



MIECO CHIPBOARD BERHAD (12849-K)

Unaudited Condensed Consolidated Statements of Financial Position as at 30 Sept 2011

	(Unaudited) As at 30 Sept 2011 RM'000	(Audited) As at 31 December 2010 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	483,320	489,406
Deferred tax assets	544	491
	<u>483,864</u>	<u>489,897</u>
Current assets		
Inventories	54,654	44,770
Tax recoverable	632	1,808
Trade receivables	44,038	31,593
Other receivables	2,815	843
Derivative assets	0	76
Short term deposits	1,318	2,516
Cash and bank balances	7,053	3,857
	<u>110,511</u>	<u>85,463</u>
TOTAL ASSETS	<u><u>594,374</u></u>	<u><u>575,360</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	(36)	(38)
Retained earnings	108,090	102,691
Total equity	<u>323,920</u>	<u>318,519</u>
Non-current liabilities		
Deferred tax liabilities	7,039	7,582
Unfunded post employment benefit obligation	9,805	9,241
Borrowings	102,498	126,738
Hire purchase creditor	0	96
Amount due to holding company	38,940	37,579
	<u>158,282</u>	<u>181,236</u>
Current liabilities		
Trade payables	31,524	22,238
Other payables and provisions	13,377	12,828
Borrowings	61,447	35,891
Amount due to holding company	2,563	2,369
Hire purchase creditor	123	164
Derivative liabilities	848	0
Current tax payable	2,290	2,115
	<u>112,172</u>	<u>75,605</u>
TOTAL EQUITY AND LIABILITIES	<u><u>594,374</u></u>	<u><u>575,360</u></u>
Net assets per share attributable to equity holders of the Company (RM)	1.54	1.52

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the explanatory notes attached to this interim financial report.



MIECO CHIPBOARD BERHAD (12849-K)

Unaudited Condensed Consolidated Statement of Comprehensive Income for the financial period ended 30 Sept 2011

These figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to	Preceding year quarter to	Current year to	Preceding year to
	30 Sept 2011	30 Sept 2010	30 Sept 2011	30 Sept 2010
	RM'000	RM'000	RM'000	RM'000
Revenue	71,373	41,954	216,199	129,073
Other income / (expense)	(1,514)	2,505	1,186	6,374
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	9,599	9,117	26,850	26,378
Depreciation and amortisation	(4,570)	(4,760)	(13,930)	(14,290)
Profit from operations	5,029	4,357	12,920	12,088
Finance costs	(2,716)	(2,712)	(7,953)	(7,972)
Profit before taxation	2,313	1,645	4,967	4,116
Tax credit / (expense)	(273)	29	432	14
Net profit for the period	2,040	1,674	5,399	4,130
Other comprehensive income / (expense):				
Exchange differences on translating foreign subsidiaries	0	6	2	(6)
Total comprehensive income for the period	2,040	1,680	5,401	4,124
Net profit for the period attributable to owners of the Company	2,040	1,674	5,399	4,130
Total comprehensive income attributable to owners of the Company	2,040	1,680	5,401	4,124
Basic earnings per share (sen)	0.97	0.80	2.57	1.97
Diluted earnings per share (sen)	N/A	N/A	N/A	N/A

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the explanatory notes attached to this interim financial report.



MIECO CHIPBOARD BERHAD (12849-K)

Unaudited Condensed Consolidated Statement of Changes in Equity for the financial period ended 30 Sept 2011

These 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 2011	210,000	5,866	(38)	102,691	318,519
Total comprehensive income for the period	-	-	2	5,399	5,401
Balance as at 30 Sept 2011	210,000	5,866	(36)	108,090	323,920
Balance as at 1 January 2010	210,000	5,866	(26)	100,448	316,288
Effects on adoption of FRS 139				627	627
Balance as at 1 January 2010, as restated	210,000	5,866	(26)	101,075	316,915
Total comprehensive income for the period	-	-	(6)	4,130	4,124
Balance as at 30 Sept 2010	210,000	5,866	(32)	105,205	321,039

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the explanatory notes attached to this interim financial report.



MIECO CHIPBOARD BERHAD (12849-K)

Unaudited Condensed Consolidated Statements of Cash Flow for the financial period ended 30 Sept 2011

These figures have not been audited.

