MIECO CHIPBOARD BERHAD (12849-K)
Unaudited Condensed Consolidated Statement of Financial Position as at 31 December 2010

	(Unaudited) As at 31 December 2010 RM'000	Audited As at 31 December 2009 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	472,493	486,039
Prepaid lease rentals	16,913	17,149
Deferred tax assets	491	446
	489,897	503,634
Current assets		
Inventories	44,771	40,578
Tax recoverable	1,807	1,633
Trade receivables	31,593	31,392
Other receivables	842	1,501
Marketable securities	-	49
Derivative assets	76	-
Short term deposits	2,516	2,549
Cash and bank balances	3,857	2,588
	85,462	80,290
TOTAL ASSETS	575,359	583,924
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	(38)	(26)
Retained earnings	102,691	100,448
Total equity	318,519	316,288
Non-current liabilities		
Deferred tax liabilities	7,580	7,580
Unfunded post employment benefit obligation	9,241	8,288
Borrowings	126,738	144,372
Hire purchase creditor	82	246
Amount due to holding company	37,579	35,759
	181,220	196,245
Current liabilities		
Trade payables	22,238	20,535
Other payables and provisions	12,829	12,371
Borrowings	35,891	33,686
Amount due to holding company	2,369	2,577
Hire purchase creditor	178	164
Current tax payable	2,115	2,058
	75,620	71,391
TOTAL EQUITY AND LIABILITIES	575,359	583,924
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 December 2010
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 December 2010	**31 December 2009**	**31 December 2010**	**31 December 2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	45,205	47,783	174,278	185,739
Investment income	-	1	-	2
Other income/(expense)	453	2,082	6,826	(1,253)
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	5,066	9,682	31,444	14,011
Depreciation and amortisation	(4,873)	(4,803)	(19,163)	(19,075)
Profit/(loss) from operations	193	4,879	12,281	(5,064)
Finance costs	(2,664)	(2,643)	(10,636)	(11,452)
Profit/(loss) before taxation	(2,471)	2,236	1,645	(16,516)
Tax credit / (expense)	(43)	1,253	(29)	1,837
Total comprehensive income/ (loss) for the period / year	(2,514)	3,489	1,616	(14,679)
Profit/(loss) for the period / year attributable to equity holders of the Company	(2,514)	3,489	1,616	(14,679)
Total comprehensive income/ (loss) attributable to equity holders of the Company	(2,514)	3,489	1,616	(14,679)
Earnings/(loss) per share – Basic (sen)	(1.20)	1.66	0.77	(6.99)
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 December 2010

These figures have not been audited.

	Attributable to equity holders of the Company					
	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, as previously stated	210,000	5,866	-	(26)	100,448	316,288
Effects on adoption of FRS 139	-	-	-	-	627	627
Balance as at 1 January 2010, as re-stated	210,000	5,866	-	(26)	101,075	316,915
Total comprehensive income for the year	-	-	-	(12)	1,616	1,604
Balance as at 31 Dec 2010	210,000	5,866	-	(38)	102,691	318,519
Balance as at 1 January 2009	210,000	5,866	13,979	(401)	101,148	330,592
Expiry of warrants			(13,979)		13,979	-
Total comprehensive income for the year	-	-		375	(14,679)	(14,304)
Balance as at 31 Dec 2009	210,000	5,866	-	(26)	100,448	316,288

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 December 2010
These figures have not been audited.

