



**MIECO CHIPBOARD BERHAD (12849-K)**

**Condensed Consolidated Statement of Comprehensive Income for the financial year ended 31 December 2012**

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to 31 December 2012 RM'000	Preceding year quarter to 31 December 2011 RM'000	Current year to 31 December 2012 RM'000	Preceding year to 31 December 2011 RM'000
Revenue	70,952	85,022	307,225	301,221
Other income	306	2,242	3,327	3,428
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	6,449	8,850	19,357	35,700
Depreciation and amortisation	(4,485)	(4,630)	(17,597)	(18,560)
Profit from operations	1,964	4,220	1,760	17,140
Finance costs	(2,667)	(2,726)	(10,719)	(10,679)
(Loss)/profit before taxation	(703)	1,494	(8,959)	6,461
Tax credit/(expense)	2,439	(468)	2,189	(36)
Net profit/(loss) for the period/year	1,736	1,026	(6,770)	6,425
Other comprehensive (loss)/income: Exchange differences on translating foreign subsidiaries	(8)	0	(7)	2
Total comprehensive income/(loss) for the period/year	1,728	1,026	(6,777)	6,427
Net profit/(loss) for the period/year attributable to owners of the Company	1,736	1,026	(6,770)	6,425
Total comprehensive income/(loss) attributable to owners of the Company	1,728	1,026	(6,777)	6,427
Basic earnings/(loss) per share (sen)	0.83	0.49	(3.22)	3.06
Diluted earnings/(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 2011 and the explanatory notes attached to this interim financial report.



**MIECO CHIPBOARD BERHAD (12849-K)**

**Condensed Consolidated Statement of Financial Position as at 31 December 2012**

The figures have not been audited.

	As at 31 December 2012 RM'000	As at 31 December 2011 RM'000	As at 1 January 2011 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	476,568	480,533	489,406
Deferred tax assets	517	542	491
	<u>477,085</u>	<u>481,075</u>	<u>489,897</u>
<b>Current assets</b>			
Inventories	59,901	49,385	44,770
Tax recoverable	1,074	729	1,808
Trade receivables	45,900	54,196	31,593
Other receivables	2,215	3,521	843
Short term deposits	1,351	1,318	2,516
Cash and bank balances	8,067	7,955	3,857
Derivative assets	62	0	76
	<u>118,570</u>	<u>117,104</u>	<u>85,463</u>
Non-current assets classified as held for sale	0	220	0
	<u>118,570</u>	<u>117,324</u>	<u>85,463</u>
<b>TOTAL ASSETS</b>	<u>595,655</u>	<u>598,399</u>	<u>575,360</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	210,000	210,000	210,000
Reserves			
Share premium	5,866	5,866	5,866
Foreign currency reserve	(43)	(36)	(38)
Retained earnings	102,346	109,116	102,691
<b>Total equity</b>	<u>318,169</u>	<u>324,946</u>	<u>318,519</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	4,795	7,345	7,582
Unfunded post employment benefit obligation	10,345	10,085	9,241
Borrowings	1,550	102,241	126,738
Hire purchase creditors	0	0	96
Amount due to holding company	41,218	39,398	37,579
	<u>57,908</u>	<u>159,069</u>	<u>181,236</u>
<b>Current liabilities</b>			
Trade payables	49,361	34,872	22,238
Other payables and provisions	15,480	18,232	12,828
Borrowings	151,648	55,893	35,891
Amount due to holding company	3,089	2,686	2,369
Hire purchase creditor	0	82	164
Derivative liabilities	0	331	0
Current tax payable	0	2,288	2,115
	<u>219,578</u>	<u>114,384</u>	<u>75,605</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>595,655</u>	<u>598,399</u>	<u>575,360</u>
Net assets per share attributable to equity holders of the Company (RM)	1.52	1.55	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 2011 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 year ended 31 December 2012**

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 2012	210,000	5,866	(36)	109,116	324,946
Total comprehensive loss for the year	-	-	(7)	(6,770)	(6,777)
Balance as at 31 December 2012	210,000	5,866	(43)	102,346	318,169
Balance as at 1 January 2011	210,000	5,866	(38)	102,691	318,519
Total comprehensive income for the year	-	-	2	6,425	6,427
Balance as at 31 December 2011	210,000	5,866	(36)	109,116	324,946

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the explanatory notes attached to this interim financial report.



**MIECO CHIPBOARD BERHAD (12849-K)**

**Condensed Consolidated Statement of Cash Flows for the financial year ended 31 December 2012**

The figures have not been audited.

