



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

**Unaudited Condensed Consolidated Statements of Financial Position as at 31 March 2011**

	(Unaudited) As at 31 March 2011 RM'000	(Audited) As at 31 December 2010 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	489,749	489,406
Deferred tax assets	487	491
	<u>490,236</u>	<u>489,897</u>
<b>Current assets</b>		
Inventories	44,549	44,770
Tax recoverable	1,765	1,808
Trade receivables	45,837	31,593
Other receivables	1,031	843
Derivative assets	246	76
Short term deposits	2,496	2,516
Cash and bank balances	5,468	3,857
	<u>101,392</u>	<u>85,463</u>
<b>TOTAL ASSETS</b>	<u>591,628</u>	<u>575,360</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	(38)	(38)
Retained earnings	101,282	102,691
<b>Total equity</b>	<u>317,110</u>	<u>318,519</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	7,580	7,582
Unfunded post employment benefit obligation	9,510	9,241
Borrowings	115,659	126,738
Hire purchase creditor	69	96
Amount due to holding company	38,027	37,579
	<u>170,845</u>	<u>181,236</u>
<b>Current liabilities</b>		
Trade payables	34,444	22,238
Other payables and provisions	14,526	12,828
Borrowings	49,964	35,891
Amount due to holding company	2,476	2,369
Hire purchase creditor	150	164
Current tax payable	2,113	2,115
	<u>103,673</u>	<u>75,605</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>591,628</u>	<u>575,360</u>
Net assets per share attributable to equity holders of the Company (RM)	1.51	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 31 March 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
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	RM'000	RM'000	RM'000	RM'000
Revenue	65,287	42,444	65,287	42,444
Other income	2,030	2,776	2,030	2,776
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	5,966	8,842	5,966	8,842
Depreciation and amortisation	(4,764)	(4,787)	(4,764)	(4,787)
Profit from operations	1,202	4,055	1,202	4,055
Finance costs	(2,605)	(2,606)	(2,605)	(2,606)
(Loss)/ profit before taxation	(1,403)	1,449	(1,403)	1,449
Tax expense	(6)	(13)	(6)	(13)
Net (loss)/ income for the period	(1,409)	1,436	(1,409)	1,436
Net (Loss)/ profit for the period attributable to owners of the Company	(1,409)	1,436	(1,409)	1,436
Total comprehensive (loss)/ income attributable to owners of the Company	(1,409)	1,436	(1,409)	1,436
Basic (loss)/earnings per share (sen)	(0.67)	0.68	(0.67)	0.68
Diluted (loss)/earnings per share (sen)	(0.67)	0.68	(0.67)	0.68

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 31 March 2011**

These figures have not been audited.

**Attributable to equity holders of the Company**

	<b>Share capital</b>	<b>Share premium</b>	<b>Foreign currency reserve</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Balance as at 1 January 2011	210,000	5,866	(38)	102,691	318,519
Total comprehensive loss for the period	-	-	-	(1,409)	(1,409)
Balance as at 31 March 2011	<u>210,000</u>	<u>5,866</u>	<u>(38)</u>	<u>101,282</u>	<u>317,110</u>
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	<u>210,000</u>	<u>5,866</u>	<u>(26)</u>	<u>101,075</u>	<u>316,915</u>
Total comprehensive income for the period	-	-	-	1,436	1,436
Balance as at 31 March 2010	<u>210,000</u>	<u>5,866</u>	<u>(26)</u>	<u>102,511</u>	<u>318,351</u>

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 31 March 2011**

These figures have not been audited.

	<b>Current year to 31 March 2011 RM'000</b>	<b>Preceding year to 31 March 2010 RM'000</b>
<u>Cash flows from operating activities</u>		
- (Loss) / profit after Tax	(1,409)	1,436
- Adjustments for non-cash and non-operating items		
• Taxation	6	13
• Other non-cash and non-operating items	6,027	5,827
	<hr/> 4,624	<hr/> 7,276
- Changes in working capital		
• Decrease in inventories	1,288	1,484
• (Increase)/Decrease in receivables	(14,435)	1,618
• Increase in payables	13,851	880
• Increase in intercompany balances	107	100
	<hr/> 5,435	<hr/> 11,358
- Payment of staff retirement benefits	(70)	(186)
- Net income tax refund / (paid)	39	(75)
Net cash flows from operating activities	<hr/> 5,404	<hr/> 11,097
<u>Cash flows from investing activities</u>		
- Purchases of property, plant and equipment	(5,112)	(775)
- Interest income received	-	5
- Proceeds from sales of property, plant, and equipment	3	-
Net cash flows used in investing activities	<hr/> (5,109)	<hr/> (770)
<u>Cash flows from financing activities</u>		
- Repayment of term loan	(3,600)	(2,659)
- Drawdown/(repayment) of bankers acceptance financing	9,214	(2,288)
- Interest paid	(2,272)	(2,175)
- Repayment of hire purchase creditor	(44)	(45)
Net cash flows from /(used in) financing activities	<hr/> 3,298	<hr/> (7,167)
Net increase in cash and cash equivalents	3,593	3,160
Cash and cash equivalents at 1 January	2,947	(1,694)
Effects of exchange rate changes	(11)	-
Cash and cash equivalents as at 31 March	<hr/> 6,529	<hr/> 1,466
Cash and cash equivalents comprise:		
Overdraft	(1,435)	(5,325)
Short term deposits	2,496	2,558
Cash and bank balances	5,468	4,233
	<hr/> 6,529	<hr/> 1,466

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 cyclical nature 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 31 March 2011.

