



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

**Condensed Consolidated Statement of Comprehensive Income for the financial period ended 30 June 2014**

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to	Preceding year quarter to	Current year to	Preceding year to
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	RM'000	RM'000	RM'000	RM'000
Revenue	88,044	76,470	163,596	142,749
Other income/(expenses)	912	(267)	1,541	52
Operating profit/(loss) before finance cost, depreciation and amortisation, income tax and minority interests	9,432	1,060	12,522	(386)
Depreciation and amortisation	(3,775)	(4,359)	(7,488)	(8,580)
Profit/(loss) from operations	5,657	(3,299)	5,034	(8,966)
Finance costs	(2,249)	(2,373)	(4,530)	(4,765)
Profit/(loss) before taxation	3,408	(5,672)	504	(13,731)
Tax (expense)/credit	(381)	902	(651)	3,051
Net profit/(loss) for the period	3,027	(4,770)	(147)	(10,680)
Other comprehensive profit/(loss):				
Exchange differences on translating foreign subsidiaries	0	(1)	0	(1)
Total comprehensive profit/(loss) for the period	3,027	(4,771)	(147)	(10,681)
Total comprehensive profit/(loss) attributable to owners of the Company	3,027	(4,771)	(147)	(10,681)
Basic profit/(loss) per share (sen)	1.44	(2.27)	(0.07)	(5.09)
Diluted profit/(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 2013 and the explanatory notes attached to this interim financial report.



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

**Condensed Consolidated Statement of Financial Position as at 30 June 2014**

The figures have not been audited.

	(Unaudited) As at 30 June 2014 RM'000	(Audited) As at 31 December 2013 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	406,208	412,258
Deferred tax assets	438	386
	<u>406,646</u>	<u>412,644</u>
<b>Current assets</b>		
Inventories	50,471	45,631
Tax recoverable	325	118
Trade receivables	61,631	51,110
Other receivables	2,348	3,925
Short term deposits	522	515
Cash and bank balances	5,644	3,465
	<u>120,941</u>	<u>104,764</u>
Non-current assets classified as held for sale	6,405	6,405
	<u>127,346</u>	<u>111,169</u>
<b>TOTAL ASSETS</b>	<u><u>533,992</u></u>	<u><u>523,813</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	210,000	210,000
Reserves		
Share premium	5,866	5,866
Foreign currency reserve	(43)	(43)
Retained earnings	38,872	39,019
<b>Total equity</b>	<u>254,695</u>	<u>254,842</u>
<b>Non-current liabilities</b>		
Unfunded post employment benefit obligation	11,121	10,516
Borrowings	650	950
Amount due to immediate holding company	43,940	43,038
	<u>55,711</u>	<u>54,504</u>
<b>Current liabilities</b>		
Trade payables	52,133	58,617
Other payables and provisions	34,710	18,107
Borrowings	131,981	134,007
Derivative financial instruments	513	245
Amount due to immediate holding company	3,691	3,491
Taxation	558	0
	<u>223,586</u>	<u>214,467</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>533,992</u></u>	<u><u>523,813</u></u>
Net assets per share attributable to equity holders of the Company (RM)	1.21	1.21

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 June 2014**

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 2014	210,000	5,866	(43)	39,019	254,842
Comprehensive loss:					
- Net loss for the financial period	0	0	0	(147)	(147)
Balance as at 30 June 2014	210,000	5,866	(43)	38,872	254,695
Balance as at 1 January 2013	210,000	5,866	(44)	102,644	318,466
Comprehensive loss:					
- Net loss for the financial period	-	-	(1)	(10,680)	(10,681)
Balance as at 30 June 2013	210,000	5,866	(45)	91,964	307,785

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 June 2014**

The figures have not been audited.

