in Computer Science from the University of Wisconsin, United States in 1987. He started his career by taking up the position of Marketing Manager with ETP in Singapore in 1990. In the capacity of Executive Director, he oversees the Financial and Marketing Department of the Group. His responsibilities include identifying opportunities and developing new markets. He brings with him more than 12 years experience in the industry.

He is the son of Kuo Wen Chi and Hsu Mei Lan, brother of Kuo Jen Chang, Kuo Jen Hui and Kuo Huei Chen.

Mary Henerietta Lim Kim Neo, Malaysian, aged 42, is the Executive Director of the Company. She became a member of the Board of Directors on 15 December 1995 and was appointed as Executive Director on 15 April 2004. Currently, she is a member in both Audit Committee and Remuneration Committee.

Her career started as a Human Resources/Administrative Officer with KS Liew LT and Partners, a consulting engineering firm, in 1984. She was responsible for the company's day-to-day matters with the government authorities and human resource issues of the company. In 1992, she left for the manufacturing industry and joined EFB as a Human Resources/Administrative Executive to oversee the whole Human Resource and Administrative Department. Subsequently in 1995, she was promoted to Human Resources and Administrative Manager and was also appointed as a Director. In 2000, she was appointed to her current position in the Company to oversee the Administrative and Human Resource Departments of the Evergreen Group based in Malaysia.

Yong Kok Fong, Malaysian, aged 30, the Independent Non-Executive Director of the Company. He became a member of the Board of Directors on 1 June 2004. Currently, he is the member of Audit Committee, Remuneration Committee and Nomination Committee.

He completed his Association of Chartered Certified Accountants examinations in February 1999, and obtained a diploma in accounting from the London Chamber of Commerce and Industry in 1995. He has been a member of the Association of Chartered Certified Accountants, United Kingdom since July 2002. He is also a Chartered Accountant with the Malaysian Institute of Accountants since September 2002, an Associate Member of the Malaysian Institute of Taxation since May 2003 and an Non-Practicing Member with Institute of Certified Public Accountants of Singapore since June 2005.

Currently, he is a Chief Financial Officer of Medi-Flex Limited ("MF") which listed on the SGX-SESDAQ. He is responsible for the overall financial planning and management functions of MF's Group and supervision of accounting staff, including the overview of financial reports and ensuring compliance with the Malaysia and Singapore statutory requirements. He joined MF's Group in May 2004. Prior to joining MF, he served as the chief financial officer of a public listed company, which listed on the SGX-SESDAQ, from July 2003 to May 2004, where he was responsible for the company's overall financial planning and management functions. From October 2002 to June 2003, he was the group financial controller of Tropical Interest Sdn. Bhd., where he was responsible for the company's overall financial planning and management functions. Between March 1999 and October 2002, he was with an international accounting firm, Ernst & Young (Malaysia) from March 1999, where he last held the position of audit senior where he carried out statutory audit on private limited companies and public limited companies.

Kuo Huei Chen, Singaporean, aged 45, is the Non-Executive Director of the Company. She became a member of the Board of Directors on 20 May 1992.

She obtained her Bachelor of Arts Degree in Business Administration from Taiwan National University in 1985. Her career started in 1986 when she joined ETP in Singapore as a Human Resource / Administration Manager overseeing the Administration and Human Resource.

She is the daughter of Kuo Wen Chi and Hsu Mei Lan, sister of Kuo Jen Chang, Kuo Jen Hui and Kuo Jen Chiu.

OTHER INFORMATION

Except as disclosed above, none of the Directors has any family relationship with any Directors and/or substantial shareholders of the Company.

CONFLICT OF INTEREST

None of the Directors has any conflict of interest with the Company.

CONVICTION FOR OFFENCES

None of the Directors has been convicted for offences within the past ten (10) years other than traffic offences.

On behalf of the Board of Directors of Evergreen Fibreboard Berhad, I have the pleasure of presenting our maiden Annual Report and audited Financial Statements of the Group and Company for the financial year ended 31 December 2005.

CORPORATE DEVELOPMENT

Evergreen Fibreboard Berhad was successfully listed on the Main Board of Bursa Securities on 10 March 2005. Its listing represented the first for the country's leading exporter of medium-density fibreboard.

Evergreen Fibreboard Berhad increased its issued and paid-up ordinary share capital to 480 million ordinary shares or RM120 million by way of a public issue of 93.66 million ordinary shares of RM0.25 per share at an issue price of RM1.14 which was fully subscribed. The Company raised RM106,772,499 from the public issue and the proceeds were utilized for the following:

| | RM'000 |
|--|--------|
| a) Repayment of revolving credit and term loan | 32,000 |
| b) Purchase of property and equipment | 9,000 |
| c) Listing expenses | 5,208 |
| d) Group working capital | 60,564 |

PERFORMANCE AND FINANCIAL REVIEW

For the period under review the Group recorded a turnover of RM457 million and profit after tax of RM54 million.

Production from our medium-density fibreboard plant in Batu Pahat was the biggest contributor, accounting for 59% of total turnover achieved. Our particleboard facility in Segamat accounted for 9% while Siam Fibreboard Co. Ltd. contributed 32 %.

We would have achieved a higher volume of production if not for the factory fire at Siam Fibreboard Co. Ltd. which occurred in April 2005. As a result, we lost production time in getting our first line there restarted. The fire also caused a delay by 1 1/2 months to May 2005 in the commissioning of our second production line in the same factory.

The production volume we achieved also faced a dampened world price for medium-density fibreboard and particleboard. Together with the conversion loss arising from the realignment of the Malaysian Ringgit against major international currencies, the turnover we recorded was lower than what we anticipated.



Mohd Alkaf Bin Mohd Kahar
Chairman

During October-December 2005, an unexpectedly long spell of heavy rain in Southern Thailand with devastating flood waters had caused constraints in the supply of rubberwood logs with the consequential increase in their price for our Siam Fibreboard Co. Ltd. The unprecedented rise in the world price of crude oil had also a direct knock-on effect on our other major raw material cost, that of glue. Coupled with the increase of other cost components like haulage, it was inevitable that our overall cost of production had also risen.

In response to the challenging business environment that confronted us, the Group undertook a number of cost-saving measures that would have to have a quick impact on increasing our productivity and enhancing our technical efficiency in order for us to continue to remain competitive in our export market. Indeed, the resulting benefits from these well-conceived measures are reflected in the Group's performance for the year ended 31 December 2005.

The Group also recorded earnings per share of 11.79 sen and as at 31 December 2005, our net tangible assets stood at RM0.83

DIVIDEND

We have adopted a dividend policy which aligns our dividend payment to our profit performance after taking into consideration the Group's future prospects and expansion plan, cash flow requirements, and the availability of tax credits.

Appropos of this policy, the Group had paid two tax-exempt interim dividends of 3.125 sen per share each in July and October 2005. A third tax-exempt interim dividend of 2.0 sen per share is payable on 20 April 2006, making a total payment of RM39.6 million of tax-exempt dividends which represent 73% of our profit before tax.

PROSPECTS

The world economy is forecast to perform well in 2006. The demand for medium-density fibreboard is projected to grow at 9% per annum.

The Group is poised to benefit under such an encouraging economic scenario. For we already have in place measures that can quickly increase our productivity and technical efficiency with the availability of the new second production line in Siam Fibreboard Co. Ltd. ready to achieve maximum utilization. In addition, we expect to complete a third line which is designed to specially produce super-thin high-density fibreboard.

The supply and price of rubberwood logs in Thailand is also expected to return to normalcy in 2006.

The Board is therefore of the view that, barring any unforeseen circumstances, the year 2006 should see an increased performance by the Group.

APPRECIATION

On behalf of the Board, I would like to thank all regulatory authorities for their assistance. Our appreciation also goes to our shareholders, customers and business partners who have given us continuous support. The Board also wishes to express its appreciation to the management and staff for their dedication and commitment. Last but not least, my appreciation to my fellow members of the Board for their wise counsel.

Mohd Alkaf Bin Mohd Kahar
Chairman

INTRODUCTION

Pursuant to Paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Directors are required to issue a Statement in relation to its compliance with The Malaysian Code on Corporate Governance (the "Code").

The Board of the EFB is committed to maintaining a high standard of corporate governance and upholding its fundamental duty to safeguard the Group's assets, to enhance shareholders' value and the financial performance of the Group.

1. THE BOARD OF DIRECTORS

Board Composition and Attendance

All Board members are individuals of high calibre and credibility. The Evergreen Group is led and managed by an experienced board whose members have vast experience and expertise in the wood-based panel industry, business management, financial and marketing background. The profiles of the Directors are set out on pages 3 to 5 of this Annual Report.

During the financial year ended 31 December 2005 and since listing on 10 March 2005, three (3) Board meetings were held and details of the attendance are as follows:

| Name | Attendance |
|-----------------------------|------------|
| Mohd Alkaf Bin Mohd Kahar | 3/3 |
| Kuo Wen Chi | 3/3 |
| Kuo Jen Chang | 2/3 |
| Kuo Jen Chiu | 3/3 |
| Mary Henerietta Lim Kim Neo | 3/3 |
| Yong Kok Fong | 3/3 |
| Kuo Huei Chen | 2/3 |

The Board for the year ended 31 December 2005 comprises of seven (7) members, comprising four (4) Executive Directors, one (1) Non-Independent Non-Executive Director, and two (2) Independent Non-Executive Directors. During the financial year, the composition of the Board was in compliance with Listing Requirements of Bursa Securities which requires at least one-third (1/3) of the Board to be Independent Directors.

Mr Yong Kok Fong is the Senior Independent Non-Executive Director to whom concerns may be conveyed.

Duties and Responsibilities

The roles of the Chairman and the Group Managing Director are distinct and separate with individual responsibilities. Each of them has clearly defined duties, power and authorities. The Chairman is responsible for the orderly conduct of the Board while the Group Managing Director is responsible for the entire set-up operations of the Group and implementation of the Board's decisions and policies. The Group Managing Director is subject to the control of the Board of Directors.

The Non-Executive Directors contribute their knowledge and experience in the decision-making process. They fulfilled their roles by providing unbiased views and independent judgments and they ensure that no minority group of Directors or an individual Director dominated the Board's discussion. The decisions of the Board were decided by a simple majority of votes of the Directors present at the Board meetings.

None of the Non-Executive Directors and the Independent Non-Executive Directors is involved in the day-to-day running and management of the Group's business operations.

Re-election

The Articles of Association of the Company provides that an election of Directors shall take place each year and one-third of the Directors for the time being or the number nearest to one-third shall retire from office so that all Directors shall retire from office at least once every three years but shall be eligible for re-election.

Meetings and supply of information to the Board

Prior to each Board meeting, all Directors receive an agenda and a full set of Board papers for each agenda item to be discussed. Relevant Directors will provide explanation of pertinent issues. All proceedings from the Board meetings are minuted and signed by the Chairman of the meeting in accordance with the provision of Section 156 of the Companies Act, 1965.

The Board is kept updated on the Company's financial performance, activities and its operations. All Directors have access to the advice and services of the Company Secretaries who are responsible for ensuring that Board procedures are followed.

Directors' Training

All Directors of the Company have completed the Mandatory Accreditation Programme as prescribed by the Bursa Securities Listing Requirements. The Directors will continue to undergo other relevant training programs to further enhance their skills and knowledge wherever relevant.

Board Committees

In accordance with the best practices of the Code, the Board has delegated certain responsibilities to the Board Committees with clearly defined terms of reference. The Board Committees include the Audit Committee, the Nomination Committee and the Remuneration Committee.

(a) Audit Committee

Please refer to pages 19 to 22 of this Annual Report for details on the composition, terms of reference and activities of the Audit Committee.

(b) Nomination Committee

The Nomination Committee comprises the following 2 members who are Independent, Non-Executive directors:

Mohd Alkaf Bin Mohd Kahar - Chairman
Yong Kok Fong

TERMS OF REFERENCE OF NOMINATION COMMITTEE**COMPOSITION**

The Nomination Committee shall consist of at least two (2) members and shall exclusively comprise Non-Executive Directors with a majority of Independent Directors.

Members of the Nomination Committee shall be appointed by the Directors among their number at a Board Meeting or via a Directors' Circular Resolution in writing.

Members of the Nomination Committee may relinquish their membership in the Committee with prior written notice to the Company Secretary and may continue to serve as Director of the Company.

The Nomination Committee was set up on 24 May 2005.

QUORUM

The quorum for each meeting shall be a majority of members present.

CHAIRMAN

Members of the Nomination Committee shall elect a Chairman from among their number who shall be a Non-Executive Director.

MEETINGS

Meetings of the Nomination Committee shall be held at least once a year. A member may at any time and the Secretary shall on the requisition of a Director, summon a meeting of the Nomination Committee.

Questions arising at any meeting of the Nomination Committee shall be decided by a majority of votes. A determination by a majority of members shall for all purposes be deemed a determination of the Nomination Committee.

In the case of an equality of votes, the Chairman of the meeting shall have a second or casting vote PROVIDED THAT where two (2) members form a quorum, the Chairman of the meeting at which only such a quorum is present, or at which only two members are competent to vote on the question at issue, shall not have a casting vote.

The Company Secretary shall be the Secretary of the Nomination Committee. The Secretary is responsible for sending out notices and preparing and keeping minutes of meetings. The Committee shall record its conclusions in discharging its duties and responsibilities.

OBJECTIVES

The primary objective of the Nomination Committee is to ensure that the Directors of the Board bring character to the Board which should provide a required mix of responsibilities, skills and experience. The Nomination Committee will also assist the Board in reviewing on an annual basis the appropriate balance and size of non-executive participation and in establishing procedures and processes towards an annual assessment of the effectiveness of the Board as a whole, the Committees of the Board and contribution of each individual Director.

Where a vacancy exists or when it is considered that the Board would benefit from the services of a new Director with particular skills, the Nomination Committee will select one or more candidate with the appropriate expertise and experience.

RESPONSIBILITIES

- (a) Review regularly the Board structure, size and composition, and make recommendations to the Board with regard to any adjustments that are deemed necessary.
- (b) Review and recommend new nominees for appointment to the Board of Directors.
- (c) Assess Directors on an on-going basis and the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director.
- (d) Recommend to the Board, Directors to fill the seats on Board Committees.
- (e) Review annually the Board's mix of skills and experience and other qualities including core competencies which Non-Executive Directors should bring to the Board and disclose the same in the Annual Report.
- (f) Recommend to the Board for continuation (or not) of the service of Executive and Non-Executive Directors who are due for retirement by rotation.
- (g) Orientate and educate new Directors as to the nature of the Company's business, current issues and corporate strategy; and the general responsibilities of the Directors including the expectations of the Company concerning their contribution.

POWER

In carrying out its duties and responsibilities, the Nomination Committee will in principle have full, free and unrestricted access to the Company's records, properties and personnel. The Nomination Committee may use the services of professional recruitment firms to source for the right candidate for directorship or seek independent professional advice.

The Nomination Committee did not have any meeting for the year ended 31 December 2005 as it is of the view that the Board had put in place when the Company was first listed on 10 March 2005, an effective board and should be given at least a year before they are being re-assessed.

No new appointment was made by the Board during the financial year under review.

(c) Remuneration Committee

The Remuneration Committee comprises the following 3 members, two of whom are Non-Executive Directors:

Mohd Alkaf Bin Mohd Kahar - Chairman
Yong Kok Fong
Mary Henerietta Lim Kim Neo

TERMS OF REFERENCE OF REMUNERATION COMMITTEE**COMPOSITION**

The Remuneration Committee shall consist of at least two (2) members, the majority of which shall comprise Non-Executive Directors.

