



MIECO CHIPBOARD BERHAD (12849-K)

Condensed Consolidated Statement of Comprehensive Income for the financial period ended 30 September 2013

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to 30 September 2013 RM'000	Preceding year quarter to 30 September 2012 RM'000	Current year to 30 September 2013 RM'000	Preceding year to 30 September 2012 RM'000
Revenue	74,139	78,836	216,888	236,273
Other (expenses)/income	(473)	1,654	(421)	3,021
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	3,153	5,090	2,767	12,908
Depreciation and amortisation	(4,331)	(4,241)	(12,911)	(13,112)
(Loss)/profit from operations	(1,178)	849	(10,144)	(204)
Finance costs	(2,601)	(2,709)	(7,366)	(8,052)
Loss before taxation	(3,779)	(1,860)	(17,510)	(8,256)
Tax credit/(expense)	57	(43)	3,108	(250)
Net loss for the period	(3,722)	(1,903)	(14,402)	(8,506)
Other comprehensive income:				
Exchange differences on translating foreign subsidiaries	2	1	1	1
Total comprehensive loss for the period	(3,720)	(1,902)	(14,401)	(8,505)
Net loss for the period attributable to owners of the Company	(3,722)	(1,903)	(14,402)	(8,506)
Total comprehensive loss attributable to owners of the Company	(3,720)	(1,902)	(14,401)	(8,505)
Basic loss per share (sen)	(1.77)	(0.91)	(6.86)	(4.05)
Diluted loss per share (sen)	N/A	N/A	N/A	N/A

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the explanatory notes attached to this interim financial report.



MIECO CHIPBOARD BERHAD (12849-K)

Condensed Consolidated Statement of Financial Position as at 30 September 2013

The figures have not been audited.

	(Unaudited) As at 30 September 2013 RM'000	(Audited) As at 31 December 2012 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	468,620	477,423
Deferred tax assets	525	517
	<u>469,145</u>	<u>477,940</u>
Current assets		
Inventories	58,789	59,901
Tax recoverable	194	1,074
Trade receivables	50,928	45,900
Other receivables	2,049	2,214
Short term deposits	1,401	1,351
Cash and bank balances	7,965	8,067
Derivative financial instruments	-	62
	<u>121,326</u>	<u>118,569</u>
TOTAL ASSETS	<u>590,471</u>	<u>596,509</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	210,000	210,000
Reserves		
Share premium	5,866	5,866
Foreign currency reserve	(43)	(44)
Retained earnings	88,242	102,644
Total equity	<u>304,065</u>	<u>318,466</u>
Non-current liabilities		
Deferred tax liabilities	1,279	4,795
Unfunded post employment benefit obligation	10,239	10,086
Borrowings	1,100	1,550
Amount due to immediate holding company	42,579	41,218
	<u>55,197</u>	<u>57,649</u>
Current liabilities		
Trade payables	55,113	49,361
Other payables and provisions	29,008	15,015
Borrowings	143,078	151,648
Derivative financial instruments	619	0
Amount due to immediate holding company	3,391	4,370
	<u>231,209</u>	<u>220,394</u>
TOTAL EQUITY AND LIABILITIES	<u>590,471</u>	<u>596,509</u>
Net assets per share attributable to equity holders of the Company (RM)	1.45	1.52

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the explanatory notes attached to this interim financial report.



MIECO CHIPBOARD BERHAD (12849-K)

Condensed Consolidated Statement of Changes in Equity for the financial period ended 30 September 2013

The figures have not been audited.

	← Attributable to equity holders of the Company →				
	Share capital	Share premium	Foreign currency reserve	Retained earnings	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2013	210,000	5,866	(44)	102,644	318,466
Total comprehensive loss for the period	-	-	1	(14,402)	(14,401)
Balance as at 30 September 2013	210,000	5,866	(43)	88,242	304,065
Balance as at 1 January 2012	210,000	5,866	(36)	110,653	326,483
Total comprehensive loss for the period	-	-	1	(8,506)	(8,505)
Balance as at 30 September 2012	210,000	5,866	(35)	102,147	317,978

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the explanatory notes attached to this interim financial report.



MIECO CHIPBOARD BERHAD (12849-K)

Condensed Consolidated Statement of Cash Flow for the financial period ended 30 September 2013

The figures have not been audited.

