



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

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

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to 30 September 2014 RM'000	Preceding year quarter to 30 September 2013 RM'000	Current year to 30 September 2014 RM'000	Preceding year to 30 September 2013 RM'000
Revenue	82,663	74,139	246,258	216,888
Other income/(expenses)	544	(473)	2,085	(421)
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	9,544	3,153	22,066	2,767
Depreciation and amortisation	(3,712)	(4,331)	(11,200)	(12,911)
Profit/(loss) from operations	5,832	(1,178)	10,866	(10,144)
Finance costs	(2,267)	(2,601)	(6,797)	(7,366)
Profit/(loss) before taxation	3,565	(3,779)	4,069	(17,510)
Tax (expense)/credit	19	57	(632)	3,108
Net profit/(loss) for the period	3,584	(3,722)	3,437	(14,402)
Other comprehensive income/(loss):				
Exchange differences on translating foreign subsidiaries	0	2	0	1
Total comprehensive income/(loss) for the period	3,584	(3,720)	3,437	(14,401)
Net profit/(loss) for the period/year attributable to owners of the Company	3,584	(3,722)	3,437	(14,402)
Total comprehensive income/(loss) attributable to owners of the Company	3,584	(3,720)	3,437	(14,401)
Basic profit/(loss) per share (sen)	1.71	(1.77)	1.64	(6.86)
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 September 2014**

The figures have not been audited.

	(Unaudited) As at 30 September 2014 RM'000	(Audited) As at 31 December 2013 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	403,193	412,258
Deferred tax assets	441	386
	<u>403,634</u>	<u>412,644</u>
<b>Current assets</b>		
Inventories	50,337	45,631
Tax recoverable	328	118
Trade receivables	64,540	51,110
Other receivables	2,226	3,925
Short term deposits	522	515
Cash and bank balances	4,960	3,465
	<u>122,913</u>	<u>104,764</u>
Non-current assets classified as held for sale	6,405	6,405
	<u>129,318</u>	<u>111,169</u>
<b>TOTAL ASSETS</b>	<u>532,952</u>	<u>523,813</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	42,456	39,019
<b>Total equity</b>	<u>258,279</u>	<u>254,842</u>
<b>Non-current liabilities</b>		
Unfunded post employment benefit obligation	11,478	10,516
Borrowings	500	950
Amount due to immediate holding company	44,398	43,038
	<u>56,376</u>	<u>54,504</u>
<b>Current liabilities</b>		
Trade payables	55,427	58,617
Other payables and provisions	34,065	18,107
Borrowings	124,447	134,007
Derivative financial instruments	412	245
Amount due to immediate holding company	3,792	3,491
Taxation	154	0
	<u>218,297</u>	<u>214,467</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>532,952</u>	<u>523,813</u>
Net assets per share attributable to equity holders of the Company (RM)	1.23	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 September 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 income:					
- Net profit for the financial period	-	-	-	3,437	3,437
Balance as at 30 September 2014	210,000	5,866	(43)	42,456	258,279
Balance as at 1 January 2013	210,000	5,866	(44)	102,644	318,466
Comprehensive loss:					
- Net loss for the financial period	-	-	-	(14,402)	(14,402)
Other comprehensive income					
- Exchange difference on translating foreign subsidiaries	-	-	1	-	1
Balance as at 30 September 2013	210,000	5,866	(43)	88,242	304,065

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 September 2014**

The figures have not been audited.

	<b>Current year to 30 September 2014</b>	<b>Preceding year to 30 September 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Cash flows from operating activities</u>		
– Profit/(loss) after tax	3,437	(14,402)
– Adjustments for non-cash and non-operating items		
• Taxation	632	(3,108)
• Other non-cash and non-operating items	19,654	22,459
	<hr/> 23,723	<hr/> 4,949
– Changes in working capital		
• (Increase)/decrease in inventories	(4,758)	1,120
• Increase in receivables	(12,176)	(4,231)
• Increase in payables	9,997	18,514
• Increase in intercompany balances	302	302
	<hr/> 17,088	<hr/> 20,654
– Payment of staff retirement benefits	(107)	(693)
– Net income tax (paid)/refund	(1,276)	465
Net cash flows from operating activities	<hr/> <hr/> 15,705	<hr/> <hr/> 20,426
<u>Cash flows from investing activities</u>		
– Purchases of property, plant and equipment	(1,123)	(4,272)
– Interest income received	1	15
– Proceeds from sales of property, plant, and equipment	2,335	156
Net cash flows from/(used in) investing activities	<hr/> <hr/> 1,213	<hr/> <hr/> (4,101)
<u>Cash flows from financing activities</u>		
– Repayment of term loans	(12,722)	(22,041)
– Proceeds from bankers acceptances/trade financing	5,106	8,205
– Financing expenses	(5,577)	(6,273)
Net cash flows used in financing activities	<hr/> <hr/> (13,193)	<hr/> <hr/> (20,109)
Net increase/(decrease) in cash and cash equivalents	3,725	(3,784)
Cash and cash equivalents at 1 January	(881)	7,935
Effects of exchange rate changes	3	13
Cash and cash equivalents at 30 September	<hr/> <hr/> 2,847	<hr/> <hr/> 4,164
Cash and cash equivalents comprise:		
Bank overdraft	(2,635)	(5,202)
Short term deposits	522	1,401
Cash and bank balances	4,960	7,965
	<hr/> <hr/> 2,847	<hr/> <hr/> 4,164

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 September 2014.

