



MIECO CHIPBOARD BERHAD (12849-K)

Condensed Consolidated Statement of Comprehensive Income for the financial period ended 30 September 2012

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to 30 September 2012 RM'000	Preceding year quarter to 30 September 2011 RM'000	Current year to 30 September 2012 RM'000	Preceding year to 30 September 2011 RM'000
Revenue	78,836	71,373	236,273	216,199
Other income/(expense)	1,654	(1,514)	3,021	1,186
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	5,090	9,599	12,908	26,850
Depreciation and amortisation	(4,241)	(4,570)	(13,112)	(13,930)
Profit/(loss) from operations	849	5,029	(204)	12,920
Finance costs	(2,709)	(2,716)	(8,052)	(7,953)
(Loss)/profit before taxation	(1,860)	2,313	(8,256)	4,967
Tax (expense)/credit	(43)	(273)	(250)	432
Net (loss)/profit for the period	(1,903)	2,040	(8,506)	5,399
Other comprehensive income:				
Exchange differences on translating foreign subsidiaries	1	0	1	2
Total comprehensive (loss)/income for the period	(1,902)	2,040	(8,505)	5,401
Net (loss)/profit for the period attributable to owners of the Company	(1,903)	2,040	(8,506)	5,399
Total comprehensive (loss)/income attributable to owners of the Company	(1,902)	2,040	(8,505)	5,401
Basic (loss)/earnings per share (sen)	(0.91)	0.97	(4.05)	2.57
Diluted (loss)/earnings per share (sen)	N/A	N/A	N/A	N/A

The 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)

Condensed Consolidated Statement of Financial Position as at 30 September 2012

The figures have not been audited.

	(Unaudited) As at 30 September 2012 RM'000	(Audited) As at 31 December 2011 RM'000	(Audited) As at 1 January 2011 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	473,394	480,533	489,406
Deferred tax assets	541	542	491
	<u>473,935</u>	<u>481,075</u>	<u>489,897</u>
Current assets			
Inventories	67,111	49,385	44,770
Tax recoverable	1,080	729	1,808
Trade receivables	58,068	54,196	31,593
Other receivables	2,341	3,521	843
Short term deposits	1,351	1,318	2,516
Cash and bank balances	6,341	7,955	3,857
Derivative assets	256	0	76
	<u>136,548</u>	<u>117,104</u>	<u>85,463</u>
Non-current assets classified as held for sale	0	220	0
	<u>136,548</u>	<u>117,324</u>	<u>85,463</u>
TOTAL ASSETS	<u>610,483</u>	<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	210,000
Reserves			
Share premium	5,866	5,866	5,866
Foreign currency reserve	(35)	(36)	(38)
Retained earnings	100,610	109,116	102,691
Total equity	<u>316,441</u>	<u>324,946</u>	<u>318,519</u>
Non-current liabilities			
Deferred tax liabilities	7,345	7,344	7,582
Unfunded post employment benefit obligation	10,081	10,085	9,241
Borrowings	65,714	102,241	126,738
Hire purchase creditors	0	0	96
Amount due to holding company	40,760	39,398	37,579
	<u>123,900</u>	<u>159,068</u>	<u>181,236</u>
Current liabilities			
Trade payables	43,802	34,872	22,238
Other payables and provisions	17,077	18,234	12,828
Borrowings	104,316	55,893	35,891
Amount due to holding company	2,989	2,685	2,369
Hire purchase creditor	0	82	164
Derivative liabilities	0	331	0
Current tax payable	1,958	2,288	2,115
	<u>170,142</u>	<u>114,385</u>	<u>75,605</u>
TOTAL EQUITY AND LIABILITIES	<u>610,483</u>	<u>598,399</u>	<u>575,360</u>
Net assets per share attributable to equity holders of the Company (RM)	1.51	1.55	1.52

The 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)

Condensed Consolidated Statement of Changes in Equity for the financial period ended 30 September 2012

The 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	(8,506)	(8,505)
Balance as at 30 September 2012	210,000	5,866	(35)	100,610	316,441
Balance as at 1 January 2011	210,000	5,866	(38)	102,691	318,519
Total comprehensive income for the period	-	-	2	5,399	5,401
Balance as at 30 September 2011	210,000	5,866	(36)	108,090	323,920

The 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)

Condensed Consolidated Statement of Cash Flows for the financial period ended 30 September 2012

The figures have not been audited.