	Current year to 30 September 2013 RM'000	Preceding year to 30 September 2012 RM'000
<u>Cash flows from operating activities</u>		
– Loss after tax	(14,402)	(8,506)
– Adjustments for non-cash and non-operating items		
• Taxation	(3,108)	250
• Other non-cash and non-operating items	22,459	21,401
	<hr/> 4,949	<hr/> 13,145
– Changes in working capital		
• Decrease/(Increase) in inventories	1,120	(17,772)
• Increase in receivables	(4,231)	(2,953)
• Increase in payables	18,514	7,874
• Increase in intercompany balances	302	303
	<hr/> 20,654	<hr/> 597
– Payment of staff retirement benefits	(693)	(802)
– Net income tax refund/(paid)	465	(929)
Net cash flows from/(used in) operating activities	<hr/> <hr/> 20,426	<hr/> <hr/> (1,134)
<u>Cash flows from investing activities</u>		
– Purchases of property, plant and equipment	(4,272)	(6,037)
– Interest income received	15	15
– Proceeds from sales of property, plant, and equipment	156	-
Net cash flows used in investing activities	<hr/> <hr/> (4,101)	<hr/> <hr/> (6,022)
<u>Cash flows from financing activities</u>		
– Repayment of term loans	(22,041)	(28,293)
– Proceeds from bankers acceptances/trade financing	8,205	36,478
– Proceeds from revolving credit	-	5,000
– Financing expenses	(6,273)	(7,190)
– Repayment of hire purchase creditor	-	(92)
Net cash flows (used in)/from financing activities	<hr/> <hr/> (20,109)	<hr/> <hr/> 5,903
Net decrease in cash and cash equivalents	(3,784)	(1,253)
Cash and cash equivalents at 1 January	7,935	6,456
Effects of exchange rate changes	13	36
Cash and cash equivalents at 30 September	<hr/> <hr/> 4,164	<hr/> <hr/> 5,239
Cash and cash equivalents comprise:		
Bank overdraft	(5,202)	(2,453)
Short term deposits	1,401	1,351
Cash and bank balances	7,965	6,341
	<hr/> <hr/> 4,164	<hr/> <hr/> 5,239

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the explanatory notes attached to this interim financial report.



PART A: Explanatory Notes of MFRS 134

1. Basis of preparation

The interim financial statements have been prepared under the historical cost convention except for derivative financial instruments.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2012.

2. Changes in Accounting Policies

The significant accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual financial statements for the year ended 31 December 2012 except for the adoption of the following standards which are applicable to its financial statements and effective for annual periods beginning on or after 1 January 2013:

MFRS 10:	Consolidated Financial Statements
MFRS 12:	Disclosures of Interests in Other Entities
MFRS 13:	Fair Value Measurement
Revised MFRS 127:	Separate Financial Statements
Revised MFRS 128:	Investments in Associates and Joint Ventures
Amendment to MFRS 101:	Presentation of Items of Other Comprehensive Income
Amendment to MFRS 7:	Financial Instruments: Disclosures

The adoption of the above standards and interpretations are not expected to have any significant impact on the financial statements of the Group in the year of initial application.



3. Audit report of preceding annual financial statements for financial year ended 31 December 2012

The audit report of the Group's financial statements for the financial year ended 31 December 2012 was not qualified.

4. Seasonality or cyclicity of interim operations

Demand for particleboard and related products are generally seasonal and are also affected by national as well as global economic conditions.

5. Exceptional items

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period ended 30 September 2013.

6. Change in estimates

There were no changes in estimates that have had a material effect for the financial period ended 30 September 2013.

7. Issuance and repayment of debt and equity securities

There were no issuance, cancellations, repurchases, resale and repayment of debt and equity securities for the financial period ended 30 September 2013.

8. Dividends paid

There were no dividends paid for the financial period ended 30 September 2013.

9. Segmental reporting

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 30 September 2013 RM'000	Preceding year to 30 September 2012 RM'000	As at 30 September 2013 RM'000	As at 30 September 2012 RM'000	Current year to 30 September 2013 RM'000	Preceding year to 30 September 2012 RM'000
Malaysia	143,459	157,029	590,447	610,436	4,272	6,037
Middle East and South Asia	26,318	27,407	-	-	-	-
South East Asia	22,148	19,995	24	47	-	-
Hong Kong and China	18,460	18,796	-	-	-	-
Others	6,503	13,046	-	-	-	-
	<u>216,888</u>	<u>236,273</u>	<u>590,471</u>	<u>610,483</u>	<u>4,272</u>	<u>6,037</u>

10. Valuations of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, amortisation and impairment loss.

11. Material events subsequent to the financial period ended 30 September 2013

There were no material events subsequent to the end of the current financial period ended 30 September 2013.

12. Changes in the composition of the Group during the financial period ended 30 September 2013

There were no changes in the composition of the Group during the financial period ended 30 September 2013.



13. Changes in contingent liabilities and contingent assets

There were no material changes in contingent liabilities and contingent assets since the last statement of financial position as at 31 December 2012.

14. Capital commitments

Capital commitments not provided for in the financial statements as at 30 September 2013 were as follows:-

RM'000

Approved and contracted	567
Approved but not contracted	5,621
	<hr/>
	6,188
	<hr/> <hr/>

Analysed as follows:-

Property, plant and equipment	6,188
	<hr/> <hr/>



PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. Review of performance

Quarter on quarter review

Group revenue of RM74.1million in the third quarter of this year was down 6% against RM78.8million in the comparable quarter a year ago. Whilst sales volume was slightly higher, the decline in revenue reflects lower selling prices and less favourable sales mix.

Despite lower revenue, reduced raw material prices contributed to a marginal improvement in gross margin and thus a positive operating profit. However, after accounting for unrealised translation loss of its USD loan and lower fair value gain on its hedged sales contracts, the Group suffered a higher pre-tax loss of RM3.8million when compared to RM1.9million in the same quarter a year ago.