	Current year to 31 December 2010 RM'000	Preceding year to 31 December 2009 RM'000
Cash flows from operating activities		
– Profit after Tax	1,616	(14,679)
– Adjustments for non-cash and non-operating items		
• Taxation	43	(1,837)
• Other non-cash and non-operating items	26,925	36,517
	28,584	20,001
– Changes in working capital		
• (Increase)/ decrease in inventories	(3,524)	30,377
• Decrease in receivables	277	19,076
• Increase/(decrease) in payables	2,084	(43,364)
• Increase in intercompany balances	443	477
	27,864	26,567
– Payment of staff retirement benefits	(536)	(1,147)
– Net income tax	(191)	(628)
Net cash flows from operating activities	27,137	24,792
Cash flows from investing activities		
– Purchases of property, plant and equipment	(5,395)	(578)
– Interest income received	23	23
– Proceeds from sales of marketable securities /investment property	71	7,069
– Dividend income received	1	2
– Proceeds from sales of property, plant, and equipment	7	411
Net cash flows (used in)/from investing activities	(5,293)	6,927
Cash flows from financing activities		
– Loan from holding company	-	14,000
– Repayment of term loan	(6,163)	(14,325)
– Repayment of bankers acceptance financing	(2,040)	(46,879)
– Interest paid	(8,710)	(10,038)
– Repayment of hire purchase creditor	(183)	(164)
– Repayment of revolving credit financing	-	(3,000)
– Repayment of promissory note financing	-	(8,341)
Net cash flows used in financing activities	(17,096)	(68,747)
Net increase/(decrease) in cash and cash equivalents	4,748	(37,028)
Cash and cash equivalents at 1 January	(1,694)	35,342
Effects of exchange rate changes	(107)	(8)
Cash and cash equivalents as at 31 December	2,947	(1,694)
Cash and cash equivalents comprise:		
Overdraft	(3,426)	(6,831)
Short term deposits	2,516	2,549
Cash and bank balances	3,857	2,588
	2,947	(1,694)

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.

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

FRS 7	Financial Instruments : Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (Revised)
FRS 123	Borrowing Costs (Revised)
FRS 139	Financial Instruments : Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment

Amendment to FRS 5, Non-current assets held for sales and discontinued operations
Amendment to FRS 107, Statement of Cash Flows
Amendment to FRS 108,Accounting Policies, Changes in Accounting Estimates or Errors
Amendment to FRS 110, Events After the Reporting Period
Amendment to FRS 116, Property, Plant and Equipment
Amendment to FRS 117, Leases
Amendment to FRS 118, Revenue
Amendment to FRS 119, Employee Benefits
Amendment to FRS 120, Accounting for Government Grants and Disclosure of Government Assistance
Amendment to FRS 123, Borrowing Costs
Amendment to FRS 127, Consolidated and Separate Financial Statements
Amendment to FRS 128, Investment in Associates
Amendment to FRS 131, Interests in Joint Ventures
Amendment to FRS 134, Interim Financial Reporting
Amendment to FRS 136, Impairment of Assets
Amendment to FRS 138, Intangible Assets
Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives

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.

(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.

2. Changes in Accounting Policies (continued)

(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.

(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.

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	-	(36)	(36)

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 cyclicality 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 2010.

6. **Change in estimates**
There were no changes in estimates that have had a material effect for the financial year ended 31 December 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 year ended 31 December 2010.

8. **Dividends paid**
There were no dividends paid for the financial year ended 31 December 2010.

9. **Segmental reporting**
The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 31 Dec2010	Preceding year to 31 December 2009	As at 31 December 2010	As at 31 December 2009	Current year to 31 December 2010	Preceding year to 31 December 2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	133,211	128,770	575,209	583,503	5,395	536
Hong Kong and China	10,091	16,473	59	108	-	42
Others	30,976	40,496	91	313	-	-
	174,278	185,739	575,359	583,924	5,395	578

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 2010**
There are no material events subsequent to the end of the current financial year ended 31 December 2010.

12. **Changes in the composition of the Group during the financial year ended 31 December 2010**
There were no changes in the composition of the Group during the financial year ended 31 December 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 December 2010 were as follows:-

	RM'000
Authorised and contracted	3,045
Authorised but not contracted	3,469
	6,514
Analysed as follows:-	
Property, plant and equipment	6,514

PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. **Review of performance**

Quarter on quarter review

Revenue from the Group fell 5% to RM45.2 million from RM47.8 million in the same quarter a year ago as a result of lower export sales volume of particleboard. However, this was mitigated by increased volume of domestic sales as well as sales of more value added products. The Group recorded a pre-tax loss of RM1.6 million in the last quarter of 2010, when compared to pre-tax profit of RM2.2 million a year ago, due mainly to costs incurred to recommence Plant 3 operations.

