



MIECO CHIPBOARD BERHAD (12849-K)

Unaudited Condensed Consolidated Statement of Financial Position as at 31 March 2010

	(Unaudited) As at 31 March 2010 RM'000	Audited As at 31 December 2009 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	482,086	486,039
Prepaid lease rentals	17,090	17,149
Deferred tax assets	468	446
	<u>499,644</u>	<u>503,634</u>
Current assets		
Inventories	39,221	40,578
Tax recoverable	1,704	1,633
Trade receivables	30,077	31,392
Other receivables	961	1,501
Derivative financial assets	202	0
Marketable securities	55	49
Short term deposits	2,558	2,549
Cash and bank balances	4,233	2,588
	<u>79,011</u>	<u>80,290</u>
TOTAL ASSETS	<u>578,655</u>	<u>583,924</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	(26)	(26)
Retained earnings	102,511	100,448
Total equity	<u>318,351</u>	<u>316,288</u>
Non-current liabilities		
Deferred tax liabilities	7,623	7,580
Unfunded post employment benefit obligation	8,383	8,288
Borrowings	139,160	144,372
Hire purchase creditor	195	246
Amount due to holding company	36,208	35,759
	<u>191,569</u>	<u>196,245</u>
Current liabilities		
Trade payables	21,828	20,535
Other payables and provisions	11,998	12,371
Borrowings	30,699	33,686
Amount due to holding company	2,000	2,577
Hire purchase creditor	164	164
Current tax payable	2,046	2,058
	<u>68,735</u>	<u>71,391</u>
TOTAL EQUITY AND LIABILITIES	<u>578,655</u>	<u>583,924</u>
Net assets per share attributable to equity holders of the Company (RM)	1.52	1.51

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2009 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 2010

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to 31 March 2010 RM'000	Preceding year quarter to 31 March 2009 RM'000	Current year to 31 March 2010 RM'000	Preceding year to 31 March 2009 RM'000
Revenue	42,444	44,787	42,444	44,787
Investment income	-	-	-	-
Other income/(expense)	2,776	(7,757)	2,776	(7,757)
Operating profit/(loss) before finance cost, depreciation and amortisation, income tax and minority interests	8,842	(12,165)	8,842	(12,165)
Depreciation and amortisation	(4,787)	(4,633)	(4,787)	(4,633)
Profit/(loss) from operations	4,055	(16,798)	4,055	(16,798)
Finance costs	(2,606)	(3,320)	(2,606)	(3,320)
Profit/(loss) before taxation	1,449	(20,118)	1,449	(20,118)
Tax expense	(13)	(2,530)	(13)	(2,530)
Profit/(loss) for the period	1,436	(22,648)	1,436	(22,648)
Other comprehensive income				
Exchange loss on translation of foreign operation	-	-	-	2
Total comprehensive income/ (loss) for the period	1,436	(22,648)	1,436	(22,646)
Profit/(loss) for the year attributable to equity holders of the Company	1,	(22,648)	1,436	(22,648)
Total comprehensive income/ (loss) attributable to equity holders of the Company	1,436	(22,648)	1,436	(22,646)
Earnings/(loss) per share – Basic (sen)	0.68	(10.78)	0.68	(10.78)
Earnings per share – Diluted (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 2009 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 2010

The figures have not been audited.

	← Attributable to equity holders of the Company →					
	← Non – distributable			→ Distributable		
	Share capital	Share premium	Warrant reserve	Foreign currency reserve	Retained earnings	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2010	210,000	5,866	-	(26)	100,448	316,288
Effects on adoption of FRS 139	-	-	-	-	627	627
	210,000	5,866	-	(26)	101,075	316,915
Total comprehensive income for the period	-	-	-	-	1,436	1,436
Balance as at 31 March 2010	210,000	5,866	-	(26)	102,511	318,351
Balance as at 1 January 2009	210,000	5,866	13,979	(401)	101,148	330,592
Total comprehensive income for the period	-	-	-	2	(22,648)	(22,646)
Balance as at 31 March 2009	210,000	5,866	13,979	(399)	78,500	307,946

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 2009 and the explanatory notes attached to this interim financial report.



