

Evergreen Fibreboard

Green light for Evergreen

- **We initiate with OW; 75% upside to our M\$2.50 Dec-08 PT:** Evergreen, a globally competitive MDF manufacturer, is expected to benefit from the estimated 7-8% rise in world demand, driven mainly by the furniture industry in China, construction activity in the Middle East, and a growing awareness of MDF being 'greener' alternative to natural hardwood.
- **Good management track record in managing costs/currency movements:** Evergreen's net profit margins have been stable at 16-17% for the past four quarters despite the 4-8% rise in raw material costs and 6-19% appreciation in the ringgit and baht.
- **Negatives priced in; we expect the de-rating to reverse:** We forecast an acceleration in EPS growth to 24% in FY09 and 18% in FY10 from: (1) an improvement in pricing power when Russia raises its log export duty to 80% in Jan-09 from 25% currently (Malaysia has a ready supply of rubberwood, whereas Russia comprises 69% of China's imports); (2) an estimated 40% increase in production capacity; and (3) cost control initiatives, i.e., in-house biomass and glue plants.
- **Valuation, PT, risks:** An FY08E P/E of 5.7x (-1 std dev of three-year range) is attractive for a stock with a 5.3% net dividend yield and 21% ROE. Our Dec-08 PT of M\$2.50 is based on 10x FY08E P/E, a 30% discount to the eight-year average market P/E of 14.2x. A key risk to our PT: further deterioration of the global economy.

Bloomberg: EVF MK; Reuters: EVGN.KL

M\$ in millions, year-end December	FY07	FY08E	FY09E	FY10E
Sales	732	788	973	1,185
Operating profit	144	152	187	218
EBITDA	172	186	256	287
Net profit	119	121	150	177
EPS (sen)	24.7	25.2	31.3	36.9
Gearing (%)	16%	27%	7%	-13%
ROE (%)	25	21	22	23
ROCE (%)	25	19	21	25
P/E (x)	5.8	5.7	4.6	3.9
EV/EBITDA (x)	3.7	3.4	2.5	2.2
P/B (x)	1.3	1.1	0.9	0.8
P/CF (x)	5.0	4.5	3.3	2.9
Dividend yield (%)	4.9	5.3	6.6	7.7
Dividend payout ratio (%)	28	30	30	30
	1Q07	2Q07	3Q07	4Q07
Sales	167	193	202	170
EPS	5.9	6.7	6.6	5.5

Source: Company reports, JPMorgan estimates.

Initiation
Overweight

M\$1.43

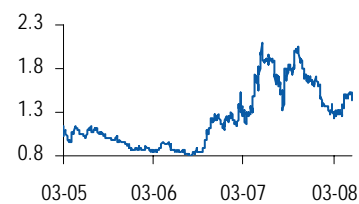
22 May 2008
Price Target: M\$2.50

Malaysia
Forest Products

Nicole Goh^{AC}
(60-3) 2270-4702
nicole.sy.goh@jpmorgan.com

Seedlings

Three-year price performance



Source: Bloomberg.

	1M	3M	12M
Absolute (%)	-2.7	10.9	-31.6
Relative (%)	-2.6	18.8	-26.8

Company data

52-wk range (M\$)	1.16-2.16
Mkt cap. (M\$MM)	686
Mkt cap. (US\$ MM)	214
Shares O/S (MM)	480
Free float (%)	58
Avg. daily volume	0.5
Liquidity (M\$MM)	0.8
Exchange rate	M\$3.21/US\$1
Index	1277.57
Year-end	Dec

Source: Bloomberg.

www.morgankmarkets.com

JPMorgan Securities (Malaysia) Sdn. Bhd. (18146-X)

See page 6 for analyst certification and important disclosures, including investment banking relationships. JPMorgan does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. The analysts listed above are employees of either JPMorgan Securities (Malaysia) Sdn. Bhd. (18146-X) or another non-US affiliate of JPMSI, and are not registered/qualified as research analysts under NYSE/NASD rules, unless otherwise noted.

Company description

Listed on the Main Board of Bursa Malaysia in March 2005, Evergreen manufactures MDF (91% of top line) and is the second largest Malaysian producer with 1.1MM m³ capacity located in Malaysia, Thailand and Indonesia. Manufacturing of particle board and knock-down furniture contribute to the remaining 9% revenue.

In order to stabilize costs, the company also has adhesive capacity of 280K MT, which supplies 100% of its glue requirements and a biomass plant in Thailand.

Evergreen's Malaysia operations, founded by the Kuo family in 1977, as DTi was principally involved in the lamination of veneer over MDF. Today, the Kuo family is the single largest shareholder in the company with 42% stake.

