



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

**Unaudited Condensed Consolidated Statement of Comprehensive Income for the financial period ended 31 March 2012**

These figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to 31 March 2012 RM'000	Preceding year quarter to 31 March 2011 RM'000	Current year to 31 March 2012 RM'000	Preceding year to 31 March 2011 RM'000
Revenue	<u>73,694</u>	<u>65,287</u>	<u>73,694</u>	<u>65,287</u>
Other income	<u>2,048</u>	<u>2,030</u>	<u>2,048</u>	<u>2,030</u>
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	5,380	5,966	5,380	5,966
Depreciation and amortisation	<u>(4,530)</u>	<u>(4,764)</u>	<u>(4,530)</u>	<u>(4,764)</u>
Profit from operations	850	1,202	850	1,202
Finance costs	<u>(2,677)</u>	<u>(2,605)</u>	<u>(2,677)</u>	<u>(2,605)</u>
Loss before taxation	<u>(1,827)</u>	<u>(1,403)</u>	<u>(1,827)</u>	<u>(1,403)</u>
Tax expense	<u>(87)</u>	<u>(6)</u>	<u>(87)</u>	<u>(6)</u>
Net loss/Total comprehensive loss for the period	<u>(1,914)</u>	<u>(1,409)</u>	<u>(1,914)</u>	<u>(1,409)</u>
Net loss for the period attributable to owners of the Company	<u>(1,914)</u>	<u>(1,409)</u>	<u>(1,914)</u>	<u>(1,409)</u>
Total comprehensive loss attributable to owners of the Company	<u>(1,914)</u>	<u>(1,409)</u>	<u>(1,914)</u>	<u>(1,409)</u>
Basic earnings per share (sen)	(0.91)	(0.67)	(0.91)	(0.67)
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 2011 and the explanatory notes attached to this interim financial report.



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

**Unaudited Condensed Consolidated Statements of Financial Position as at 31 March 2012**

	(Unaudited) As at 31 March 2012 RM'000	(Audited) As at 31 December 2011 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	477,071	480,533
Deferred tax assets	520	542
	<u>477,591</u>	<u>481,075</u>
<b>Current assets</b>		
Inventories	56,050	49,385
Tax recoverable	752	729
Trade receivables	47,462	54,196
Other receivables	4,892	3,521
Derivative assets	102	0
Short term deposits	1,335	1,318
Cash and bank balances	7,170	7,955
Non-current assets classified as held for sale	0	220
	<u>117,763</u>	<u>117,324</u>
<b>TOTAL ASSETS</b>	<u>595,354</u>	<u>598,399</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	(36)	(36)
Retained earnings	107,202	109,116
<b>Total equity</b>	<u>323,032</u>	<u>324,946</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	7,345	7,344
Unfunded post employment benefit obligation	10,099	10,085
Borrowings	83,366	102,241
Hire purchase creditor	0	0
Amount due to holding company	39,851	39,398
	<u>140,661</u>	<u>159,068</u>
<b>Current liabilities</b>		
Trade payables	35,558	34,872
Other payables and provisions	15,572	18,234
Borrowings	75,416	55,893
Amount due to holding company	2,786	2,685
Hire purchase creditor	41	82
Derivative liabilities	0	331
Current tax payable	2,288	2,288
	<u>131,661</u>	<u>114,385</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>595,354</u>	<u>598,399</u>
Net assets per share attributable to equity holders of the Company (RM)	1.54	1.55

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2011 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 2012**

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 2012	210,000	5,866	(36)	109,116	324,946
Total comprehensive loss for the period	-	-	-	(1,914)	(1,914)
Balance as at 31 March 2012	210,000	5,866	(36)	107,202	323,032
Balance as at 1 January 2011	210,000	5,866	(38)	102,691	318,519
Total comprehensive income for the year	-	-	2	6,425	6,427
Balance as at 31 December 2011	210,000	5,866	(36)	109,116	324,946

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 2011 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 2012**

These figures have not been audited.