	<b>Current year to 31 December 2012</b>	<b>Preceding year to 31 December 2011</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Cash flows from operating activities</u>		
– (Loss)/profit after tax	(6,770)	6,425
– Adjustments for non-cash and non-operating items		
• Taxation	(2,189)	36
• Other non-cash and non-operating items	28,962	28,241
	<hr/>	<hr/>
	20,003	34,702
– Changes in working capital		
• Increase in inventories	(18,013)	(2,789)
• Decrease/(Increase) in receivables	9,349	(25,054)
• Increase in payables	11,797	17,948
• Increase in intercompany balances	403	316
	<hr/>	<hr/>
	23,539	25,123
– Payment of staff retirement benefits	(896)	(546)
– Net income tax (paid)/refund	(2,969)	928
Net cash flows from operating activities	<hr/>	<hr/>
	19,674	25,505
<u>Cash flows from investing activities</u>		
– Purchases of property, plant and equipment	(6,212)	(8,361)
– Interest income received	30	24
– Proceeds from sales of property, plant, and equipment	-	4
Net cash flows used in investing activities	<hr/>	<hr/>
	(6,182)	(8,333)
<u>Cash flows from financing activities</u>		
– Repayment of term loans	(28,443)	(14,159)
– Proceeds from term loan	-	3,000
– Proceeds from bankers acceptances /trade financing	20,798	6,536
– Proceeds from revolving credit	5,000	-
– Financing expenses	(9,294)	(8,893)
– Repayment of hire purchase creditor	(92)	(181)
Net cash flows used in financing activities	<hr/>	<hr/>
	(12,031)	(13,697)
Net increase in cash and cash equivalents	1,461	3,475
Cash and cash equivalents at 1 January	6,456	2,947
Effects of exchange rate changes	18	34
Cash and cash equivalents at 31 December	<hr/>	<hr/>
	7,935	6,456
Cash and cash equivalents comprise:		
Overdraft	(1,483)	(2,817)
Short term deposits	1,351	1,318
Cash and bank balances	8,067	7,955
	<hr/>	<hr/>
	7,935	6,456

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2011 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 2011. 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 2011.

### **2. Changes in Accounting Policies**

The Group adopted the new IFRS-compliant framework, Malaysian Financial Reporting Standards (“MFRS”) with effect from 1 January 2012. In adopting the new framework, the Group has applied MFRS 1 “First Time Adoption of MFRS”. The adoption of MFRS 1 did not result in a significant impact on the financial statements of the Group. Accordingly, the financial statements have been properly drawn up in accordance with MFRS for the financial year ended 31 December 2012. The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 December 2011, except for the adoption of the following MFRS, amendments to MFRSs and Issues Committee (IC) Interpretation which are relevant to the Group’s operations with effect from 1 January 2012 :-

Revised MFRS 124:	Related Party Disclosures
Amendment to MFRS 112:	Income Taxes
Amendments to IC Interpretation 14:	MFRS 119 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction
Amendment to MFRS 1:	First-time Adoption on Fixed Dates and Hyperinflation
Amendment to MFRS 7:	Financial Instruments: Disclosures on Transfers of Financial Assets

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 2011**

The audit report of the Group's financial statements for the financial year ended 31 December 2011 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 year ended 31 December 2012.

**6. Change in estimates**

There were no changes in estimates that have had a material effect for the financial year ended 31 December 2012.

**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 year ended 31 December 2012.

**8. Dividends paid**

There were no dividends paid for the financial year ended 31 December 2012.

**9. Segmental reporting**

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 31 December 2012 RM'000	Preceding year to 31 December 2011 RM'000	As at 31 December 2012 RM'000	As at 31 December 2011 RM'000	Current year to 31 December 2012 RM'000	Preceding year to 31 December 2011 RM'000
Malaysia	208,535	206,033	595,609	598,321	6,212	8,361
Middle East and South Asia	33,306	24,989	-	-	-	-
South East Asia	25,768	26,801	46	69	-	-
Hong Kong and China	22,054	24,601	-	9	-	-
Others	17,562	18,797	-	-	-	-
	<u>307,225</u>	<u>301,221</u>	<u>595,655</u>	<u>598,399</u>	<u>6,212</u>	<u>8,361</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 year ended 31 December 2012**

There were no material events subsequent to the end of the current financial year ended 31 December 2012.

**12. Changes in the composition of the Group during the financial year ended 31 December 2012**

There were no changes in the composition of the Group during the financial year ended 31 December 2012.



### 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 2011.

### 14. Capital commitments

Capital commitments not provided for in the financial statements as at 31 December 2012 were as follows:-

	RM'000
Approved and contracted	193
Approved but not contracted	59
	<hr/>
	252
	<hr/>
Analysed as follows:-	
Property, plant and equipment	<hr/> <hr/> 252



## **PART B: Explanatory Notes of Bursa Malaysia Listing Requirements**

### **1. Review of performance**

#### **Quarter on quarter review**

The Group posted revenue of RM71 million in the fourth and final quarter of 2012, down 17% from RM85.0 million a year ago as sales volume and selling prices of plainboard fell. Despite the lower revenue, the Group was able to improve gross margin through more favourable wood mix and glue usage which were also helped by lower glue prices, hence maintaining a positive profit from operations. However, the Group recorded unrealised losses on fair value of hedged sales contracts in this fourth quarter against gains a year ago, whilst its USD loan saw lower unrealised translation gains when compared quarter on quarter. Accordingly, the Group suffered a pre-tax loss of RM0.7 million when compared to the pre-tax profit of RM1.5 million in the same quarter a year ago.

