



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

**Unaudited Condensed Consolidated Statement of Comprehensive Income for the financial period ended 30 June 2012**

These figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to	Preceding year quarter to	Current year to	Preceding year to
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	RM'000	RM'000	RM'000	RM'000
Revenue	83,743	79,539	157,437	144,826
Other (expense)/ income	(681)	670	1,367	2,700
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	2,438	11,285	7,818	17,251
Depreciation and amortisation	(4,341)	(4,596)	(8,871)	(9,360)
(Loss)/ profit from operations	(1,903)	6,689	(1,053)	7,891
Finance costs	(2,666)	(2,632)	(5,343)	(5,237)
(Loss)/ profit before taxation	(4,569)	4,057	(6,396)	2,654
Tax (expense)/ credit	(120)	711	(207)	705
Net (loss)/ profit for the period	(4,689)	4,768	(6,603)	3,359
Other comprehensive income:				
Exchange differences on translating foreign subsidiaries	0	2	0	2
Total comprehensive (expense)/ income for the period	(4,689)	4,770	(6,603)	3,361
Net (loss)/ profit for the period attributable to owners of the Company	(4,689)	4,768	(6,603)	3,359
Total comprehensive (loss)/ income attributable to owners of the Company	(4,689)	4,770	(6,603)	3,361
Basic (loss)/ earnings per share (sen)	(2.23)	2.27	(3.14)	1.60
Diluted (loss)/ 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 30 June 2012**

	(Unaudited) As at 30 June 2012 RM'000	(Audited) As at 31 December 2011 RM'000	(Audited) As at 1 January 2011 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	473,041	480,533	489,406
Deferred tax assets	528	542	491
	<u>473,569</u>	<u>481,075</u>	<u>489,897</u>
<b>Current assets</b>			
Inventories	60,629	49,385	44,770
Tax recoverable	749	729	1,808
Trade receivables	57,338	54,196	31,593
Other receivables	4,158	3,521	843
Short term deposits	1,337	1,318	2,516
Cash and bank balances	8,791	7,955	3,857
Derivative assets	0	0	76
	<u>133,002</u>	<u>117,104</u>	<u>85,463</u>
Non-current assets classified as held for sale	0	220	0
	<u>133,002</u>	<u>117,324</u>	<u>85,463</u>
<b>TOTAL ASSETS</b>	<u><u>606,571</u></u>	<u><u>598,399</u></u>	<u><u>575,360</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	210,000	210,000	210,000
Reserves			
Share premium	5,866	5,866	5,866
Foreign currency reserve	(36)	(36)	(38)
Retained earnings	102,513	109,116	102,691
<b>Total equity</b>	<u>318,343</u>	<u>324,946</u>	<u>318,519</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	7,345	7,344	7,582
Unfunded post employment benefit obligation	9,899	10,085	9,241
Borrowings	84,012	102,241	126,738
Hire purchase creditors	0	0	96
Amount due to holding company	40,303	39,398	37,579
	<u>141,559</u>	<u>159,068</u>	<u>181,236</u>
<b>Current liabilities</b>			
Trade payables	37,452	34,872	22,238
Other payables and provisions	16,725	18,234	12,828
Borrowings	86,448	55,893	35,891
Amount due to holding company	2,887	2,685	2,369
Hire purchase creditor	0	82	164
Derivative liabilities	872	331	0
Current tax payable	2,285	2,288	2,115
	<u>146,669</u>	<u>114,385</u>	<u>75,605</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>606,571</u></u>	<u><u>598,399</u></u>	<u><u>575,360</u></u>
Net assets per share attributable to equity holders of the Company (RM)	1.52	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 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 30 June 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	-	-	-	(6,603)	(6,603)
Balance as at 30 June 2012	210,000	5,866	(36)	102,513	318,343
Balance as at 1 January 2011	210,000	5,866	(38)	102,691	318,519
Total comprehensive income for the period	-	-	2	3,359	3,361
Balance as at 30 June 2011	210,000	5,866	(36)	106,050	321,880

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 30 June 2012**

These figures have not been audited.

