

**MIECO CHIPBOARD BERHAD (12849-K)**  
**Condensed Consolidated Balance Sheet as at 30 June 2008**

	<b>(Unaudited)</b>	<b>(Restated)</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June 2008</b>	<b>31 December 2007</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	512,577	513,145
Investment property	8,396	8,396
Prepaid lease rentals	17,504	17,622
Deferred tax assets	91,866	87,287
	<u>630,343</u>	<u>626,450</u>
<b>Current assets</b>		
Inventories	58,797	48,931
Tax recoverable	683	1,326
Trade receivables	63,005	62,964
Other receivables	16,481	22,387
Marketable securities	55	593
Short term deposits	7,844	17,360
Cash and bank balances	7,679	13,961
	<u>154,544</u>	<u>167,522</u>
Non-current asset held for sale	1,595	1,672
	<u>156,139</u>	<u>169,194</u>
<b>TOTAL ASSETS</b>	<u><u>786,482</u></u>	<u><u>795,644</u></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
Warrant reserve account	13,979	13,979
Foreign currency reserve	(884)	(722)
Retained earnings	228,365	234,120
<b>Total equity</b>	<u>457,326</u>	<u>463,243</u>
<b>Non-current liabilities</b>		
Unfunded post employment benefit obligation	8,576	7,974
Borrowings	149,778	164,388
	<u>158,354</u>	<u>172,362</u>
<b>Current liabilities</b>		
Trade payables	49,582	50,747
Other payables and provisions	30,949	26,047
Borrowings	86,001	80,244
Amount due to holding company	1,921	1,803
Current tax payable	2,349	1,198
	<u>170,802</u>	<u>160,039</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>786,482</u></u>	<u><u>795,644</u></u>
Net assets per share attributable to equity holders of the company (RM)	2.18	2.21

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the explanatory notes attached to this interim financial report.

**MIECO CHIPBOARD BERHAD (12849-K)****Condensed Consolidated Income Statement for the financial period ended 30 June 2008**

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to 30 June 2008	Preceding year quarter to 30 June 2007 (restated)	Current year to 30 June 2008	Preceding year to 30 June 2007 (restated)
	RM'000	RM'000	RM'000	RM'000
Revenue	101,525	77,965	195,522	173,022
Investment income	-	1	1	5
Other income	(152)	348	2,149	1,800
Operating profit/(loss) before finance cost, depreciation and amortisation, income tax and minority interests	2,609	(183)	5,057	8,872
Depreciation and amortisation	(4,068)	(3,774)	(7,952)	(7,533)
(Loss) /profit from operations	(1,459)	(3,957)	(2,895)	1,339
Finance costs	(3,519)	(3,706)	(7,095)	(8,695)
Loss before taxation	(4,978)	(7,663)	(9,990)	(7,356)
Tax credit	2,562	1,686	4,235	1,573
Loss after taxation	(2,416)	(5,977)	(5,755)	(5,783)
Minority interest	-	-	-	-
Net loss for the period attributable to equity holders of the company	(2,416)	(5,977)	(5,755)	(5,783)
Losses per share – Basic (sen)	(1.15)	(2.85)	(2.74)	(2.75)
Earnings per share – Diluted (sen) [See Part B Note 13(b)]	N/A	N/A	N/A	N/A

The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2007 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 June 2008**

The figures have not been audited.

	← Attributable to equity holders of the company →					Total equity RM'000
	← Non - distributable →			Distributable		
	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Foreign currency reserve RM'000	Retained earnings RM'000	
Balance as at 1 January 2008 (as previously reported)	210,000	5,866	13,979	(722)	129,101	358,224
Effect of adoption of revised FRS 112	-	-	-	-	105,019	105,019
Balance as at 1 January 2008 (as restated)	210,000	5,866	13,979	(722)	234,120	463,243
Foreign currency translation, representing net expense recognised directly in equity	-	-	-	(162)	-	(162)
Loss for the period	-	-	-	-	(5,755)	(5,755)
Total recognised income and expense for the period	-	-	-	(162)	(5,755)	(5,917)
Balance as at 30 June 2008	210,000	5,866	13,979	(884)	228,365	457,326
Balance as at 1 January 2007 (as previously reported)	210,000	5,866	13,979	(313)	128,890	358,422
Effect of adoption of revised FRS 112	-	-	-	-	102,970	102,970
Balance as at 1 January 2007(as restated)	210,000	5,866	13,979	(313)	231,860	461,392
Foreign currency translation, representing net expense recognised directly in equity	-	-	-	(366)	-	(366)
Loss for the period (as restated)	-	-	-	-	(5,783)	(5,783)
Total recognised income and expense for the period	-	-	-	(366)	(5,783)	(6,149)
Dividend for financial year 2006	-	-	-	-	(2,100)	(2,100)
Balance as at 30 June 2007 (as restated)	210,000	5,866	13,979	(679)	223,977	453,143

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the explanatory notes attached to this interim financial report.

**MIECO CHIPBOARD BERHAD (12849-K)****Condensed Consolidated Cash Flow Statement for the financial period ended 30 June 2008**

The figures have not been audited.