Table 1: Sensitivity of FY08E EPS to avg MDF prices

	-10%	-5%	Base case	+5%	+10%
MDF	312	330	347	364	382
EPS	14.7	20.1	25.2	30.4	35.8
% chg	-42%	-20%		21%	42%

Source: JPMorgan estimates. MDF prices are in US\$/m³ while EPS are in sen.

Table 2: Corporate governance metrics

Company dividend policy	Dividend track record
20-50% DPR, in line with profitability	40% DPR FY06 30% DPR FY07
# Days to publish quarterly report	# Days to consolidated annual report
60	180
% Independent directors	Inter-company transactions
3/7	None
History of share placement	Insider ownership (%)
None	Kuo family owns 42.3%

Source: Company annual report, Company management.

Positive price drivers

7-8% p.a. rise in demand for MDF

This was driven by the growing furniture industry in China, booming construction activity in the Middle East, and the increasing awareness that medium density fiberboard (MDF, derived from trees in forest plantations) is a 'greener' alternative to natural hardwood. It is also used as an alternative to particleboard, plywood, and solid wood in certain applications due to its homogenous structure and because it can be easily shaped.

Delivering earnings despite cost pressure and appreciating Asian currencies

We expect an acceleration in Evergreen's earnings growth to 24% in FY09 and 18% in FY10 after flat growth in FY08 driven by the following factors:

- **We expect margins to remain stable due to cost control initiatives:** The commissioning of its Malaysian glue and Thai biomass plants (both in April 2008) will contribute an estimated additional M\$25 million p.a. to the bottom line. 50% of the company's earnings have also been hedged at an exchange rate closer to M\$3.26/US\$ for a period of one year.
- **Improved pricing power in 2009E when Russia increases export duty for logs to 80% from 25%:** This will decrease the competitiveness of Chinese manufacturers as 69% of China's log imports are from Russia.
- **40% increase in production capacity in 2009E after an 8% increase in 2008E:** The 40% increase will comprise the 260,000 m³ increase from adding a third line in its Thailand plant (which will be ready by 4Q08) and the full impact from its Indonesian plant of 110,000 m³ (which began operations in late 2Q08). Management targets to grow capacity by 10-20% p.a., via organic growth as well as acquisitions.

Attractive valuations; trading at FY08E P/E of 5.7x, dividend yield of 5.3%

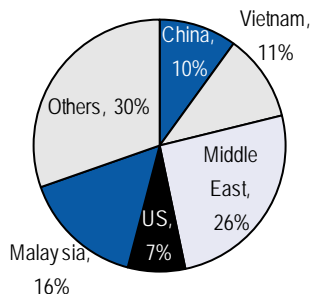
The company currently commands a net profit margin of 16% (8-10% above other manufacturers), and an ROE of 21% (above the average market ROE of 16%).

Negative price drivers and risks to thesis

A key risk to our thesis is extremely weak global economic conditions coupled with continued rise of commodity prices:

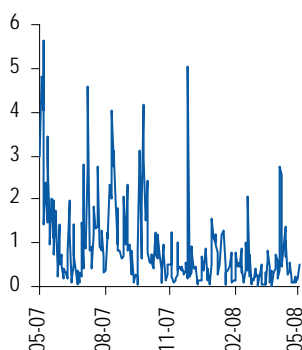
This could dampen consumer discretionary spending and could result in the company being unable to pass on cost increases. Evergreen exports approximately 85% of its production yearly. JPMorgan is, however, only expecting a softer US economy in 2008 versus our earlier view of a recession. JPMorgan changed its US GDP forecast to 0% to low growth in 2008, as opposed to negative growth expected earlier. A 5% appreciation in the ringgit would lead to a 9% decline in our earnings estimates for FY08.

Figure 1: Evergreen's customer base: Geographical breakdown



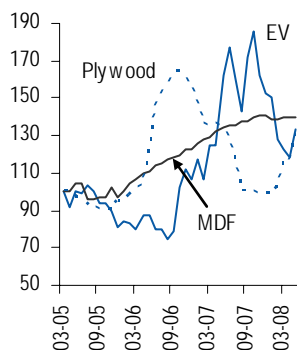
Source: Company.

Figure 2: Daily trading volume for past year



Source: Datastream.

Figure 3: Evergreen's share price moves in tandem with plywood price trends



Source: Datastream, Japan Lumber Report, ITTO.

Valuation and rating analysis

Evergreen's stock is trading at a FY08E P/E of 5.7x vs the average market FY08E P/E of 14.2x over the past eight years. We believe that the 60% discount to market is unwarranted given the company's: (1) strong management team with a good track record of maintaining margins despite cost pressures; (2) strong balance sheet position with a net gearing level of 27%; and (3) attractive dividend yield of 5.3% and above-market ROE of 21%.

