

MIECO CHIPBOARD BERHAD (12849-K)
Condensed Consolidated Balance Sheets as at 30 September 2006

	(Unaudited) As at 30 September 2006 RM'000	(Audited) As at 31 December 2005 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	520,195	524,394
Investment property	7,183	7,303
Prepaid lease payments	16,358	16,523
Investments in associates	-	673
Deferred tax assets	356	523
	<u>544,092</u>	<u>549,416</u>
Current assets		
Inventories	50,669	43,110
Tax recoverable	2,323	3,486
Trade receivables	57,704	30,943
Other receivables	10,645	10,608
Amount due from associated companies	1,209	787
Marketable securities	884	1,476
Short term deposits	10,496	3,846
Cash and bank balances	5,395	11,094
	<u>139,325</u>	<u>105,350</u>
TOTAL ASSETS	<u>683,417</u>	<u>654,766</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	210,000	210,000
Reserves		
Share premium	5,866	5,866
Warrant reserve account	13,979	13,979
Foreign currency reserve	(309)	-
Retained earnings	127,677	122,396
Total equity	<u>357,213</u>	<u>352,241</u>
Non-current liabilities		
Deferred tax liabilities	21,281	18,708
Unfunded post employment benefit obligation	7,026	6,571
Borrowings	177,000	100,066
	<u>205,307</u>	<u>125,345</u>
Current liabilities		
Trade payables	45,140	38,469
Other payables & provisions	26,660	21,556
Borrowings	47,772	116,104
Amount due to holding company	1,203	927
Provision for back dated wages	122	122
Current tax payable	-	2
	<u>120,897</u>	<u>177,180</u>
TOTAL EQUITY AND LIABILITIES	<u>683,417</u>	<u>654,766</u>

Net assets per share attributable to equity holders of the parent (RM) 1.70 1.68
The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the explanatory notes attached to this interim financial report.

MIECO CHIPBOARD BERHAD (12849-K)**Condensed Consolidated Income Statement for the financial period ended 30 September 2006**

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year Quarter to 30 September 2006 RM'000	Preceding year quarter to 30 September 2005 RM'000	Current year to 30 September 2006 RM'000	Preceding year to 30 September 2005 RM'000
Revenue	90,824	77,848	244,939	201,019
Investment income	19	10	23	20
Other income	573	819	2,100	1,772
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	11,666	5,651	31,377	28,366
Depreciation and amortisation	(3,977)	(6,855)	(11,707)	(17,422)
Profit/ (loss) from operations	7,689	(1,204)	19,670	10,944
Finance costs	(3,766)	(2,686)	(10,338)	(6,095)
Share of results of associated companies	-	(841)	(673)	(2,001)
Profit/ (loss) before taxation	3,923	(4,731)	8,659	2,848
Tax expense	(1,241)	989	(3,378)	(3,984)
Profit/ (loss) after taxation	2,682	(3,742)	5,281	(1,136)
Minority interest	-	-	-	-
Net profit/ (loss) for the period attributable to equity holders of the parent	2,682	(3,742)	5,281	(1,136)
Earnings/ (losses) per share – Basic (sen)	1.28	(1.78)	2.51	(0.54)
Earnings per share – Diluted (sen) [See Part B Note 13(b)]	N/A	N/A	N/A	N/A

The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2005 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 2006**

The figures have not been audited.

	Attributable to equity holders of the Parent				Retained earnings RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Foreign currency reserve RM'000		
Balance as at 1 January 2006	210,000	5,866	13,979	-	122,396	352,241
Foreign currency translation, representing net expense recognised directly in equity	-	-	-	(309)	-	(309)
Profit for the period	-	-	-	-	5,281	5,281
Total recognised income and expense for the period	-	-	-	(309)	5,281	4,972
Balance as at 30 September 2006	210,000	5,866	13,979	(309)	127,677	357,213
Balance as at 1 January 2005	210,000	5,866	13,979	-	146,323	376,168
Profit for the period	-	-	-	-	(1,136)	(1,136)
Dividend for financial year 2004					(15,750)	(15,750)
Balance as at 30 September 2005	210,000	5,866	13,979	-	129,437	359,282

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the explanatory notes attached to this interim financial report.