MIECO CHIPBOARD BERHAD (12849-K)

Unaudited Condensed Consolidated Statement of Cash Flow for the financial period ended 31 March 2010

The figures have not been audited.

	Current year to 31 March 2010	Preceding year to 31 March 2009
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
– Total comprehensive income for the period	1,436	(22,648)
– Adjustments for non-cash and non-operating items	5,840	14,995
	<u>7,276</u>	<u>(7,653)</u>
– Changes in working capital		
• Decrease in inventories	1,484	15,819
• Decrease in receivables	1,618	17,254
• Increase/(decrease) in payables	880	(10,979)
• Increase/(decrease) in intercompany balances	100	(53)
	<u>11,358</u>	<u>14,388</u>
– Payment of staff retirement benefits	(186)	(347)
– Net income tax	(75)	(324)
Net cash flows from operating activities	<u>11,097</u>	<u>13,717</u>
<u>Cash flows from investing activities</u>		
– Purchases of property, plant and equipment	(775)	(169)
– Interest income received	5	22
– Proceeds from sales of property, plant, and equipment	-	318
Net cash flows (used in)/from investing activities	<u>(770)</u>	<u>171</u>
<u>Cash flows from financing activities</u>		
– Loan from holding company	-	14,000
– Repayment of term loan	(2,659)	(13,434)
– Repayment of bankers acceptance financing	(2,288)	(38,557)
– Financing expenses	(2,175)	(3,278)
– Repayment of hire purchase creditor	(45)	(46)
– Repayment of revolving credit financing	-	(3,000)
– Repayment of promissory note financing	-	(5,340)
Net cash flows used in financing activities	<u>(7,167)</u>	<u>(49,655)</u>
Net increase/(decrease) in cash and cash equivalents	3,160	(35,767)
Cash and cash equivalents at 1 January	(1,694)	35,342
Effects of exchange rate changes	-	9
Cash and cash equivalents as at 31 March	<u>1,466</u>	<u>(416)</u>
Cash and cash equivalents comprise:		
Overdraft	(5,325)	(10,040)
Short term deposits	2,558	6,143
Cash and bank balances	4,233	3,481
	<u>1,466</u>	<u>(416)</u>

The Unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 December 2009 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, amount due to holding company and hire purchase creditors which have been stated at fair value.

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 2009. 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 2009.

2. Changes in Accounting Policies

The Group has adopted the following new and revised Financial Reporting Standards (“FRSs”), and amendments to FRSs which are relevant to the Group’s operations with effect from 1 January 2010:-

FRS 101	Presentation of Financial Statements (Revised)
FRS 139	Financial Instruments: Recognition and Measurement

The adoption of the new and revised FRSs, have resulted in changes of certain accounting policies and classification adopted by the Group as well as presentation of financial statements as described hereunder:-

(a) FRS 101 “Presentation of Financial Statements” (Revised)

Prior to 1 January 2010, the components of a set of financial statements consisted of a balance sheet, income statement, statement of changes in equity, cash flow statement and notes to the financial statements.

Upon the adoption of the revised FRS 101, a set of financial statements shall now comprise a statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements. The statement of comprehensive income consists of profit or loss for the period and other comprehensive income. All non-owner changes in equity previously presented in the consolidated statement of changes in equity are now presented in the statement of comprehensive income as components in other comprehensive income.



2. Changes in Accounting Policies (continued)

(b) FRS 139 “Financial Instruments : Recognition and Measurement”

The adoption of FRS 139 has resulted in financial instruments of the Group to be categorised and measured using the accounting policies summarised below:-

(i) Initial recognition and measurement

A financial instrument is recognised in the financial statements when, and only when, the Group becomes a party to the contractual provisions of the instruments.

A financial instrument is recognised initially at its fair value. In the case of a financial instrument not categorised as fair value through profit or loss, the financial instrument is initially recognised at its fair value plus transaction costs that are directly attributable to acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. In the event that the embedded derivative is recognised separately, the host contract is accounted for in accordance with the policy applicable to the nature of the host contract.