Year on year review

The Group recorded RM174.3 million revenue for 2010, 6% down against RM185.7 million in 2009. This was attributable to lower export sales volume but mitigated by increased domestic demand with more sales of value-added products. The Group doubled its operating profit to RM31.4 million in 2010 from the RM14 million operating profit in 2009 due to lower raw material and operational costs as well as foreign exchange gains. However, Group's profit before tax was reduced to RM1.6 million after accounting for finance cost, depreciation and maintenance of its plant in Kuala Lipis (Plant 3) which was not operational in 2010. Nevertheless, Group's results in 2010 is a turnaround from its previous year's loss of RM16.5 million.

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

Despite improving gross profit, the Group incurred a pre-tax loss of RM1.6 million in the fourth quarter of 2010 as compared to a pre-tax profit of RM1.6 million in the preceding quarter. This was primarily due to costs incurred in the quarter under review to recommence Plant 3 operations and the lower foreign exchange gains as compared to the previous quarter.

3. **Prospects**

Following a steady recovery in demand for particleboard and related products, the Group recommenced operations in January this year at its Plant 3 in Kechau Tui, Pahang, which had been suspended since the global economic turmoil in late 2008. Business conditions remain challenging for the Group in the face of increasing inflationary pressures globally of raw materials and energy costs which affect economic growth. However, the Group is cautiously optimistic of lifting its performance in the current financial year by improving margins through more value-added sales and continuing management of raw material costs and increasing productivity.

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 31 December 2010 RM'000	Current year to 31 December 2010 RM'000
In respect of current year		
- Malaysia income tax	-	(5)
- Foreign tax	(2)	(6)
- Deferred tax	31	54
	29	43
In respect of prior year		
- Malaysia income tax	(72)	(60)
- Foreign tax	-	(3)
- Deferred tax	-	(9)
	(72)	(72)
Tax expense	(43)	(29)

The Group's effective tax rate for the quarter under review differs from the statutory tax rate mainly due to the effect of favourable movement in deferred tax not taken up and certain expanses not deductible for tax purposes.

The Group's effective tax rate for the year under review differs from the statutory tax rate mainly due to the effect of income not subjected to tax, expenses not deductible for tax purpose and overprovision of prior year's deferred tax now adjusted for.

6. Retained Earnings

	As at 31 December 2010	As at 30 September 2010
Total retained earnings of the Company and its subsidiaries	RM'000	RM'000
- Realised	103,849	106,468
- Unrealised	(2,162)	(2,267)
	101,687	104,201
Add: Consolidation adjustments	1,004	1,004
	103,532	105,205

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 year ended 31 December 2010.

8. Marketable securities

Total investment in marketable securities as at 31 December 2010 is nil.

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 USD10.935 million term loan.
The details of the Group's borrowings as at 31 December 2010 were as follows:-

	Current	Non- current
	RM'000	RM'000
Term loan (unsecured)	13,889	126,738
Bankers acceptance (unsecured)	18,576	-
Bank overdraft (unsecured)	3,426	-
	35,891	126,738

11. Derivative Financial Instruments – Forward Foreign Currency Exchange Contracts

The derivative gain arising from the outstanding forward foreign currency exchange contracts as at 31 December 2010 is as follows:-

	Contract/Notional Value RM'000	Fair Value RM'000
Foreign Exchange Contracts- Less than 1 year	1,950	2,027

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.

12. Fair value changes of financial liabilities

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

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 2009.

14. Dividend

The directors do not recommend the payment of dividend for the financial year ended 31 December 2010. No dividend was declared for the financial year ended 31 December 2009.

15. Earnings per share

	Current year quarter to 31 December 2010	Preceding year quarter to 31 December 2009	Current year to 31 December 2010	Preceding year to 31 December 2009o
a) Basic				
Profit/(loss) for the period (RM'000)	(2,514)	3,489	1,616	(14,679)
Weighted average number of ordinary shares in issue ('000)	210,000	210,000	210,000	210,000
Earnings/(loss) per share (sen)	(1.20)	1.66	0.77	(6.99)
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: 28 February 2011