#### **Year on year review**

The Group reported a higher revenue of RM307.2 million in 2012, up 2% against RM301.2 million in 2011, supported by domestic sales and increased exports to South Asia. However, the Group recorded a pre-tax loss of RM8.9 million in 2012 against a pre-tax profit of RM6.5 million in the previous year, mainly attributable to higher wood cost and lower selling prices.

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

Group loss before tax decreased from RM1.9 million in the preceding quarter to RM0.7 million in the final quarter of 2012 as a result of improved gross margins from plant efficiencies and lower prices for wood and glue.

### **3. Prospects**

The Group faces a challenging year ahead as margins continue to be affected by weak particleboard prices and volatile production costs. However, there are signs of economic recovery in the U.S. gaining momentum and concerted efforts to reinvigorate growth in Japan which will have a positive impact on market demand for the Group's particleboard and related products. The Group is determined to achieve profitability in the current financial year through cost saving initiatives of key raw materials and improvement in plant operations, supported by competitive marketing efforts.

### **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)/profit before tax

	Current year quarter to 31 December 2012 RM'000	Preceding year quarter to 31 December 2011 RM'000	Current year to 31 December 2012 RM'000	Preceding year to 31 December 2011 RM'000
(Loss)/profit before tax is arrived at after charging/(crediting):-				
Interest income	(7)	(7)	(30)	(29)
Interest expense	2,667	2,726	10,689	10,639
Loan facility fees	-	-	30	40
Depreciation and amortization	4,485	4,630	17,597	18,560
Write back of allowance for doubtful debt	(2)	(3)	(2)	(3)
Allowance of doubtful debts for other receivables	193	124	193	124
(Write back)/allowances for inventories	(678)	1	(690)	(3,451)
Net realised foreign exchange gain	(341)	(550)	(1,689)	(1,807)
Net unrealised foreign exchange (gain)/loss	(294)	(617)	(574)	490
Unrealised (gain)/loss on fair value of derivative financial instruments	194	(517)	(393)	407
Reversal of previously recognized impairment loss	-	(220)	-	(220)

## 6. Tax credit/(expense)

	Current quarter to 31 December 2012 RM'000	Current year to 31 December 2012 RM'000
In respect of current year		
- Malaysia income tax	(87)	(336)
- Deferred tax	2,526	2,525
Tax credit	<u>2,439</u>	<u>2,189</u>

The Group's effective tax rate for current quarter differs from the statutory tax rate mainly due to recognition of deferred tax assets which previously not recognised.

The Group's effective tax rate for current financial year differs from the statutory tax rate mainly due to expenses not deductible for tax.



## 7. Retained earnings

	As at 31 December 2012	As at 31 December 2011
Total retained earnings of the Company and its subsidiaries	RM'000	RM'000
- Realised	99,529	110,076
- Unrealised	1,732	(2,014)
	<hr/>	<hr/>
	101,261	108,062
Add: Consolidation adjustments	1,085	1,054
	<hr/>	<hr/>
	<u>102,346</u>	<u>109,116</u>

The disclosure of realised and unrealised profits/ (losses) 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 USD7.695 million term loan.

The details of the Group's borrowings as at 31 December 2012 were as follows:-

	Current		Non- current	
	RM'000	Foreign Currency USD'000	RM'000	Foreign Currency USD'000
Term loans (unsecured)	99,256	7,695	1,550	-
Bankers acceptance/trade financing (unsecured)	45,909	-	-	-
Revolving credit (unsecured)	5,000	-	-	-
Bank overdraft (unsecured)	1,483	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>151,648</u>	<u>7,695</u>	<u>1,550</u>	<u>-</u>

Term loans amounting to RM64 million which are not due for repayment in 2013 have been reclassified as current liabilities as at 31 December 2012 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 2011.

## 11. Dividend

The directors do not recommend the payment of dividend for the financial year ended 31 December 2012. No dividend was declared for 2011.

## 12. Earnings/(loss) per share

	Current year quarter to 31 December 2012	Preceding year quarter to 31 December 2011	Current year to 31 December 2012	Preceding year to 31 December 2011
a) Basic				
Profit/(loss) for the period/year (RM'000)	1,736	1,026	(6,770)	6,425
Weighted average number of ordinary shares in issue ('000)	210,000	210,000	210,000	210,000
Earnings/(loss) per share (sen)	0.83	0.49	(3.22)	3.06
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 February 2013