	<b>Current year to 30 June 2012 RM'000</b>	<b>Preceding year to 30 June 2011 RM'000</b>
<u>Cash flows from operating activities</u>		
– (Loss)/Profit after tax	(6,603)	3,359
– Adjustments for non-cash and non-operating items		
• Taxation	207	(705)
• Other non-cash and non-operating items	15,296	12,546
	<hr/> 8,900	<hr/> 15,200
– Changes in working capital		
• (Increase)/Decrease in inventories	(11,232)	3,229
• Increase in receivables	(3,197)	(17,303)
• Increase in payables	1,126	10,456
• Increase in intercompany balances	200	209
	<hr/> (4,203)	<hr/> 11,791
– Payment of staff retirement benefits	(718)	(284)
– Net income tax (paid) / refund	(216)	1,169
Net cash flows (used in)/from operating activities	<hr/> (5,137)	<hr/> 12,676
<u>Cash flows from investing activities</u>		
– Purchases of property, plant and equipment	(1,384)	(5,632)
– Interest income received	14	15
– Proceeds from sales of property, plant, and equipment	-	3
Net cash flows used in investing activities	<hr/> (1,370)	<hr/> (5,614)
<u>Cash flows from financing activities</u>		
– Repayment of term loan	(10,731)	(3,600)
– Proceeds from bankers acceptance	19,014	3,607
– Financing expenses	(4,702)	(4,387)
– Repayment of hire purchase creditor	(91)	(90)
Net cash flows from/(used in) financing activities	<hr/> 3,490	<hr/> (4,470)
Net (decrease)/increase in cash and cash equivalents	(3,017)	2,592
Cash and cash equivalents at 1 January	6,456	2,947
Effects of exchange rate changes	(15)	(39)
Cash and cash equivalents as at 30 June	<hr/> 3,424	<hr/> 5,500
Cash and cash equivalents comprise:		
Overdraft	(6,704)	(3,450)
Short term deposits	1,337	2,511
Cash and bank balances	8,791	6,439
	<hr/> 3,424	<hr/> 5,500

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 derivative 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 30 June 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 30 June 2012.

**6. Change in estimates**

There were no changes in estimates that have had a material effect for the financial period ended 30 June 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 30 June 2012.

**8. Dividends paid**

There were no dividends paid for the financial period ended 30 June 2012.

**9. Segmental reporting**

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 30 June 2012 RM'000	Preceding year to 30 June 2011 RM'000	As at 30 June 2012 RM'000	As at 30 June 2011 RM'000	Current year to 30 June 2012 RM'000	Preceding year to 30 June 2011 RM'000
Malaysia	103,742	102,001	606,518	589,204	1,384	5,632
Middle East and South Asia	18,279	9,834	-	-	-	-
South East Asia	15,008	11,983	53	76	-	-
Hong Kong and China	11,536	11,610	-	89	-	-
Others	8,872	9,398	-	-	-	-
	<u>157,437</u>	<u>144,826</u>	<u>606,571</u>	<u>589,369</u>	<u>1,384</u>	<u>5,632</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 June 2012**

There were no material events subsequent to the end of the current financial period ended 30 June 2012.

**12. Changes in the composition of the Group during the financial period ended 30 June 2012**

There were no changes in the composition of the Group during the financial period ended 30 June 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 30 June 2012 were as follows:-

	RM'000
Approved and contracted	2,204
Approved but not contracted	8,476
	<hr/>
	10,680
	<hr/> <hr/>
Analysed as follows:-	
Property, plant and equipment	<hr/> <hr/> 10,680



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

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

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

The Group's revenue increased 5% quarter-on-quarter to RM83.7 million from RM79.5 million a year ago with a 42% jump in export sales volume mainly of plainboards. However, the Group reported a second quarter loss of RM4.6 million against a profit of RM4.1 million a year ago attributable to:

- change in sales mix with more export of plainboards at penetrative pricing to new South Asian markets whilst domestic sales of value-added boards fell with reduced demand from the office automation segment ;
- increased raw material costs due to tight supply conditions for raw wood whilst the continued demand for urea in the agriculture industry has kept prices of glue consistently high and
- unrealised foreign exchange losses on translation of USD loan and from hedging of sales contracts.