	Current year to 30 Sept 2011 RM'000	Preceding year to 30 Sept 2010 RM'000
<u>Cash flows from operating activities</u>		
– Profit after Tax	5,399	4,130
– Adjustments for non-cash and non-operating items		
• Taxation	(432)	(14)
• Other non-cash and non-operating items	21,461	19,450
	26,429	23,566
– Changes in working capital		
• Increase in inventories	(8,056)	(5,329)
• (Increase)/decrease in receivables	(14,391)	2,029
• Increase/(decrease) in payables	9,661	(45)
• Increase in intercompany balances	194	254
	13,837	20,475
– Payment of staff retirement benefits	(454)	(344)
– Net income tax refund / (paid)	1,187	(188)
Net cash flows from operating activities	14,570	19,943
<u>Cash flows from investing activities</u>		
– Purchases of property, plant and equipment	(6,227)	(2,364)
– Interest income received	23	15
– Proceeds from sales of property, plant, and equipment	4	6
– Dividend income received	-	1
– Proceeds from disposal of marketable securities	-	71
Net cash flows used in investing activities	(6,200)	(2,271)
<u>Cash flows from financing activities</u>		
– Repayment of term loan	(13,909)	(6,163)
– Proceeds from term loan	2,900	-
– Drawdown of bankers acceptance financing	8,201	3,005
– Financing expenses	(6,631)	(6,596)
– Repayment of hire purchase creditor	(135)	(136)
Net cash flows from /(used in) financing activities	(9,574)	(9,890)
Net (decrease)/increase in cash and cash equivalents	(1,204)	7,782
Cash and cash equivalents at 1 January	2,947	(1,694)
Effects of exchange rate changes	(48)	(51)
Cash and cash equivalents as at 30 Sept	1,695	6,037
Cash and cash equivalents comprise:		
Overdraft	(6,676)	(3,665)
Short term deposits	1,318	2,513
Cash and bank balances	7,053	7,189
	1,695	6,037

The Unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the explanatory notes attached to this interim financial report.



PART A: Explanatory Notes of FRS 134

1. Basis of preparation

The interim financial statements have been prepared under the historical cost convention except for derivatives financial instruments.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of the revised FRS 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 year ended 31 December 2010. 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 2010.

2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 December 2010, except for the adoption of the following new and revised Financial Reporting Standards (FRSs), Issues Committee (IC) Interpretations and amendments to FRSs and IC Interpretations which are relevant to the Group's operations with effect from 1 January 2011 :-

FRS 1:	First-time Adoption of Financial Reporting Standards
FRS 3:	Business Combinations (Revised)
Amendments to FRS 127:	Consolidated and Separate Financial Statements
Amendments to FRS 138:	Intangible Assets
Amendments to IC Interpretation 9:	Reassessment of Embedded Derivatives
IC Interpretation 16:	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17:	Distribution of Non-cash Assets to Owners
Amendments to FRS 132:	Classification of Right Issues
Amendments to FRS 1:	Limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters
Amendments to FRS 1:	Additional Exemption for First-time Adopters
Amendments to FRS 7:	Improving Disclosures about Financial Instruments
IC Interpretation 4:	Determining Whether an Arrangement contains a Lease
Improvements to FRSs (2010)	

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 except for those discussed below:

FRS 3 Business Combinations (Revised) and Amendments to FRS 127 Consolidated and Separate Financial Statements

The FRS 3 Business Combinations (Revised) is effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments have been made to FRS 107 Statement of Cash Flows, FRS 112 Income Taxes, FRS 121 The Effects of Changes in Foreign Exchange Rates, FRS 128 Investments in Associates and FRS 131 Interests in Joint Ventures. The changes from the revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests.



3. Audit report of preceding annual financial statements for financial year ended 31 December 2010

The audit report of the Group's financial statements for the financial year ended 31 December 2010 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 Sept 2011.

6. Change in estimates

There were no changes in estimates that have had a material effect for the financial period ended 30 Sept 2011.

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 Sept 2011.

8. Dividends paid

There were no dividends paid for the financial period ended 30 Sept 2011.

9. Segmental reporting

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 30 Sept 2011 RM'000	Preceding year to 30 Sept 2010 RM'000	As at 30 Sept 2011 RM'000	As at 30 Sept 2010 RM'000	Current year to 30 Sept 2011 RM'000	Preceding year to 30 Sept 2010 RM'000
Malaysia	147,273	96,556	594,274	579,879	6,227	2,364
Hong Kong and China	19,825	6,574	31	77	-	-
Others	49,101	25,943	69	0	-	-
	<u>216,199</u>	<u>129,073</u>	<u>594,374</u>	<u>579,956</u>	<u>6,227</u>	<u>2,364</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 Sept 2011

There was no material events subsequent to the end of the current financial period ended 30 Sept 2011.

12. Changes in the composition of the Group during the financial period ended 30 Sept 2011

There were no changes in the composition of the Group during the financial period ended 30 Sept 2011.



13. Changes in contingent liabilities and contingent assets

There were no material changes in contingent liabilities and contingent assets since the last annual balance sheet on 31 December 2010 to the date of this report.

14. Capital commitments

Capital commitments not provided for in the financial statements as at 30 Sept 2011 were as follows:-

	RM'000
Approved and contracted	4,668
Approved but not contracted	4,674
	<hr/>
	9,342
	<hr/>
Analysed as follows:-	
Property, plant and equipment	<hr/>
	9,342
	<hr/>



PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. Review of performance

Quarter on quarter review

The Group's revenue increased 70% quarter-on-quarter to RM71.4 million from RM42.0 million a year ago as sales volume rose with the re-opening of Plant 3 operations in Kechau Tui, Pahang early this year.