	<b>Current year to 31 March 2012 RM'000</b>	<b>Preceding year to 31 March 2011 RM'000</b>
<u>Cash flows from operating activities</u>		
– Loss after tax	(1,914)	(1,409)
– Adjustments for non-cash and non-operating items		
• Taxation credit	87	6
• Other non-cash and non-operating items	6,638	6,027
	<u>4,811</u>	<u>4,624</u>
– Changes in working capital		
• (Increase)/Decrease in inventories	(6,654)	1,288
• Decrease/(Increase) in receivables	5,194	(14,435)
• (Decrease)/Increase in payables	(1,926)	13,851
• Increase in intercompany balances	100	107
	<u>1,525</u>	<u>5,435</u>
– Payment of staff retirement benefits	(252)	(70)
– Net income tax (paid) / refund	(89)	39
Net cash flows from operating activities	<u>1,184</u>	<u>5,404</u>
<u>Cash flows from investing activities</u>		
– Purchases of property, plant and equipment	(1,068)	(5,112)
– Interest income received	14	-
– Proceeds from sales of property, plant, and equipment	-	3
Net cash flows used in investing activities	<u>(1,054)</u>	<u>(5,109)</u>
<u>Cash flows from financing activities</u>		
– Repayment of term loans	(10,581)	(3,600)
– Proceeds from bankers acceptance	8,015	9,214
– Financing expenses	(2,416)	(2,272)
– Repayment of hire purchase creditor	(46)	(44)
Net cash flows (used in)/from financing activities	<u>(5,028)</u>	<u>3,298</u>
Net (decrease)/increase in cash and cash equivalents	(4,898)	3,593
Cash and cash equivalents at 1 January	6,456	2,947
Effects of exchange rate changes	(63)	(11)
Cash and cash equivalents as at 31 March	<u>1,495</u>	<u>6,529</u>
Cash and cash equivalents comprise:		
Overdraft	(7,010)	(1,435)
Short term deposits	1,335	2,496
Cash and bank balances	7,170	5,468
	<u>1,495</u>	<u>6,529</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 2011 and the explanatory notes attached to this interim financial report.



## **PART A: Explanatory Notes of MFRS 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 MFRS 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 financial year ended 31 December 2011. 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 2011.

### **2. Changes in Accounting Policies**

The Group adopted the new IFRS-compliant framework, Malaysian Financial Reporting Standards (“MFRS”) with effect from 1 January 2012. In adopting the new framework, the Group has applied MFRS 1 “First Time Adoption of MFRS”. The adoption of MFRS 1 did not result in a significant impact on the financial statements of the Group. Accordingly, the financial statements have been properly drawn up in accordance with MFRS for the quarter ended 31 March 2012. The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 December 2011, except for the adoption of the following MFRS, amendments to MFRSs and Issues Committee (IC) Interpretation which are relevant to the Group’s operations with effect from 1 January 2012 :-

Revised MFRS 124:	Related Party Disclosures
Amendment to MFRS 112:	Income Taxes
Amendments to IC Interpretation 14:	MFRS 119 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction
Amendment to MFRS 1:	First-time Adoption on Fixed Dates and Hyperinflation
Amendment to MFRS 7:	Financial Instruments: Disclosures on Transfers of Financial Assets

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.



**3. Audit report of preceding annual financial statements for financial year ended 31 December 2011**

The audit report of the Group's financial statements for the financial year ended 31 December 2011 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 2012.

**6. Change in estimates**

There were no changes in estimates that have had a material effect for the financial period ended 31 March 2012.

**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 2012.

**8. Dividends paid**

There were no dividends paid for the financial period ended 31 March 2012.

**9. Segmental reporting**

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 31 March 2012 RM'000	Preceding year to 31 March 2011 RM'000	As at 31 March 2012 RM'000	As at 31 March 2011 RM'000	Current year to 31 March 2012 RM'000	Preceding year to 31 March 2011 RM'000
Malaysia	48,621	45,602	595,285	591,493	1,068	5,112
Middle East and South Asia	8,368	5,107	-	-	-	-
South East Asia	7,916	4,534	68	76	-	-
Hong Kong and China	5,334	7,283	1	59	-	-
Others	3,455	2,761	-	-	-	-
	<u>73,694</u>	<u>65,287</u>	<u>595,354</u>	<u>591,628</u>	<u>1,068</u>	<u>5,112</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 2012**

There was no material events subsequent to the end of the current financial period ended 31 March 2012.

**12. Changes in the composition of the Group during the financial period ended 31 March 2012**

There were no changes in the composition of the Group during the financial period ended 31 March 2012.