Since its listing in 2005, the stock has de-rated from a high of 9.6x. We believe that the de-rating was largely caused by: (1) negative sentiment surrounding the particleboard makers (especially the ones listed in Malaysia) given the oversupply situation in the particleboard industry leading to weak margins; and (2) weak plywood prices especially in the past 12 months.

Figure 4: Evergreen—Currently trading at 1 std dev below its average P/E since listing in 2005



Source: Bloomberg, Company, JPMorgan estimates.

Table 3: Malaysian globetrotters—Valuations Table 4: Global MDF manufacturers—Valuations

	CYP/E		Net yield FY08E	ROE FY08E	P/E		MDF %	
	08E	09E			08E	09E		
Evergreen	5.7	4.6	5.3	21.0	Evergreen Msia	5.7	4.6	91
Unisem	4.8	3.1	7.1	16.5	Vanachai Thailand	6.6	6.1	35
WCT Eng	9.1	6.1	2.1	23.1	Norbord Canada	-14.4	153.5	-13
Coastal	9.4	6.0	1.8	33.0	Pfleiderer Poland	7.0	6.1	*
IJM	10.6	9.9	6.8	14.1	Grajewo			
Top Glove	11.4	9.3	2.1	17.3				
WTK	12.6	10.4	1.8	8.6				
Dialog	17.0	12.4	2.6	24.4				

Source: Bloomberg, JPMorgan estimates. Valuations are as of 22 May 2008.

Source: Bloomberg, IBES, JPMorgan estimates. * Pfleiderer's main focus is in particleboard. Meanwhile, Norbord's main focus is on oriented strand boards which are used mainly for construction.

MDF is neither particleboard nor plywood

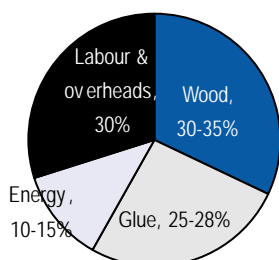
(1) MDF is a superior product to particleboard given its moldability and superior strength—this improves the company's ability to price up. Oversupply is also not so much a problem in MDF as it is in particleboard. MDF makers also have access to consistent wood supply giving them a competitive edge. (2) Evergreen, unlike most Malaysian plywood manufacturers, is less susceptible to country/region-specific economic slowdowns as it exports to 45 countries with the largest export country making up not more than 10-15% of its total sales for various industries (whereas 25% of world tropical timber plywood is consumed by Japan). MDF prices have

Table 5: EVF—JPMorgan's price, volume assumptions

FY	07	08E	09E	10E
MDF price**	315	347	375	393
Volume*	0.61	0.66	0.77	0.90
Utilization rate, %	87%	87%	71%	83%
FX rate	3.44	3.15	3.15	3.15

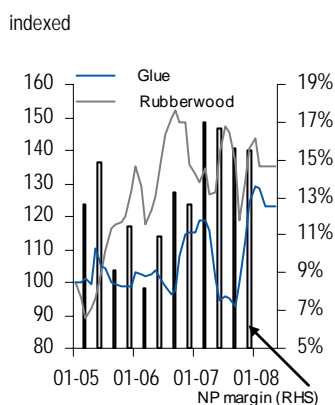
Source: JPMorgan estimates. **Note that MDF prices are quoted in US/m³. * Volume in MM m³. FX rate is M\$/US\$.

Figure 5: Cost breakdown



Source: Company.

Figure 6: Evergreen—NP margins improved despite rise in raw material prices



Source: Company, IITTO.

been moving steadily upwards since 2005 despite a sharp decline of 40% in plywood prices between Oct-06 and Dec-07.

We peg a fair 10x FY08E P/E to the stock based on a 30% discount to the average market P/E of 14x. At our Dec-08 PT of M\$2.50, the stock would likely trade at a 30-40% premium to global MDF manufacturers (Table 4), which we believe is justified given the company's superior product composition where MDF comprises 91% of its total production. Vanachai and Pfleiderer are mainly focused on particleboard while a large proportion of Norbord's production is in oriented strand boards (which are mainly used for construction and not furniture).

Global MDF supply-demand

Demand

MDF demand is estimated to grow at 7-8% p.a. (according to BIS Shrapnel Global Business Research & Forecasting), from the 50.5MM m³ level consumed currently. Of the 50.5MM m³, 22.7MM m³ is consumed in China (which comprises 82% of Asia Pacific's demand) while demand from the Middle East is growing.