	<b>Current year to 30 June 2014</b>	<b>Preceding year to 30 June 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Cash flows from operating activities</u>		
– Loss after tax	(147)	(10,680)
– Adjustments for non-cash and non-operating items		
• Taxation	651	(3,051)
• Other non-cash and non-operating items	13,106	14,845
	<u>13,610</u>	<u>1,114</u>
– Changes in working capital		
• (Increase)/decrease in inventories	(5,075)	7,037
• Increase in receivables	(9,269)	(8,689)
• Increase in payables	6,887	11,889
• Increase in intercompany balances	201	202
	<u>6,354</u>	<u>11,553</u>
– Payment of staff retirement benefits	(107)	(350)
– Net income tax paid	(352)	(176)
Net cash flows from operating activities	<u>5,895</u>	<u>11,027</u>
<u>Cash flows from investing activities</u>		
– Purchases of property, plant and equipment	(426)	(3,813)
– Interest income received	1	14
– Proceeds from sales of property, plant, and equipment	2,300	156
Net cash flows from/(used in) investing activities	<u>1,875</u>	<u>(3,643)</u>
<u>Cash flows from financing activities</u>		
– Repayment of term loans	(8,491)	(17,550)
– Proceeds from bankers acceptances/trade financing	10,127	10,063
– Financing expenses	(3,744)	(4,224)
Net cash flows used in financing activities	<u>(2,108)</u>	<u>(11,711)</u>
Net increase/(decrease) in cash and cash equivalents	5,662	(4,327)
Cash and cash equivalents at 1 January	(881)	7,935
Effects of exchange rate changes	27	2
Cash and cash equivalents at 30 June	<u>4,808</u>	<u>3,610</u>
Cash and cash equivalents comprise:		
Bank overdraft	(1,358)	(5,256)
Short term deposits	522	1,387
Cash and bank balances	5,644	7,479
	<u>4,808</u>	<u>3,610</u>

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 2013. 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 2013.

### **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 2013 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 2014:

Amendment to MFRS 10:	Consolidated Financial Statements
Amendment to MFRS 12:	Disclosures of Interests in Other Entities
Amendment to MFRS 127:	Separate Financial Statements
Amendment to MFRS 132:	Financial Instruments: Presentation

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 2013

The audit report of the Group's financial statements for the financial year ended 31 December 2013 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 June 2014.

### 6. Change in estimates

There were no changes in estimates that have had a material effect for the financial period ended 30 June 2014.

### 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 June 2014.

### 8. Dividends paid

There were no dividends paid for the financial period ended 30 June 2014.

### 9. Segmental reporting

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 30 June 2014 RM'000	Preceding year to 30 June 2013 RM'000	As at 30 June 2014 RM'000	As at 30 June 2013 RM'000	Current year to 30 June 2014 RM'000	Preceding year to 30 June 2013 RM'000
Malaysia	117,793	91,799	533,985	593,545	426	3,813
South East Asia	15,295	17,125	7	29	-	-
Middle East and South Asia	14,613	16,940	-	-	-	-
Hong Kong and China	11,433	11,710	-	-	-	-
Others	4,462	5,175	-	-	-	-
	<u>163,596</u>	<u>142,749</u>	<u>533,992</u>	<u>593,574</u>	<u>426</u>	<u>3,813</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 June 2014

There were no material events subsequent to the end of the current financial period ended 30 June 2014.

### 12. Changes in the composition of the Group during the financial period ended 30 June 2014

There were no changes in the composition of the Group during the financial period ended 30 June 2014.



### 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 2013.

### 14. Capital commitments

Capital commitments not provided for in the financial statements as at 30 June 2014 were as follows:-

	RM'000
Approved and contracted	180
Approved but not contracted	33
	<hr/>
	213
	<hr/> <hr/>
Analysed as follows:-	
Property, plant and equipment	<hr/> <hr/> 213



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

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

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

Group revenue continued to grow reaching RM88 million in this second quarter under review, which was up 15% quarter on quarter, mainly due to higher sales in the domestic market with more favourable sales mix and increased selling prices.

The Group recorded pre-tax profit of RM3.4 million, improving by RM9.1 million as a result of better selling prices, lower cost and favourable unrealised foreign exchange gain from hedged sales contracts.

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

The Group posted revenue of RM163.6 million for the first half of 2014 which was 15% higher against RM142.7 million a year ago as a result of higher domestic sales. Although the Group registered a pre-tax profit of only RM0.5 million, this is a significant improvement of RM14.2 million when compared to the pre-tax loss of RM13.7 million a year ago.