	<b>Current year to 30 June 2008</b>	<b>Preceding year to 30 June 2007 (restated)</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Cash flows from operating activities</u>		
– Loss after taxation	(5,755)	(5,783)
– Adjustments for non-cash and non-operating items	10,136	13,817
	<u>4,381</u>	<u>8,034</u>
– Changes in working capital		
• Increase in inventories	(9,866)	(3,795)
• Decrease/(increase) in receivables	5,584	(20,616)
• Increase/(decrease) in payables	3,928	(8,290)
• Increase in intercompany balances	118	290
	<u>4,145</u>	<u>(24,377)</u>
– Payment of back dated wages	-	(786)
– Payment of staff retirement benefits	(73)	(404)
– Income tax refund	1,072	2,289
Net cash flows from/(used in) operating activities	<u>5,144</u>	<u>(23,278)</u>
<u>Cash flows from investing activities</u>		
– Purchases of property, plant and equipment	(7,924)	(5,266)
– Interest income received	29	94
– Dividend income received	1	5
– Proceeds from sales of property, plant, and equipment	39	2
– Proceeds from disposal of marketable securities	1,440	-
Net cash flows used in investing activities	<u>(6,415)</u>	<u>(5,165)</u>
<u>Cash flows from financing activities</u>		
– Drawdown of revolving credit	-	132,000
– Drawdown of term loan	-	47,253
– Repayment of term loan	-	(97,000)
– Repayment of bankers acceptance financing	(12,811)	(1,689)
– Redemption of bonds and commercial papers	-	(80,000)
– Financing expenses	(30)	(1,488)
– Repayment of hire purchase creditor	(91)	(56)
– Interest paid	(7,117)	(5,009)
Net cash flows used in financing activities	<u>(20,049)</u>	<u>(5,989)</u>
Net decrease in cash and cash equivalents	(21,320)	(34,432)
Cash and cash equivalents at 1 January	31,321	37,655
Effects of exchange rate changes	(44)	(26)
Cash and cash equivalents as at 30 June	<u>9,957</u>	<u>3,197</u>
Cash and cash equivalents comprise:		
Short term deposits	7,844	7,518
Cash and bank balances	7,679	6,913
Bank overdraft	(5,566)	(11,234)
	<u>9,957</u>	<u>3,197</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2007 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 investment properties, which are stated at fair values.

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 2007. 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 year ended 31 December 2007.

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

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2007 except for the adoption of the following new/revised Financial Reporting Standards ('FRS') effective for financial periods beginning 1 January 2008 which are applicable to the Group:

Revised FRS 107	Cash Flow Statements
Revised FRS 112	Income Taxes
Revised FRS 118	Revenue
Amendment to FRS 121	The effect of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
Revised FRS 134	Interim Financial Reporting
Revised FRS 137	Provisions, Contingent Liabilities and Contingent Assets

Aside from the revision of FRS 112, the adoption of the above revised FRS does not have significant financial impact on the Group.

#### **Revised FRS 112: Income Taxes**

The adoption of Revised FRS 112 has allowed the Group to recognise deferred tax assets on unutilised investment tax allowances, to the extent it is probable that future taxable profit will be available against which unutilised investment tax allowances can be utilised.

#### **Comparatives**

The Group has applied the change in accounting policy retrospectively in respect of the above in accordance with the transitional provisions of FRS 112 and adjusted the opening retained earnings. Certain comparative amounts as at 31 December 2007 and for the prior periods have been restated as follows:

	Previously reported RM'000	Effect of adoption of revised FRS 112 RM'000	Restated RM'000
At 31 December 2007			
Retained earnings	129,101	105,019	234,120
Deferred tax liabilities	(18,222)	18,222	0
Deferred tax assets	490	86,797	87,287
6 months ended 30 June 2007			
Deferred tax credit	1,722	345	2,067
Net loss for the period	(6,128)	345	(5,783)

### **3. Audit report of preceding annual financial statements for financial year ended 31 December 2007**

The audit report of the Group's financial statements for the year ended 31 December 2007 was not qualified.

### **4. Seasonality or cyclicity of interim operations**

Demand for particleboard and related products is generally seasonal and is also affected by national as well as international 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 2008 except as disclosed in Note 2.

## 6. Change in estimates

There were no changes in estimates that have had a material effect for the financial period ended 30 June 2008.

## 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 2008.

## 8. Dividends paid

There were no dividends paid for the financial period ended 30 June 2008.

## 9. Segmental reporting

Primary reporting – business segment

There is no disclosure of segment information by business segment as required by FRS 114, Segment Reporting as the Group operates principally within one industry that is, manufacturing and sales of particleboard and related products.

Secondary reporting – geographical segment

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 30 June 2008	Preceding year to 30 June 2007	Current year to 30 June 2008	Preceding year to 30 June 2007 (restated)	Current year to 30 June 2008	Preceding year to 30 June 2007
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	164,951	146,927	777,264	786,210	7,921	6,082
Hong Kong and China	30,571	26,095	3,159	7,468	3	3
Other	-	-	6,059	4,539	-	-
	<u>195,522</u>	<u>173,022</u>	<u>786,482</u>	<u>798,217</u>	<u>7,924</u>	<u>6,085</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 2008

There were no material events subsequent to the end of the current period ended 30 June 2008.