Supply

The largest producer of MDF is China (despite it also being the largest consumer), producing some 43% of global demand. The US and Germany are the second- and third-largest manufacturers globally, respectively. In terms of exports, Germany is the largest exporter followed by Canada and Malaysia. The latter currently has a production capacity which comprises 2% of the world's MDF consumption.

Cost structure

Rubberwood is the largest cost component comprising 30-35%. The company has access to 1.3MM ha of rubber plantations in Malaysia. In order to stabilize its costs, the company sources approximately 30% of its rubberwood from "land-clearing" concessions given by government agencies such as FELDA where rubber plantations are cleared for replanting. Evergreen will bear the cost of clearing the land and in return is entitled to logs harvested. Adhesive is another major cost component (25-28%). Evergreen has glue plants in all its three manufacturing locations and where production is sufficient for its own consumption.

Long payback period of about seven years due to high start-up costs

It costs between M\$120 million and M\$150 million to set up a medium-size MDF plant with an annual output of 130,000m³. This implies a payback period of around seven years.

Evergreen's earnings: Room for upward revision

Our flat earnings growth forecast for FY08E assumes short-term weakness in MDF prices due to the possible economic slowdown globally. However, we see upside potential as the probability of MDF prices catching up with particleboard prices is high. Historically, MDF prices have been at a US\$60-80/m³ premium to particleboard prices. In the past year, particleboard prices (+12%) have outperformed MDF prices (+7%).

We also believe that the company's pricing power will improve, especially moving into 2009, for the following reasons: (1) Reduced competitiveness of Chinese

manufacturers when the Russian government's move to increase its export duty for logs to 80% in Jan-09 from 25% currently exacerbates the Chinese government's move to reduce GST rebate in 2005 (GST paid increased to 11% from 5%). 69% of Chinese manufacturers' log imports are from Russia. (2) Stunted growth among manufacturers in Europe/North America after the recent inflationary pressures has accentuated their less competitive cost structure—plants in tropical countries use less energy while the use of rubberwood reduces glue costs by 15%.

SWOT analysis

<p>Strengths</p> <ul style="list-style-type: none"> • Evergreen is an owner-operated company; Mr Kuo Jen Chiu, part of the founding family, is involved in the day-to-day operations of the company. • Ready supply of rubberwood in Malaysia, Thailand and Indonesia, give Evergreen a sustainable competitive advantage over MDF manufacturers in China (which uses pine trees imported from Russia, for which the government will increase the export tax). • The use of rubberwood is also a preferred raw material given its light color which makes it easier to be painted on and permits the application of laminates. The use of rubberwood requires 15% less glue in the manufacturing process given its higher starch content. • Low gearing level of 27%, which allows the company to absorb any negative cash flow, if needed, in the short term. • 50% of US dollar exposure has been hedged at M\$3.26/US\$ for one year. 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Volatile raw material costs, especially rubberwood and resin. Rubberwood constitutes 30-35% of its total cost while resin comprises 25-28% of total cost. • High initial capex and long lead time for capacity expansion of two years lengthens management's time to react to increases in demand. As a result, management is also more reliant on acquisitions for growth. • Relatively low share trading liquidity may deter foreign institutional investors.
<p>Opportunities</p> <ul style="list-style-type: none"> • Rising demand for MDF coupled with slower supply growth given China's declining competitiveness. • Volatile raw material prices may lead to further consolidation in the industry. Evergreen is looking to grow its capacity by 10-20% p.a. via both organic growth as well as acquisitions. • Reaping cost savings from the commissioning of biomass plants in Thailand and Indonesia as well as its JVs with adhesive manufacturers in all its 3 adhesive manufacturing spaces. 	<p>Threats</p> <ul style="list-style-type: none"> • With further technological advancement, rubberwood MDF may face competition from MDF derived from other wood forms/species. • Malaysian manufacturers may also face competition from countries within the region venturing into rubber plantations such as Vietnam.

Analyst Certification:

The research analyst(s) denoted by an “AC” on the cover of this report certifies (or, where multiple research analysts are primarily responsible for this report, the research analyst denoted by an “AC” on the cover or within the document individually certifies, with respect to each security or issuer that the research analyst covers in this research) that: (1) all of the views expressed in this report accurately reflect his or her personal views about any and all of the subject securities or issuers; and (2) no part of any of the research analyst’s compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report.

Important Disclosures

Price Charts for Compendium Reports: Price charts are available for all companies under coverage for at least one year through the search function on JPMorgan’s website <https://mm.jpmorgan.com/disclosures/company> or by calling this toll free number (1-800-477-0406).