	Current year to 30 September 2012 RM'000	Preceding year to 30 September 2011 RM'000
<u>Cash flows from operating activities</u>		
– (Loss)/profit after tax	(8,506)	5,399
– Adjustments for non-cash and non-operating items		
• Taxation	250	(432)
• Other non-cash and non-operating items	21,401	21,462
	<u>13,145</u>	<u>26,429</u>
– Changes in working capital		
• Increase in inventories	(17,772)	(8,056)
• Increase in receivables	(2,953)	(14,391)
• Increase in payables	7,874	9,661
• Increase in intercompany balances	303	194
	<u>597</u>	<u>13,837</u>
– Payment of staff retirement benefits	(802)	(454)
– Net income tax (paid)/refund	(929)	1,187
Net cash flows (used in)/from operating activities	<u>(1,134)</u>	<u>14,570</u>
<u>Cash flows from investing activities</u>		
– Purchases of property, plant and equipment	(6,037)	(6,227)
– Interest income received	15	23
– Proceeds from sales of property, plant, and equipment	-	4
Net cash flows used in investing activities	<u>(6,022)</u>	<u>(6,200)</u>
<u>Cash flows from financing activities</u>		
– Repayment of term loan	(28,293)	(13,909)
– Proceeds from term loan	-	2,900
– Proceeds from bankers acceptance	36,478	8,201
– Proceeds from revolving credit	5,000	-
– Financing expenses	(7,190)	(6,631)
– Repayment of hire purchase creditor	(92)	(135)
Net cash flows from/(used in) financing activities	<u>5,903</u>	<u>(9,574)</u>
Net decrease in cash and cash equivalents	(1,253)	(1,204)
Cash and cash equivalents at 1 January	6,456	2,947
Effects of exchange rate changes	36	(48)
Cash and cash equivalents at 30 September	<u>5,239</u>	<u>1,695</u>
Cash and cash equivalents comprise:		
Overdraft	(2,453)	(6,676)
Short term deposits	1,351	1,318
Cash and bank balances	6,341	7,053
	<u>5,239</u>	<u>1,695</u>

The Condensed Consolidated Statement of Cash Flows 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 financial period ended 30 September 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 September 2012.

6. Change in estimates

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

8. Dividends paid

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

9. Segmental reporting

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 30 September 2012 RM'000	Preceding year to 30 September 2011 RM'000	As at 30 September 2012 RM'000	As at 30 September 2011 RM'000	Current year to 30 September 2012 RM'000	Preceding year to 30 September 2011 RM'000
Malaysia	157,029	147,273	610,436	594,274	6,037	6,227
Middle East and South Asia	27,407	15,873	-	-	-	-
South East Asia	19,995	19,308	-	-	-	-
Hong Kong and China	18,796	19,825	-	31	-	-
Others	13,046	13,920	47	69	-	-
	<u>236,273</u>	<u>216,199</u>	<u>610,483</u>	<u>594,374</u>	<u>6,037</u>	<u>6,227</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 September 2012

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

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

There were no changes in the composition of the Group during the financial period ended 30 September 2012.



13. Changes in contingent liabilities and contingent assets

There were no material changes in contingent liabilities and contingent assets since the last statement of financial position as at 31 December 2011.

14. Capital commitments

Capital commitments not provided for in the financial statements as at 30 September 2012 were as follows:-

	RM'000
Approved and contracted	193
Approved but not contracted	8,370
	<hr/>
	8,563
	<hr/> <hr/>
Analysed as follows:-	
Property, plant and equipment	<hr/> 8,563



PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. Review of performance

Quarter on quarter review

Group revenue in the third quarter of this year increased 10% to RM78.8 million from RM71.4 million a year ago as sales volume increased. However, weak export prices arising from a competitive environment coupled with higher cost for raw wood, resulted in the quarter's loss of RM1.9 million against a pre-tax profit of RM2.3 million in the same quarter last year. The loss was partially mitigated by unrealised foreign exchange gains from translation of USD term loan and hedging of sales contracts.

