



MIECO CHIPBOARD BERHAD (12849-K)

Unaudited Condensed Consolidated Statements of Financial Position as at 31 December 2011

	(Unaudited) As at 31 December 2011 RM'000	(Audited) As at 31 December 2010 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	480,533	489,406
Deferred tax assets	542	491
	<u>481,075</u>	<u>489,897</u>
Current assets		
Inventories	49,385	44,770
Tax recoverable	729	1,808
Trade receivables	54,196	31,593
Other receivables	3,521	843
Derivative assets	0	76
Short term deposits	1,318	2,516
Cash and bank balances	7,955	3,857
Non-current assets classified as held for sale	220	0
	<u>117,324</u>	<u>85,463</u>
TOTAL ASSETS	<u>598,399</u>	<u>575,360</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	109,116	102,691
Total equity	<u>324,946</u>	<u>318,519</u>
Non-current liabilities		
Deferred tax liabilities	7,344	7,582
Unfunded post employment benefit obligation	10,085	9,241
Borrowings	102,241	126,738
Hire purchase creditor	0	96
Amount due to holding company	39,398	37,579
	<u>159,068</u>	<u>181,236</u>
Current liabilities		
Trade payables	34,872	22,238
Other payables and provisions	18,234	12,828
Borrowings	55,893	35,891
Amount due to holding company	2,685	2,369
Hire purchase creditor	82	164
Derivative liabilities	331	0
Current tax payable	2,288	2,115
	<u>114,385</u>	<u>75,605</u>
TOTAL EQUITY AND LIABILITIES	<u>598,399</u>	<u>575,360</u>
Net assets per share attributable to equity holders of the Company (RM)	1.55	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 year ended 31 December 2011

These figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year	Preceding year	Current	Preceding
	quarter to	quarter to	year to	year to
	31 December	31 December	31 December	31 December
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Revenue	85,022	45,205	301,221	174,208
Other income / (expense)	2,242	453	3,428	6,967
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	8,850	5,066	35,700	31,448
Depreciation and amortisation	(4,630)	(4,873)	(18,560)	(19,154)
Profit from operations	4,220	193	17,140	12,294
Finance costs	(2,726)	(2,664)	(10,679)	(10,648)
Profit before taxation	1,494	(2,471)	6,461	1,645
Tax expense	(468)	(43)	(36)	(30)
Net profit/(loss) for the period	1,026	(2,514)	6,425	1,616
Other comprehensive income / (expense):				
Exchange differences on translating foreign subsidiaries	0	(6)	2	(12)
Total comprehensive income for the period	1,026	(2,520)	6,427	1,604
Net profit for the period attributable to owners of the Company	1,026	(2,514)	6,425	1,616
Total comprehensive income attributable to owners of the Company	1,026	(2,520)	6,427	1,604
Basic earnings per share (sen)	0.49	(1.20)	3.06	0.77
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 year ended 31 December 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	6,425	6,427
Balance as at 31 December 2011	210,000	5,866	(36)	109,116	324,946
Balance as at 1 January 2010, as previously stated	210,000	5,866	(26)	100,448	316,288
Effects on adoption of FRS 139	0	0	0	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	-	-	(12)	1,616	1,604
Balance as at 31 December 2010	210,000	5,866	(38)	102,691	318,519

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 year ended 31 December 2011

These figures have not been audited.