MIECO CHIPBOARD BERHAD (12849-K)**Condensed Consolidated Cash Flow Statement for the financial period ended 30 September 2006**

The figures have not been audited.

	Current year to 30 September 2006 RM'000	Preceding year to 30 September 2005 RM'000
<u>Cash flows from operating activities</u>		
- Profit/(loss) after taxation	5,281	(1,136)
- Adjustments for non-cash and non-operating items	29,006	30,485
	<u>34,287</u>	<u>29,349</u>
- Changes in working capital		
• Increase in inventories	(9,273)	(6,861)
• Increase in receivables	(25,212)	(15,890)
• Increase in payables	9,945	19,603
• (Decrease)/increase in intercompany balances	(146)	937
	<u>9,601</u>	<u>27,138</u>
- Payment of staff retirement benefits	(473)	(346)
- Income tax paid	(1,310)	(4,088)
Net cash flows from operating activities	<u>7,818</u>	<u>22,704</u>
<u>Cash flows from investing activities</u>		
- Purchases of property, plant and equipment	(7,628)	(48,279)
- Investment in associated company	-	(3,430)
- Proceeds from disposal of marketable securities	771	43
- Interest income received	117	252
- Dividend income received	23	20
- Proceeds from sales of property, plant, and equipment	46	665
Net cash flows used in investing activities	<u>(6,671)</u>	<u>(50,729)</u>
<u>Cash flows from financing activities</u>		
- Proceeds from term loan	97,000	-
- Dividend paid	-	(15,750)
- Proceeds from bankers acceptance financing	6,085	35,619
- Redemption of bonds and commercial papers	(96,036)	-
- Financing expenses	(7,752)	(5,670)
- Repayment of hire purchase creditor	(167)	(123)
Net cash flows (used in)/ from financing activities	<u>(870)</u>	<u>14,076</u>
Net increase/ (decrease) in cash and cash equivalents	277	(13,949)
Cash and cash equivalents at 1 January	14,940	30,832
Cash and cash equivalents as at 30 September	<u>15,217</u>	<u>16,883</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the explanatory notes attached to this interim financial report.

PART A: Explanatory Notes of MASB 26 – Paragraph 16

1. Basis of preparation

The interim financial statements have been prepared under the historical cost convention except for investment properties, which are stated at fair values.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of 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 2005. 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 year ended 31 December 2005.

2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning 1 January 2006:-

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

In addition to the above, the Group has also taken the option of early adoption of the following new/revised FRSs for the financial period beginning 1 January 2006:-

FRS 117	Leases
FRS 124	Related Party Disclosures

The adoption of FRS 2, 3, 5, 101, 102, 110, 124, 127, 128, 131, 132, 133, 136 and 138 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are discussed below:-

(a) FRS 117: Leases

The adoption of the revised FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land represents prepaid lease payments and are amortised on a straight-line basis over the lease term. Prior to 1 January 2006, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation.

(b) FRS 121: The Effects of Changes in Foreign Exchange Rates

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

Under the revised FRS 121, exchange differences arising from translating functional currency into presentation currency of either the reporting entity or the foreign operation for preparation of consolidated financial statement, are to be recognized as a separate component of the equity. Previously, such exchange differences were taken to profit or loss. This change in accounting policy does not have significant financial impact on the Group prior to year 2006.

(c) FRS 140: Investment Property

The adoption of this new FRS has resulted in a change in accounting policy for investment properties. Properties held for rental or for capital appreciation or both are classified as investment properties. Investment properties are now stated at fair value, representing open-market value determined by external valuers and assessed by directors. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the period in which they arise. Prior to 1 January 2006, these properties were classified as property, plant and equipment and were stated at cost less accumulated depreciation. In accordance with the transitional provisions of FRS 140, this change in accounting policy is applied prospectively and the comparatives as at 31 December 2005 are not restated. The opening balances in the balance sheet as at 1 January 2006 were not restated as the adoption of FRS 140 does not have significant financial impact on the Group.