The Group's better results for the half year ended 30 June 2014 was mainly attributable to :

- higher selling prices for plainboards;
- better absorption of fixed costs due to higher production volume with less shutdown days at its Gebeng plant;
- favourable unrealised foreign exchange gain on hedged sales contract; and
- favourable wood price and mix.

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

The Group saw a turnaround in the second quarter achieving RM3.4 million pre-tax profit against RM2.9 million loss in the first quarter, mainly due to increased sales volume in its core markets with better plainboard selling prices and improved plant operations and cost management.

### **3. Prospects**

The Group has been able to increase selling prices so far in the year whilst remaining continuously focused on efforts to improve plant efficiency to maintain its profitability momentum amidst a volatile global economic environment. Hence, the Group remains 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. Profit/(loss) before tax

	Current year quarter to 30 June 2014 RM'000	Preceding year quarter to 30 June 2013 RM'000	Current year to 30 June 2014 RM'000	Preceding year to 30 June 2013 RM'000
Profit/(loss) before tax is arrived at after charging/(crediting):-				
Interest income	(1)	(7)	(1)	(14)
Interest expense	2,249	2,373	4,500	4,735
Loan facility fees	0	0	30	30
Depreciation and amortisation	3,775	4,359	7,488	8,580
Net realised foreign exchange gain	(406)	(503)	(564)	(806)
Net unrealised foreign exchange gain	(165)	(96)	(27)	(160)
Fair value (gain)/loss on derivative financial instruments	(310)	1,141	(758)	1,100

## 6. Tax expense

	Current quarter to 30 June 2014 RM'000	Current year to 30 June 2014 RM'000
In respect of current year		
- Malaysia income tax	395	703
- Deferred tax	(14)	(52)
	<u>381</u>	<u>651</u>
In respect of previous year		
- Malaysia income tax	0	0
	<u>381</u>	<u>651</u>

The Group's effective tax rate for the current quarter was lower than statutory tax rate mainly due to utilisation of previously unrecognised deferred tax assets and income not subjected to tax.

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



## 7. Retained earnings

	As at 30 June 2014	As at 31 December 2013
Total retained earnings of the Company and its subsidiaries	RM'000	RM'000
- Realised	32,353	30,906
- Unrealised	6,764	7,008
	<u>39,117</u>	<u>37,914</u>
Add: Consolidation adjustments	(245)	1,105
	<u>38,872</u>	<u>39,019</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 USD5.037 million term loan. The details of the Group's borrowings as at 30 June 2014 were as follows:-

	Current		Non- current	
	RM'000	Foreign Currency USD'000	RM'000	Foreign Currency USD'000
Term loans (secured)	65,288	5,037	-	-
Term loans (unsecured)	600	-	650	-
Bankers acceptance and trade financing (unsecured)	59,735	-	-	-
Revolving credit (unsecured)	5,000	-	-	-
Bank overdraft (unsecured)	1,358	-	-	-
	<u>131,981</u>	<u>5,037</u>	<u>650</u>	<u>0</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 RM44 million which are not due for repayment within a year are classified as current liabilities as at 30 June 2014 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 2013.

## 11. Dividend

The directors do not recommend the payment of dividend for the financial period ended 30 June 2014. No dividend was declared for the same period last year.

## 12. Profit/(loss) per share

	Current year quarter to 30 June 2014	Preceding year quarter to 30 June 2013	Current year to 30 June 2014	Preceding year to 30 June 2013
a) Basic				
Profit/(loss) for the period (RM'000)	3,027	(4,770)	(147)	(10,680)
Weighted average number of ordinary shares in issue ('000)	210,000	210,000	210,000	210,000
Profit/(loss) per share (sen)	1.44	(2.27)	(0.07)	(5.09)
b) Diluted	N/A	N/A	N/A	N/A

BY ORDER OF THE BOARD  
**MIECO CHIPBOARD BERHAD**

Ho Swee Ling  
Yap Choon Fon  
Company Secretaries  
Kuala Lumpur

22 August 2014