Members of the Remuneration Committee shall be appointed by the Directors among their number at a Board Meeting or via a Directors' Circular Resolution in writing.

Members of the Remuneration Committee may relinquish their membership in the Committee with prior written notice to the Company Secretary and may continue to serve as Director of the Company.

The Remuneration Committee was set up on 24 May 2005.

QUORUM

The quorum for each meeting shall be a majority of members present.

CHAIRMAN

Members of the Remuneration Committee shall elect a Chairman from among their number who shall be a Non-Executive Director.

MEETINGS

Meetings of the Remuneration Committee shall be held at least once a year. A member may at any time and the Secretary shall on the requisition of a member, summon a meeting of the Remuneration Committee.

Questions arising at any meeting of the Remuneration Committee shall be decided by a majority of votes. A determination by a majority of members shall for all purposes be deemed a determination of the Remuneration Committee.

In the case of an equality of votes the Chairman of the meeting shall have a second or casting vote PROVIDED THAT where two (2) members form a quorum, the Chairman of the meeting at which only such a quorum is present, or at which only two members are competent to vote on the question at issue, shall not have a casting vote.

Executive Directors shall abstain from the deliberations and voting on decisions in respect of their remuneration package. The remuneration and entitlement of the Non-Executive Directors, including the Non-Executive Chairman, shall be a matter to be decided by the Board of Directors as a whole with the Directors concerned abstaining from the deliberations and voting on decisions in respect of their individual remuneration.

The Company Secretary shall be the Secretary of the Remuneration Committee. The Secretary is responsible for sending out notices of the meetings and preparing and keeping minutes of meetings. The Committee shall record its conclusions in discharging its duties and responsibilities.

STATEMENT ON CORPORATE GOVERNANCE

13

EVERGREEN FIBREBOARD BERHAD | 2005 ANNUAL REPORT

OBJECTIVES

The primary objective of the Remuneration Committee is to assist in assessing the appropriate remuneration of the Directors which should reflect their responsibility, commitment and contribution.

RESPONSIBILITIES

- (a) Recommend to the Board the remuneration framework of the Executive Directors. The Committee should ensure that the remuneration of the Directors reflects the responsibility, commitment and performance of the individual concerned.
- (b) Review the scope of the contract of service of the Executive Directors, if any; and
- (c) To avail itself of the services of such advisers or consultants as it deems necessary to fulfill its functions.

POWER

In carrying out its duties and responsibilities, the Remuneration Committee will in principle have full, free and unrestricted access to the Company's records, properties and personnel.

The Committee met one (1) time during the financial year ended 31 December 2005. All members were present on all the meetings.

The Board would ultimately decide the remuneration of the Directors. The Directors' fees would be endorsed by the Board for approval by the shareholders at the forthcoming Annual General Meeting.

DIRECTORS' REMUNERATION

The aggregate remuneration of Directors of the Company during the financial year is as follows: -

| | Executive Directors RM | Non-Executive Directors RM | Total RM |
|------------------|------------------------------|----------------------------------|------------------|
| Salaries | 2,328,200 | - | 2,328,200 |
| Bonus | - | - | - |
| Fee/Allowance | 468,035 | 1,175,112 | 1,643,147 |
| Benefit in kinds | 54,400 | 11,100 | 65,500 |
| Total | 2,850,635 | 1,184,212 | 4,034,847 |

Number of Directors whose remuneration falls within the following bands: -

| Range of Remuneration | Number of Directors | |
|-----------------------|---------------------|---------------|
| | Executive | Non-Executive |
| Below RM100,000 | - | 3 |
| RM250,000 - RM300,000 | 1 | - |
| Above RM1,000,000 | 2 | 1 |

2. RELATIONS WITH SHAREHOLDERS

The Company strictly adheres to the disclosure requirements of Bursa Securities and recognizes the importance of timely and equal dissemination of information to shareholders and stakeholders.

A website (www.evergreengroup.com.my) is available for access of information by shareholders and the public. Information on the website is being updated periodically.

The Annual General Meeting ("AGM") is the principal forum for dialogue with shareholders. Shareholders are notified of the meeting and provided with a copy of Company's Annual Report at least 21 days before the date of the meeting.

The Board members are available to respond to all queries and undertake to provide sufficient clarification on issues and concerns raised by the shareholders. The external auditors are also present to provide their professional and independent clarification on queries raised by shareholders. Status of all resolutions proposed at the AGM is announced to Bursa Securities at the end of the meeting day. Proceedings of the AGM are properly minuted.

3. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board takes responsibility in ensuring that the financial statements of the Group and the Company give a true and fair view of the state of affairs of the Group and the Company. The Board is responsible for ensuring that the financial statements are drawn up in accordance with the provisions of the Companies Act, 1965, the Listing Requirements of Bursa Securities, the standards approved by the Malaysia Accounting Standards Board and the other statutory and regulatory requirements.

The Group's quarterly interim financial reports and the annual financial statements are reviewed by the Audit Committee and approved by the Board prior to their releases to Bursa Securities within the stipulated timeframe.

Internal Control

The Board acknowledges its overall responsibility for ensuring that a sound system of internal control is maintained throughout the Group and the need to review its effectiveness regularly to safeguard the Group's assets. The Board recognises that risks cannot be totally eliminated and the system of internal control instituted could only help minimize and manage risks. Shareholders must know that the internal control system, by nature, could only provide reasonable but not absolute assurance against loss.

The Audit Committee has been empowered to assist the Board in discharging the duties in relation to internal control. A professional firm, KPMG, was appointed at the end of the financial year 2005 to carry out the internal audit function to provide independent and objective assurance as well as other consultative activities designed to add value and improve the Group's operation. The Internal Auditor reports to the Audit Committee who shall determine their remuneration. A risk-based internal audit plan has been approved by the Audit Committee in February 2006.

A statement of Internal Control is separately set out in pages 17 to 18 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE

15

EVERGREEN FIBREBOARD BERHAD | 2005 ANNUAL REPORT

Relationships with the Auditors

The Company has established transparent relationship with its external and internal auditors. The Audit Committee acts as an independent channel of communication for the auditors to convey their objective views and professional advice on the Group's financial and operational activities.

The Audit Committee recommends the appointment of the external auditors and their remuneration to the Board for approval. The appointment of the external auditors is subject to the approval of the shareholders at the AGM. The external auditors have an obligation to bring any significant matters relating to the financial audit of the Group to the Audit Committee. They are invited to attend the Audit Committee's meeting when necessary.

OTHER INFORMATION

Conflict of Interest

None of the Directors and/or major shareholders of Evergreen Fibreboard Berhad have any personal interest in any business arrangement involving the Company. All Directors have had no convictions for any offences within the past ten years.

Material Contracts

None of the Directors and major shareholders have any material contract with the Company and/or its subsidiaries during the financial year.

Sanctions and/ or Penalties Imposed

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies.

Share Buybacks

There were no share buybacks by the Company during the financial year.

Exercise of Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities issued during the year.

Utilisation of Proceeds

The total gross proceeds of RM106.772 million arising from the Public Issue shall accrue to the Company and part of it has been utilised in the following manner: -

| | Proposed Utilisation RM'000 | Actual Usage as at 13 March 2006 RM'000 |
|---|-----------------------------------|--|
| Repayment of revolving credit & term loan | 32,000 | 32,000 |
| Purchase of property & equipment | 9,000 | 7,554 |
| Listing expenses | 5,208 | 5,208 |
| Group working capital | 60,564 | 60,564 |
| | 106,772 | 105,326 |

American Depository Receipts/Global Depository Receipts

The Company did not sponsor any American Depository Receipts or Global Depository Receipts programmes during the financial year.

Non-Audit Fees

The Company did not pay any non-audit fees to the external auditors during the financial year.

Profit Estimate, Forecast or Projection

The Board of EFB would like to inform that the deviation of more than 10% between the profit after tax and minority interest in the Initial Public Offering ("IPO") profit forecast and the announced unaudited account (announcement made on 23 February 2006) for the year ended 31 December 2005 is as follow: -

| | As per IPO Profit Forecast for the year ended 31 Dec 2005 RM'000 | As per unaudited account for the year ended 31 Dec 2005 RM'000 | Variance (%) |
|--------------------------------------|--|--|-----------------|
| Profit After Tax | 74,357 | 58,540 | (21) |
| Less: Minority Interest | (9,397) | (4,516) | |
| Profit After Tax & Minority Interest | 64,960 | 54,024 | (17) |

The negative variances arising from the comparison between the Group's actual performance for the year ended 31 December 2005 against its forecast performances in connection with its IPO are due to the followings: -

- (i) Higher raw material costs especially cost of rubberwood logs which had increased by 3.0% to 4.5% due to prolong rain, cost of glue rose by about 5% following crude oil price hikes;
- (ii) Production downtime costs incurred because of the fire in Siam Fibreboard Co. Ltd. on the existing production line and the cost arising from the inevitable consequential delay in the start-up time of the second line; and
- (iii) Increased in transportation costs and freight charges of about 8%

Profit Guarantee

During the year, there was no profit guarantee given by the Company.

Contracts Relating to Loan

There were no contracts relating to a loan by the Company and its subsidiaries in respect of the preceding item.

Revaluation Policy

There were no revaluation being done on landed properties of the Group during the financial year.

STATEMENT ON INTERNAL CONTROL

17

EVERGREEN FIBREBOARD BERHAD | 2005 ANNUAL REPORT

INTRODUCTION

Paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad requires the Board of Directors of public listed companies to include in its annual reports a “statement about the state of internal control of the listed issuer as a group”. The Board of Directors (“the Board”) is committed to maintain a sound system of internal control in the Group and is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the year.

BOARD'S RESPONSIBILITY

The Board is ultimately responsible for the Group's system of internal control which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. Due to the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, the system of internal control can only provide reasonable but not absolute assurance against material misstatement or losses.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

An international professional firm was appointed to assist the Group in developing an appropriate Enterprise Risk Management (“ERM”) Framework in November 2005. Since then, the Group commenced its ERM project and the ERM Framework was established and approved by the Board in February 2006. The ERM Framework sets out the Group's underlying approach to risk management and is overseen by the Board. In addition, a Risk Management Committee (“RMC”), which comprises Executive Directors and Senior Management of the Group, has been formed to implement the risk management policy. The RMC is responsible to identify, evaluate and review the risks that affect the businesses and operations on an on-going basis. Besides, the RMC also reviews the effectiveness and adequacy of the controls and actions that have been carried out by the Management in mitigating the risks and reports to the Board on a quarterly basis. Further, the RMC will highlight significant risks and make recommendations to the Board in strengthening the risk management and internal control systems. Since November 2005, risk awareness and assessment exercises have been carried out for the Malaysian Operations of the Group and a baseline risk profile has been established. In ensuring consistent risk management practices across the organization, full roll-out of the Group's risk management policy for both Malaysian and Thailand Operations of the Group will be carried out.

INTERNAL AUDIT FUNCTION

The Board recognises the increasing importance of maintaining a sound system of internal control in order to safeguard the shareholders' investment and the Group's assets. A professional firm was appointed at the end of the financial year 2005 to carry out the internal audit function. The objective of internal audit function is to provide independent and objective assurance as well as other consultative activities designed to add value and improve the Group's operations. The primary roles and responsibilities of internal audit function are to assist the Audit Committee in discharging its responsibilities to review the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

A risk-based internal audit plan has been approved by the Audit Committee in February 2006.

OTHER RISK AND CONTROL PROCESSES

Apart from risk management and the internal audit, the Board has put in place the following risk and control elements:

- an organisational structure with formally defined lines of responsibility and delegation of authority.
- formalized quality manuals in relation to ISO 9001:2000 for the Company and the Group's subsidiary in Malaysia. These manuals provide clear guidance to the employees in relation to the quality management system and its improvement.
- In overseeing the Group's financial performance, business development, corporate matters, management and departmental issues, the Executive Directors attend management meetings, review monthly management accounts and operational reports.
- Quarterly financial information with variance management report is provided and presented to the Audit Committee and the Board for deliberation.
- Close and active involvement of the Executive Directors in the day-to-day business operations of the Group.

WEAKNESSES IN INTERNAL CONTROLS THAT RESULT IN MATERIAL LOSSES

There were no material losses incurred during the current financial year as a result of weaknesses in internal control. The Board continues to take necessary measures to strengthen the Group's internal control system.

MEMBERS

Mohd Alkaf Bin Mohd Kahar

- *Chairman, Independent Non-Executive Director*

Mary Henerietta Lim Kim Neo

- *Member, Executive Director*

Yong Kok Fong

- *Member, Independent Non-Executive Director*

TERMS OF REFERENCE

CONSTITUTION

The Board of Directors resolved to establish a Committee of the Board to be known as the Audit Committee on 31 January 2005.

The terms of reference of the Audit Committee shall be as follows:

MEMBERSHIP

The Committee shall be appointed by the Board from amongst its Directors excluding alternate directors which fulfils the following requirements:

- (a) the audit committee must be composed of no fewer than three (3) members;
- (b) a majority of the audit committee must be independent directors (as defined in the Listing Requirement); and
- (c) at least one member of the audit committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
 - (aa) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
 - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.
 - (iii) fulfils such other requirements as prescribed by the Bursa Malaysia Securities Berhad ("Bursa Securities")

The members of the Committee shall elect a chairman from among their number who shall be an independent director.

The Board shall, within three (3) months of a vacancy occurring in the Committee which result in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.

The Board shall review the term of office and performance of the Committee and each of its members at least once every three years.

RIGHTS

The Committee shall:

- (a) have explicit authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- (e) be able to obtain independent professional or other advice;
- (f) be able to convene meetings with the external auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary;
- (g) be able to seek co-operation of all employees of the Company; and
- (h) report promptly to the Bursa Securities of matters which result in a breach of the Listing Requirements.

in accordance with the procedure determined by the Board.

FUNCTIONS

The functions of the Committee shall including the following:

- (1) Review the following and report the same to the Board:
 - (a) with the external auditor, the audit plan;
 - (b) with the external auditor, his evaluation of the system of internal controls;
 - (c) with the external auditor, his audit report;
 - (d) the assistance given by the employees of the Company to the external auditor;
 - (e) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - (f) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function when it is established;
 - (g) the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant and unusual events;
 - (iii) going concern assumptions; and
 - (iv) compliance with accounting standards and other legal requirements;

- (h) any related party transaction and inter company transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - (i) any letter of resignation from the external auditors of the Company;
 - (j) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment; and
 - (k) any significant audit findings, reservation, difficulties encountered or material weakness reported by the external and internal auditors.
- (2) Recommend the nomination of a person or persons as external auditors and auditors' remuneration.
- (3) Verify the criteria for allocation of options pursuant to a share scheme for employee.