Explanation of Equity Research Ratings and Analyst(s) Coverage Universe:

JPMorgan uses the following rating system: **Overweight** [Over the next six to twelve months, we expect this stock will outperform the average total return of the stocks in the analyst’s (or the analyst’s team’s) coverage universe.] **Neutral** [Over the next six to twelve months, we expect this stock will perform in line with the average total return of the stocks in the analyst’s (or the analyst’s team’s) coverage universe.] **Underweight** [Over the next six to twelve months, we expect this stock will underperform the average total return of the stocks in the analyst’s (or the analyst’s team’s) coverage universe.] The analyst or analyst’s team’s coverage universe is the sector and/or country shown on the cover of each publication. See below for the specific stocks in the certifying analyst(s) coverage universe.

Coverage Universe: **Nicole Goh:** WTK Holdings Berhad (WTKH.KL)

JPMorgan Equity Research Ratings Distribution, as of March 31, 2008

	Overweight (buy)	Neutral (hold)	Underweight (sell)
JPM Global Equity Research Coverage	46%	41%	13%
IB clients*	50%	51%	39%
JPM SI Equity Research Coverage	41%	47%	11%
IB clients*	70%	66%	54%

*Percentage of investment banking clients in each rating category.

For purposes only of NASD/NYSE ratings distribution rules, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category.

Valuation and Risks: Please see the most recent company-specific research report for an analysis of valuation methodology and risks on any securities recommended herein. Research is available at <http://www.morganmarkets.com>, or you can contact the analyst named on the front of this note or your JPMorgan representative.

Analysts’ Compensation: The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, Institutional Equities and Investment Banking.

Other Disclosures

Options related research: If the information contained herein regards options related research, such information is available only to persons who have received the proper option risk disclosure documents. For a copy of the Option Clearing Corporation’s Characteristics and Risks of Standardized Options, please contact your JPMorgan Representative or visit the OCC’s website at <http://www.optionsclearing.com/publications/risks/riskstoc.pdf>.

Legal Entities Disclosures

U.S.: JPMSI is a member of NYSE, FINRA and SIPC. J.P. Morgan Futures Inc. is a member of the NFA. JPMorgan Chase Bank, N.A. is a member of FDIC and is authorized and regulated in the UK by the Financial Services Authority. **U.K.:** J.P. Morgan Securities Ltd. (JPMSL) is a member of the London Stock Exchange and is authorised and regulated by the Financial Services Authority. Registered in England & Wales No. 2711006. Registered Office 125 London Wall, London EC2Y 5AJ. **South Africa:** J.P. Morgan Equities Limited is a member of the Johannesburg Securities Exchange and is regulated by the FSB. **Hong Kong:** J.P. Morgan Securities (Asia Pacific) Limited (CE number AAJ321) is regulated

by the Hong Kong Monetary Authority and the Securities and Futures Commission in Hong Kong. **Korea:** J.P. Morgan Securities (Far East) Ltd, Seoul branch, is regulated by the Korea Financial Supervisory Service. **Australia:** J.P. Morgan Australia Limited (ABN 52 002 888 011/AFS Licence No: 238188) is regulated by ASIC and J.P. Morgan Securities Australia Limited (ABN 61 003 245 234/AFS Licence No: 238066) is a Market Participant with the ASX and regulated by ASIC. **Taiwan:** J.P. Morgan Securities (Taiwan) Limited is a participant of the Taiwan Stock Exchange (company-type) and regulated by the Taiwan Securities and Futures Bureau. **India:** J.P. Morgan India Private Limited is a member of the National Stock Exchange of India Limited and The Stock Exchange, Mumbai and is regulated by the Securities and Exchange Board of India. **Thailand:** JPMorgan Securities (Thailand) Limited is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission. **Indonesia:** PT J.P. Morgan Securities Indonesia is a member of the Jakarta Stock Exchange and Surabaya Stock Exchange and is regulated by the BAPEPAM. **Philippines:** J.P. Morgan Securities Philippines Inc. is a member of the Philippine Stock Exchange and is regulated by the Securities and Exchange Commission. **Brazil:** Banco J.P. Morgan S.A. is regulated by the Comissao de Valores Mobiliarios (CVM) and by the Central Bank of Brazil. **Mexico:** J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero is a member of the Mexican Stock Exchange and authorized to act as a broker dealer by the National Banking and Securities Exchange Commission. **Singapore:** This material is issued and distributed in Singapore by J.P. Morgan Securities Singapore Private Limited (JPMSS) [mica (p) 207/01/2008 and Co. Reg. No.: 199405335R] which is a member of the Singapore Exchange Securities Trading Limited and is regulated by the Monetary Authority of Singapore (MAS) and/or JPMorgan Chase Bank, N.A., Singapore branch (JPMCB Singapore) which is regulated by the MAS. **Malaysia:** This material is issued and distributed in Malaysia by JPMorgan Securities (Malaysia) Sdn Bhd (18146-x) which is a Participating Organization of Bursa Malaysia Securities Bhd and is licensed as a dealer by the Securities Commission in Malaysia. **Pakistan:** J. P. Morgan Pakistan Broking (Pvt.) Ltd is a member of the Karachi Stock Exchange and regulated by the Securities and Exchange Commission of Pakistan.