#### **Year on year review**

The Group reported a 9% higher revenue to RM157.4 million for the period under review from RM144.8 million a year ago mainly driven by plainboard sales to South Asia and South East Asia.

Albeit a stronger revenue, the Group suffered a pre-tax loss of RM6.4 million against a pre-tax profit of RM2.7 million a year ago. This was mainly attributable to increased wood and glue costs, lower plainboard selling prices and unrealised foreign exchange losses from translation of USD loan and from hedging of sales contracts.

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

The Group's loss before tax widened in the second quarter to RM4.6 million from RM1.8 million for the first quarter primarily due to the earlier mentioned unrealised foreign exchange losses.

### **3. Prospects**

Operating conditions for the Group are very challenging this year as particleboard prices stay weak amidst sluggish global demand resulting in customers being unwilling to commit orders or delaying in taking delivery. Increased raw material costs have also eroded margins. Hence, unless the current difficult business conditions improve significantly, the Group is expected to suffer losses for the current financial year. To mitigate its losses, the Group continues to develop its brand presence in new markets and manage its input costs as well as improve plant productivity.

### **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)/ profit before tax

	Current year quarter to 30 June 2012 RM'000	Preceding year quarter to 30 June 2011 RM'000	Current year to 30 June 2012 RM'000	Preceding year to 30 June 2011 RM'000
(Loss)/ profit before tax is arrived at after charging/(crediting):-				
Interest income	(8)	(6)	(15)	(12)
Interest expense	2,666	2,632	5,313	5,207
Depreciation and amortization	4,341	4,596	8,871	9,360
Write back of allowance for inventories obsolescence	0	(1,355)	0	(2,489)
(Write back)/write down of inventories	(1)	46	(12)	112
Net realised foreign exchange gain	(474)	(440)	(1,077)	(681)
Net unrealised foreign exchange loss/ (gain)	416	6	(190)	(432)
Unrealised loss on fair value of derivative financial instruments	973	215	540	45

## 6. Tax credit / (expense)

	Current quarter to 30 June 2012 RM'000	Current year to 30 June 2012 RM'000
In respect of current year		
- Malaysia income tax	(128)	(193)
- Deferred tax	8	(14)
Tax expense	<u>(120)</u>	<u>(207)</u>

The Group's effective tax rate for the quarter and the year under review differs from the statutory tax rate mainly due to deferred tax assets not recognised and income not subject to tax.



## 7. Retained Earnings

	As at 30 June 2012	As at 31 December 2011
Total retained earnings of the Company and its subsidiaries	RM'000	RM'000
- Realised	103,719	110,076
- Unrealised	(2,260)	(2,014)
	<u>101,459</u>	<u>108,062</u>
Add: Consolidation adjustments	1,054	1,054
	<u><u>102,513</u></u>	<u><u>109,116</u></u>

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 30 June 2012 were as follows:-

	Current		Non- current	
	RM'000	Foreign Currency USD'000	RM'000	Foreign Currency USD'000
Term loan (unsecured)	35,618	2,700	84,012	6,345
Bankers acceptance (unsecured)	44,126	-	-	-
Bank overdraft (unsecured)	6,704	-	-	-
	<u>86,448</u>	<u>2,700</u>	<u>84,012</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 date as at 31 December 2011.

## 11. Dividend

The directors do not recommend the payment of dividend for the financial year ended 30 June 2012. No dividend was declared in 2011.



## 12. (Loss)/ earnings per share

	Current year quarter to 30 June 2012	Preceding year quarter to 30 June 2011	Current year to 30 June 2012	Preceding year to 30 June 2011
a) Basic				
(Loss)/ profit for the period (RM'000)	(4,689)	4,768	(6,603)	3,359
Weighted average number of ordinary shares in issue ('000)	210,000	210,000	210,000	210,000
(Loss)/ earnings per share (sen)	(2.23)	2.27	(3.14)	1.60
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

27 August 2012