MEETINGS

- a) Meetings of the Committee shall be held not less than four (4) times a year.
- b) The Chairman shall convene a meeting whenever any member of the Committee requests for a meeting.
- c) The external auditors may request a meeting if they consider that one is necessary and shall have the right to appear and be heard at any meeting of the Committee.
- d) Written notice of the meeting together with the agenda shall be given to the members of the Committee and external auditor where applicable.
- e) The Head of Finance Department, the Head of Internal Audit (where such a function exists) shall normally attend meetings. Other Board members, employees, any professionals or outsiders and a representative of the external auditors with relevant experience or expertise may attend any particular meeting only at the Committee's invitation.
- f) At least once a year, the Committee shall meet with the external auditors without Executive Board members present.
- g) The quorum for a meeting of the Committee shall be two (2) Provided Always that the majority of members present must be independent directors.
- h) Any decision of the Committee shall be by simple majority.
- i) The Committee shall record its conclusions in discharging its duties and responsibilities.
- j) The Company Secretary shall be the Secretary of the Committee.
- k) The Secretary is responsible for sending out notices of the meetings and preparing and keeping minutes of meetings.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2005, the Audit Committee has conducted its activities in accordance with its existing Terms of Reference. The activities are as follows:

- Reviewed and recommended for the Board's approval the quarterly financial results for public announcement;
- Reviewed with the external auditors their audit plan prior to the commencement of the audit activities;
- Discussed the annual audited financial statements with the external auditors and ensured that the financial reporting and disclosure requirements are complied with the relevant authorities, as well as their findings and recommendations;
- Discussed with the external auditors to ensure that internal control system is adequate and functioning and any weaknesses identified are properly remedied;

ATTENDANCE OF AUDIT COMMITTEE MEETINGS

Details of attendance at Audit Committee Meetings held in the financial year ended 31 December 2005 as follows:

| No. | Name of Audit Committee Members | Number of Meetings Attended |
|-----|---------------------------------|-----------------------------|
| 1 | Mohd Alkaf Bin Mohd Kahar | 3 |
| 2 | Mary Henerietta Lim Kim Neo | 3 |
| 3 | Yong Kok Fong | 3 |

A total of three (3) Audit Committee Meetings were held during the financial year ended 31 December 2005 as the Company was listed on 10 March 2005.

INTERNAL AUDIT FUNCTIONS

The Company is in the midst of establishing the internal control system by engaging a professional service firm to implement the internal audit function for the Company. At the moment, there is an open communication between the Audit Committee and Management on all aspects including of internal audit to enable the Audit Committee discharge its function effectively.

FINANCIAL STATEMENTS



| | |
|-----------|---|
| <u>24</u> | DIRECTORS' REPORT |
| <u>28</u> | STATEMENT BY DIRECTORS |
| <u>28</u> | STATUTORY DECLARATION |
| <u>29</u> | REPORT OF THE AUDITORS |
| <u>30</u> | INCOME STATEMENTS |
| <u>31</u> | BALANCE SHEETS |
| <u>32</u> | CONSOLIDATED STATEMENT OF CHANGES IN EQUITY |
| <u>33</u> | COMPANY STATEMENT OF CHANGES IN EQUITY |
| <u>34</u> | CASH FLOW STATEMENTS |
| <u>36</u> | NOTES TO THE FINANCIAL STATEMENTS |

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the manufacture of medium density fibreboard, wooden furniture (knock-down) and doors.

The principal activities of the subsidiary companies are as disclosed under Note 13 to the financial statements.

There have been no significant changes in the nature of the Group's activities during the financial year.

RESULTS

| | Group RM | Company RM |
|-----------------------|-------------|---------------|
| Profit after taxation | 54,469,971 | 42,252,022 |

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDEND

The amount of dividends paid by the Company since 31 December 2004 in respect of the financial year ended 31 December 2005 were as follows:

| | RM |
|---|------------|
| First interim tax exempt dividend of 3.125 sen, on 480,000,000 ordinary shares, declared on 30 May 2005 and paid on 10 July 2005 | 14,999,999 |
| Second interim tax exempt dividend of 3.125 sen, on 480,000,000 ordinary shares, declared on 19 August 2005 and paid on 31 October 2005 | 14,999,999 |
| | 29,999,998 |

A third interim tax exempt dividend of 2 sen on 480,000,000 ordinary shares was declared on 22 February 2006 and payable on 20 April 2006.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Kuo Wen Chi
 Kuo Jen Chang
 Kuo Jen Chiu
 Kuo Huei Chen
 Mary Henerietta Lim Kim Neo
 Mohd Alkaf bin Mohd Kahar
 Yong Kok Fong

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 7 to the financial statements or the fixed salary of a full-time employee of the Company or of a related corporation) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has substantial financial interests except as disclosed in the financial statements.

DIRECTORS' INTEREST

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

| The Company | Number of Ordinary Shares of RM0.25 each | | | |
|-----------------------------|--|-----------|--------------|---------------------|
| | 1 January 2005 | Acquired | Disposed | 31 December 2005 |
| Direct Interest: | | | | |
| Kuo Wen Chi | 34,685,972 | - | (17,000,000) | 17,685,972 |
| Kuo Jen Chang | 98,903,910 | - | (14,000,000) | 84,903,910 |
| Kuo Jen Chiu | 89,746,761 | - | (17,000,000) | 72,746,761 |
| Kuo Huei Chen | 63,369,053 | - | (20,000,000) | 43,369,053 |
| Mary Henerietta Lim Kim Neo | 212,027 | 525,000 | (75,200) | 661,827 |
| Mohd Alkaf bin Mohd Kahar | 18,990,065 | 4,750,000 | (11,840,000) | 11,900,065 |
| Yong Kok Fong | - | 250,000 | (135,000) | 115,000 |
| Indirect Interest: | | | | |
| Kuo Wen Chi | 311,138,283 | - | (96,000,000) | 215,138,283 |
| Kuo Jen Chang | 246,920,345 | - | (99,000,000) | 147,920,345 |
| Kuo Jen Chiu | 256,077,494 | - | (96,000,000) | 160,077,494 |
| Kuo Huei Chen | 282,455,202 | - | (93,000,000) | 189,455,202 |
| Mary Henerietta Lim Kim Neo | 159,027 | 42,000 | (42,000) | 159,027 |

Kuo Wen Chi, Kuo Jen Chang, Kuo Jen Chiu and Kuo Huei Chen by virtue of their interests in the Company are deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render:
- (i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up share capital from RM96,585,000 to RM120,000,000 by way of public issue of 93,660,000 new ordinary shares of RM0.25 each at an issue price of RM1.14 each, in conjunction with the listing of the Company on the Main Board of Bursa Malaysia Securities Berhad.

All the ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

SIGNIFICANT EVENTS

The significant events are as disclosed in Note 33 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors.

KUO JEN CHIU

KUO JEN CHANG

Johor Bahru, Malaysia
Date: 20 March 2006

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

EVERGREEN FIBREBOARD BERHAD | 2005 ANNUAL REPORT

We, KUO JEN CHIU and KUO JEN CHANG, being two of the directors of EVERGREEN FIBREBOARD BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 30 to 67 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors.

KUO JEN CHIU**KUO JEN CHANG**

Johor Bahru, Malaysia
Date: 20 March 2006

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, KUO JEN CHIU, being the Director primarily responsible for the financial management of EVERGREEN FIBREBOARD BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 30 to 67 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared)
by the abovenamed KUO JEN CHIU)
at Johor Bahru in the State of)
Johor Darul Ta'zim on 20 March 2006)

KUO JEN CHIU

Before me,

HJ. BAHARI HJ. MAHADI
Comissioner for Oaths
No. J 075

REPORT OF THE AUDITORS TO THE MEMBERS OF EVERGREEN FIBREBOARD BERHAD

(Incorporated in Malaysia)



29

EVERGREEN FIBREBOARD BERHAD | 2005 ANNUAL REPORT

We have audited the accompanying financial statements set out on pages 30 to 67. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 13 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' report on the financial statements of the subsidiaries were not subject to any qualification material to the financial statements and did not include any comment required to be made under Section 174(3) of the Act.

ERNST & YOUNG
AF : 0039
Chartered Accountants

WUN MOW SANG
1821/12/06 (J)
Partner

Johor Bahru, Malaysia
Dated: 20 March 2006

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

EVERGREEN FIBREBOARD BERHAD | 2005 ANNUAL REPORT

| | Note | 2005 RM | Group 2004 RM | 2005 RM | Company 2004 RM |
|--|------|---------------|---------------------|---------------|-----------------------|
| Revenue | 3 | 457,496,388 | 388,603,718 | 274,563,775 | 259,624,071 |
| Cost of sales | 4 | (318,301,392) | (258,650,084) | (193,835,630) | (182,440,400) |
| Gross profit | | 139,194,996 | 129,953,634 | 80,728,145 | 77,183,671 |
| Other operating income | | 4,727,120 | 3,507,934 | 3,937,946 | 3,144,487 |
| Administrative expenses | | (87,504,839) | (68,902,561) | (44,803,797) | (39,534,444) |
| Profit from operations | 5 | 56,417,277 | 64,559,007 | 39,862,294 | 40,793,714 |
| Finance cost | 8 | (2,857,382) | (2,813,686) | (346,607) | (1,103,867) |
| Share of results of associates | | 552,757 | 1,044,319 | - | - |
| Profit before taxation | | 54,112,652 | 62,789,640 | 39,515,687 | 39,689,847 |
| Taxation: | 9 | | | | |
| Company and subsidiaries | | 4,737,433 | (11,745,780) | 2,736,335 | (11,478,780) |
| Associates | | 136,199 | (478,053) | - | - |
| | | 4,873,632 | (12,223,833) | 2,736,335 | (11,478,780) |
| Net profit for the year | | 58,986,284 | 50,565,807 | 42,252,022 | 28,211,067 |
| Minority interests | | (4,516,313) | (5,568,534) | - | - |
| Net profit for the year | | 54,469,971 | 44,997,273 | 42,252,022 | 28,211,067 |
| Earnings per ordinary share (Sen) | 10 | 11.79 | 27.30 | | |
| Net dividend per ordinary share (Sen) | 11 | 6.25 | - | 6.25 | - |
| Proposed dividend per ordinary share (Sen) | 11 | 2.00 | - | 2.00 | - |

The accompanying notes form an integral part of the financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2005

31

EVERGREEN FIBREBOARD BERHAD | 2005 ANNUAL REPORT

| | Note | 2005 RM | Group 2004 RM | 2005 RM | Company 2004 RM |
|-------------------------------|------|-------------|---------------------|-------------|-----------------------|
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment | 12 | 263,018,124 | 254,054,943 | 120,425,661 | 124,365,319 |
| Investment in subsidiaries | 13 | – | – | 69,650,870 | 62,260,402 |
| Investment in associates | 14 | 13,567,501 | 8,859,315 | 12,290,503 | 8,271,272 |
| Goodwill on consolidation | 15 | 4,862,091 | 902,093 | – | – |
| | | 281,447,716 | 263,816,351 | 202,367,034 | 194,896,993 |
| CURRENT ASSETS | | | | | |
| Inventories | 16 | 50,361,829 | 34,723,876 | 32,925,466 | 26,989,390 |
| Trade receivables | 17 | 49,100,527 | 48,491,252 | 28,596,189 | 27,255,335 |
| Other receivables | 18 | 16,250,267 | 11,416,071 | 48,591,094 | 25,329,744 |
| Investment in unit trust | 19 | 59,020,425 | – | 59,020,425 | – |
| Cash and bank balances | 20 | 63,724,708 | 88,436,332 | 57,183,850 | 73,005,996 |
| | | 238,457,756 | 183,067,531 | 226,317,024 | 152,580,465 |
| CURRENT LIABILITIES | | | | | |
| Trade payables | 21 | 28,038,229 | 28,870,460 | 22,408,486 | 18,668,300 |
| Other payables | 22 | 20,930,086 | 25,296,407 | 27,588,865 | 33,988,603 |
| Short-term borrowings | 23 | 13,082,043 | 42,356,958 | 201,926 | 26,083,424 |
| Provision for tax | | 353,185 | 4,712,875 | 361,927 | 4,712,385 |
| | | 62,403,543 | 101,236,700 | 50,561,204 | 83,452,712 |
| NET CURRENT ASSETS | | | | | |
| | | 176,054,213 | 81,830,831 | 175,755,820 | 69,127,753 |
| | | 457,501,929 | 345,647,182 | 378,122,854 | 264,024,746 |
| FINANCED BY: | | | | | |
| Share capital | 25 | 120,000,000 | 96,585,000 | 120,000,000 | 96,585,000 |
| Share premium | 26 | 78,149,400 | – | 78,149,400 | – |
| Foreign exchange reserve | 27 | (4,665,761) | (748,851) | – | – |
| Retained profits | 28 | 184,839,060 | 160,369,087 | 159,053,724 | 146,801,700 |
| Shareholders' fund | | 378,322,699 | 256,205,236 | 357,203,124 | 243,386,700 |
| Minority interest | | 20,056,236 | 18,259,398 | – | – |
| Deferred taxation | 29 | 16,020,734 | 17,638,000 | 20,378,000 | 20,000,000 |
| Long-term borrowings | 23 | 43,102,260 | 53,544,548 | 541,730 | 638,046 |
| | | 457,501,929 | 345,647,182 | 378,122,854 | 264,024,746 |

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2005

EVERGREEN FIBREBOARD BERHAD | 2005 ANNUAL REPORT

| | Share Capital RM |Non-Distributable..... Share Premium RM | Other Reserve RM | Distributable Retained Profits RM | Total RM |
|--|------------------------|---|------------------------|--|--------------------|
| At 1 January 2004 | 36,447,071 | 23,268,029 | - | 152,241,714 | 211,956,814 |
| Foreign exchange difference arising from the translation of financial statements of a foreign subsidiary | - | - | (748,851) | - | (748,851) |
| Net profit for the year | - | - | - | 44,997,273 | 44,997,273 |
| Bonus share issue | 60,137,929 | (23,268,029) | - | (36,869,900) | - |
| At 31 December 2004 | 96,585,000 | - | (748,851) | 160,369,087 | 256,205,236 |
| At 1 January 2005 | 96,585,000 | - | (748,851) | 160,369,087 | 256,205,236 |
| Foreign exchange difference arising from the translation of financial statements of a foreign subsidiary | - | - | (3,916,910) | - | (3,916,910) |
| Public share issue | 23,415,000 | 83,357,400 | - | - | 106,772,400 |
| Listing expenses set off against share premium | - | (5,208,000) | - | - | (5,208,000) |
| Net profit for the year | - | - | - | 54,469,971 | 54,469,971 |
| Dividends paid | - | - | - | (29,999,998) | (29,999,998) |
| At 31 December 2005 | 120,000,000 | 78,149,400 | (4,665,761) | 184,839,060 | 378,322,699 |

The accompanying notes form an integral part of the financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2005

33

EVERGREEN FIBREBOARD BERHAD | 2005 ANNUAL REPORT

| | Share Capital RM | Non Distributable Share Premium RM | Distributable Retained Profits RM | Total RM |
|---|------------------------|--|--|--------------|
| At 1 January 2004 | 36,447,071 | 23,268,029 | 155,460,533 | 215,175,633 |
| Net profit for the year | - | - | 28,211,067 | 28,211,067 |
| Bonus share issue | 60,137,929 | (23,268,029) | (36,869,900) | - |
| At 31 December 2004 | 96,585,000 | - | 146,801,700 | 243,386,700 |
| At 1 January 2005 | 96,585,000 | - | 146,801,700 | 243,386,700 |
| Public share issue | 23,415,000 | 83,357,400 | - | 106,772,400 |
| Listing expenses set off against share premium | - | (5,208,000) | - | (5,208,000) |
| Net profit for the year | - | - | 42,252,022 | 42,252,022 |
| Dividends paid | - | - | (29,999,998) | (29,999,998) |
| At 31 December 2005 | 120,000,000 | 78,149,400 | 159,053,724 | 357,203,124 |

The accompanying notes form an integral part of the financial statements.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