Country and Region Specific Disclosures

U.K. and European Economic Area (EEA): Issued and approved for distribution in the U.K. and the EEA by JPMSL. Investment research issued by JPMSL has been prepared in accordance with JPMSL's Policies for Managing Conflicts of Interest in Connection with Investment Research which outline the effective organisational and administrative arrangements set up within JPMSL for the prevention and avoidance of conflicts of interest with respect to research recommendations, including information barriers, and can be found at <http://www.jpmorgan.com/pdfdoc/research/ConflictManagementPolicy.pdf>. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction **Germany:** This material is distributed in Germany by J.P. Morgan Securities Ltd, Frankfurt Branch and JPMorgan Chase Bank, N.A., Frankfurt Branch who are regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht. **Australia:** This material is issued and distributed by JPMSAL in Australia to "wholesale clients" only. JPMSAL does not issue or distribute this material to "retail clients." The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of JPMSAL. For the purposes of this paragraph the terms "wholesale client" and "retail client" have the meanings given to them in section 761G of the Corporations Act 2001. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for persons licensed by or registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months' prior.) J.P. Morgan Broking (Hong Kong) Limited is the liquidity provider for derivative warrants issued by J.P. Morgan International Derivatives Ltd and listed on The Stock Exchange of Hong Kong Limited. An updated list can be found on HKEx website: <http://www.hkex.com.hk/prod/dw/Lp.htm>. **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, JPMorgan Securities Japan Co., Ltd., will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between JPMorgan Securities Japan Co., Ltd., and the customer in advance. Financial Instruments Firms: JPMorgan Securities Japan Co., Ltd., Kanto Local Finance Bureau (kinsho) No. [82] Participating Association / Japan Securities Dealers Association, The Financial Futures Association of Japan. **Korea:** This report may have been edited or contributed to from time to time by affiliates of J.P. Morgan Securities (Far East) Ltd, Seoul branch. **Singapore:** JPMSI and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Legal Disclosures section above. **India:** For private circulation only not for sale. **Pakistan:** For private circulation only not for sale. **New Zealand:** This material is issued and distributed by JPMSAL in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. JPMSAL does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of JPMSAL.

General: Additional information is available upon request. Information has been obtained from sources believed to be reliable but JPMorgan Chase & Co. or its affiliates and/or subsidiaries (collectively JPMorgan) do not warrant its completeness or accuracy except with respect to any disclosures relative to JPMSI and/or its affiliates and the analyst's involvement with the issuer that is the subject of the research. All pricing is as of the close of market for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. JPMSI distributes in the U.S. research published by non-U.S. affiliates and accepts responsibility for its contents. Periodic updates may be provided on companies/industries based on company specific developments or announcements, market conditions or any other

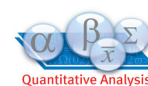
publicly available information. Clients should contact analysts and execute transactions through a JPMorgan subsidiary or affiliate in their home jurisdiction unless governing law permits otherwise.

“Other Disclosures” last revised February 6, 2008.

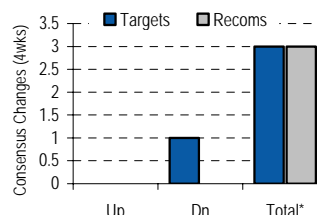
Copyright 2008 JPMorgan Chase & Co. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of JPMorgan.