**6. Change in estimates**

There were no changes in estimates that have had a material effect for the financial period ended 31 March 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 31 March 2011.

**8. Dividends paid**

There were no dividends paid for the financial period ended 31 March 2011.

**9. Segmental reporting**

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 31 March 2011 RM'000	Preceding year to 31 March 2010 RM'000	As at 31 March 2011 RM'000	As at 31 March 2010 RM'000	Current year to 31 March 2011 RM'000	Preceding year to 31 March 2010 RM'000
Malaysia	45,602	30,570	591,493	578,221	5,112	775
Hong Kong and China	7,283	2,517	59	121	-	-
Others	12,402	9,357	76	313	-	-
	<u>65,287</u>	<u>42,444</u>	<u>591,628</u>	<u>578,655</u>	<u>5,112</u>	<u>775</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 31 March 2011**

There are no material events subsequent to the end of the current financial period ended 31 March 2011.

**12. Changes in the composition of the Group during the financial period ended 31 March 2011**

There were no changes in the composition of the Group during the financial period ended 31 March 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 31 March 2011 were as follows:-

	RM'000
Approved and contracted	2,283
Approved but not contracted	3,196
	<hr/>
	5,479
	<hr/>
Analysed as follows:-	
Property, plant and equipment	<hr/>
	5,479
	<hr/>



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

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

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

The Group saw a 54% revenue jump as sales volume rose with the increased production capacity following the recommencement of Plant 3 operations in Kechau Tui, Pahang in January this year.

Albeit higher sales revenue, the Group recorded a pre-tax loss of RM1.4 million against the pre-tax profit of RM1.4 million in the corresponding quarter in 2010. This was due to higher operating and raw material costs, particularly a shortage of wood supply arising from a delayed and prolonged monsoon season as well as increased fuel and glue prices due to the volatile global oil prices. The Group's results in the same quarter last year were also boosted by a higher translation gain of its USD term loan arising from a relatively steeper weakening against the Ringgit then.

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

As the initial start-up costs for Plant 3 eased, the Group saw its pre-tax loss narrow from RM2.5 million in the preceding quarter to RM1.4 million pre-tax loss in the first quarter of 2011.

### **3. Prospects**

The Group hopes to achieve steady growth in sales revenue in the current financial year with higher domestic consumption and increased exports anticipated from Japan's reconstruction. The Group expects to improve its margin by focusing on value-added sales and optimising its product mix, supported by new offerings that meet stringent international environmental standards.

### **4. Variance of actual profit from forecast profit**

The Group did not provide any profit forecast in a public document.

### **5. Tax expense**

	Current quarter and year to 31 March 2011 RM'000
In respect of current year	
- Malaysia income tax	-
- Foreign tax	-
- Deferred tax	(4)
	(4)
In respect of prior year	
- Malaysia income tax	-
- Foreign tax	(2)
- Deferred tax	-
	(2)
Tax expense	(6)

The Group's effective tax rate for the quarter and the year under review differs from the statutory tax rate mainly due to the effect of favourable movement in deferred tax not taken up, income not subject to tax offsetted by expenses not subjected to tax and the effect of tax losses not recognised.





## 6. Retained Earnings

	As at 31 March 2011 RM'000	As at 31 December 2010 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	101,015	103,200
- Unrealised	(737)	(1,513)
	<hr/> 100,278	<hr/> 101,687
Add: Consolidation adjustments	1,004	1,004
	<hr/> 101,282	<hr/> 102,691

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 31 March 2011.

## 8. Financial assets held for trading

There is no investment in financial assets held for trading as at 31 March 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 USD10.665 million term loan. The details of the Group's borrowings as at 31 March 2011 were as follows:-

	Current RM'000	Non- current RM'000
Term loan (unsecured)	20,739	115,659
Bankers acceptance (unsecured)	27,790	-
Bank overdraft (unsecured)	1,435	-
	<hr/> 49,964	<hr/> 115,659



## 11. Derivative Financial Instruments – Forward Foreign Currency Exchange Contracts

The outstanding forward foreign currency exchange contracts as at 31 March 2011 is as follows:-

	Contract/Notional Value RM'000	Fair Value RM'000
Foreign Exchange Contracts- less than 1 year	20,693	20,939

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 credit-worthy/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 decreases.

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 31 March 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 31 March 2011. No dividend was declared for the same period last year.



## 15. Earnings per share

	Current year quarter to 31 March 2011	Preceding year quarter to 31 March 2010	Current year to 31 March 2011	Preceding year to 31 March 2010
a) Basic				
(Loss)/profit for the period (RM'000)	(1,409)	1,436	(1,409)	1,436
Weighted average number of ordinary shares in issue ('000)	210,000	210,000	210,000	210,000
(Loss)/earnings per share (sen)	(0.67)	0.68	(0.67)	0.68
b) Diluted	(0.67)	0.68	(0.67)	0.68

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

Ho Swee Ling  
Company Secretary  
Kuala Lumpur

24 May 2011