EVERGREEN FIBREBOARD BERHAD | 2005 ANNUAL REPORT

| | Group | | Company | |
|--|---------------|--------------|--------------|--------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit before taxation | 54,112,652 | 62,789,640 | 39,515,687 | 39,689,847 |
| Adjustments for: | | | | |
| Amortisation of goodwill | 1,480,562 | 747,453 | - | - |
| Depreciation | 23,367,077 | 18,852,833 | 12,488,919 | 12,377,636 |
| Interest expense | 2,857,382 | 2,813,686 | 346,607 | 1,103,867 |
| Interest income | (2,132,557) | (2,425,692) | (2,071,659) | (2,414,837) |
| (Gain)/loss on disposal of property, plant and equipment | (139,335) | (545,126) | 73,265 | (543,723) |
| Loss on winding up of subsidiary | - | - | 8,740 | - |
| Provision for diminution in value of investment | - | - | - | 37,166 |
| Foreign exchange difference | (1,748,000) | 923,305 | - | - |
| Share of results of associates | (552,757) | (1,044,319) | - | - |
| Operating profit before working capital changes | 77,245,024 | 82,111,780 | 50,361,559 | 50,249,956 |
| Increase in inventories | (15,637,953) | (9,434,106) | (5,936,076) | (3,030,549) |
| (Increase)/Decrease in trade and other receivables | (5,443,471) | (22,071,432) | (6,569,224) | 2,803,806 |
| Decrease in trade and other payables | (5,198,553) | (30,254,588) | (1,365,281) | (47,022,113) |
| Cash generated from operations | 50,965,047 | 20,351,654 | 36,490,978 | 3,001,100 |
| Interest paid | (2,857,382) | (2,813,686) | (346,607) | (1,103,867) |
| Tax refund | 1,643,413 | - | 1,643,413 | - |
| Tax paid | (2,881,768) | (2,842,335) | (2,879,537) | (2,840,102) |
| Net cash generated from/ (used in) operating activities | 46,869,310 | 14,695,633 | 34,908,247 | (942,869) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Acquisition of subsidiary company, net of cash acquired | - | (25,665,042) | - | (27,425,717) |
| Acquisition of preference shares of subsidiary | (8,160,032) | - | (8,160,032) | - |
| Acquisition of associates | (4,019,231) | - | (4,019,231) | - |
| Investment in unit trust | (59,020,425) | - | (59,020,425) | - |
| Interest received | 2,132,557 | 2,425,692 | 2,071,659 | 2,414,837 |
| Purchase of property, plant and equipment | (37,170,095) | (28,143,248) | (8,627,325) | (4,481,858) |
| Proceeds from disposal of property, plant and equipment | 823,512 | 665,312 | 180,600 | 652,012 |
| Proceeds from winding up of subsidiary | - | - | 760,824 | - |
| Net cash used in investing activities | (105,413,714) | (50,717,286) | (76,813,930) | (28,840,726) |

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

35

EVERGREEN FIBREBOARD BERHAD | 2005 ANNUAL REPORT

| | Group | | Company | |
|---|--------------|-------------|--------------|--------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Advance to subsidiary | - | - | (19,327,250) | (3,224,471) |
| Drawdown of term loan | 11,902,017 | 41,013,956 | - | 25,000,000 |
| Repayment of hire purchase creditors | (198,406) | (123,017) | (188,723) | (123,017) |
| Repayment of term loans | (49,435,233) | (7,322,739) | (25,964,892) | (6,186,881) |
| Proceeds from public share issue | 101,564,400 | - | 101,564,400 | - |
| Dividends paid | (29,999,998) | - | (29,999,998) | - |
| Net cash generated from financing activities | 33,832,780 | 33,568,200 | 26,083,537 | 15,465,631 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (24,711,624) | (2,453,453) | (15,822,146) | (14,317,964) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 88,436,332 | 90,889,785 | 73,005,996 | 87,323,960 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 20) | 63,724,708 | 88,436,332 | 57,183,850 | 73,005,996 |

The accompanying notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

The principal activities of the Company are the manufacture of medium density fibreboard, wooden furniture (knock-down) and doors. The principal activities of the subsidiaries are as disclosed under Note 13 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public listed company, incorporated and domiciled in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor Darul Ta'zim.

The principal place of business is located at PLO 22, Parit Raja Industrial Estate, 86400 Batu Pahat, Johor Darul Ta'zim.

The number of employees in the Group and Company at the end of the financial year were 2,387 (2004 : 2,202) and 1,650 (2004 : 1,648) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 20 March 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention and comply with applicable MASB Approved Accounting Standards in Malaysia.

(b) Basis of Consolidation

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation (cont'd)

(ii) Associates

Associates are those companies in which the Group exercises significant influence but not control, through participation in the financial and operating policies.

Investment in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method of accounting, the Group's share of profits less losses of associates during the financial year is included in the consolidated income statement. The Group's interest in associate is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Groups' interest in the associates. Unrealised losses are eliminated unless cost cannot be recovered.

(c) Goodwill on Consolidation

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(n). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet while goodwill arising on the acquisition of associates is included within the respective carrying amounts of these investments.

Goodwill is amortised on a straight-line basis over its estimated useful life of 5 years.

(d) Investments in Subsidiaries and Associate Entities

The Company's investments in subsidiaries and associate entities are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(n).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is charged or credited to the income statement.

(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(n).

Land of leasehold tenure with an unexpired period of fifty years or more is classified as long leasehold land and those with an unexpired period of less than fifty years are classified as short leasehold land.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Property, Plant and Equipment and Depreciation (cont'd)

Freehold land and construction in progress are not depreciated. Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life as follows:

| | |
|-----------------------|---------------|
| Short leasehold land | 50 years |
| Long leasehold land | 60 years |
| Buildings | 50 - 60 years |
| Plant and machineries | 10 - 20 years |
| Other assets | 5 - 10 years |

Subsequent restoration costs, relating to an item of property, plant and equipment that has been recognised, are capitalised only if such costs improve the condition of the property, plant and equipment beyond its originally assessed standard of performance. All other subsequent expenditure are recognised as an expense in the year in which it is incurred.

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

(f) Inventories

Inventories are stated at the lower of cost (determined on a first-in, first-out basis) and net realisable value. The cost of raw materials comprises cost of purchases. The cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and appropriate proportion of production overheads. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value.

(h) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership.

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2(e).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(j) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

(k) Employee Benefit

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increased their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Sale of goods

Revenue relating to sale of goods is recognised net of discounts upon the transfer of risks and rewards.

(ii) Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(m) Foreign Currencies

(i) Foreign currency transactions

Transactions in foreign currencies are initially converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items which are carried at historical cost are translated using the historical rate as of the date of acquisition and non monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement.

(ii) Foreign entities

Financial statements of foreign consolidated subsidiary are translated at year-end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are recognised in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and translated at the exchange rate ruling at the date of the transaction.

The principal exchange rates used for each respective unit of foreign currency ruling at the balance sheet date are as follows:

| | 2005 RM | 2004 RM |
|----------------------|------------|------------|
| United States Dollar | 3.775 | 3.800 |
| Singapore Dollar | 2.235 | 2.323 |
| Euro | 4.550 | 5.054 |
| Thai Baht | 0.091 | 0.097 |
| Japanese Yen | 0.032 | 0.034 |
| Canadian Dollar | 3.235 | 3.196 |

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is charged to the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any available previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased.

(o) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Trade Receivables and Other Receivables

Trade and other receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(ii) Trade Payables and Other Payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iii) Investment in Unit Trust

Investment in unit trust is carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on the quoted market value. Increases or decreases in the carrying amount are recognised in the income statement. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Financial Instruments (cont'd)

(iv) Interest-Bearing Borrowings

Interest-bearing bank loans are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining another qualifying asset. For borrowings made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of that borrowing.

All borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(v) Equity Instruments

Ordinary shares are classified as equity.

Dividends on ordinary shares are recognised in equity in the year in which the obligation to pay is established.

3. REVENUE

Revenue of the Group and Company represents invoiced value of goods sold less returns and discounts.

4. COST OF SALES

Cost of sales represents cost of inventories sold.

5. PROFIT FROM OPERATIONS

Profit from operations is stated after charging/(crediting):

| | Group | | Company | |
|---|-------------|-------------|-------------|-------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Amortisation of goodwill | 1,480,562 | 747,453 | - | - |
| Audit fee | | | | |
| - statutory audit | 97,084 | 93,724 | 15,000 | 33,000 |
| - prior year | (7,000) | - | (7,000) | - |
| Depreciation | 23,367,077 | 18,852,833 | 12,488,919 | 12,377,636 |
| Directors' fees | - | 212,000 | - | 212,000 |
| Hostel rental | 349,200 | 302,334 | 291,270 | 281,520 |
| Interest income | (2,132,557) | (2,425,692) | (2,071,659) | (2,414,837) |
| (Gain)/loss on foreign exchange | | | | |
| - realised | (964,079) | (68,512) | 25,355 | 73,927 |
| - unrealised | (179,938) | - | - | - |
| (Gain)/loss on disposal of property, plant and equipment | (139,335) | (545,126) | 73,265 | (543,723) |
| Provision for diminution in value of investment | - | - | - | 37,166 |
| Rental of equipment | 746,818 | 558,905 | 480,539 | 395,242 |
| Rental of premises | 41,000 | 39,765 | - | - |
| Rental of land | 8,622 | 959 | - | - |
| Staff costs (Note 6) | 42,530,334 | 43,643,556 | 32,039,508 | 36,160,687 |

6. STAFF COSTS

| | Group | | Company | |
|------------------------------|------------|------------|------------|------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Wages and salaries | 39,299,029 | 40,647,020 | 29,386,679 | 33,648,101 |
| EPF and SOCSO | 3,079,205 | 2,841,984 | 2,500,729 | 2,358,034 |
| Other staff related expenses | 152,100 | 154,552 | 152,100 | 154,552 |
| | 42,530,334 | 43,643,556 | 32,039,508 | 36,160,687 |

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM3,247,743 (2004 : RM3,093,373) and RM2,796,235 (2004 : RM3,093,373) respectively.

7. DIRECTORS' REMUNERATION

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Directors of the Company | | | | |
| Executive: | | | | |
| Salaries and emoluments | 3,135,715 | 2,744,373 | 2,796,235 | 2,744,373 |
| Fees | - | 152,000 | - | 152,000 |
| Bonus | - | 197,000 | - | 197,000 |
| Benefits-in-kind | 63,453 | 51,976 | 54,400 | 51,976 |
| | 3,199,168 | 3,145,349 | 2,850,635 | 3,145,349 |
| Non-executive: | | | | |
| Allowances and emoluments | 1,175,112 | 1,143,777 | 1,175,112 | 1,143,777 |
| Fees | - | 60,000 | - | 60,000 |
| Bonus | - | 81,695 | - | 81,695 |
| Benefits-in-kind | 11,100 | 17,538 | 11,100 | 17,538 |
| | 1,186,212 | 1,303,010 | 1,186,212 | 1,303,010 |
| Directors of a subsidiary | | | | |
| Executive director who is under employment of a subsidiary: | | | | |
| Salaries | 112,028 | - | - | - |
| Benefits-in-kind | 27,525 | - | - | - |
| | 139,553 | - | - | - |
| Non-executive: | | | | |
| Allowances | 1,886 | - | - | - |
| Total | 4,526,819 | 4,448,359 | 4,036,847 | 4,448,359 |

7. DIRECTORS' REMUNERATION (CONT'D)

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Analysis excluding benefits-in-kind: | | | | |
| Total executive directors' remuneration excluding benefits-in-kind | 3,135,715 | 3,093,373 | 2,796,235 | 3,093,373 |
| Total non-executive directors remuneration excluding benefits-in-kind | 1,175,112 | 1,285,472 | 1,175,112 | 1,285,472 |

The number of directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

| | Number of Directors | |
|--------------------------|---------------------|------|
| | 2005 | 2004 |
| Executive director: | | |
| RM200,000 - RM 300,000 | 1 | 1 |
| Above RM1,000,000 | 2 | 2 |
| Non-Executive directors: | | |
| Below RM100,000 | 3 | 2 |
| Above RM1,000,000 | 1 | 1 |

8. FINANCE COSTS

| | Group | | Company | |
|------------------------|------------|------------|------------|------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Hire purchase interest | 26,845 | 11,074 | 23,580 | 11,074 |
| Term loan interest | 2,742,335 | 2,801,196 | 323,027 | 1,092,793 |
| Overdraft interest | 88,202 | 1,416 | - | - |
| | 2,857,382 | 2,813,686 | 346,607 | 1,103,867 |

9. TAXATION

| | Group | | Company | |
|---|-------------|------------|-------------|------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Tax expense for the year: | | | | |
| Malaysian income tax | 2,285,665 | 10,031,833 | 2,285,665 | 9,546,780 |
| Over provision of taxation in prior year | (5,407,000) | - | (5,400,000) | - |
| Deferred tax: | | | | |
| Relating to origination and reversal of temporary differences (Note 29) | (606,330) | 1,403,000 | 633,768 | 1,276,000 |
| (Over)/Underprovision of deferred taxation (Note 29) | (1,009,768) | 789,000 | (255,768) | 656,000 |
| Share of taxation of associate | (136,199) | - | - | - |
| | (4,873,632) | 12,223,833 | (2,736,335) | 11,478,780 |

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

| | Group | | Company | |
|--|-------------|-------------|-------------|------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Profit before taxation | 54,112,652 | 62,789,640 | 39,515,687 | 39,689,847 |
| Taxation at Malaysian statutory tax rate of 28% (2004 : 28%) | 15,276,159 | 17,581,099 | 11,064,392 | 11,113,157 |
| Income not subject to tax | (9,221,579) | (6,285,595) | (4,176,532) | (44,571) |
| Expenses not deductible for tax purposes | 161,232 | 666,606 | 122,367 | 273,230 |
| Expenses eligible for double deduction | (4,665,361) | - | (4,090,794) | - |
| Utilisation of current year reinvestment allowances | - | (519,036) | - | (519,036) |
| Utilisation of previously unrecognised tax losses | - | (54,523) | - | - |
| Deferred tax assets not recognised during the year | 760 | 46,282 | - | - |
| Overprovision of taxation in prior year | (5,407,000) | - | (5,400,000) | - |
| (Over)/Underprovision of deferred tax in prior year | (1,009,768) | 789,000 | (255,768) | 656,000 |
| Balancing charge not taxable under controlled transfer | (8,075) | - | - | - |
| Tax for the year | (4,873,632) | 12,223,833 | (2,736,335) | 11,478,780 |

10. EARNINGS PER SHARE

Earnings per ordinary share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year as follows:

| | 2005 RM | 2004 RM |
|---|-------------|-------------|
| Net profit for the year | 54,469,971 | 44,997,273 |
| Weighted average number of ordinary shares in issue | 462,037,808 | 164,848,393 |
| Basic earnings per share (Sen) | 11.79 | 27.30 |

11. DIVIDENDS

| | Amount | | Net Dividend per Share | |
|---|------------|------------|------------------------|-------------|
| | 2005 RM | 2004 RM | 2005 Sen | 2004 Sen |
| First interim tax exempt dividend of 3.125 sen on 480,000,000 ordinary shares declared on 30 May 2005 and paid on 10 July 2005 | 14,999,999 | - | 3.125 | - |
| Second interim tax exempt dividend of 3.125 sen on 480,000,000 ordinary shares declared on 19 August 2005 and paid on 31 October 2005 | 14,999,999 | - | 3.125 | - |
| | 29,999,998 | - | 6.25 | - |

A third interim tax exempt dividend of 2 sen on 480,000,000 ordinary shares was declared on 22 February 2006 and payable on 20 April 2006.