All Data As Of 22-May-08

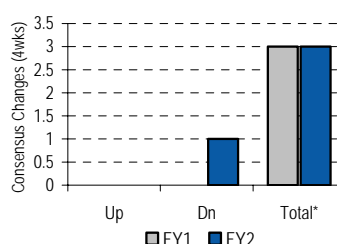
Q-Snapshot: Evergreen Fibreboard Bhd



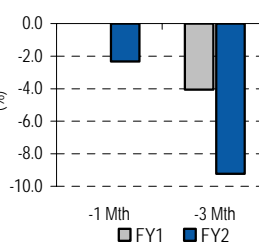
Targets & Recommendations



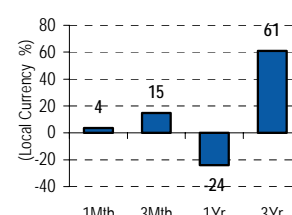
EPS Revisions



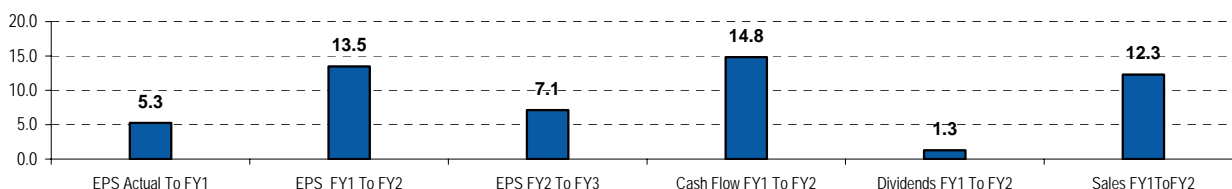
EPS Momentum (%)



Historical Total Return (%)



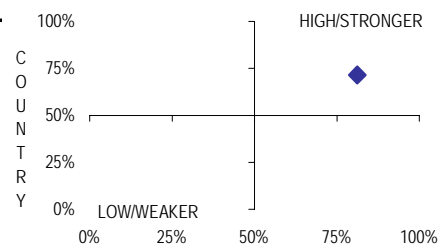
Consensus Growth Outlook (%)



Quant Return Drivers (A Score >50% indicates company ranks 'above average')

Score 0% (worst) to 100% (best)	vs Country Peers	vs (regional) IBES Industry Peers
Valuations: P/E Vs Market (12mth fwd EPS)	98%	97%
Valuations: P/E Vs Sector (12mth fwd EPS)	98%	97%
Valuations: EPS Growth (forecast)	42%	29%
Momentum: 12 Month Price Momentum	18%	28%
Momentum: 1 Month Price Reversion	39%	59%
Quality: Return On Equity (forecast)	73%	76%
Quality: Earnings Risk (Variation in Consensus)	78%	78%
Earnings&Sentiment: Earnings Momentum	16%	29%
Earnings&Sentiment: Change in Recoms	40%	60%
Earnings&Sentiment: Net Revisions Fy2 EPS	1%	18%

JPMorgan Composite Q-Score



COMPOSITE Q-SCORE** (0% To 100%)

72% vs 81%

Regional IBES Industry Peers (Closest by Size, Consensus. ADV = Average daily value traded in US\$m over the last 3 mths)

Code	Name	Country	USD MCAP	ADV	PE FY1	Q-Score**
500102-IN	Ballarpur Industries Ltd.	India	441	0.41	7.9	96%
TIM-AU	Timbercorp Ltd.	Australia	367	1.09	5.9	52%
4383-MY	Jaya Tiasa Holdings Bhd	Malaysia	330	0.06	19.1	60%
5135-MY	Sarawak Plantation Bhd	Malaysia	324	0.40	8.8	84%
002350-KR	Nexen Tire Corp.	South Korea	322	1.10	10.7	43%
3950-JP	Pack Corp.	Japan	281	0.38	9.2	74%
SULI-ID	Sumalindo Lestari Jaya	Indonesia	255	0.55	14.7	21%
5101-MY	Evergreen Fibreboard Bhd	Malaysia	225	0.20	5.7	81%
009200-KR	Moorim Paper Co. Ltd.	South Korea	213	0.32	9.5	69%
2002-HK	China Sunshine Paper Holdings Co. Ltd.	China	204	0.15	8.2	
3971-JP	Tohcello Co. Ltd.	Japan	187	0.09	5.8	61%

Country Peers (Closest by Size, Consensus. ADV = average daily value traded in US\$m over the last 3 mths)

Code	Name	Industry	USD MCAP	ADV	PE FY1	Q-Score**
2844-MY	Cement Industries of Malaysia Bhd	Construction Materials	259	0.22	10.8	16%
5071-MY	Coastal Contracts Bhd	Trucks/Construction/Farm Machinery	255	0.09	9.3	87%
5231-MY	Pelikan International Corp. Bhd	Other Transportation	255	0.37	6.8	61%
4308-MY	Sunway Holdings Bhd	Engineering & Construction	250	0.54	9.3	70%
5878-MY	KPJ Healthcare Bhd	Medical/Nursing Services	230	0.19	11.4	34%
5101-MY	Evergreen Fibreboard Bhd	Building Products	225	0.20	5.7	72%
7206-MY	Ramunia Holdings Bhd	Industrial Machinery	220	3.13	42.0	8%
5983-MY	MBM Resources Bhd	Specialty Stores	210	0.02	5.5	79%
5112-MY	TH Plantations Bhd	Agricultural Commodities/Milling	210	0.15	7.6	87%
5005-MY	Unisem (M) Bhd	Semiconductors	205	0.33	6.3	60%
7076-MY	CB Industrial Product Holdings Bhd	Industrial Machinery	190	0.38	8.6	91%

Source: Factset, Thomson and JPMorgan Quantitative Research. For an explanation of the Q-Snapshot, please visit <http://jpmorgan.hk.acrobat.com/qsnapshot/>
Q-Snapshots are a product of JPMorgan's Global Quantitative Analysis team and provide quantitative metrics summarized in an overall company 'Q-Score.'