**6. Change in estimates**

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

**8. Dividends paid**

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

**9. Segmental reporting**

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 30 September 2014 RM'000	Preceding year to 30 September 2013 RM'000	As at 30 September 2014 RM'000	As at 30 September 2013 RM'000	Current year to 30 September 2014 RM'000	Preceding year to 30 September 2013 RM'000
Malaysia	182,428	143,459	532,951	590,447	1,123	4,272
South East Asia	18,287	22,148	1	24	-	-
Middle East and South Asia	22,115	26,318	-	-	-	-
Hong Kong and China	16,298	18,460	-	-	-	-
Others	7,130	6,503	-	-	-	-
	<u>246,258</u>	<u>216,888</u>	<u>532,952</u>	<u>590,471</u>	<u>1,123</u>	<u>4,272</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 2014**

The disposal of land and buildings in Semambu, Pahang by a subsidiary via a sale and purchase agreement dated 7 March 2014 was completed on 17 November 2014.

**12. Changes in the composition of the Group during the financial period ended 30 September 2014**

There were no changes in the composition of the Group during the financial period ended 30 September 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 September 2014 were as follows:-

	RM'000
Approved and contracted	275
Approved but not contracted	33
	<hr/>
	308
	<hr/> <hr/>
Analysed as follows:-	
Property, plant and equipment	<hr/> <hr/> 308



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

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

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

The third quarter of 2014 marked another period of growth as Group revenue rose 12% to RM82.7 million, when compared to RM74.1 million a year ago. This was mainly due to increased selling prices particularly for plainboard combined with higher domestic sales volume.

As a result, the Group's gross margin improved, helped also by lower raw material prices though partially offset by increased plant repairs and maintenance and electricity costs. The Group is happy to report another quarter of pre-tax profit recorded at RM3.6 million. This compares favourably with the pre-tax loss of RM3.8 million in the corresponding quarter last year.

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

Group revenue for the nine months under review rose 14% to RM246.3 million when compared to RM216.9 million a year ago, mainly due to higher domestic sales volume and increased selling price for plainboard. The Group returned to the black with a modest RM4.1 million pre-tax profit against RM17.5 million pre-tax loss for the same period last year. The improved results reflect the impact of operating efficiency in terms of plant production, sourcing and usage of raw materials and in spite of increased electricity tariffs and higher raw material prices such as glue.

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

Despite a seasonal lower revenue, pre-tax profit of RM3.6 million in the third quarter under review improved by 5% against the previous quarter as a result of the Group's continuing focus on domestic market sales and push to drive lower its operating costs.

### **3. Prospects**

Faced with uncertain global growth and expected moderation of domestic GDP growth, the Group hopes to maintain its growth momentum whilst remaining cautiously optimistic of improving its financial performance for the 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 September 2014 RM'000	Preceding year quarter to 30 September 2013 RM'000	Current year to 30 September 2014 RM'000	Preceding year to 30 September 2013 RM'000
Profit/(loss) before tax is arrived at after charging/(crediting):-				
Interest income	0	(8)	(1)	(22)
Interest expense	2,266	2,397	6,766	7,132
Loan facility fees	0	204	30	234
Depreciation and amortisation	3,712	4,331	11,200	12,911
Write off/(write-back) of inventories	0	7	0	7
Net realised foreign exchange (gain)/loss	(800)	114	(1,364)	(692)
Net unrealised foreign exchange (gain)/loss	(269)	794	(296)	634
Fair value (gain)/loss on derivative financial instruments	925	(419)	167	681

## 6. Tax (expense)/credit

	Current quarter to 30 September 2014 RM'000	Current year to 30 September 2014 RM'000
In respect of current year		
- Malaysia income tax	14	(689)
- Deferred tax	3	55
	<u>17</u>	<u>(634)</u>
In respect of previous year		
- Malaysia income tax	2	2
	<u>19</u>	<u>(632)</u>

The Group's effective tax rate for the current quarter under review differs from the statutory tax rate mainly due to utilisation of previously unrecognised deferred tax assets.

The Group's effective tax rate for the current year under review was lower than statutory tax rate mainly due to utilisation of previously unrecognised deferred tax assets partly offset by expenses not deductible for tax.



## 7. Retained earnings

	As at 30 September 2014	As at 31 December 2013
Total retained earnings of the Company and its subsidiaries	RM'000	RM'000
- Realised	35,490	30,906
- Unrealised	7,211	7,008
	<hr/>	<hr/>
	42,701	37,914
Add: Consolidation adjustments	(245)	1,105
	<hr/>	<hr/>
	42,456	39,019
	<hr/> <hr/>	<hr/> <hr/>

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 USD4.721 million term loan. The details of the Group's borrowings as at 30 September 2014 were as follows:-

	Current		Non- current	
	RM'000	Foreign Currency USD'000	RM'000	Foreign Currency USD'000
Term loans (secured)	61,498	4,721	-	-
Term loans (unsecured)	600	-	500	-
Bankers acceptance and trade financing (unsecured)	54,714	-	-	-
Revolving credit (unsecured)	5,000	-	-	-
Bank overdraft (unsecured)	2,635	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	124,447	4,721	500	0
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Term loans (secured) amounting to RM38 million which are not due for repayment within a year are classified as current liabilities as at 30 September 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 September 2014. No dividend was declared for the same period last year.

#### 12. Profit/(loss) per share

	Current year quarter to 30 September 2014	Preceding year quarter to 30 September 2013	Current year to 30 September 2014	Preceding year to 30 September 2013
a) Basic				
Profit/(loss) for the period (RM'000)	3,584	(3,722)	3,437	(14,402)
Weighted average number of ordinary shares in issue ('000)	210,000	210,000	210,000	210,000
Profit/(loss) per share (sen)	1.71	(1.77)	1.64	(6.86)
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

21 November 2014