



MIECO CHIPBOARD BERHAD (12849-K)

Condensed Consolidated Statement of Comprehensive Income for the financial year ended 31 December 2013

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to 31 December 2013 RM'000	Preceding year quarter to 31 December 2012 RM'000	Current year to 31 December 2013 RM'000	Preceding year to 31 December 2012 RM'000
Revenue	<u>77,825</u>	<u>71,418</u>	<u>294,713</u>	<u>307,691</u>
Other income/(expenses)	<u>198</u>	<u>307</u>	<u>(223)</u>	<u>3,328</u>
Operating (expenses)/profit before finance cost, depreciation and amortisation, income tax and minority interests	(188)	6,822	2,579	19,523
Depreciation and amortisation	(4,278)	(4,912)	(17,189)	(18,024)
Impairment loss on property, plant and equipment	(45,820)	0	(45,820)	0
(Loss)/profit from operations	<u>(50,286)</u>	<u>1,910</u>	<u>(60,430)</u>	<u>1,499</u>
Finance costs	(2,369)	(2,637)	(9,735)	(10,689)
Loss before taxation	<u>(52,655)</u>	<u>(727)</u>	<u>(70,165)</u>	<u>(9,190)</u>
Tax credit	3,431	2,232	6,539	2,189
Net (loss)/profit for the period/year	<u>(49,224)</u>	<u>1,505</u>	<u>(63,626)</u>	<u>(7,001)</u>
Other comprehensive (loss)/income:				
Actuarial loss on defined retirement plan	-	(1,008)	-	(1,008)
Exchange differences on translating foreign subsidiaries	-	(9)	1	(8)
Total other comprehensive (loss)/income for the period/year	<u>-</u>	<u>(1,017)</u>	<u>1</u>	<u>(1,016)</u>
Total comprehensive (loss)/profit for the period/ year	<u>(49,224)</u>	<u>488</u>	<u>(63,625)</u>	<u>(8,017)</u>
Net (loss)/profit for the period/year attributable to owners of the Company	<u>(49,224)</u>	<u>1,505</u>	<u>(63,626)</u>	<u>(7,001)</u>
Total comprehensive (loss)/profit attributable to owners of the Company	<u>(49,224)</u>	<u>488</u>	<u>(63,625)</u>	<u>(8,017)</u>
Basic (loss)/profit per share (sen)	(23.44)	0.72	(30.30)	(3.33)
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 31 December 2013

The figures have not been audited.

	(Unaudited) As at 31 December 2013 RM'000	(Audited) As at 31 December 2012 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	418,663	477,423
Deferred tax assets	386	517
	<u>419,049</u>	<u>477,940</u>
Current assets		
Inventories	45,631	59,901
Tax recoverable	117	1,074
Trade receivables	51,110	45,900
Other receivables	3,925	2,214
Short term deposits	515	1,351
Cash and bank balances	3,465	8,067
Derivative financial instruments	-	62
	<u>104,763</u>	<u>118,569</u>
TOTAL ASSETS	<u>523,812</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	39,018	102,644
Total equity	<u>254,841</u>	<u>318,466</u>
Non-current liabilities		
Deferred tax liabilities	0	4,795
Unfunded post employment benefit obligation	10,516	10,086
Borrowings	950	1,550
Amount due to immediate holding company	43,038	41,218
	<u>54,504</u>	<u>57,649</u>
Current liabilities		
Trade payables	58,618	49,361
Other payables and provisions	16,826	15,015
Borrowings	134,006	151,648
Derivative financial instruments	245	0
Amount due to immediate holding company	4,772	4,370
	<u>214,467</u>	<u>220,394</u>
TOTAL EQUITY AND LIABILITIES	<u>523,812</u>	<u>596,509</u>
Net assets per share attributable to equity holders of the Company (RM)	1.21	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 year ended 31 December 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
Comprehensive loss:					
- Net loss for the financial year	-	-	-	(63,626)	(63,626)
Other comprehensive income:					
- Exchange differences on translating foreign subsidiaries	-	-	1	-	1
Balance as at 31 December 2013	<u>210,000</u>	<u>5,866</u>	<u>(43)</u>	<u>39,018</u>	<u>254,841</u>
Balance as at 1 January 2012	210,000	5,866	(36)	110,653	326,483
Comprehensive loss:					
- Net loss for the financial year	-	-	-	(7,001)	(7,001)
Other comprehensive loss:					
- Actuarial loss on defined retirement benefit plan	-	-	-	(1,008)	(1,008)
- Exchange differences on translating foreign subsidiaries	-	-	(8)	-	(8)
Balance as at 31 December 2012	<u>210,000</u>	<u>5,866</u>	<u>(44)</u>	<u>102,644</u>	<u>318,466</u>

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 year ended 31 December 2013

The figures have not been audited.