Comparatives

Leasehold land and certain properties previously classified under property plant and equipment have been reclassified as prepaid lease payments and investment properties on 1 January 2006.

	Previously stated RM'000	Reclassification RM'000	Restated RM'000
As at 31 December 2005			
Property, plant and equipment	548,220	(23,826)	524,394
Prepaid lease payments	0	16,523	16,523
Investment properties	0	7,303	7,303

3. Audit report of preceding annual financial statements for financial year ended 31 December 2005

The audit report of the Group's financial statements for the year ended 31 December 2005 was not qualified.

4. Seasonality or cyclicity of interim operations

Demand for chipboards and related products is generally seasonal and is also affected by national as well as international 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 2006 except as disclosed in Note 2 and Note 6.

6. Change in estimates

FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The Group revised the residual values of motor vehicles as well as the residual values and estimated useful lives of certain plant and machinery with effect from 1 January 2006. The revisions were accounted for as change in accounting estimates and as a result, the depreciation charges for the current quarter and the financial period to-date have been reduced by RM3.3 million and RM9.3 million respectively.

There were no other changes in estimates that have had a material effect for the financial period ended 30 September 2006.

7. Issuance and repayment of debt and equity securities

Except for the repurchases of the RM70 million Al Murabahah Medium Term Notes and RM25 million Al Murabahah Commercial Paper, there were no issuance, cancellations, repurchases, resale and repayment of debt and equity securities for the financial period ended 30 September 2006.

8. Dividends paid

There were no dividends paid for the financial period ended 30 September 2006.

9. Segmental reporting

Primary reporting – business segment

There is no disclosure of segment information by business segment as required by FRS 114, Segment Reporting as the Group operates principally within one industry that is, manufacturing and sales of chipboard and related products.

Secondary reporting – geographical segment

The Group operates in the following geographical areas :

	Revenue		Total assets		Capital expenditure	
	Current year to 30 September 2006	Preceding year to 30 September 2005	Current year to 30 September 2006	Preceding year to 30 September 2005	Current year to 30 September 2006	Preceding year to 30 September 2005
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	201,894	160,004	670,248	649,553	7,623	49,920
Hong Kong and China	43,045	41,015	8,441	11,179	5	3
Other	-	-	4,728	4,811	-	-
	<u>244,939</u>	<u>201,019</u>	<u>683,417</u>	<u>665,543</u>	<u>7,628</u>	<u>49,923</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 2006

There are no items, transactions or events of a material and unusual nature which have arisen from 30 September 2006 to the date of this announcement which would substantially affect the financial results of the Group for the period ended 30 September 2006.

12. Changes in the composition of the Group during the financial period ended 30 September 2006

There were no changes in the composition of the Group during the financial period ended 30 September 2006.

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 2005 to the date of this report.

14. Capital commitments

Capital commitments not provided for in the financial statements as at 30 September 2006 were as follow : -

	RM'000
Authorised and contracted	850
Authorised but not contracted	<u>3,221</u>
	<u>4,071</u>
Analysed as follow :	
Property, plant and equipment	<u>4,071</u>

PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. Review of performance

Quarter on Quarter review

Group revenue increased from RM77.8 million to RM90.8 million in the current quarter due mainly to favourable sales price of chipboard and related products.

Group operating profit before financial cost, depreciation and amortisation increased by RM6.0 million to RM11.7 million from RM5.7 million in the same quarter last year due mainly to higher sales of chipboard and related products and higher production output, though adversely affected by increase in raw material prices.

Year to date review

Group revenue registered was RM244.9 million, an increase of RM43.9 million from RM201 million in the corresponding period under review due mainly to higher sales volume of chipboard and related products and better selling prices.

Group pre-tax profit increased by RM5.8 million to RM8.6 million against RM2.8 million in the same period last year. The favourable results were mainly contributed by higher sales volume and sales price as well as improved production efficiency though adversely affected by increase in raw material prices and borrowing costs.

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

Group profit before taxation of RM3.9 million was lower by RM0.6 million than the immediate preceding quarter due mainly to increased raw material prices and borrowing costs. However, it was partially mitigated by production efficiency and higher sales.