12. PROPERTY, PLANT AND EQUIPMENT

| Group | Land and buildings RM | Plant and machineries RM | Other assets RM | Construction in progress RM | Total RM |
|---------------------------------|--------------------------|-----------------------------|--------------------|--------------------------------|-------------|
| Cost | | | | | |
| At beginning of the year | 69,387,929 | 246,194,214 | 10,632,545 | 38,398,672 | 364,613,360 |
| Additions | 3,596,898 | 10,949,076 | 3,295,380 | 19,969,312 | 37,810,666 |
| Disposals | (866,563) | (75,359) | (447,788) | - | (1,389,710) |
| Reclassification | 5,600,496 | 41,477,689 | 2,885,416 | (49,963,601) | - |
| Exchange difference | (693,899) | (2,265,920) | (59,890) | (2,091,555) | (5,111,264) |
| At end of the year | 77,024,861 | 296,279,700 | 16,305,663 | 6,312,828 | 395,923,052 |
| Accumulated Depreciation | | | | | |
| At beginning of the year | 6,753,508 | 98,207,700 | 5,597,209 | - | 110,558,417 |
| Charge for the year | 1,921,593 | 19,495,112 | 1,950,372 | - | 23,367,077 |
| Disposals | (53,600) | (10,693) | (406,363) | - | (470,656) |
| Exchange difference | (109,587) | (409,564) | (30,759) | - | (549,910) |
| At end of the year | 8,511,914 | 117,282,555 | 7,110,459 | - | 132,904,928 |
| Net Book Value | | | | | |
| At 31 December 2005 | 68,512,947 | 178,997,145 | 9,195,204 | 6,312,828 | 263,018,124 |
| At 31 December 2004 | 62,634,421 | 147,986,514 | 5,035,336 | - | 254,054,943 |
| Depreciation charge for 2004 | 1,577,066 | 15,959,948 | 1,315,819 | - | 18,852,833 |

* Other assets comprise motor vehicles, signboard, furniture and fittings, office equipment, air conditioners, computers and telecommunication systems.

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| Company | Land and buildings RM | Plant and machineries RM | Other assets RM | Capital in progress RM | Total RM |
|---------------------------------|--------------------------|-----------------------------|--------------------|---------------------------|-------------|
| Cost | | | | | |
| At beginning of the year | 38,835,914 | 166,170,846 | 7,219,997 | 3,100 | 212,229,857 |
| Additions | 82,610 | 7,139,769 | 1,580,747 | - | 8,803,126 |
| Reclassification | 3,100 | - | - | (3,100) | - |
| Disposals | (268,000) | - | (443,679) | - | (711,679) |
| At end of the year | 38,653,624 | 173,310,615 | 8,357,065 | - | 220,321,304 |
| Accumulated Depreciation | | | | | |
| At beginning of the year | 4,009,407 | 79,852,993 | 4,002,138 | - | 87,864,538 |
| Charge for the year | 674,374 | 10,714,540 | 1,100,005 | - | 12,488,919 |
| Disposals | (53,600) | - | (404,214) | - | (457,814) |
| At end of the year | 4,630,181 | 90,567,533 | 4,697,929 | - | 99,895,643 |
| Net Book Value | | | | | |
| At 31 December 2005 | 34,023,443 | 82,743,082 | 3,659,136 | - | 120,425,661 |
| At 31 December 2004 | 34,826,507 | 86,317,853 | 3,217,859 | 3,100 | 124,365,319 |
| Depreciation charge for 2004 | 677,411 | 10,768,251 | 931,974 | - | 12,377,636 |

* Other assets comprise motor vehicles, signboard, furniture and fittings, office equipment, air conditioners, computers and telecommunication systems.

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) The net book value of land and buildings is analysed as follows:

| | Group | | Company | |
|------------------------------------|------------|------------|------------|------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Long leasehold land and buildings | 30,880,026 | 31,643,868 | 25,867,805 | 26,497,622 |
| Short leasehold land and buildings | 7,268,529 | 7,422,934 | 7,176,636 | 7,331,042 |
| Freehold land and buildings | 30,364,392 | 23,567,619 | 979,002 | 997,843 |
| | 68,512,947 | 62,634,421 | 34,023,443 | 34,826,507 |

(b) Net book value of property, plant and equipment pledged for banking facilities are as follows:

| | Group | | Company | |
|------------------------------|-------------|------------|------------|------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Leasehold land and buildings | 1,100,236 | 6,269,893 | 1,100,236 | 1,123,646 |
| Freehold land and buildings | 29,385,393 | 22,569,776 | - | - |
| Plant and machineries | 73,637,389 | 38,133,935 | - | - |
| Other assets | 4,735,092 | 902,534 | - | - |
| | 108,858,110 | 67,876,138 | 1,100,236 | 1,123,646 |

(c) Net book values of property, plant and equipment registered in the names of third parties and a director holding in trust on behalf of the Group and the Company are as follows:

| | Group and Company | |
|----------------------------|-------------------|------------|
| | 2005 RM | 2004 RM |
| Freehold land and building | - | 261,134 |
| Motor vehicles | 521,572 | 682,314 |
| | 521,572 | 943,448 |

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (d) Net book values of property, plant and equipment held under hire purchase and finance lease are as follows:

| | Group and Company | |
|----------------|-------------------|------------|
| | 2005 RM | 2004 RM |
| Motor vehicles | 1,095,180 | 1,112,174 |

- (e) Included in property, plant and equipment are the following cost of fully depreciated assets which are still in use:

| | Group and Company | |
|--------------|-------------------|------------|
| | 2005 RM | 2004 RM |
| Other assets | 11,127,638 | 11,394,964 |

- (f) No depreciation is provided for the following cost of property, plant and equipment which are not in use:

| | Group and Company | |
|-----------------------|-------------------|------------|
| | 2005 RM | 2004 RM |
| Plant and machineries | 690,212 | 871,072 |

- (g) Cost of freehold land still in the progress of transfer of land title are as follows:

| | Group | | Company | |
|---------------|------------|------------|------------|------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Freehold land | 3,894,154 | 1,084,449 | - | - |

- (h) During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM37,810,667 (2004: RM28,993,860) and RM8,803,126 (2004 : RM5,332,470) respectively of which RM640,572 (2004: RM850,612) and RM175,801 (2004 : RM850,612) were acquired by means of finance lease arrangements.

13. INVESTMENT IN SUBSIDIARIES

| | Company | |
|-----------------------------------|-------------|-------------|
| | 2005 RM | 2004 RM |
| Unquoted shares, at cost | 75,439,577 | 68,086,275 |
| Provision for diminution in value | (5,788,707) | (5,825,873) |
| | 69,650,870 | 62,260,402 |

Details of the subsidiaries are as follows:

| Name | Country of Incorporation | Effective Equity Interest | | Principal Activities |
|--|-----------------------------|------------------------------|--------|--|
| | | 2005 | 2004 | |
| Allgreen Timber Products Sdn. Bhd. | Malaysia | 100% | 100% | Manufacture of particleboard |
| Siam Fibreboard Company Limited* | Thailand | 75% | 75% | Manufacture of medium density fibreboard |
| Evergreen Decor Products (M) Sdn. Bhd. | Malaysia | 100% | 100% | Dormant |
| Evergreen Molded Panels Sdn. Bhd. | Malaysia | 100% | 100% | Dormant |
| Reuntex Industries (M) Sdn. Bhd. ** | Malaysia | - | 99.99% | Property holding |

* Audited by a member firm of Ernst & Young

** The subsidiary has been wound up.

During the financial year, the Group acquired 275,250 units of preference shares in Siam Fibreboard Company Limited, a company incorporated in Thailand, for a total cash consideration of RM8,160,032. These preference shares are entitled to a dividend rate of 8.354% per annum for a period of five (5) years effective from 2004.

14. INVESTMENT IN ASSOCIATES

| | Group | | Company | |
|------------------------------------|------------|------------|------------|------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Unquoted shares, at cost | 12,290,503 | 8,271,272 | 12,290,503 | 8,271,272 |
| Share of post-acquisition reserves | 1,276,998 | 588,043 | - | - |
| | 13,567,501 | 8,859,315 | 12,290,503 | 8,271,272 |

Represented by:

| | | |
|----------------------------------|------------|-----------|
| Share of net assets | 13,737,541 | 8,925,264 |
| Negative goodwill on acquisition | (170,040) | (65,949) |
| | 13,567,501 | 8,859,315 |

Details of the associates are as follows:

| Name of Associate | Country of Incorporation | Equity Interest Held (%) | | Principal Activities |
|----------------------------------|--------------------------|--------------------------|-------|--|
| | | 2005 | 2004 | |
| Dawa Timber Industries Sdn. Bhd. | Malaysia | 44.67 | 44.67 | Manufacturing of fancy plywood |
| Dynea Krabi Co. Ltd. | Thailand | 25.00 | - | Manufacturing of panel board resins, impregnated papers and industrial resins. |

15. GOODWILL ON CONSOLIDATION

| | Group | |
|----------------------------------|-------------|------------|
| | 2005 RM | 2004 RM |
| At beginning of year | 902,093 | 1,418,529 |
| Acquisition of preference shares | 5,440,560 | 231,017 |
| Less : Amortisation | (1,480,562) | (747,453) |
| At end of year | 4,862,091 | 902,093 |

16. INVENTORIES

| | Group | | Company | |
|--------------------------|------------|------------|------------|------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| At cost: | | | | |
| Raw materials | 12,977,408 | 14,363,413 | 11,695,144 | 11,443,818 |
| Work in progress | 2,747,670 | 735,946 | 96,344 | 133,811 |
| Finished goods | 13,105,920 | 8,583,066 | 7,740,875 | 6,737,244 |
| Goods in transit | 29,146 | 90,745 | 29,146 | 90,745 |
| Factory supplies | 290,793 | 640,297 | - | - |
| Packing materials | 724,679 | 23,997 | 12,863 | 23,997 |
| Pallets | 60,736 | 1,837,114 | 60,736 | 110,477 |
| Spare parts | 20,425,477 | 8,306,110 | 13,290,358 | 8,306,110 |
| | 50,361,829 | 34,580,688 | 32,925,466 | 26,846,202 |
| At net realisable value: | | | | |
| Finished goods | - | 143,188 | - | 143,188 |
| | 50,361,829 | 34,723,876 | 32,925,466 | 26,989,390 |

17. TRADE RECEIVABLES

Included in the trade receivables of the Group and of the Company is an amount of RM667,372(2004 : RM 1,011,337) owing by an associated company.

The Group and Company's normal trade credit terms ranges from 30 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | Group | | Company | |
|------------------------------|------------|------------|------------|------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Amount due from subsidiaries | - | - | 39,264,617 | 21,231,637 |
| Sundry receivables | 8,500,748 | 2,397,775 | 7,205,200 | 2,051,450 |
| Deposits and prepayments | 7,749,519 | 9,018,296 | 2,121,277 | 2,046,657 |
| | 16,250,267 | 11,416,071 | 48,591,094 | 25,329,744 |

The amount due from subsidiaries, which arose mainly from advances and transfer of assets and liabilities pursuant to a restructuring exercise in previous years, is unsecured, interest-free and has no fixed terms of repayment.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

19. INVESTMENT IN UNIT TRUST

| | Group and Company | |
|-------------------|-------------------|------------|
| | 2005 RM | 2004 RM |
| At cost: | | |
| Money market fund | 53,999,279 | - |
| Bond fund | 5,021,146 | - |
| | <hr/> | <hr/> |
| | 59,020,425 | - |
| | <hr/> | <hr/> |
| At market value: | | |
| Money market fund | 53,999,279 | - |
| Bond fund | 5,021,146 | - |
| | <hr/> | <hr/> |
| | 59,020,425 | - |
| | <hr/> | <hr/> |

20. CASH AND BANK BALANCES

| | Group | | Company | |
|------------------------------|------------|------------|------------|------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Cash on hand and at banks | 16,720,647 | 10,960,370 | 10,179,789 | 220,034 |
| Repurchase agreements | 12,100,000 | 25,990,000 | 12,100,000 | 21,500,000 |
| Deposits with licensed banks | 34,904,061 | 51,485,962 | 34,904,061 | 51,285,962 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Cash and bank balances | 63,724,708 | 88,436,332 | 57,183,850 | 73,005,996 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Included in deposits with licensed banks of the Group is an amount of RM208,272 (2004 : RM402,278) held in trust for a trade debtor as guarantee against payment for goods sold.

Deposits with licensed banks of the Group and of the Company in the previous year of RM500,000 were pledged as securities for banking facilities granted to the Company.

Deposits with licensed banks of the Group and of the Company in the previous year of RM20,000,000 were pledged to banks for credit facilities granted to certain subsidiaries.

20. CASH AND BANK BALANCES (CONT'D)

The interest rates during the financial year and the maturity days for the deposits as at balance sheet date were as follows:

| | Interest Rates | | Maturity Days | |
|------------------------------|----------------|--------------|---------------|--------------|
| | 2005 % | 2004 % | 2005 Days | 2004 Days |
| Repurchase agreements | 2.20 to 2.60 | 2.10 to 2.40 | 3 to 23 | 3 to 4 |
| Deposits with licensed banks | 2.60 to 3.70 | 2.60 to 3.70 | 6 to 81 | 5 to 177 |

21. TRADE PAYABLES

Included in trade payables of the Group and the Company is an amount of RM5,739,105 (2004: NIL) and RM650,599 (2004 : RM871,290) respectively owing to an associated company.

The normal credit term granted to the Group ranges from 10 to 90 days.

22. OTHER PAYABLES

| | Group | | Company | |
|------------------------------------|------------|------------|------------|------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Amount due to subsidiaries | - | - | 22,984,063 | 24,278,333 |
| Amount due to affiliated companies | 6,523,430 | 1,145,260 | - | - |
| Sundry payables | 8,538,116 | 12,871,472 | 786,790 | 1,090,402 |
| Advances and accruals | 5,868,540 | 8,385,766 | 3,818,012 | 5,725,959 |
| Provisions | - | 1,369,758 | - | 1,369,758 |
| Amount owing to director | - | 1,524,151 | - | 1,524,151 |
| | 20,930,086 | 25,296,407 | 27,588,865 | 33,988,603 |

The amount due to subsidiaries, which arose mainly from advances and transfer of assets and liabilities pursuant to a restructuring exercise in previous years, is unsecured, interest-free and has no fixed terms of repayment.

Affiliated companies are those companies in which minority shareholders have interests.

23. BORROWINGS

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Short Term Borrowings | | | | |
| Secured: | | | | |
| Revolving credit | – | 27,500,000 | – | 25,000,000 |
| Term loans | 12,783,292 | 14,684,480 | – | 910,946 |
| Hire purchase and finance lease payables (Note 24) | 298,751 | 172,478 | 201,926 | 172,478 |
| | 13,082,043 | 42,356,958 | 201,926 | 26,083,424 |
| Long Term Borrowings | | | | |
| Secured: | | | | |
| Term loans | 42,202,266 | 52,960,448 | – | 53,946 |
| Hire purchase and finance lease payables (Note 24) | 899,994 | 584,100 | 541,730 | 584,100 |
| | 43,102,260 | 53,544,548 | 541,730 | 638,046 |
| Total Borrowings | | | | |
| Secured: | | | | |
| Revolving credits | – | 27,500,000 | – | 25,000,000 |
| Term loans | 54,985,558 | 67,644,928 | – | 964,892 |
| Hire purchase and finance lease payables (Note 24) | 1,198,745 | 756,578 | 743,656 | 756,578 |
| | 56,184,303 | 95,901,506 | 743,656 | 26,721,470 |
| Maturity of borrowings (excluding hire purchase and finance lease): | | | | |
| Within one year | 10,502,080 | 42,184,480 | – | 25,910,946 |
| More than 1 year and less than 2 years | 10,502,080 | 15,718,837 | – | 29,419 |
| More than 2 years and less than 5 years | 22,309,656 | 10,491,881 | – | 24,527 |
| More than 5 years | 11,671,742 | 26,749,730 | – | – |
| | 54,985,558 | 95,144,928 | – | 25,964,892 |

23. BORROWINGS (CONT'D)

The interest rates during the financial year for borrowings, excluding hire purchase and finance lease payables, were as follows:

| | Group | | Company | |
|------------------|------------|--------------|-----------|--------------|
| | 2005 % | 2004 % | 2005 % | 2004 % |
| Revolving credit | – | 3.28 to 4.48 | – | 3.28 to 4.48 |
| Term loans | 3.7 to 5.6 | 3.7 to 7.7 | – | 6.3 to 7.5 |

The borrowings are secured by:

- (i) Debentures over fixed and floating charges over the subsidiaries' assets, both present and future.
- (ii) Legal charge over certain subsidiaries leasehold and freehold land.
- (iii) Priority and Security Sharing Agreement.