	Current year to 31 December 2013	Preceding year to 31 December 2012
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
– Loss after tax	(63,626)	(7,001)
– Adjustments for non-cash and non-operating items		
• Taxation	(6,539)	(2,189)
• Other non-cash and non-operating items	32,228	28,613
• Impairment loss on property, plant and equipment	45,820	-
	<u>7,883</u>	<u>19,423</u>
– Changes in working capital		
• Decrease/(Increase) in inventories	11,752	(17,310)
• (Increase)/Decrease in receivables	(6,533)	9,476
• Increase in payables	11,118	12,304
• Increase in intercompany balances	402	403
	<u>24,622</u>	<u>24,296</u>
– Payment of staff retirement benefits	(920)	(896)
– Net income tax refund/(paid)	2,832	(2,969)
Net cash flows from operating activities	<u>26,534</u>	<u>20,431</u>
<u>Cash flows from investing activities</u>		
– Purchases of property, plant and equipment	(4,555)	(6,213)
– Interest income received	37	30
– Proceeds from sales of property, plant, and equipment	189	220
Net cash flows used in investing activities	<u>(4,329)</u>	<u>(5,963)</u>
<u>Cash flows from financing activities</u>		
– Repayment of term loans	(26,566)	(29,399)
– Proceeds from bankers acceptances/trade financing	3,701	20,004
– Proceeds from revolving credit	-	5,000
– Financing expenses	(8,166)	(8,513)
– Repayment of hire purchase creditor	-	(92)
Net cash flows used in financing activities	<u>(31,031)</u>	<u>(13,000)</u>
Net (decrease)/increase in cash and cash equivalents	(8,826)	1,468
Cash and cash equivalents at 1 January	7,935	6,456
Effects of exchange rate changes	10	11
Cash and cash equivalents at 31 December	<u>(881)</u>	<u>7,935</u>
Cash and cash equivalents comprise:		
Bank overdraft	(4,861)	(1,483)
Short term deposits	515	1,351
Cash and bank balances	3,465	8,067
	<u>(881)</u>	<u>7,935</u>

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
Amendment to MFRS 119:	Employee Benefits
Annual improvements 2009-2011 Cycle	

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 year ended 31 December 2013.

6. Change in estimates

There were no changes in estimates that have had a material effect for the financial year ended 31 December 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 year ended 31 December 2013.

8. Dividends paid

There were no dividends paid for the financial year ended 31 December 2013.

9. Segmental reporting

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 31 December 2013 RM'000	Preceding year to 31 December 2012 RM'000	As at 31 December 2013 RM'000	As at 31 December 2012 RM'000	Current year to 31 December 2013 RM'000	Preceding year to 31 December 2012 RM'000
Malaysia	202,171	209,001	523,789	596,463	4,555	6,213
Middle East and South Asia	32,179	33,306	-	-	-	-
South East Asia	27,951	25,768	23	46	-	-
Hong Kong and China	22,128	22,054	-	-	-	-
Others	10,284	17,562	-	-	-	-
	<u>294,713</u>	<u>307,691</u>	<u>523,812</u>	<u>596,509</u>	<u>4,555</u>	<u>6,213</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 2013

There were no material events subsequent to the end of the current financial year ended 31 December 2013.

12. Changes in the composition of the Group during the financial year ended 31 December 2013

There were no changes in the composition of the Group during the financial year ended 31 December 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 31 December 2013 were as follows:-

	RM'000
Approved and contracted	454
Approved but not contracted	13
	<hr/>
	467
	<hr/> <hr/>
Analysed as follows:-	
Property, plant and equipment	<hr/>
	467
	<hr/> <hr/>



PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. Review of performance

Quarter on quarter review

Group revenue in the fourth and final quarter of 2013 rose 9% to RM77.8million when compared to RM71.4million a year ago due to a 16% improvement in sales volume mainly in domestic sales. Despite higher revenue, the Group's pre-tax loss widened to RM52.7million from RM0.7million a year ago mainly as a result of:

- a non-cash impairment loss of RM45.8million on its Lipis plant arising from financial year end assessment of carrying value against its recoverable amount;
- shutdown of its Gebeng plant for operational maintenance during fourth quarter 2013, ahead of schedule planned for first quarter 2014 and
- depressed selling prices for particleboard and related products.