3. Prospects for the current financial year

Despite challenging business conditions, the Group expects to achieve a turnaround in its financial performance for the current financial year. Selling prices and production output have improved although the Group is subject to the vagaries of global business cycles and the threats of competitive supply and narrowing margins from rising costs of raw materials, utilities and distribution. The Group will further consolidate and strengthen its operations to increase market share and identify niche market products and customer base.

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 to 30 September 2006 RM'000	Current year to 30 September 2006 RM'000
In respect of current year		
- Malaysia tax	267	494
- Foreign tax	69	154
	336	648
In respect of prior year	(9)	(9)
	327	639
Deferred taxation		
- Malaysia tax	915	2,720
- Foreign tax	(1)	19
	914	2,739
Tax expense	<u>1,241</u>	<u>3,378</u>

The Group's effective tax rates for the quarter and period under review were higher than the statutory tax rate of 28% due mainly to losses that are not available for set-off against taxable profits within the Group.

6. 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 September 2006.

7. Marketable securities

a) Total purchases and sales of marketable securities: -

	Current quarter to 30 September 2006 RM'000	Current year to 30 September 2006 RM'000
Total purchases	-	-
Total sale proceeds	-	771
Total profit on sale	-	179

b) Total investment in marketable securities as at 30 September 2006: -

Total investment at cost	884
Total investment at carrying value (after allowance for impairment loss)	884
Market value	1,011

8. Status of corporate proposals

Employee Share Option Scheme

The Employee Share Option Scheme of the Company came into effect on 13 August 2002. No options have been granted to date.

9. Borrowing and debt securities

Details of the Group's borrowings, which are all denominated in Ringgit as at 30 September 2006 were as follows:

	Current RM'000	Non current RM'000
Term Loan (unsecured)	-	97,000
Medium Term Notes (unsecured)	-	80,000
Bankers Acceptance (unsecured)	47,001	-
Bank overdraft (unsecured)	674	-
Hire Purchase Creditor (secured)	97	-
	<u>47,772</u>	<u>177,000</u>

10. Off balance sheet financial instruments

As at 10 November 2006, the Group's open forward contracts entered into as hedges of anticipated future transactions are as follows :

Hedged item	RM'000 equivalent	Average contractual rate
Trade receivables : USD 2.253 million	8,155	1 USD = RM 3.6197
Future sales of goods : USD 6.865 million	25,086	1 USD = RM 3.6542
Trade payables : Euro 0.577 million	2,679	1 Euro = RM 4.6467

The settlement dates of the above open forward contracts range between 1 to 5 months.

The unrecognised gain as at 10 November 2006 on open contracts which hedge anticipated future foreign currency sales amounted to RM79 K. The unrecognised gain on open contract which hedge anticipated future foreign currency purchases amounted to RM24 K. These exchange gains are deferred until the related sales and purchases are transacted, at which time they are included in the measurement of such transactions.

11. Changes in material litigation

As at the date of this report, there were no changes in material litigation, including the status of pending material litigation since the last annual report balance sheet date of 31 December 2005.

12. Dividend

The Directors do not recommend the payment of an interim dividend for the financial period under review. No interim dividend was declared for the same period last year.

13. Earnings per share

	Current year quarter to 30 September 2006	Preceding year quarter to 30 September 2005	Current year to 30 September 2006	Preceding year to 30 September 2005
a) Basic				
Profit/ (loss) for the period (RM'000)	2,682	(3,742)	5,281	(1,136)
Weighted average number of ordinary shares in issue ('000)	210,000	210,000	210,000	210,000
Earnings/ (losses) per share (sen)	1.28	(1.78)	2.51	(0.54)
b) Diluted	N.A.	N.A.	N.A.	N.A.

Diluted earnings per share for 2006 and 2005 are not presented as the effects of the assumed exercise of Warrants are antidilutive.

BY ORDER OF THE BOARD
MIECO CHIPBOARD BERHAD

Ho Swee Ling
Company Secretary
Kuala Lumpur

17 November 2006