	Current year to 31 December 2011 RM'000	Preceding year to 31 December 2010 RM'000
<u>Cash flows from operating activities</u>		
– Profit after Tax	6,425	1,616
– Adjustments for non-cash and non-operating items		
• Taxation credit	35	30
• Other non-cash and non-operating items	28,241	26,751
	<hr/> 34,701	<hr/> 28,397
– Changes in working capital		
• Increase in inventories	(2,788)	(3,456)
• (Increase)/decrease in receivables	(25,054)	276
• Increase in payables	17,948	2,846
• Increase in intercompany balances	316	(208)
	<hr/> 25,123	<hr/> 27,855
– Payment of staff retirement benefits	(546)	(536)
– Net income tax refund / (paid)	928	(191)
Net cash flows from operating activities	<hr/> 25,505	<hr/> 27,128
<u>Cash flows from investing activities</u>		
– Purchases of property, plant and equipment	(8,361)	(5,391)
– Interest income received	24	23
– Proceeds from sales of property, plant, and equipment	4	7
– Dividend income received	-	1
– Proceeds from disposal of financial assets held for trading	-	70
Net cash flows used in investing activities	<hr/> (8,333)	<hr/> (5,290)
<u>Cash flows from financing activities</u>		
– Repayment of term loan	(14,159)	(6,163)
– Proceeds from term loan	3,000	-
– Drawdown / (repayment) of bankers acceptance	6,536	(2,041)
– Financing expenses	(8,893)	(8,710)
– Repayment of hire purchase creditor	(181)	(182)
Net cash flows used in financing activities	<hr/> (13,697)	<hr/> (17,096)
Net increase in cash and cash equivalents	3,475	4,742
Cash and cash equivalents at 1 January	2,947	(1,694)
Effects of exchange rate changes	34	(101)
Cash and cash equivalents as at 31 December	<hr/> <hr/> 6,456	<hr/> <hr/> 2,947
Cash and cash equivalents comprise:		
Overdraft	(2,817)	(3,426)
Short term deposits	1,318	2,516
Cash and bank balances	7,955	3,857
	<hr/> <hr/> 6,456	<hr/> <hr/> 2,947

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 year ended 31 December 2011.

6. Change in estimates

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

8. Dividends paid

There were no dividends paid for the financial year ended 31 December 2011.

9. Segmental reporting

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 31 December 2011 RM'000	Preceding year to 31 December 2010 RM'000	As at 31 December 2011 RM'000	As at 31 December 2010 RM'000	Current year to 31 December 2011 RM'000	Preceding year to 31 December 2010 RM'000
Malaysia	206,033	133,141	598,321	575,210	8,361	5,391
Hong Kong and China	24,507	10,091	9	59	-	-
Others	70,681	30,976	69	91	-	-
	<u>301,221</u>	<u>174,208</u>	<u>598,399</u>	<u>575,360</u>	<u>8,361</u>	<u>5,391</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 year ended 31 December 2011

There was no material events subsequent to the end of the current financial year ended 31 December 2011.

12. Changes in the composition of the Group during the financial year ended 31 December 2011

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

	RM'000
Approved and contracted	2,525
Approved but not contracted	8,867
	<hr/>
	11,392
	<hr/>
Analysed as follows:-	
Property, plant and equipment	<hr/>
	11,392
	<hr/>



PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. Review of performance

Quarter on quarter review

The Group revenue of RM85 million in the final quarter of 2011 was up 88% from RM45.2 million a year ago as sales volume more than doubled with increased output from Plant 3 in Kechau Tui, Pahang, which had been temporarily closed up to the end of 2010. Export sales for the quarter grew RM26.3 million which was three times the value a year ago whilst domestic sales increased by 60% to RM58.8 million.

The increased sales revenue was partly offset by higher raw materials cost which arose from aggressive competitive buying of wood in anticipation of the monsoon season and increased fuel and glue prices due to volatile global oil prices. As a result, the Group pre-tax profit was RM1.5 million in the fourth quarter of 2011, which was also partially attributable to unrealised translation gain arising on its USD loan and from FRS 139 fair value accounting. This is compared to a pre-tax loss of RM2.5 million a year ago when the Group incurred substantial costs of about RM3.5 million in fourth quarter 2010 to enable the recommencement of Plant 3 operations in 2011.

Year on year review

The Group reported a strong growth in revenue to RM301.2 million for 2011, up 73% from RM174.2 million a year ago, mainly driven by increased domestic market in both particleboard and value-added products. In the export market, the increased revenue arose mainly from higher particleboard sales. The Group pre-tax profit increased to RM6.5 million for 2011, which was 4 times the RM1.6 million in year 2010. The better results for the year was mainly due to increased sales, which made up for its first quarter loss of RM1.4 million arising from Plant 3 start up 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 fourth quarter pre-tax profit of RM1.5 million was down 35% from RM2.3 million in the immediate preceding quarter due to higher raw materials costs which were mitigated by the favourable translation gain of its USD term loan.

