



MIECO CHIPBOARD BERHAD (12849-K)

Condensed Consolidated Statement of Comprehensive Income for the financial year ended 31 December 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
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
Revenue	75,631	77,825	321,889	294,713
Other income/(expenses)	(1,887)	198	198	(223)
Operating profit/(loss) before finance cost, depreciation and amortisation, income tax and minority interests	5,079	(188)	27,146	2,580
Depreciation and amortisation	(3,736)	(4,278)	(14,937)	(17,189)
Impairment loss on property, plant and equipment	-	(45,820)	-	(45,820)
Gain on disposal of property, plant and equipment	16,134	-	16,134	-
Profit/(loss) from operations	17,477	(50,286)	28,343	(60,429)
Finance costs	(2,105)	(2,369)	(8,902)	(9,735)
Profit/(loss) before taxation	15,372	(52,655)	19,441	(70,164)
Tax (expense)/credit	(531)	3,431	(1,164)	6,539
Net profit/(loss) for the period/year	14,841	(49,224)	18,277	(63,625)
Other comprehensive income:				
Actuarial gain on defined retirement plan	848	-	848	-
Exchange differences on translating foreign subsidiaries	-	-	-	1
Total other comprehensive income for the period/year	848	-	848	1
Total comprehensive income/(loss) for the period/year	15,689	(49,224)	19,125	(63,624)
Net profit/(loss) attributable to owners of the Company	14,841	(49,224)	18,277	(63,625)
Total comprehensive profit/(loss) attributable to owners of the Company	15,689	(49,224)	19,125	(63,624)
Basic profit/(loss) per share (sen)	7.07	(23.44)	8.70	(30.30)
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 31 December 2014

The figures have not been audited.

	(Unaudited) As at 31 December 2014 RM'000	(Audited) As at 31 December 2013 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	400,868	412,258
Deferred tax assets	441	386
	<u>401,309</u>	<u>412,644</u>
Current assets		
Inventories	47,143	45,631
Tax recoverable	438	118
Trade receivables	54,727	51,110
Other receivables	2,859	3,925
Short term deposits	522	515
Cash and bank balances	5,797	3,465
	<u>111,486</u>	<u>104,764</u>
Non-current assets classified as held for sale	-	6,405
	<u>111,486</u>	<u>111,169</u>
TOTAL ASSETS	<u><u>512,795</u></u>	<u><u>523,813</u></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)	(43)
Retained earnings	58,144	39,019
Total equity	<u>273,967</u>	<u>254,842</u>
Non-current liabilities		
Unfunded post employment benefit obligation	10,956	10,516
Borrowings	350	950
Hire purchase creditor	31	0
Amount due to immediate holding company	44,874	43,038
	<u>56,211</u>	<u>54,504</u>
Current liabilities		
Trade payables	45,472	58,617
Other payables and provisions	29,764	18,107
Hire purchase creditor	36	0
Borrowings	100,843	134,007
Derivative financial instruments	1,328	245
Amount due to immediate holding company	5,174	3,491
	<u>182,617</u>	<u>214,467</u>
TOTAL EQUITY AND LIABILITIES	<u><u>512,795</u></u>	<u><u>523,813</u></u>
Net assets per share attributable to equity holders of the Company (RM)	1.30	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 year ended 31 December 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 year	-	-	-	18,277	18,277
Other comprehensive income					
- Actuarial gain on defined retirement benefit plan	-	-	-	848	848
Balance as at 31 December 2014	210,000	5,866	(43)	58,144	273,967
Balance as at 1 January 2013	210,000	5,866	(44)	102,644	318,466
Comprehensive loss:					
• Net loss for the financial year	-	-	-	(63,625)	(63,625)
Other comprehensive income					
• Exchange difference on translating foreign subsidiaries	-	-	1	-	1
Balance as at 31 December 2013	210,000	5,866	(43)	39,019	254,842

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 year ended 31 December 2014

The figures have not been audited.