## 12. Changes in the composition of the Group during the financial period ended 30 June 2008

There were no changes in the composition of the Group during the financial period ended 30 June 2008.

## 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 2007 to the date of this report.

## 14. Capital commitments

Capital commitments not provided for in the financial statements as at 30 June 2008 were as follow:

Authorised and contracted	RM'000
Authorised but not contracted	6,347
	<u>6,577</u>
	<u>12,924</u>
Analysed as follow:	
Property, plant and equipment	<u>12,924</u>

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

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

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

Group revenue increased to RM101.5 million in the second quarter of 2008, up 30% due to higher selling prices and sales volume of particleboard and related products.

As a result, group loss before tax narrowed to RM5.0 million in the second quarter against RM7.7 million a year earlier, although still a loss as a result of increased raw material costs.

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

Group revenue was up 13% to RM195.5 million for the first half of 2008 mainly due to higher sales volume of particleboards and related products.

However, the Group pre-tax loss increased to RM10.0 million for this half year against RM7.4 million in the same period last year as a result of increased raw material prices, though partially mitigated by higher sales and increased production volume.

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

Despite favourable selling prices and improved production efficiency, the Group loss before tax in this quarter remained RM5.0 million as compared to immediate preceding quarter as a result of higher raw materials costs.

### **3. Prospects for the current financial year**

Operating conditions remain challenging for the Group in the light of inflation and slowing economies resulting from high energy prices affecting raw material costs.

### **4. Variance of actual profit from forecast profit**

The Group did not provide any profit forecast in a public document.

### **5. Tax (credit)**

	Current quarter to 30 June 2008 RM'000	Current year to 30 June 2008 RM'000
In respect of current year		
- Malaysia tax	207	209
- Foreign tax	97	135
	<u>304</u>	<u>344</u>
Deferred taxation		
- Malaysia tax	<u>(2,866)</u>	<u>(4,579)</u>
Tax (credit)	<u>(2,562)</u>	<u>(4,235)</u>

The Group's effective tax rate for the quarter and period under review differ from the statutory tax rate due mainly to investment tax allowance.

### **6. 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 period ended 30 June 2008.

## 7. Marketable securities

a) Total purchases and sales of marketable securities:

	Current quarter to 30 June 2008 RM'000	Current year to 30 June 2008 RM'000
Total purchases	-	-
Total sale proceeds	1,440	1,440
Total profit on sale	904	904

b) Total investment in marketable securities as at 30 June 2008:

Total investment at cost	66
Total investment at carrying value (after allowance for impairment loss)	55
Market value	55

## 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 except for a USD13.5 million term loan. The details of the Group's borrowings as at 30 June 2008 were as follows:

	Current RM'000	Non- current RM'000
Term loan (unsecured)	26,345	149,287
Bankers acceptance (unsecured)	53,926	-
Bank overdraft (unsecured)	5,566	-
Hire purchase creditor (secured)	164	491
	<u>86,001</u>	<u>149,778</u>

## 10. Off balance sheet financial instruments

As at 15 August 2008, the Group's open forward contracts entered into as hedges of anticipated future transactions are as follows:

Hedged item	RM'000 equivalent	Average contractual rate
Trade receivables: USD 4.674 million	14,968	1 USD = RM 3.2023
Future sales of goods: USD 15.884 million	51,803	1 USD = RM 3.2614
Trade payables Euro 1.000 million	5,004	1 EURO = RM 5.0035

The settlement dates of the above open forward contracts range between 3 to 6 months.

The unrecognised loss as at 15 August 2008 on open contracts which hedge anticipated future foreign currency sales amounted to RM1.542 million and future foreign currency purchases amounted to RM0.015 million. These exchange losses are deferred until the related sales and purchases are transacted, at which time they are included in the measurement of such transactions.

## 11. 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 2007.

## 12. Dividend

The directors do not recommend the payment of an interim dividend for the financial period ended 30 June 2008. No interim dividend was declared for the same period last year.



### 13. Earnings per share

	Current year quarter to 30 June 2008	Preceding year quarter to 30 June 2007 (restated)	Current year to 30 June 2008	Preceding year to 30 June 2007 (restated)
a) Basic				
Loss for the period (RM'000)	(2,416)	(5,977)	(5,755)	(5,783)
Weighted average number of ordinary shares in issue ('000)	210,000	210,000	210,000	210,000
Losses per share (sen)	(1.15)	(2.85)	(2.74)	(2.75)
b) Diluted	N.A.	N.A.	N.A.	N.A.

Diluted earnings per share for 2008 and 2007 are not presented as the effects of the assumed exercise of Warrants are antilutitive.

BY ORDER OF THE BOARD  
**MIECO CHIPBOARD BERHAD**

Ho Swee Ling  
Company Secretary  
Kuala Lumpur  
22 August 2008