Year on year review

The Group reported a 9% higher revenue of RM236.3 million for the 9 months period under review from RM216.2 million a year ago, supported by domestic demand and exports to South Asia.

Despite improved revenue, the Group suffered a pre-tax loss of RM8.3 million against a pre-tax profit of RM5.0 million a year ago. This was mainly attributable to the reduced gross margins from weak selling prices and increased wood costs, which were partly offset by unrealised foreign exchange gains 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 saw a lower loss before tax of RM1.9 million in the third quarter of this year from RM4.6 million in the immediate preceding quarter, mainly due to unrealised foreign exchange gains mentioned earlier and decreased expenses.

3. Prospects

The Group continues to operate in a very challenging environment in view of the difficult global economic conditions. In the near term, the Group's profit margins are affected by weak selling prices and higher input costs, particularly for wood. To mitigate the current challenges, the Group will maintain strong focus on cost control and cashflow management.

Whilst the Group's business remains profitable at the operating level, however, after accounting for depreciation and finance costs, the Group will post a net loss for the current financial year.

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 September 2012 RM'000	Preceding year quarter to 30 September 2011 RM'000	Current year to 30 September 2012 RM'000	Preceding year to 30 September 2011 RM'000
(Loss)/profit before tax is arrived at after charging/(crediting):-				
Interest income	(8)	(9)	(23)	(21)
Interest expense	2,709	2,706	8,022	7,913
Depreciation and amortization	4,241	4,570	13,112	13,930
Write back of allowance for inventories obsolescence	-	(1,075)	-	(3,564)
(Write back)/write down of inventories	-	-	(12)	112
Net realised foreign exchange gain	(271)	(576)	(1,348)	(1,257)
Net unrealised foreign exchange (gain)/loss	(90)	1,539	(280)	1,107
Unrealised (gain)/loss on fair value of derivative financial instruments	(1,127)	879	(587)	924

6. Tax credit/(expense)

	Current quarter to 30 September 2012 RM'000	Current year to 30 September 2012 RM'000
In respect of current year		
- Malaysia income tax	(56)	(249)
- Deferred tax	3	(11)
	<hr/>	<hr/>
	(53)	(260)
In respect of prior year		
- Deferred tax	10	10
	<hr/>	<hr/>
Tax expense	(43)	(250)
	<hr/> <hr/>	<hr/> <hr/>

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.



7. Retained earnings

	As at 30 September 2012	As at 31 December 2011
Total retained earnings of the Company and its subsidiaries	RM'000	RM'000
- Realised	100,467	110,076
- Unrealised	(921)	(2,014)
	<u>99,546</u>	<u>108,062</u>
Add: Consolidation adjustments	1,064	1,054
	<u>100,610</u>	<u>109,116</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. Borrowings and debt securities

The Group's borrowings are all denominated in Ringgit Malaysia except for a USD7.695 million term loan. The details of the Group's borrowings as at 30 September 2012 were as follows:-

	Current		Non- current	
	RM'000	Foreign Currency USD'000	RM'000	Foreign Currency USD'000
Term loan (unsecured)	35,273	2,700	65,714	4,995
Bankers acceptance (unsecured)	61,590	-	-	-
Revolving credit (unsecured)	5,000	-	-	-
Bank overdraft (unsecured)	2,453	-	-	-
	<u>104,316</u>	<u>2,700</u>	<u>65,714</u>	<u>4,995</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 period ended 30 September 2012. No dividend was declared for the same period last year.



12. (Loss)/earnings per share

	Current year quarter to 30 September 2012	Preceding year quarter to 30 September 2011	Current year to 30 September 2012	Preceding year to 30 September 2011
a) Basic				
(Loss)/profit for the period (RM'000)	(1,903)	2,040	(8,506)	5,399
Weighted average number of ordinary shares in issue ('000)	210,000	210,000	210,000	210,000
(Loss)/earnings per share (sen)	(0.91)	0.97	(4.05)	2.57
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

19 November 2012