24. HIRE PURCHASE AND FINANCE LEASE PAYABLES

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Minimum lease payments: | | | | |
| Not later than 1 year | 376,768 | 196,742 | 227,768 | 196,742 |
| Later than 1 year and not later than 2 years | 344,158 | 196,742 | 204,644 | 196,742 |
| Later than 2 years and not later than 5 years | 611,678 | 408,172 | 370,792 | 408,172 |
| Later than 5 years | 45,614 | 54,099 | 45,615 | 54,099 |
| | 1,378,218 | 855,755 | 848,819 | 855,755 |
| Less: Future finance charges | (179,473) | (99,177) | (105,163) | (99,177) |
| Present value of finance lease liabilities | 1,198,745 | 756,578 | 743,656 | 756,578 |
| Present value of finance lease liabilities: | | | | |
| Not later than 1 year | 298,751 | 172,478 | 201,926 | 172,478 |
| Later than 1 year and not later than 2 years | 277,646 | 172,478 | 180,821 | 172,478 |
| Later than 2 years and not later than 5 years | 584,239 | 361,118 | 322,799 | 361,118 |
| Later than 5 years | 38,109 | 50,504 | 38,110 | 50,504 |
| | 1,198,745 | 756,578 | 743,656 | 756,578 |
| Analysed as: | | | | |
| Due within 12 months (Note 23) | 298,751 | 172,478 | 201,926 | 172,478 |
| Due after 12 months (Note 23) | 899,994 | 584,100 | 541,730 | 584,100 |
| | 1,198,745 | 756,578 | 743,656 | 756,578 |

The hire purchase bore interest at the balance sheet date of between 2.20% to 5.00% (2004 : 2.2% to 3.2%) per annum.

25. SHARE CAPITAL

| | Group and Company | | | |
|------------------------------|---|---------------|-------------|-------------|
| | Number of Ordinary Shares of RM0.25 Each | | Amount | |
| | 2005 | 2004 | 2005 RM | 2004 RM |
| Authorised | | | | |
| At 1 January | 1,200,000,000 | 50,000,000 | 300,000,000 | 50,000,000 |
| Share split | - | 150,000,000 | - | - |
| Increase during the year | 1,200,000,000 | 200,000,000 | 300,000,000 | 50,000,000 |
| | - | 1,000,000,000 | - | 250,000,000 |
| At 31 December | 1,200,000,000 | 1,200,000,000 | 300,000,000 | 300,000,000 |
| Issued and fully paid | | | | |
| At 1 January | 386,340,000 | 36,447,071 | 96,585,000 | 36,447,071 |
| Share split | - | 109,341,213 | - | - |
| Public issue | 386,340,000 | 145,788,284 | 96,585,000 | 36,447,071 |
| Bonus issue | 93,660,000 | - | 23,415,000 | - |
| | - | 240,551,716 | - | 60,137,929 |
| At 31 December | 480,000,000 | 386,340,000 | 120,000,000 | 96,585,000 |

During the financial year, the Company increased its issued and paid-up share capital from RM96,585,000 to RM120,000,000 by way of public issue of 93,660,000 new ordinary shares of RM0.25 each at an issue price of RM1.14 each, in conjunction with the listing of the Company on the Main Board of Bursa Malaysia Securities Berhad.

All the ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

26. SHARE PREMIUM

The share premium which is non-distributable represents the premium arising from the issue of shares. Movements in the share premium account are shown in the statement of changes in equity.

27. FOREIGN EXCHANGE RESERVE

The foreign exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of a foreign subsidiary and its foreign associates.

28. RETAINED PROFITS

As at 31 December 2005, the Company has tax exempt profits available for distribution of approximately RM117,364,000 (2004 : RM132,660,000), subject to the agreement of the Inland Revenue Board.

As at 31 December 2005, the Company has sufficient tax credit under Section 108 of the Income Tax Act 1967 and the balance in the tax exempt income account to frank the payment of dividends amounting to approximately RM141,530,000 (2004 : RM159,885,000) out of its retained profits. If the balance in the retained profits of RM17,523,000 (2004 : Nil) were to be distributed as dividends prior to there being sufficient tax credit, the Company would have a Section 108 shortfall of approximately RM4,906,000 (2004 : Nil).

29. DEFERRED TAXATION

| | Group | | Company | |
|---|-------------|-------------|------------|------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| At 1 January | 17,638,000 | 15,446,000 | 20,000,000 | 18,068,000 |
| Recognised in the income statement (Note 9) | (1,616,098) | 2,192,000 | 378,000 | 1,932,000 |
| Exchange difference | (1,168) | - | - | - |
| At 31 December | 16,020,734 | 17,638,000 | 20,378,000 | 20,000,000 |
| Presented after appropriate offsetting as follows: | | | | |
| Deferred tax assets | (8,142,000) | (5,475,000) | - | - |
| Deferred tax liabilities | 24,162,734 | 23,113,000 | 20,378,000 | 20,000,000 |
| | 16,020,734 | 17,638,000 | 20,378,000 | 20,000,000 |

29. DEFERRED TAXATION (CONT'D)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred Tax Liabilities of the Group:

| | Accelerated Capital Allowances RM |
|------------------------------------|--|
| At 1 January 2005 | 23,113,000 |
| Recognised in the income statement | 1,049,734 |
| At 31 December 2005 | 24,162,734 |
| At 1 January 2004 | 20,932,000 |
| Recognised in the income statement | 2,181,000 |
| At 31 December 2004 | 23,113,000 |

Deferred Tax Assets of the Group:

| | Unabsorbed capital allowance RM | Unutilised tax losses RM | Total RM |
|------------------------------------|--|-----------------------------------|-------------|
| At 1 January 2005 | (3,369,000) | (2,106,000) | (5,475,000) |
| Recognised in the income statement | - | (2,667,000) | (2,667,000) |
| At 31 December 2005 | (3,369,000) | (4,773,000) | (8,142,000) |
| At 1 January 2004 | (3,232,000) | (2,254,000) | (5,486,000) |
| Recognised in the income statement | (137,000) | 148,000 | 11,000 |
| At 31 December 2004 | (3,369,000) | (2,106,000) | (5,475,000) |

29. DEFERRED TAXATION (CONT'D)

Deferred Tax Liabilities of the Company:

| | Accelerated Capital Allowances RM |
|------------------------------------|--|
| At 1 January 2005 | 20,000,000 |
| Recognised in the income statement | 378,000 |
| At 31 December 2005 | 20,378,000 |
| At 1 January 2004 | 18,068,000 |
| Recognised in the income statement | 1,932,000 |
| At 31 December 2004 | 20,000,000 |

30. COMMITMENTS

| | Group | | Company | |
|---|-------------|------------|------------|------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Purchase of property, plant and equipment: | | | | |
| Approved but not contracted for | 120,000,000 | 18,843,544 | - | 582,562 |
| Approved and contracted for | 7,337,000 | 3,203,865 | 386,365 | 3,203,865 |
| | 127,337,000 | 22,047,409 | 386,365 | 3,786,427 |

31. CONTINGENT LIABILITIES

| | Company | |
|---|------------|------------|
| | 2005 RM | 2004 RM |
| Secured: | | |
| Corporate guarantees to banks for credit facilities granted to a subsidiary | 7,600,000 | 16,900,000 |
| Shareholder guarantees to bank for credit facilities granted to a Thailand subsidiary | 36,143,807 | - |
| | 43,743,807 | 16,900,000 |

32. RELATED PARTY TRANSACTIONS

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Sales to associates | 5,092,576 | 3,395,552 | 5,092,576 | 3,395,552 |
| Sales of goods and services rendered to subsidiaries | - | - | 753,111 | 271,976 |
| Sales of spare parts to subsidiaries | - | - | 188,356 | - |
| Sales of property, plant and equipment to associate | 675,293 | - | - | - |
| Purchases from associates | 33,147,880 | 3,018,987 | 2,051,272 | 3,018,987 |
| Purchases from subsidiaries | - | - | 6,207,212 | 4,621,084 |
| Purchases of property, plant and equipment from subsidiary | - | - | 276,525 | - |

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

33. SIGNIFICANT EVENTS

In conjunction with the listing and quotation of the entire issued and paid-up share capital of the Company on the Main Board of Bursa Malaysia Securities Berhad, the Company has undertaken the following:

- (a) public issue of 93,660,000 new ordinary shares of RM0.25 each at an issue price of RM1.14 per new ordinary share.
- (b) offer for sale of 113,000,000 ordinary shares of RM0.25 each at an offer price of RM1.14 per ordinary share payable in full on application.

On 10 March 2005, the enlarged issued and paid-up share capital of 480,000,000 ordinary shares of RM0.25 each was listed and quoted on the Main Board of Bursa Malaysia Securities Berhad.

34. FINANCIAL INSTRUMENTS**(a) Financial Risk Management Objectives and Policies**

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt; the Group has no substantial long term interest-bearing assets as at 31 December 2005. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits or occasionally, in short term commercial papers which yield better returns than cash at bank.

(c) Foreign Exchange Risk

The Group operates internationally and is exposed to various currencies, mainly United States Dollar, Singapore Dollar, Euro, Thai Baht, Japanese Yen and Swiss Franc. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

The net unhedged financial assets and financial liabilities of the Group as at 31 December 2005 that are not denominated in their functional currencies are as follows:

| | Receivables | Payables | Cash and bank balances | Total |
|---|-------------|-----------|------------------------|------------|
| Functional currency of the Group | | | | |
| United States Dollar | 10,028,748 | 3,112,037 | 1,254,316 | 14,395,101 |
| Singapore Dollar | 30,437 | 33,045 | 76,287 | 139,769 |
| Euro | 377,518 | 209,449 | 202 | 587,169 |
| Thai Baht | – | 2,957,249 | – | 2,957,249 |
| Japanese Yen | – | – | – | – |
| Swiss Franc | 197,440 | 773 | – | 198,213 |
| Great Britain Pound | 118 | – | – | 118 |
| Ringgit Malaysia | – | 400,812 | – | 400,812 |
| | 10,634,261 | 6,713,365 | 1,330,805 | 18,678,431 |

34. FINANCIAL INSTRUMENTS (CONT'D)

(c) Foreign Exchange Risk (cont'd)

As at balance sheet date, the Group has entered into forward foreign exchange contracts with the following notional amounts and maturities:

| | Currency | Maturities Within 1 Year |
|---|----------------------|-----------------------------|
| At 31 December 2005: | | |
| Forward used to hedge anticipated sales | United States Dollar | 6,075,000 |

(d) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

(e) Credit Risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

(f) Fair Values

It is not practical to estimate the fair value of amounts due from/to subsidiaries/affiliated company/related company principally due to a lack of fixed repayment term entered by the parties involved and without incurring excessive costs. However, the Group and the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

For cash and cash equivalents, trade and other receivables/payables and short term borrowings, the carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

The fair value of a forward foreign currency contract is the amount that would be payable or receivable on termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward exchange rate as at the balance sheet date applied to a contract of similar quantum and maturity profile.

35. SEGMENT INFORMATION

Segmental reporting by business has not been presented as the Group's operations are within similar activities.

Geographical Segments:

The Group is organised into two major geographical segments:

- (i) Malaysia- manufacture of medium density fibreboard, wooden furniture (knock-down) and doors;
- (ii) Thailand - production and distribution of medium-density fibreboard.

The directors are of the opinion that all inter-segment transactions have been entered in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

| 2005 | Malaysia RM | Thailand RM | Elimination RM | Consolidated RM Restated |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------------------|
| Revenue | | | | |
| External sales | 307,454,491 | 150,041,897 | - | 457,496,388 |
| Inter-company sales | 6,432,600 | - | (6,432,600) | - |
| Total revenue | 313,887,091 | 150,041,897 | (6,432,600) | 457,496,388 |
| Results | | | | |
| Segment results | 37,104,848 | 19,865,186 | (4,516,313) | 52,453,721 |
| Finance cost | (1,094,351) | (1,763,031) | | (2,857,382) |
| Taxation | 4,910,534 | (36,902) | | 4,873,632 |
| Net profit for the year | 40,921,031 | 18,065,253 | (4,516,313) | 54,469,971 |
| Assets | | | | |
| Segment assets | 504,563,468 | 141,313,157 | (125,971,153) | 519,905,472 |
| Consolidated total assets | | | | 519,905,472 |
| Liabilities | | | | |
| Segment liabilities | 98,267,585 | 65,753,981 | (42,495,029) | 121,526,537 |
| Consolidated total liabilities | | | | 121,526,537 |
| Other Information | | | | |
| Capital expenditures | 12,657,476 | 25,153,190 | - | 37,810,666 |
| Depreciation | 14,768,769 | 8,598,308 | - | 23,367,077 |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005

67

EVERGREEN FIBREBOARD BERHAD | 2005 ANNUAL REPORT

35. SEGMENT INFORMATION (CONT'D)

| | Malaysia RM | Thailand RM | Elimination RM | Consolidated RM |
|---------------------------------------|--------------------|-------------------|--------------------|--------------------|
| 2004 | | | | |
| Revenue | | | | |
| External sales | 298,077,555 | 90,526,163 | - | 388,603,718 |
| Inter-company sales | 4,613,300 | 279,760 | (4,893,060) | - |
| Total revenue | 302,690,855 | 90,805,923 | (4,893,060) | 388,603,718 |
| Results | | | | |
| Segment results | 41,943,548 | 23,181,725 | (5,568,534) | 59,556,739 |
| Finance cost | (1,906,085) | (907,601) | - | (2,813,686) |
| Taxation | (11,745,780) | - | - | (11,745,780) |
| Net profit for the year | 28,291,683 | 22,274,124 | (5,568,534) | 44,997,273 |
| Assets | | | | |
| Segment assets | 402,116,310 | 126,677,226 | (81,909,654) | 446,883,882 |
| Consolidated total assets | | | | 446,883,882 |
| Liabilities | | | | |
| Segment liabilities | 128,384,138 | 65,266,391 | (21,231,281) | 172,419,248 |
| Consolidated total liabilities | | | | 172,419,248 |
| Other Information | | | | |
| Capital expenditures | 5,960,977 | 95,471,949 | - | 101,432,926 |
| Depreciation | 14,550,854 | 4,301,979 | - | 18,852,833 |