	Current year to 31 December 2014 RM'000	Preceding year to 31 December 2013 RM'000
<u>Cash flows from operating activities</u>		
– Profit/(loss) after tax	18,277	(63,625)
– Adjustments for non-cash and non-operating items		
• Taxation	1,164	(6,539)
• Other non-cash and non-operating items	25,508	32,431
• Impairment loss on property, plant and equipment	-	45,820
• Gain on disposal of property, plant and equipment	(16,134)	-
	<hr/> 28,815	<hr/> 8,087
– Changes in working capital		
• (Increase)/decrease in inventories	(187)	11,020
• Increase in receivables	(3,018)	(6,525)
• (Decrease)/Increase in payables	(781)	11,310
• Increase in intercompany balances	402	402
	<hr/> 25,231	<hr/> 24,294
– Payment of staff retirement benefits	(137)	(921)
– Net income tax (paid)/refund	(1,539)	2,831
Net cash flows from operating activities	<hr/> <hr/> 23,555	<hr/> <hr/> 26,204
<u>Cash flows from investing activities</u>		
– Purchases of property, plant and equipment	(2,178)	(4,554)
– Interest income received	2	28
– Net proceeds from sales of property, plant, and equipment	22,574	696
Net cash flows from/(used in) investing activities	<hr/> <hr/> 20,398	<hr/> <hr/> (3,830)
<u>Cash flows from financing activities</u>		
– Repayment of term loans	(28,453)	(26,191)
– Repayment of hire purchase liabilities	(7)	0
– (Repayment of)/proceeds from bankers acceptances/trade financing	(1,020)	3,699
– Financing expenses	(7,321)	(8,708)
Net cash flows used in financing activities	<hr/> <hr/> (36,801)	<hr/> <hr/> (31,200)
Net increase/(decrease) in cash and cash equivalents	7,152	(8,826)
Cash and cash equivalents at 1 January	(881)	7,935
Effects of exchange rate changes	48	10
Cash and cash equivalents at 31 December	<hr/> <hr/> 6,319	<hr/> <hr/> (881)
Cash and cash equivalents comprise:		
Bank overdraft	-	(4,861)
Short term deposits	522	515
Cash and bank balances	5,797	3,465
	<hr/> <hr/> 6,319	<hr/> <hr/> (881)

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:

Amendments to MFRS 132:	Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136:	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 10, MFRS 12 and MFRS 127:	Investment entities

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 year ended 31 December 2014.

6. Change in estimates

There were no changes in estimates that have had a material effect for the financial year ended 31 December 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 year ended 31 December 2014.

8. Dividends paid

There were no dividends paid for the financial year ended 31 December 2014.

9. Segmental reporting

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 31 December 2014 RM'000	Preceding year to 31 December 2013 RM'000	As at 31 December 2014 RM'000	As at 31 December 2013 RM'000	Current year to 31 December 2014 RM'000	Preceding year to 31 December 2013 RM'000
Malaysia	242,831	202,171	512,794	523,790	2,178	4,554
South East Asia	22,448	27,951	1	23	-	-
Middle East and South Asia	26,314	32,179	-	-	-	-
Hong Kong and China	19,522	22,128	-	-	-	-
Others	10,774	10,284	-	-	-	-
	<u>321,889</u>	<u>294,713</u>	<u>512,795</u>	<u>523,813</u>	<u>2,178</u>	<u>4,554</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 2014

There were no material events subsequent to the end of the current financial year ended 31 December 2014.

12. Changes in the composition of the Group during the financial year ended 31 December 2014

There were no changes in the composition of the Group during the financial year ended 31 December 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 31 December 2014 were as follows:-

RM'000

Approved but not contracted – Property, plant and equipment

13,270



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 2014 slipped to RM75.6 million, a 3% fall quarter on quarter. The Group's plant operations were affected by the huge flood in December. As a result, the Group reported a lower sale volume which was partially mitigated by better selling prices and more favourable sales mix.

The Group posted a pre-tax profit of RM15.4 million in the last quarter of 2014, as compared to RM52.7 million loss in the same quarter a year ago, mainly due to the following:

- gain of RM16.1 million on disposal of land and buildings in Semambu, Pahang upon completion of sale;
- improved gross margins as a result of increased selling prices, lower raw material costs and repair and maintenance expenses, despite higher electricity tariffs and
- a non-cash impairment loss of RM45.8 million on its Lipis Plant in 2013.

Year on year review

For the whole year of 2014, Group revenue rose to RM321.9 million, up 9% against RM294.7 million revenue in 2013 with increase in sales volume as well as overall selling prices.

The Group chalked up a commendable pre-tax profit of RM19.4 million in 2014 when compared to the RM70.2 million loss in 2013. The exceptional items were the earlier mentioned gain on sale of land and buildings in Semambu and the previous year's impairment loss on its Lipis plant. Operationally, the stronger results in the financial year under review were driven by all across higher selling prices for plainboards and value added products helped by lower raw material costs and better absorption of fixed costs due to higher production volume, in spite of higher electricity costs.

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

Group profit before tax increased to RM15.4 million for the final quarter of 2014 against RM 3.6 million in the immediate preceding quarter mainly due to the earlier stated gain on disposal of land and buildings in Semambu upon its sale completion on 17 November 2014, with higher selling prices for plainboards and value added boards.