3. Prospects

Operating conditions for the Group are very challenging this year in view of the following factors:

- particleboard prices continue to be adversely affected by sluggish global demand arising from eurozone debt uncertainty and from a stalled housing sector in the U.S. which has blunted economic growth;
- inflationary pressures on raw materials particularly for wood and glue, and on operating costs impacting its margins.

However, the Group hopes to sustain its profitability by:

- continuing to focus on value-added sales;
- developing new products and responding to market shifts and;
- managing key costs and productivity.

Notwithstanding the challenges, the Group is confident to achieve in the current financial year a comparable set of operating results to match that achieved in 2011.

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. Additional disclosure – Profit before tax

	Current year quarter to 31 December 2011 RM'000	Current year to 31 December 2011 RM'000
Profit before tax is arrived at after charging/(crediting) :		
Interest income	(7)	(29)
Finance cost - interest expense	2,726	10,639
Finance cost – loan facility fees	0	40
Depreciation and amortization	4,630	18,560
Write back - receivables	(3)	(3)
Provision - other receivables	124	124
Allowances /(written back) for inventories obsolesces	5	(3,559)
Inventories (written back) / written off	(4)	109
Gain on realised foreign exchange	(550)	(1,807)
(Gain)/ loss unrealised foreign exchange	(617)	490
(Gain)/ loss on derivatives	(516)	408
Reversal of previously recognized impairment loss	(220)	(220)

6. Tax credit / (expense)

	Current quarter to 31 December 2011 RM'000	Current year to 31 December 2011 RM'000
In respect of current year		
- Malaysia income tax	(159)	(292)
- Foreign tax	-	(23)
- Deferred tax	(309)	(272)
	(468)	(587)
In respect of prior year		
- Malaysia income tax	-	(5)
- Foreign tax	-	(3)
- Deferred tax	-	559
	-	551
Tax credit / (expense)	(468)	(36)

The period under review differs from the statutory tax rate mainly due to the effect of expenses not deducted for tax purposes and unrecognised unabsorbed business losses.

The Group's effective tax rate for the quarter under review differs from the statutory tax rate mainly due to the utilisation of previously unrecognised tax losses and unrecognised unabsorbed business losses.



7. Retained Earnings

	As at 31 December 2011	As at 31 December 2010
Total retained earnings of the Company and its subsidiaries	RM'000	RM'000
- Realised	110,076	103,200
- Unrealised	(2,014)	(1,513)
	<hr/>	<hr/>
	108,062	101,687
Add: Consolidation adjustments	1,054	1,004
	<hr/>	<hr/>
	109,116	102,691
	<hr/> <hr/>	<hr/> <hr/>

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.

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 USD9.855 million term loan. The details of the Group's borrowings as at 31 December 2011 were as follows:-

	Current		Non- current	
	RM'000	Foreign Currency USD'000	RM'000	Foreign Currency USD'000
Term loan (unsecured)	27,964	2,160	102,241	7,695
Bankers acceptance (unsecured)	25,112		-	-
Bank overdraft (unsecured)	2,817		-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	55,893	2,160	102,241	7,695
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



10. Changes in material litigation

As at the date of this report, there were no changes in material litigation since the last statement of financial position date as at 31 December 2010.

11. Dividend

The directors do not recommend the payment of dividend for the financial year ended 31 December 2011. No dividend was declared in 2010.

12. Earnings per share

	Current year quarter to 31 December 2011	Preceding year quarter to 31 December 2010	Current year to 31 December 2011	Preceding year to 31 December 2010
a) Basic				
Profit for the period (RM'000)	1,026	(2,514)	6,425	1,616
Weighted average number of ordinary shares in issue ('000)	210,000	210,000	210,000	210,000
Earnings per share (sen)	0.49	(1.20)	3.06	0.77
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

21 February 2012