LIST OF PROPERTIES

AS AT 31 DECEMBER 2005

EVERGREEN FIBREBOARD BERHAD | 2005 ANNUAL REPORT

| NO | LOCATION | TENURE | LAND AREA | USAGE | NET BOOK VALUE AS AT 31 DEC 2005 RM | YEAR OF ACQUISITION |
|----|--|--|------------|---|---|------------------------|
| 1 | PTD 10321 HS(D) 26363 MUKIM OF SRI GADING, DISTRICT OF BATU PAHAT, JOHOR | LEASEHOLD 60 YEARS EXPIRING ON 10/09/2050 | 2.49 ACRES | INDUSTRIAL / SINGLE STOREY WAREHOUSE, STORAGE AREA WITH THE GUARD HOUSE | 2,572,381.00 | 24/7/2003 |
| | ADDRESS : PLO 3, LOCATED ALONG JALAN PADI KEDAH, PARIT RAJA INDUSTRIAL AREA, 86400 PARIT RAJA, BATU PAHAT, JOHOR | | | | | |
| 2 | PTD 7203 HS(D) 20908 MUKIM OF SRI GADING, DISTRICT OF BATU PAHAT, JOHOR | LEASEHOLD 60 YEARS EXPIRING ON 11/07/2046 | 0.50 ACRE | INDUSTRIAL / FUTURE DEVELOPMENT | 497,250.00 | 24/7/2003 |
| | ADDRESS : PLO 2, LOCATED ALONG JALAN PADI KEDAH, PARIT RAJA INDUSTRIAL AREA, 86400 PARIT RAJA, BATU PAHAT, JOHOR | | | | | |
| 3 | PTD 7205 HS(D) 21589 MUKIM OF SRI GADING, DISTRICT OF BATU PAHAT, JOHOR | LEASEHOLD 60 YEARS EXPIRING ON 03/09/2047 | 1.00 ACRE | INDUSTRIAL / WAREHOUSE / PRODUCTION AREA AND STORAGE AREA | 1,011,994.00 | 24/7/2003 |
| | ADDRESS : PLO 6, LOCATED ALONG JALAN PADI KEDAH, PARIT RAJA INDUSTRIAL AREA, 86400 PARIT RAJA, BATU PAHAT, JOHOR | | | | | |
| 4 | PTD 5844 HS(D) 17718 MUKIM OF SRI GADING, DISTRICT OF BATU PAHAT, JOHOR | 60 YEARS EXPIRING ON 26/02/2043 | 1.00 ACRE | INDUSTRIAL / WAREHOUSE / PRODUCTION AREA AND STORAGE AREA | 1,011,943.00 | 24/7/2003 |
| | ADDRESS : PLO 4, LOCATED ALONG JALAN PADI KEDAH, PARIT RAJA INDUSTRIAL AREA, 86400 PARIT RAJA, BATU PAHAT, JOHOR | | | | | |
| 5 | PTD 10331 HS(D) 27436 MUKIM OF SRI GADING, DISTRICT OF BATU PAHAT, JOHOR | LEASEHOLD 60 YEARS EXPIRING ON 01/04/2051 | 2.00 ACRES | INDUSTRIAL / MAIN OFFICE ADMINISTRATION, PRODUCTION AREA AND WAREHOUSE | 4,657,521.00 | 2/7/2002 |
| | ADDRESS : PLO 17, PARIT RAJA INDUSTRIAL AREA, 86400 PARIT RAJA, BATU PAHAT, JOHOR | | | | | |

LIST OF PROPERTIES

AS AT 31 DECEMBER 2005

69

EVERGREEN FIBREBOARD BERHAD | 2005 ANNUAL REPORT

| NO | LOCATION | TENURE | LAND AREA | USAGE | NET BOOK VALUE AS AT 31 DEC 2005 RM | YEAR OF ACQUISITION |
|----|---|--|------------|---|---|------------------------|
| 6 | PTD 11229 HS(D) 32362 MUKIM OF SRI GADING, DISTRICT OF BATU PAHAT, JOHOR <i>ADDRESS</i> : PLO 27, PARIT RAJA INDUSTRIAL AREA, 86400 PARIT RAJA, BATU PAHAT, JOHOR | LEASEHOLD 60 YEARS EXPIRING ON 21/03/2055 | 1.20 ACRES | INDUSTRIAL / PRODUCTION AREA/ CANTEEN / TRAINING ROOM AND WAREHOUSE | 1,540,228.00 | 2/7/2002 |
| 7 | PTD 11600 HS(D) 37267 MUKIM OF SRI GADING, DISTRICT OF BATU PAHAT, JOHOR <i>ADDRESS</i> : PLO 28, PARIT RAJA INDUSTRIAL AREA, 86400 PARIT RAJA, BATU PAHAT, JOHOR | LEASEHOLD 60 YEARS EXPIRING ON 13/06/2056 | 2.53 ACRES | INDUSTRIAL / PRODUCTION | 2,449,394.00 | 12/12/2000 |
| 8 | PTD 10628 HS(D) 30018 MUKIM OF SRI GADING, DISTRICT OF BATU PAHAT, JOHOR <i>ADDRESS</i> : PLO 18, PARIT RAJA INDUSTRIAL AREA, 86400 PARIT RAJA, BATU PAHAT, JOHOR | LEASEHOLD 60 YEARS EXPIRING ON 02/11/2053 | 3.83 ACRES | INDUSTRIAL / WAREHOUSE | 4,727,242.00 | 19/11/2002 |
| 9 | PTD 11215 HS(D) 32156 MUKIM SRI GADING, DISTRICT OF BATU PAHAT, JOHOR <i>ADDRESS</i> : PLO 21, PARIT RAJA INDUSTRIAL AREA, 86400 PARIT RAJA, BATU PAHAT, JOHOR | LEASEHOLD 60 YEARS EXPIRING ON 06/01/2055 | 2.00 ACRES | INDUSTRIAL / PRODUCTION AND CONCRETE LOG POND | 3,327,901.00 | 7/1/1995 |
| 10 | PTD 10545 HS(D) 29660 MUKIM OF SRI GADING, DISTRICT OF BATU PAHAT, JOHOR <i>ADDRESS</i> : PLO 22, PARIT RAJA INDUSTRIAL AREA, 86400 PARIT RAJA, BATU PAHAT, JOHOR | LEASEHOLD 60 YEARS EXPIRING ON 08/09/2053 | 7.85 ACRES | INDUSTRIAL/ PRODUCTION AREA | 8,366,780.00 | 9/9/1993 |

LIST OF PROPERTIES

AS AT 31 DECEMBER 2005

EVERGREEN FIBREBOARD BERHAD | 2005 ANNUAL REPORT

| NO | LOCATION | TENURE | LAND AREA | USAGE | NET BOOK VALUE AS AT 31 DEC 2005 RM | YEAR OF ACQUISITION |
|----|--|--|---|---|---|------------------------|
| 11 | PTD 10330 HS(D) 27434 MUKIM OF SRI GADING, DISTRICT OF BATU PAHAT, JOHOR <i>ADDRESS</i> : PLO 23, PARIT RAJA INDUSTRIAL AREA, 86400 PARIT RAJA, BATU PAHAT, JOHOR | LEASEHOLD 60 YEARS EXPIRING ON 01/04/2051 | 2.5 ACRES | INDUSTRIAL/ USE AS LOG YARD AND PARKING SITE | 1,528,483.00 | 22/9/2003 |
| 12 | PTD 8605 HSM 4381 & PTD 8606, HSM 4382 MUKIM OF SRI GADING, DISTRICT OF BATU PAHAT, JOHOR <i>ADDRESS</i> : NO.9 & 10, JALAN BINA 7, TAMAN PARIT RAJA, 86400 PARIT RAJA, BATU PAHAT, JOHOR | FREEHOLD | 143.066 SQ. M (1,540.0 SQ.FT.) | RESIDENTIAL/ HOSTEL | 129,381.00 | 20/3/1996 |
| 13 | PTD 7183 HS(D) 19744 MUKIM OF SRI GADING, DISTRICT OF BATU PAHAT, JOHOR <i>ADDRESS</i> : NO.7, JALAN PADI SIAM, PARIT RAJA INDUSTRIAL AREA, 86400 PARIT RAJA, BATU PAHAT, JOHOR | 60 YEARS EXPIRING ON 31/07/2045 | 0.50 ACRES | INDUSTRIAL / WAREHOUSE | 799,978.00 | 30/6/2003 |
| 14 | LOT NO 51613, PN6656 (PREVIOUSLY PTD 90024, HS(D) 162773) MUKIM OF PLENTONG, DISTRICT OF JOHOR BAHRU, JOHOR <i>ADDRESS</i> : PLO 416, JALAN SUASA, PASIR GUDANG INDUSTRIAL AREA, 81700 PASIR GUDANG, JOHOR | LEASEHOLD 60 YEARS EXPIRING ON 20/05/2050 | 4.99 ACRES | INDUSTRIAL / PRODUCTION / OFFICE BUILDING / WAREHOUSE | 5,733,328.00 | 13/2/1990 |
| 15 | PTD 64788, HS(D) 69683, PTD 64789 HS(D) 69684, MUKIM OF PLENTONG, DISTRICT OF JOHOR BAHRU, JOHOR <i>ADDRESS</i> : NO 13 & 15, JALAN 10/9, PERJIRANAN 10, TAMAN AIR BIRU, 81700 PASIR GUDANG, JOHOR | LEASEHOLD 99 YEARS EXPIRING ON 06/05/2082 | 143.06 SQ.M (1,540 SQ. FT) X 2 UNITS TOTAL GROSS FLOOR AREA : 155.2 SQ.M X 2 UNITS | BUILDING (RESIDENTIAL) / WORKERS' HOSTEL | 257,895.00 | 5/9/2005 |

LIST OF PROPERTIES

AS AT 31 DECEMBER 2005

71

EVERGREEN FIBREBOARD BERHAD | 2005 ANNUAL REPORT

| NO | LOCATION | TENURE | LAND AREA | USAGE | NET BOOK VALUE AS AT 31 DEC 2005 RM | YEAR OF ACQUISITION |
|----|--|----------|-------------|--|---|------------------------|
| 16 | PLO 202, MUKIM OF POGO, DISTRICT OF SEGAMAT, JOHOR <i>ADDRESS</i> : PLO 202, SEGAMAT INDUSTRIAL AREA II, 85000 SEGAMAT, JOHOR | FREEHOLD | 12.04 ACRES | INDUSTRIAL/ OFFICE AND PRODUCTION BUILDING | 10,520,939.00 | 21/2005 |
| 17 | LOT NO 4, TITLE NO 152116 <i>ADDRESS</i> : 417/112-113, STA INDUSTRIAL PARK, MOO 1, KANJANAVANICH ROAD, SUB-DISTRICT PATHONG, DISTRICT OF HAATYAI. 90230 SONGKHLA, THAILAND | FREEHOLD | 11.59 ACRES | OFFICE ADMINISTRATION, PRODUCTION AREA AND WAREHOUSE | 4,304,940.00 | 27/5/2004 |
| 18 | LOT NO 5, TITLE NO 152117 <i>ADDRESS</i> : 417/112-113, STA INDUSTRIAL PARK, MOO 1, KANJANAVANICH ROAD, SUB-DISTRICT PATHONG, DISTRICT OF HAATYAI. 90230 SONGKHLA, THAILAND | FREEHOLD | 11.21 ACRES | OFFICE ADMINISTRATION, PRODUCTION AREA AND WAREHOUSE | 7,865,333.00 | 27/5/2004 |
| 19 | LOT NO 6, TITLE NO 152118 <i>ADDRESS</i> : 417/112-113, STA INDUSTRIAL PARK, MOO 1, KANJANAVANICH ROAD, SUB-DISTRICT PATHONG, DISTRICT OF HAATYAI. 90230 SONGKHLA, THAILAND | FREEHOLD | 0.84 ACRES | LOG YARD AREA | 119,694.00 | 27/5/2004 |
| 20 | LOT NO 8, TITLE NO 152120 <i>ADDRESS</i> : 417/112-113, STA INDUSTRIAL PARK, MOO 1, KANJANAVANICH ROAD, SUB-DISTRICT PATHONG, DISTRICT OF HAATYAI. 90230 SONGKHLA, THAILAND | FREEHOLD | 7.72 ACRES | LOG YARD AREA | 383,460.00 | 27/5/2004 |
| 21 | LOT NO 9, TITLE NO 152121 <i>ADDRESS</i> : 417/112-113, STA INDUSTRIAL PARK, MOO 1, KANJANAVANICH ROAD, SUB-DISTRICT PATHONG, DISTRICT OF HAATYAI. 90230 SONGKHLA, THAILAND | FREEHOLD | 9.23 ACRES | LOG YARD AREA | 2,711,271.00 | 27/5/2004 |

| | | |
|----------------------------------|---|---|
| Authorised capital | : | RM300,000,000 divided into 1,200,000,000 ordinary shares of RM0.25 each |
| Issued and fully paid-up capital | : | RM120,000,000 divided into 480,000,000 ordinary shares of RM0.25 each |
| Class of shares | : | Ordinary shares of RM0.25 each |
| Voting rights | : | One vote per share |

ANALYSIS OF SHAREHOLDINGS

| Holdings | Number of Holders | Number of Shares | Percentage of Shares |
|--|-------------------|------------------|----------------------|
| Less than 100 | 3 | 130 | 0.000 |
| 100 - 1,000 | 1,381 | 1,343,300 | 0.280 |
| 1,001 - 10,000 | 1,917 | 9,171,850 | 1.911 |
| 10,001- 100,000 | 335 | 8,941,289 | 1.863 |
| 100,001 to less than 5% of issued shares | 175 | 272,892,760 | 56.853 |
| 5% and above of issued shares | 5 | 187,650,671 | 39.094 |
| | 3,816 | 480,000,000 | 100.000 |

THIRTY LARGEST SHAREHOLDERS

| Shareholders | Number of Shares | Percentage of Shares |
|--|------------------|----------------------|
| 1. KUO JEN CHANG | 84,903,910 | 17.69 |
| 2. KUO JEN CHIU | 72,746,761 | 15.16 |
| 3. KUO HUEI CHEN | 43,369,053 | 9.04 |
| 4. KUO JEN HUI | 30,000,000 | 6.25 |
| 5. MALAYSIAN ASSURANCE ALLIANCE BERHAD | 14,350,900 | 2.99 |
| 6. MOHD ALKAF BIN MOHD KAHAR | 11,460,065 | 2.39 |
| 7. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PHEIM ASSET MANAGEMENT SDN BHD FOR EMPLOYEES PROVIDENT FUND | 8,135,900 | 1.69 |
| 8. CITIGROUP NOMINEES (ASING) SDN BHD UBS AG HONG KONG FOR ASIATRANS GROUP LIMITED | 7,807,600 | 1.63 |
| 9. AMMB NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR PACIFIC DIVIDEND FUND | 7,781,700 | 1.62 |
| 10. EVAWORLD SDN BHD | 7,170,027 | 1.49 |