(ii) Financial Assets

Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading including derivatives, unless they are designated as hedges. Financial assets at fair value through profit or loss are subsequently measured at fair value with gain or loss. This category of financial assets is classified as current assets.

Loans and receivables

Loans and receivables category comprises trade and other receivables and cash and cash equivalents. Financial assets categorised as loans and receivables and subsequently measured at amortised cost using the effective interest method. This category of financial assets is classified as current assets unless the maturities are greater than twelve months in which case they are classified as non-current assets.

Available-for-sale financial assets

Available-for-sale financial assets comprise investment in equity and debt securities that are not held for trading. Investment in equity instruments that do not have quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other available-for-sale financial assets are subsequently measured at fair value with gain or loss recognised in other comprehensive income.

(iii) Financial Liabilities

Financial liabilities of the Group comprise trade and other payables, borrowings and derivative financial liabilities. All financial liabilities are subsequently measured at amortised cost using effective interest method other than derivative financial liabilities which are categorised as fair value through profit loss. Derivative financial liabilities are subsequently measured at their fair values with the gain or loss recognised in profit or loss.



2. Changes in Accounting Policies (continued)

(b) FRS 139 “Financial Instruments : Recognition and Measurement” (continued)

(iv) Financial Guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. The Company has provided various financial guarantees for credit facilities granted to various subsidiaries. Such financial guarantees are recognised initially at fair value. Subsequent to initial measurement, the financial guarantee contracts are measured at the higher of the (a) amount determined in accordance with FRS 137 “Provisions, Contingent Liabilities and Contingent Assets” and (b) the initial fair value less cumulative amortisation.

(v) Derivative financial instrument

Prior to 1 January 2010, outstanding financial derivatives as at balance sheet date were not recognised in the financial statements. They were only recognised on settlement dates.

Upon the adoption of FRS139, derivative financial instruments are recognised in the financial statements when, and only when the Group becomes a party to the contractual provisions of those instruments. A derivative financial instrument is categorised as fair value through profit or loss and measured at its fair value with gain or loss recognised in profit or loss.

FRS 139 has been applied prospectively in accordance with the transitional provisions of the standard. In accordance to the transitional provisions for first-time adoption of FRS 139, adjustment arising from re-measuring the financial instruments as at 1 January 2010 was recognised as adjustments to appropriate reserves. Comparative are not adjusted.

Since FRS 139 is applied prospectively, its adoption does not affect the profit or loss for the preceding year corresponding quarter ended 31 March 2009.

The effects on adoption of FRS 139 on the opening reserves of the Group and other items of the consolidated statement of financial position as at 1 January 2010 are as follows:-

	Balance as at 1 January 2010 before the adoption of FRS 139 RM'000	Effects on adoption of FRS 139 RM'000	Balance as at 1 January 2010 after the adoption of FRS 139 RM'000
Retained earnings	(100,448)	(627)	(101,075)
Amount due to holding company	(2,577)	651	(1,926)
Hire purchase creditors	(246)	12	(234)
Derivative financial liabilities	0	(36)	(36)

The adoption of the new and revised FRSs, have no financial impact on the consolidated financial statements of the previous financial year.



3. Audit report of preceding annual financial statements for financial year ended 31 December 2009

The audit report of the Group's financial statements for the financial year ended 31 December 2009 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 31 March 2010.

6. Change in estimates

There were no changes in estimates that have had a material effect for the financial period ended 31 March 2010.

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 2010.

8. Dividends paid

There were no dividends paid for the financial period ended 31 March 2010.

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 particleboard and related products.