**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 2011 to the date of this report.

**14. Capital commitments**

Capital commitments not provided for in the financial statements as at 31 March 2012 were as follows:-

	RM'000
Approved and contracted	2,175
Approved but not contracted	8,596
	<hr/>
	10,771
	<hr/>
Analysed as follows:-	
Property, plant and equipment	<hr/>
	10,771
	<hr/>



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

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

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

Group revenue increased 13% quarter-on-quarter to RM73.7 million from RM65.3 million a year ago due to higher demand and production capacity, especially of plainboard exports. However, despite better prices and sales volume, the Group suffered a loss of RM1.8million in this first quarter of 2012 against a loss of RM1.4 million a year ago, mainly due to higher raw material costs. Attractive latex prices have resulted in reduced replanting activities which have impacted rubberwood supply and prices, whilst increased demand for urea in the agriculture industry pushed up prices of glue, another raw material component in the production of particleboards.

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

The Group swung from a pre-tax profit of RM1.4 million in the immediate preceding quarter to a pre-tax loss of RM1.8 million in the quarter under review. This was mainly due to the many festive holidays during the first quarter which is traditionally a low season for construction activity and demand. In addition, the Group carried out its scheduled plant shutdown for repairs and maintenance during this quarter for the same reason.

### **3. Prospects**

The Group is experiencing a more challenging market for particleboards and related products in view of the external uncertainties as well as higher raw material costs, resulting in compressed margins. The recommencement of Plant 3 has enabled the Group to regain market share and with increasing capacity utilisation, the Group has become more cost effective and therefore, price competitive. The Group has expanded its downstream facilities to cater for more value-added and environmentally-sensitive products which are rapidly becoming the global market preference, particularly to markets like Japan. The resilient property industry continues to support domestic demand for particleboards and its related products.

Notwithstanding the challenges, the Group expects 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. Loss before tax**

	Current year quarter to 31 March 2012 RM'000	Preceding year quarter to 31 March 2011 RM'000	Current year to 31 March 2012 RM'000	Preceding year to 31 March 2011 RM'000
Loss before tax is arrived at after charging/(crediting):-				
Interest income	(7)	(6)	(7)	(6)
Interest expense	2,647	2,575	2,647	2,575
Depreciation and amortization	4,530	4,764	4,530	4,764
Write back of allowance for inventories obsolescence	0	(1,134)	0	(1,134)
(Write back)/write down of inventories	(11)	66	(11)	66
Net realised foreign exchange gain	(603)	(241)	(603)	(241)
Net unrealised foreign exchange gain	(606)	(438)	(606)	(438)
Gain on fair value of derivative financial instruments	(433)	(170)	(433)	(170)





## 6. Tax credit / (expense)

	Current quarter to 31 March 2012 RM'000
In respect of current year	
- Malaysia income tax	(65)
- Foreign tax	-
- Deferred tax	(22)
	(87)
In respect of prior year	
- Malaysia income tax	-
- Foreign tax	-
- Deferred tax	-
	-
Tax credit / (expense)	(87)

The Group's effective tax rate for the quarter differs from the statutory tax rate mainly due to deferred tax assets not recognised offset by income not subject to tax.

## 7. Retained Earnings

	As at 31 March 2012	As at 31 December 2011
Total retained earnings of the Company and its subsidiaries	RM'000	RM'000
- Realised	107,025	110,076
- Unrealised	(878)	(2,014)
	106,147	108,062
Add: Consolidation adjustments	1,055	1,054
	107,202	109,116

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 USD9.045 million term loan. The details of the Group's borrowings as at 31 March 2012 are as follows:-

	Current		Non- current	
	RM'000	Foreign Currency USD'000	RM'000	Foreign Currency USD'000
Term loan (unsecured)	35,279	2,700	83,366	6,345
Bankers acceptance (unsecured)	33,127	-	-	-
Bank overdraft (unsecured)	7,010	-	-	-
	<u>75,416</u>	<u>2,700</u>	<u>83,366</u>	<u>6,345</u>

## 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 as at 31 December 2011.

## 11. Dividend

The directors do not recommend the payment of dividend for the financial year ended 31 March 2012. No dividend was declared in 2011.

## 12. Earnings per share

	Current year	Preceding year	Current year to	Preceding year to
	quarter to 31 March 2012	quarter to 31 March 2011	31 March 2012	31 March 2011
a) Basic				
Loss for the period (RM'000)	(1,914)	(1,409)	(1,914)	(1,409)
Weighted average number of ordinary shares in issue ('000)	210,000	210,000	210,000	210,000
Earnings per share (sen)	(0.91)	(0.67)	(0.91)	(0.67)
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

22 May 2012