STATEMENT OF SHAREHOLDINGS

AS AT 13 MARCH 2006

73

EVERGREEN FIBREBOARD BERHAD | 2005 ANNUAL REPORT

THIRTY LARGEST SHAREHOLDERS (CONT'D)

| Shareholders | Number of Shares | Percentage of Shares |
|--|------------------|----------------------|
| 11. CESFIELD DEVELOPMENT SDN BHD | 6,110,027 | 1.27 |
| 12. BUMIPUTRA-COMMERCE NOMINEES (TEMPATAN) SDN BHD BUMIPUTRA-COMMERCE TRUSTEE BERHAD FOR PACIFIC DANA AMAN | 5,643,800 | 1.18 |
| 13. AMMB NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR PACIFIC PEARL FUND | 5,331,300 | 1.11 |
| 14. AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC SMALLCAP FUND | 5,207,000 | 1.08 |
| 15. UNIVERSAL TRUSTEE (MALAYSIA) BERHAD SBB EMERGING COMPANIES GROWTH FUND | 5,185,900 | 1.08 |
| 16. BANK KERJASAMA RAKYAT MALAYSIA BERHAD | 4,771,000 | 0.99 |
| 17. UNIVERSAL TRUSTEE (MALAYSIA) BERHAD PACIFIC PREMIER FUND | 4,616,000 | 0.96 |
| 18. BANK PEMBANGUNAN MALAYSIA BERHAD | 4,296,000 | 0.90 |
| 19. MOHAMED AZMAN BIN YAHYA | 4,000,000 | 0.83 |
| 20. MALAYSIA NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD | 4,000,000 | 0.83 |
| 21. BANK KERJASAMA RAKYAT MALAYSIA BERHAD AS BENEFICIAL OWNER | 4,000,000 | 0.83 |
| 22. MALAYSIA NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD | 3,781,900 | 0.79 |
| 23. YASMIN HOLDINGS SDN BHD | 3,558,700 | 0.74 |
| 24. MAYBAN NOMINEES (TEMPATAN) SENDIRIAN BERHAD MALAYAN BANKING BERHAD FOR WAN MUHAMAD IBRISAM BIN WAN IBRAHIM | 3,531,000 | 0.74 |
| 25. ASIA LIFE (M) BERHAD AS BENEFICIAL OWNER | 3,500,000 | 0.73 |
| 26. CITIGROUP NOMINEES (ASING) SDN BHD UBS AG HONG KONG FOR FIRST ASIA INVESTMENTS LTD | 3,219,900 | 0.67 |
| 27. AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC DIVIDEND SELECT FUND | 3,167,000 | 0.66 |
| 28. JUASA HOLDINGS SDN BHD | 3,000,000 | 0.63 |
| 29. BIMB MUSYARAKAH SATU SDN BHD | 2,631,579 | 0.55 |
| 30. AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC ISLAMIC BALANCED FUND | 2,559,000 | 0.53 |

SUBSTANTIAL SHAREHOLDERS

According to the Register required to be kept under Section 69L of the Companies Act, 1965, the following are the substantial shareholders of the Company: -

| Substantial Shareholders | Direct Interest | | Deemed Interest | |
|--------------------------|------------------|----------------------|------------------|----------------------|
| | Number of Shares | Percentage of Shares | Number of Shares | Percentage of Shares |
| 1. KUO WEN CHI | 1,804,531 | 0.36 | 201,019,724 | 41.88 |
| 2. KUO JEN CHANG | 84,903,910 | 17.69 | 117,920,345 | 24.57 |
| 3. KUO JEN CHIU | 72,746,761 | 15.16 | 130,077,494 | 27.10 |
| 4. KUO HUEI CHEN | 43,369,053 | 9.04 | 159,455,202 | 33.22 |
| 5. HSU MEI LAN | 0 | 0.00 | 202,824,255 | 42.25 |

LIST OF DIRECTORS' SHAREHOLDINGS AS AT 13 MARCH 2006

| Directors | Direct Interest | | Deemed Interest | |
|--------------------------------|------------------|----------------------|------------------|----------------------|
| | Number of Shares | Percentage of Shares | Number of Shares | Percentage of Shares |
| 1. MOHD ALKAF BIN MOHD KAHAR | 11,900,065 | 2.48 | 0 | 0.00 |
| 2. KUO WEN CHI | 1,804,531 | 0.36 | 201,019,724 | 41.88 |
| 3. KUO JEN CHANG | 84,903,910 | 17.69 | 117,920,345 | 24.57 |
| 4. KUO JEN CHIU | 72,746,761 | 15.16 | 130,077,494 | 27.10 |
| 5. MARY HENERIETTA LIM KIM NEO | 561,827 | 0.12 | 159,027 | 0.03 |
| 6. YONG KOK FONG | 115,000 | 0.02 | 0 | 0.00 |
| 7. KUO HUEI CHEN | 43,369,053 | 9.04 | 159,455,202 | 33.22 |

NOTICE OF ANNUAL GENERAL MEETING

75

EVERGREEN FIBREBOARD BERHAD | 2005 ANNUAL REPORT

NOTICE IS HEREBY GIVEN THAT the Fifteenth Annual General Meeting of Evergreen Fibreboard Berhad will be held at Hyatt Regency Hotel, Ballroom 1, Lower Ground Floor, 80720 Johor Bahru, Johor, Malaysia on Monday, 15 May 2006 at 9.00 a.m. for the following purposes: -

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2005 together with the Directors' and Auditors' Report thereon.
2. To approve the payment of Directors' Fees for the financial year ending 31 December 2006.
3. To re-elect the following Directors who retire during the year in accordance with the Company's Articles of Association and being eligible, offer themselves for re-election: -
 - Mohd Alkaf Bin Mohd Kahar – Article 101
 - Mary Henerietta Lim Kim Neo – Article 101
4. To re-appoint Kuo Wen Chi pursuant to Section 129(6) of the Companies Act, 1965 as Director of the Company to hold office until the conclusion of the next Annual General Meeting.
5. To re-appoint Messrs Ernst & Young who retire as Auditors of the Company and authorise the Directors to fix their remuneration.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass the following Ordinary Resolutions: -

ORDINARY RESOLUTION 1 AUTHORITY TO ALLOT SHARES – SECTION 132D

"**THAT** pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

RESOLUTION 1

RESOLUTION 2

RESOLUTION 3

RESOLUTION 4

RESOLUTION 5

RESOLUTION 6

RESOLUTION 7

ORDINARY RESOLUTION 2
PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY
TRANSACTIONS ("PROPOSED SHAREHOLDERS' MANDATE"); AND
PROPOSED SHAREHOLDERS' RATIFICATION FOR RECURRENT RELATED PARTY
TRANSACTIONS

"**THAT**, subject always to the provisions of the Companies Act, 1965 ("the Act"), the Memorandum & Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad or any other regulatory authorities, approval be and is hereby given for the Company and its subsidiaries ("EFB Group") to enter into recurrent related party transactions of a revenue or trading nature in the ordinary course of business which are necessary for the day-to-day operations of the EFB Group as specified in Section 2.3 of the Company's Circular to Shareholders dated 21 April 2006 ("Circular") on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders and that authority conferred by this resolution shall take effect immediately upon the passing of this resolution and the shareholders' mandate shall continue to be in force until:

- (a) the conclusion of the next annual general meeting ("AGM") of the Company following the AGM, at which the ordinary resolution for the Proposed Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

AND THAT all recurrent related party transactions entered into by the EFB Group with the related parties as detailed in Section 2.3 of the Circular from the listing date of the Company on 10 March 2005 up to the date of AGM be and are hereby ratified.

AND THAT authority be and is hereby given to the Directors of the EFB Group to complete and do all such acts and things (including executing such documents as may be required) to give effect to such transactions as authorised by this Ordinary Resolution.

AND THAT the estimates given on the recurrent related party transactions specified in Section 2.3 of the Circular being provisional in nature, the Directors and/or any of them be and are hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the review procedures set out in Section 2.5 of the Circular."

RESOLUTION 8

NOTICE OF ANNUAL GENERAL MEETING

77

EVERGREEN FIBREBOARD BERHAD | 2005 ANNUAL REPORT

7. To consider and if thought fit, to pass the following Special Resolution: -

Proposed Amendments to the Articles of Association of the Company

(i) Article 129(1) – Dividends payable by cheque

“**THAT** the existing Article 129(1) shall be deleted in its entirety and replaced with the following new Article 129(1).

Existing Article 129(1)

Any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through the post to the last registered address of the Member or person entitled thereto. Every such cheque or warrant shall be made payable to the order to the person to whom it is sent or to such person as the holder or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.

AND THAT the new Article 129(1) shall read as follows: -

Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder who is named on the register of members or to such person and to such address as the holder may in writing direct or by direct transfer or such other mode of electronic means (subject to the provision of the Act, the Central Depositories Act and the Rules, the Listing Requirements and/or regulatory authorities) to the bank account of the holders whose name appear in the Register or Record of Depositors respectively. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent, and the payment of any such cheque or warrant or by such electronic means shall operate as a good discharge to the Company in respect of the dividend represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. The payment of any dividend by such electronic means shall constitute a good and full discharge to the Company of the dividend to which it relates regardless of any discrepancy given by the Member in the details of the bank account(s). Every such cheque or warrant shall be sent at the risk of the person entitled to the money thereby represented.”

(ii) Article 137 – Copies of financial statements

“**THAT** the existing Article 137 shall be deleted in its entirety and replaced with the following new Article 137.

Existing Article 137

A copy of every balance sheet and profit and loss account which is to be laid before the Company in general meeting (including every document required by law to be annexed thereto) together with a copy of the Auditors’ Report relating thereto and of the Directors’ Report shall not more than six (6) months after the close of the financial year and not less than twenty-one (21) days before the date of the meeting be sent to every Member of, and every holder of debenture of, the Company and to every other person who is entitled to receive notices from the Company under the provisions of the Act or of these Articles. Provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware, but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application to the office.

RESOLUTION 9

AND THAT the new Article 137 shall read as follows: -

A copy of every audited financial statements which is to be laid before a General Meeting of the Company (including every document required by law to be annexed thereto) together with a copy of every report of the Auditors relating thereto and of the Directors' report, in printed form or in CD-ROM form or in such other form of electronic media, shall not less than twenty-one (21) days before the date of the meeting be sent to every Member of, and every holder of debentures of, the Company and to every other person who is entitled to receive notices from the Company under the provisions of the Act or of these Articles; provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware of, but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the office. In the event that these documents are sent in CD-ROM form or in such other form of electronic media and a Member requires a printed form of such documents, the Company shall send such documents to the Member within four (4) market days from the date of receipt of the Member's request."

8. To transact any other business appropriate to an Annual General Meeting.

BY ORDER OF THE BOARD

NURULUYUN BINTI ABDUL JABAR (f)

MIA 9113

LEONG SIEW FOONG (f)

MAICSA NO. 7007572

Secretaries

Johor Bahru

Date: 21 April 2006

NOTES: -

1. *A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. The proxy need not be a Member of the Company and Section 149(1)(b) of the Companies, 1965 shall not apply.*
2. *A member shall be entitled to appoint more than one proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting.*
3. *Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
4. *Where a member is an authorised nominee as defined under The Securities Industry (Central Depositories) Act, 1991 it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointer or if such appointer is a corporation under its common seal or the hand of its attorney.*
6. *The instrument appointing a proxy must be deposited at the Registered Office of the Company, Symphony Incorporations Sdn. Bhd. at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.*
7. *Explanatory notes on Special Business: -*
The Proposed Resolution No. 7 if passed is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion without convening a general meeting. This authority will expire at the next Annual General Meeting of the Company.
The Proposed Shareholders' Mandate under Proposed Resolution No. 8 would allow the Company to dispense with announcements to Bursa Malaysia Securities Berhad on the same or convene general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur. Hence, the Proposed Shareholders' Mandate would result in a saving of administrative time, costs and expenses for the Company. It would also enable the EFB Group to meet its corporate objectives and realise business opportunities, as and when they shall become available to the EFB Group, in a more timely and effective way.
8. *Explanatory notes on Special Resolution: -*
The rationale for the proposed amendments to the Company's Articles of Association: -
Article 129(1)
To allow the Company the flexibility to make payment of its dividend to its shareholders by direct credit into the shareholders' account or any other form of electronic transfer, which would reduce cost and increase efficiency of the Company.
Article 137
To facilitate the issuance of financial statements in CD-ROM form or in such other form of electronic media, if deemed appropriate.

STATEMENTS ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

79

EVERGREEN FIBREBOARD BERHAD | 2005 ANNUAL REPORT

Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad, appended hereunder are:

1. **Name of individuals who are standing for re-election/re-appointment are as follows: -**

- (a) MOHD ALKAF BIN MOHD KAHAR
- (b) MARY HENERIETTA LIM KIM NEO
- (c) KUO WEN CHI

En Mohd Alkaf Bin Mohd Kahar and Ms Mary Henerietta Lim Kim Neo are retiring pursuant to Article 101 of the Company's Articles of Association whilst Mr Kuo Wen Chi is standing for re-appointment at the Fifteenth Annual General Meeting pursuant to Section 129(6) of the Companies Act, 1965.

2. **Details of attendance at Board Meeting held in the financial year ended 31 December 2005 as follows: -**

Please refer to page 8 of this Annual Report

3. **Details of date, hour and place of Meeting held in the financial year ended 31 December 2005 as follows: -**

| Date | Hour | Place |
|---------------------|---------|--|
| 15 May 2006(Monday) | 9.00 am | Hyatt Regency Hotel, Ballroom 1, Lower Ground Floor, 80720 Johor Bahru, Johor, Malaysia |

4. **Details of individuals who are standing for re-election as Directors**

Please refer to Profile of Directors on pages 3 to 5 of this Annual Report.



EVERGREEN FIBREBOARD BERHAD (217120-W)
(Incorporated in Malaysia)

FORM OF PROXY

| CDS ACCOUNT NO. | NO. OF SHARES HELD |
|-----------------|--------------------|
| | |

I/We of

being a member/members of **Evergreen Fibreboard Berhad**, hereby appoint
..... of
..... or failing whom,
..... of

..... as my/our proxy to vote for *me/us and on *my/our behalf at the **Fifteenth Annual General Meeting** of the Company to be held at **Hyatt Regency Hotel, Ballroom 1, Lower Ground Floor, 80720 Johor Bahru, Johor, Malaysia on Monday, 15 May 2006 at 9.00 a.m.** and, at every adjournment thereof

*for/against the resolutions to be proposed thereat.

*My/Our proxy is to vote as indicated below: -

| No. | RESOLUTIONS | FOR | AGAINST |
|-----|---|-----|---------|
| 1. | To receive the Audited Financial Statements for the year ended 31 December 2005 together with the Reports of the Directors and Auditors. | | |
| 2. | To approve the payment of Directors' Fees for the financial year ending 31 December 2006. | | |
| | Re-election of Directors retiring according to the Company's Articles of Association: - | | |
| 3. | - Mohd Alkaf Bin Mohd Kahar (Article 101) | | |
| 4. | - Mary Henerietta Lim Kim Neo (Article 101) | | |
| 5. | Re-appointment of Kuo Wen Chi as Director pursuant to Section 129 (6) of the Companies Act, 1965. | | |
| 6. | Re-appointment of Messrs Ernst & Young as Auditors. | | |
| 7. | Authority to allot shares. | | |
| 8. | Proposed Shareholders' Mandate for Recurrent Related Party Transactions ("Proposed Shareholders' Mandate"); and Proposed Shareholders' Ratification For Recurrent Related Party Transactions. | | |
| 9. | Proposed Amendments to the Articles of Association of the Company. | | |

Please indicate with a cross (X) in the space whether you wish your votes to be cast for or against the resolution. In the absence of such specific directions, your proxy will vote or abstain as he thinks fit

.....
Signature of Member(s)

As witness my hand this day of 2006

Note:

- A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. The proxy need not be a Member of the Company and Section 149(1)(b) of the Companies, 1965 shall not apply.*
- A member shall be entitled to appoint more than one proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting.*
- Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
- Where a member is an authorised nominee as defined under The Securities Industry (Central Depositories) Act, 1991 it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.*
- The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney.*
- The instrument appointing a proxy must be deposited at the office of the Registered Office of the Company, Symphony Incorporations Sdn. Bhd. at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, 80400 Johor Bahru, Johor not less than forty-eight (48) hours before the time appointed for holding the Meeting.*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary
Evergreen Fibreboard Berhad (217120-W)
Suite 6.1 A, Level 6,
Menara Pelangi,
Jalan Kuning, Taman Pelangi
80400 Johor Bahru, Johor

1st fold here