Secondary reporting – geographical segment

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 31 March 2010 RM'000	Preceding year to 31 March 2009 RM'000	As at 31 March 2010 RM'000	As at 31 March 2009 RM'000	Current year to 31 March 2010 RM'000	Preceding year to 31 March 2009 RM'000
Malaysia	42,444	44,787	578,221	623,977	775	127
Hong Kong and China	-	-	121	104	-	42
Other	-	-	313	5,141	-	-
	<u>42,444</u>	<u>44,787</u>	<u>578,655</u>	<u>629,222</u>	<u>775</u>	<u>169</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 2010

There were no material events subsequent to the end of the current period ended 31 March 2010.

12. Changes in the composition of the Group during the financial period ended 31 March 2010

There were no changes in the composition of the Group during the financial period ended 31 March 2010.

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 2009 to the date of this report.



14. Capital commitments

Capital commitments not provided for in the financial statements as at 31 March 2010 were as follow:

	RM'000
Authorised and contracted	46
Authorised but not contracted	6,392
	<u>6,438</u>
Analysed as follow:	
Property, plant and equipment	<u>6,438</u>



PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. Review of performance

Group revenue fell 5% to RM42.4 million for the first quarter of 2010 from RM44.7 million a year ago due to lower sales volume of particleboard, despite higher sales of value-added products.

Although revenue was lower, the Group recorded a pre-tax profit of RM1.4 million against a loss of RM20.1 million a year ago due to better margins, lower operational costs and foreign exchange gains.

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

The Group saw a 36% decrease in profit before tax in the first quarter of 2010 due to lower sales and production volume against the preceding quarter's results.

3. Prospects for the current financial year

Notwithstanding still challenging business conditions, the Group hopes to improve its performance in the current financial year with its continued focus on value added sales, greater operational efficiencies and management of costs of key raw material components.

4. Variance of actual profit from forecast profit

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

5. Tax expenses

	Current quarter to 31 March 2010 RM'000
In respect of current year	
- Malaysia income tax	(1)
- Deferred tax	(21)
	<u>(22)</u>
In respect of prior year	
- Malaysia income tax	11
- Foreign tax	(2)
	<u>9</u>
	<u>(13)</u>
Tax expenses	

The Group's effective tax rate for the quarter under review differs from the statutory tax rate mainly due to the effect of income not taxable but partially offset by expenses not deductible for tax purpose.

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 31 March 2010.

7. Marketable securities

a) There were no purchases and sales of marketable securities for the financial period ended 31 March 2010.

b) Total investment in marketable securities as at 31 March 2010:

	As at 31 March 2010 RM'000
Total investment at cost	66
Total investment at carrying value (after allowance for impairment loss)	55
Market value	55



8. Status of corporate proposals

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

9. Borrowing and debt securities

The Group's borrowings are all denominated in Ringgit Malaysia except for a USD11.205 million term loan. The details of the Group's borrowings as at 31 March 2010 were as follows:

	Current RM'000	Non- current RM'000
Term loan (unsecured)	7,046	139,160
Bankers acceptance (unsecured)	18,328	-
Bank overdraft (unsecured)	5,325	-
	30,699	139,160

10. Derivative Financial Instruments – Forward Foreign Currency Exchange Contracts

The outstanding forward foreign currency exchange contracts as at 31 March 2010 are as follows:

Type of Derivatives	Contract/ Notional value RM'000	Fair Value RM'000
Foreign Exchange Contracts		
- Less than 1 year	7,321	7,236
- 1 year to 3 years	-	-
- More than 3 years	-	-

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 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.

11. Fair value changes of financial liabilities

There are no financial liabilities measured at fair value through profit or loss as at 31 March 2010.

12. 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 2009.

13. Dividend

The directors do not recommend the payment of dividend for the financial period ended 31 March 2010. No dividend was declared for the same period last year.



14. Earnings per share

	Current year quarter to 31 March 2010	Preceding year quarter to 31 March 2009	Current year to 31 March 2010	Preceding year to 31 March 2009
a) Basic				
Profit/(loss) for the period (RM'000)	1,436	(22,648)	1,436	(22,648)
Weighted average number of ordinary shares in issue ('000)	210,000	210,000	210,000	210,000
Earnings/(loss) per share (sen)	0.68	(10.78)	0.68	(10.78)
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

Date: 19th May 2010