3. Prospects

With the strengthening US recovery boosting demand, the Group expects to grow revenue in 2015 with increased selling prices and greater focus on value added products. The Group is cautiously optimistic of achieving satisfactory results in the current financial year by developing new trending products and responding quickly to market changes whilst managing key costs and productivity by reducing downtime at its plants.

A key move in this coming year is the planned relocation of the Group's existing plant in Semambu, Pahang now that the land and buildings there have been sold. The Directors are taking measures to ensure a smooth relocation to minimise impact on plant productivity as well as to streamline production efficiency and to secure cost reductions.

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 31 December 2014 RM'000	Preceding year quarter to 31 December 2013 RM'000	Current year to 31 December 2014 RM'000	Preceding year to 31 December 2013 RM'000
Profit/(loss) before tax is arrived at after charging/(crediting):-				
Interest income	(1)	(6)	(2)	(28)
Interest expense	2,106	2,369	8,872	9,501
Loan facility fees	0	0	30	234
Depreciation and amortisation	3,736	4,278	14,937	17,189
Write off of inventories	68	18	316	725
Allowances for inventories obsolescence	350	2,525	155	2,525
Net realised foreign exchange (gain)/loss	(317)	87	(1,680)	(605)
Net unrealised foreign exchange loss	975	384	680	1,018
Fair value (gain)/loss on derivative financial instruments	916	(375)	1,083	306
Impairment loss on property, plant and equipment	0	45,820	0	45,820
Gain on disposal on property, plant and equipment	16,134	0	16,134	0

6. Tax expense/(credit)

	Current quarter to 31 December 2014 RM'000	Current year to 31 December 2014 RM'000
In respect of current year		
- Malaysia income tax	(531)	(1,221)
- Deferred tax	0	55
	<u>(531)</u>	<u>(1,166)</u>
In respect of previous year		
- Malaysia income tax	0	2
	<u>(531)</u>	<u>(1,164)</u>

The Group's effective tax rate for the current quarter and the year under review were lower than the statutory tax rate mainly due to utilisation of previously unrecognised deferred tax assets.



7. Retained earnings

	As at 31 December 2014	As at 31 December 2013
Total retained earnings of the Company and its subsidiaries	RM'000	RM'000
- Realised	50,115	30,906
- Unrealised	9,214	7,008
	<u>59,329</u>	<u>37,914</u>
Add: Consolidation adjustments	(1,185)	1,105
	<u>58,144</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 USD3.523 million term loan. The details of the Group's borrowings as at 31 December 2014 were as follows:-

	Current		Non- current	
	RM'000	Foreign Currency USD'000	RM'000	Foreign Currency USD'000
Term loans (secured)	46,655	3,523	-	-
Term loans (unsecured)	600	-	350	-
Bankers acceptance and trade financing (unsecured)	48,588	-	-	-
Revolving credit (unsecured)	5,000	-	-	-
	<u>100,843</u>	<u>3,523</u>	<u>350</u>	<u>0</u>

Term loans (secured) amounting to RM26.5 million which are not due for repayment within a year are classified as current liabilities as at 31 December 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. Derivative financial instruments

The Group's open forward contracts entered into are as follows:

	Currency to be received/paid	RM'000 equivalent	31.12.2014 Average contractual rate
Hedged items			
Trade receivables	US Dollar 2.991 million	10,534	3.5215
Future sales of goods	US Dollar 2.023 million	7,124	3.5215
		<u>17,658</u>	
	Currency to be received/paid	RM'000 equivalent	31.12.2013 Average contractual rate
Trade receivables	US Dollar 3.648 million	11,833	3.2433
Future sales of goods	US Dollar 1.628 million	5,288	3.2475
		<u>17,121</u>	

The settlement dates of the above open forward contracts range between 1 and 6 months.

Forward foreign currency exchange contracts are entered into with licensed banks to hedge the Group's exposure to foreign exchange risk in respect of its export sales and imported purchases by establishing the rate at which foreign currency assets or liabilities will be settled.

These contracts are executed with credit-worthy/reputable financial institutions in Malaysia. As such, credit risk and liquidity risk in respect of non-performance by counterparties to these contracts are minimal.

11. 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.

12. Dividend

The Directors do not recommend the payment of dividend for the financial year ended 31 December 2014. No dividend was declared for the same period last year.



13. Profit/(loss) per share

	Current year quarter to 31 December 2014	Preceding year quarter to 31 December 2013	Current year to 31 December 2014	Preceding year to 31 December 2013
a) Basic				
Profit/(loss) for the year (RM'000)	14,841	(49,224)	18,277	(63,625)
Weighted average number of ordinary shares in issue ('000)	210,000	210,000	210,000	210,000
Profit/(loss) per share (sen)	7.07	(23.44)	8.70	(30.30)
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

25 February 2015