Year on year review

Group revenue of RM216.9million for the 9 months ended 30 September 2013 decreased by 8% from RM236.3million a year ago. Whilst export sales volume grew 9%, domestic sales volume declined 4% with a slight improvement in overall sales volume year on year. The lower revenue arising from weak selling prices was partially mitigated by lower raw material prices. After accounting for unrealised foreign currency and derivative losses arising from a stronger US\$ as well as the major shutdown of its Gebeng plant in the first quarter, the Group suffered RM17.5million losses before tax for the 9 months this year against RM8.3million a year ago.

2. Material change in profit before taxation for the quarter against the immediate preceding quarter

Group loss before tax narrowed from RM5.7million in the preceding quarter to RM3.8million in the third quarter of this year as a result of plant cost reductions and more favourable wood mix usage.

3. Prospects

The Group remains fully focused on efforts to improve plant efficiency, lower production costs and continuously explore new market opportunities. Notwithstanding these efforts, in view of the prevailing challenging market conditions in the particleboard industry, the Group will continue to incur losses for the last quarter of the current financial year.

4. Variance of actual profit from forecast profit

The Group did not provide any profit forecast in a public document and therefore, this note is not applicable.



5. Loss before tax

	Current year quarter to 30 September 2013 RM'000	Preceding year quarter to 30 September 2012 RM'000	Current year to 30 September 2013 RM'000	Preceding year to 30 September 2012 RM'000
Loss before tax is arrived at after charging/(crediting):-				
Interest income	(8)	(8)	(22)	(23)
Interest expense	2,397	2,709	7,132	8,022
Loan facility fees	204	0	234	30
Depreciation and amortisation	4,331	4,241	12,911	13,112
Write off/(write-back) of inventories	7	0	7	(12)
Net realised foreign exchange loss/(gain)	114	(271)	(692)	(1,348)
Net unrealised foreign exchange loss/(gain)	794	(90)	634	(280)
Fair value (gain)/loss on derivative financial instruments	(419)	(1,127)	681	(587)

6. Tax credit/(expense)

	Current quarter to 30 September 2013 RM'000	Current year to 30 September 2013 RM'000
In respect of current year		
- Malaysia income tax	(141)	(415)
- Deferred tax	198	3,523
Tax credit	<u>57</u>	<u>3,108</u>

The Group's effective tax rate for the current quarter and the year under review differs from the statutory tax rate mainly due to expenses not deductible for tax and deferred tax assets not recognised.



7. Retained earnings

	As at 30 September 2013	As at 31 December 2012
Total retained earnings of the Company and its subsidiaries	RM'000	RM'000
- Realised	81,302	98,022
- Unrealised	5,848	3,538
	<u>87,150</u>	<u>101,560</u>
Add: Consolidation adjustments	1,092	1,084
	<u>88,242</u>	<u>102,644</u>

The disclosure of realised and unrealised profits above is solely for compliance with the directive issued by Bursa Malaysia Securities Berhad and should not be used for any other purpose.

8. Status of corporate proposals

There are no corporate proposals announced but not completed as at the date of this report.

9. Borrowings and debt securities

The Group's borrowings are all denominated in Ringgit Malaysia except for a USD6.007 million term loan. The details of the Group's borrowings as at 30 September 2013 were as follows:-

	Current		Non- current	
	RM'000	Foreign Currency USD'000	RM'000	Foreign Currency USD'000
Term loans (unsecured)	78,756	6,007	1,100	-
Bankers acceptance and trade financing (unsecured)	54,120	-	-	-
Revolving credit (unsecured)	5,000	-	-	-
Bank overdraft (unsecured)	5,202	-	-	-
	<u>143,078</u>	<u>6,007</u>	<u>1,100</u>	<u>-</u>

The Group has successfully restructured its term loan obligations to extend the repayment period by another 2 years up to 2017.

However, even with term loan restructuring, term loans amounting to RM61 million which are not due for repayment within a year are classified as current liabilities as at 30 September 2013 in accordance with MFRS 101 – Presentation of Financial Statements due to non-compliance of a financial ratio covenant under the loan agreements. Save for this, the Company has to date complied with all payment obligations and other covenants under the loan agreements.



10. Changes in material litigation

As at the date of this report, there were no changes in material litigation since the last statement of financial position as at 31 December 2012.

11. Dividend

The directors do not recommend the payment of dividend for the financial period ended 30 September 2013. No dividend was declared for the same period last year.

12. Loss per share

	Current year quarter to 30 September 2013	Preceding year quarter to 30 September 2012	Current year to 30 September 2013	Preceding year to 30 September 2012
a) Basic				
Loss for the period (RM'000)	(3,722)	(1,903)	(14,402)	(8,506)
Weighted average number of ordinary shares in issue ('000)	210,000	210,000	210,000	210,000
Loss per share (sen)	(1.77)	(0.91)	(6.86)	(4.05)
b) Diluted	N/A	N/A	N/A	N/A

BY ORDER OF THE BOARD
MIECO CHIPBOARD BERHAD

Ho Swee Ling
Company Secretary
Kuala Lumpur

22 November 2013