Pre-tax profit improved to RM2.3 million from RM1.6 million a year ago due to higher sales, which was partly offset by unrealised translation losses mainly arising on its USD loan and from FRS139 fair value accounting.

Year on year review

The Group posted revenue of RM216.2 million for the period under review, up 67% from RM129.1 million a year ago, as sales volume of particleboards and related products doubled.

Pre-tax profit increased to RM5 million, up 22% from RM4.1 million for the same period a year ago. The better results for the period was mainly due to increased sales, which made up for its first-quarter loss of RM1.4 million arising from Plant 3 startup costs and higher raw wood cost caused by a delayed and prolonged monsoon season.

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

The Group's pre-tax profit of RM2.3 million for the quarter under review was down 44% against RM4.1 million in the immediate preceding quarter due to higher raw material costs and the earlier mentioned unrealised translation losses in the third quarter this year.

3. Prospects

Operating conditions are expected to be difficult and challenging in the last quarter of this year as prices of particleboards remain weak due to sluggish demand whilst there are signs of upward pressures on cost of key raw materials such as wood and glue, due to disruption in supply from anticipated inclement weather and volatile fuel prices. Notwithstanding, the Group expects its current year financial results to be better than the previous 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. Tax credit / (expense)

	Current quarter to 30 Sept 2011 RM'000	Current year to 30 Sept 2010 RM'000
In respect of current year		
- Malaysia income tax	(115)	(133)
- Foreign tax	(20)	(23)
- Deferred tax	(138)	37
	(273)	(119)
In respect of prior year		
- Malaysia income tax	5	(5)
- Foreign tax	(5)	(3)
- Deferred tax	-	559
	-	551
Tax credit / (expense)	(273)	432

The period under review differs from the statutory tax rate mainly due to the effect of movement of income not subject to tax and deferred tax assets.

The Group's effective tax rate for the quarter and period under review differs from the statutory tax rate mainly due to the utilisation of previously unrecognised tax losses and deferred tax assets, coupled with over provision of prior year's deferred tax now adjusted for.

6. Retained Earnings

	As at 30 Sept 2011 RM'000	As at 30 June 2011 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	109,844	105,293
- Unrealised	(2,766)	(255)
	107,078	105,038
Add: Consolidation adjustments	1,012	1,012
	108,090	106,050

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.

7. Sale of unquoted investments and / or properties

There were no sales of unquoted investments or properties outside the ordinary course of business for the financial period ended 30 Sept 2011.

8. Financial assets held for trading

There is no investment in financial assets held for trading as at 30 Sept 2011.

9. Status of corporate proposals

There are no corporate proposals announced but not completed as at the date of this report.



10. Borrowing and debt securities

The Group's borrowings are all denominated in Ringgit Malaysia except for a USD9.855 million term loan. The details of the Group's borrowings as at 30 Sept 2011 were as follows:-

	Current		Non- current	
	RM'000	Foreign Currency USD'000	RM'000	Foreign Currency USD'000
Term loan (unsecured)	27,994	2,160	102,498	7,695
Bankers acceptance (unsecured)	26,777		-	-
Bank overdraft (unsecured)	6,676		-	-
	<u>61,447</u>	<u>2,160</u>	<u>102,498</u>	<u>7,695</u>

11. Derivative Financial Instruments – Forward Foreign Currency Exchange Contracts

The outstanding forward foreign currency exchange contracts as at 30 Sept 2011 is as follows:-

	Contract/Notional Value RM'000	Fair Value RM'000
Foreign Exchange Contracts- less than 1 year	17,122	16,274

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 by establishing the rate at which foreign currency assets or liabilities will be settled.

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

The fair value of the forward foreign currency exchange contracts are subject to market risk. The fair value of the forward contracts may decline if the exchange rate of the underlying currency strengthens.

There are no cash requirements for these derivatives.

Forward foreign currency exchange contracts are recognised on the contract dates and are measured at fair value with changes in fair value recognised in profit or loss.

12. Fair value changes of financial liabilities

There are no financial liabilities measured at fair value through profit or loss as at 30 Sept 2011.

13. Changes in material litigation

As at the date of this report, there were no changes in material litigation since the last annual report balance sheet date of 31 December 2010.

14. Dividend

The directors do not recommend the payment of dividend for the financial period ended 30 Sept 2011. No dividend was declared for the same period last year.



15. Earnings per share

	Current year quarter to 30 Sept 2011	Preceding year quarter to 30 Sept 2010	Current year to 30 Sept 2011	Preceding year to 30 Sept 2010
a) Basic				
Profit for the period (RM'000)	2,040	1,674	5,399	4,130
Weighted average number of ordinary shares in issue ('000)	210,000	210,000	210,000	210,000
Earnings per share (sen)	0.97	0.80	2.57	1.97
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 November 2011