Year on year review

The Group posted a full year revenue for 2013 of RM294.7million, 4% down from RM307.7million in 2012. This was due to the weaker selling prices and unfavourable product mix even though sales volume was up 4% year on year. The full year loss before tax for 2013 of RM70.2million as compared to RM9.2million in 2012 was mainly due to:

- the non-cash impairment loss of RM45.8million on its Lipis plant;
- shutdown at its Gebeng plant for replacement of major plant components and operational maintenance in the first and fourth quarters of 2013 respectively;
- unrealised foreign exchange currency losses arising from translation of its USD term loans and derivative losses on hedged sales contracts and
- lower selling prices of particleboard and related products amidst intense competitive supply.

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

Group loss before taxation increased to RM52.7million for the fourth quarter of 2013 against RM3.8million in the immediate preceding quarter mainly due to the non-cash impairment loss on Lipis plant and the shutdown of Gebeng plant for operational maintenance.

3. Prospects

2014 is a year of further challenges with increased costs from raised electricity tariffs and fuel subsidy cuts. Amid an uncertain global economic outlook, the Group looks to increase selling prices in order to pass on some of the increased costs whilst redoubling efforts to expand its markets. Combined with the continuing execution of cost saving initiatives, the Group is cautiously optimistic of improving its results in 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 31 December 2013 RM'000	Preceding year quarter to 31 December 2012 RM'000	Current year to 31 December 2013 RM'000	Preceding year to 31 December 2012 RM'000
Loss before tax is arrived at after charging/(crediting):-				
Interest income	(6)	(7)	(28)	(30)
Interest expense	2,369	2,667	9,501	10,689
Loan facility fees	-	-	234	30
Depreciation and amortisation	4,278	4,912	17,189	18,024
Write back of allowances for doubtful debts	-	(2)	-	(2)
Write off/(write-back) allowances of inventories obsolescence	2,525	(675)	2,525	(675)
Inventories (written back)/written off	-	(2)	7	(14)
Allowance of doubtful debts for other receivables	-	193	-	193
Net realised foreign exchange loss/(gain)	111	(341)	(581)	(1,689)
Net unrealised foreign exchange loss/(gain)	359	(294)	993	(574)
Fair value (gain)/loss on derivative financial instruments	(375)	194	306	(393)
Impairment loss on property, plant and equipment	45,820	-	45,820	-

6. Tax credit

	Current quarter to 31 December 2013 RM'000	Current year to 31 December 2013 RM'000
In respect of current year		
- Malaysia income tax	(375)	(790)
- Deferred tax	1,141	4,664
	<u>766</u>	<u>3,874</u>
In respect of previous year		
- Malaysia income tax	2,665	2,665
	<u>3,431</u>	<u>6,539</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, deferred tax assets not recognised mitigated by over accrual in prior financial year.



7. Retained earnings

	As at 31 December 2013	As at 31 December 2012
Total retained earnings of the Company and its subsidiaries	RM'000	RM'000
- Realised	30,906	98,022
- Unrealised	7,008	3,538
	<u>37,914</u>	<u>101,560</u>
Add: Consolidation adjustments	1,104	1,084
	<u>39,018</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 USD5.7 million term loan. The details of the Group's borrowings as at 31 December 2013 were as follows:-

	Current		Non- current	
	RM'000	Foreign Currency USD'000	RM'000	Foreign Currency USD'000
Term loans (secured)	73,937	5,669	-	-
Term loans (unsecured)	600	-	950	-
Bankers acceptance and trade financing (unsecured)	49,608	-	-	-
Revolving credit (unsecured)	5,000	-	-	-
Bank overdraft (unsecured)	4,861	-	-	-
	<u>134,006</u>	<u>5,669</u>	<u>950</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 RM57 million which are not due for repayment within a year are classified as current liabilities as at 31 December 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 year ended 31 December 2013. No dividend was declared for the same period last year.

12. (Loss)/profit per share

	Current year quarter to 31 December 2013	Preceding year quarter to 31 December 2012	Current year to 31 December 2013	Preceding year to 31 December 2012
a) Basic				
(Loss)/profit for the period/year (RM'000)	(49,224)	1,505	(63,626)	(7,001)
Weighted average number of ordinary shares in issue ('000)	210,000	210,000	210,000	210,000
(Loss)/profit per share (sen)	(23.44)	0.72	(30.30)	(3.33)
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

21 February 2014