Q-Snapshots are based on consensus data and should not be considered as having a direct relationship with the JPMorgan analysts' recommendation.

* Total number of target prices, recommendations or EPS forecasts that make up consensus. ** The Composite Q-Score is calculated by weighting and combining the 10 Quant return drivers shown. The higher the Q-Score the higher the one month expected return. On a 14 Year back-test the stocks with the highest Q-Scores have been shown (on average) to significantly outperform those stocks with the lowest Q-Scores in this universe.

Evergreen Fibreboard: Summary of financials

M\$ in millions, year-end December

Profit and Loss statement					Cash flow statement				
MYR in millions, year-end Dec	FY07	FY08E	FY09E	FY10E	MYR in millions, year-end Dec	FY07	FY08E	FY09E	FY10E
Revenues	732	788	973	1,185	EBIT	144	152	187	218
% change Y/Y	38.5	7.8	23.4	21.8	Depreciation & amortisation	28	34	69	69
EBIT	148	155	191	222	Change in working capital	-18	-9	-22	-25
% change Y/Y	109.9	5.0	23.0	16.5	Taxes	-9	-15	-18	-22
EBIT Margin (%)	20.2	19.7	19.6	18.8	Cash flow from operations	145	163	216	240
Net Interest	-7	-9	-8	-6	Capex	-185	-200	-50	-30
Earnings before tax	140	146	183	217	Disposal/ (purchase)	3	4	4	4
% change Y/Y	107.3	4.0	25.4	18.2	Net Interest	-7	-9	-8	-6
Tax	-9	-15	-18	-22	Free cash flow	-44	-43	162	209
as % of EBT	6.7	10.0	10.0	10.0	Equity raised/ (repaid)	0	0	0	0
Net Income (Reported)	119	121	150	177	Debt raised/ (repaid)	84	-38	-46	-30
% change Y/Y	98	2	24	18	Other	-30	0	0	0
Core Net Profit	119	121	150	177	Dividends paid	-34	-36	-45	-53
% change Y/Y	98	2	24	18	Beginning cash	147	142	24	95
Shares Outstanding	480	480	480	480	Ending cash	142	24	95	221
EPS (reported)	0.25	0.25	0.31	0.37	DPS	0.07	0.08	0.09	0.11
% change Y/Y	98	2	24	18					
Core EPS	0.25	0.25	0.31	0.37					
% change Y/Y	98	2	24	18					
Balance sheet					Ratio Analysis				
MYR in millions, year-end Dec	FY07	FY08E	FY09E	FY10E	Year-end Dec	FY07	FY08E	FY09E	FY10E
Cash and cash equivalents	142	24	95	221	Gross margin	35.0	34.9	35.0	35.2
Accounts receivable	125	134	165	201	EBIT margin	20.2	19.7	19.6	18.8
Inventories	82	87	107	130	Operating margin	19.7	19.2	19.2	18.4
Others	0	0	0	0	Net profit margin	16.2	15.4	15.5	14.9
Current assets	348	245	368	553	Sales per share growth	38.5	7.8	23.4	21.8
LT investments	0	0	0	0	Sales growth	38.5	7.8	23.4	21.8
Net fixed assets	528	693	674	635	Net profit growth	98.4	2.2	24.2	17.7
Total assets	908	971	1,074	1,220	EPS growth	98.4	2.2	24.2	17.7
Liabilities					Interest coverage (x)	20	17	25	38
ST loans	88	95	80	80	Net debt to total capital	11	20	5	-10
Payables	120	126	156	190	Net debt to equity	16	27	7	-13
Others	4	4	4	4	Sales/assets	81	81	91	97
Total current liabilities	211	225	239	273	Assets/equity	170	157	149	144
Long term debt	140	94	64	34	ROE	24.7	21.1	22.5	22.6
Other liabilities	17	17	17	17	ROCE	25.1	19.2	21.0	24.7
Total liabilities	375	354	352	373					
Shareholders' equity	533	617	723	847					
BVPS	1.110	1.286	1.506	1.764					

Source: Company data, JPMorgan estimates.