

MIECO CHIPBOARD BERHAD (12849-K)
Condensed Consolidated Balance Sheet as at 30 June 2009

| | (Unaudited) As at 30 June 2009 RM'000 | (Audited) As at 31 December 2008 RM'000 |
|---|--|--|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 497,085 | 507,003 |
| Investment properties | - | 7,417 |
| Prepaid lease rentals | 17,267 | 17,385 |
| Deferred tax assets | 423 | 455 |
| | <u>514,775</u> | <u>532,260</u> |
| Current assets | | |
| Inventories | 47,367 | 74,282 |
| Tax recoverable | 1,169 | 1,047 |
| Trade receivables | 29,180 | 47,615 |
| Other receivables | 3,061 | 4,742 |
| Marketable securities | 53 | 36 |
| Short term deposits | 5,305 | 25,131 |
| Cash and bank balances | 5,624 | 10,211 |
| | <u>91,759</u> | <u>163,064</u> |
| TOTAL ASSETS | <u>606,534</u> | <u>695,324</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 |
| Warrant reserve account | - | 13,979 |
| Foreign currency reserve | (399) | (401) |
| Retained earnings | 98,533 | 101,148 |
| Total equity | <u>314,000</u> | <u>330,592</u> |
| Non-current liabilities | | |
| Deferred tax liabilities | 6,104 | 9,430 |
| Unfunded post employment benefit obligation | 8,615 | 8,618 |
| Borrowings | 125,697 | 138,741 |
| Hire purchase creditor | 328 | 410 |
| Amount due to holding company | 34,000 | 20,000 |
| | <u>174,744</u> | <u>177,199</u> |
| Current liabilities | | |
| Trade payables | 33,023 | 49,408 |
| Other payables and provisions | 17,132 | 27,827 |
| Borrowings | 62,356 | 105,854 |
| Amount due to holding company | 3,029 | 2,348 |
| Hire purchase creditor | 164 | 164 |
| Current tax payable | 2,086 | 2,096 |
| | <u>117,790</u> | <u>187,533</u> |
| TOTAL EQUITY AND LIABILITIES | <u>606,534</u> | <u>695,324</u> |
| Net assets per share attributable to equity holders of the Company (RM) | 1.50 | 1.57 |

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2008 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 2009**

The figures have not been audited.

| | Individual Quarter | | Cumulative Quarter | |
|---|---|---|---|---|
| | Current year quarter to 30 June 2009 RM'000 | Preceding year quarter to 30 June 2008 RM'000 | Current year to 30 June 2009 RM'000 | Preceding year to 30 June 2008 RM'000 |
| Revenue | 46,049 | 101,525 | 90,836 | 195,522 |
| Investment income | - | - | - | 1 |
| Other income/(expense) | 3,517 | (152) | (4,240) | 2,149 |
| Operating profit/(loss) before finance cost, depreciation and amortisation, income tax and minority interests | 7,877 | 2,609 | (4,288) | 5,057 |
| Depreciation and amortisation | (4,824) | (4,068) | (9,457) | (7,952) |
| Profit/(loss) from operations | 3,053 | (1,459) | (13,745) | (2,895) |
| Finance costs | (2,805) | (3,519) | (6,125) | (7,095) |
| Profit/(loss) before taxation | 248 | (4,978) | (19,870) | (9,990) |
| Tax credit | 5,806 | 1,280 | 3,276 | 2,437 |
| Profit/(loss) after taxation | 6,054 | (3,698) | (16,594) | (7,553) |
| Minority interest | - | - | - | - |
| Net profit/(loss) for the period attributable to equity holders of the Company | 6,054 | (3,698) | (16,594) | (7,553) |
| Earnings/(loss) per share – Basic (sen) | 2.88 | (1.76) | (7.90) | (3.60) |
| 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 2008 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 2009

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 2009 | 210,000 | 5,866 | 13,979 | (401) | 101,148 | 330,592 |
| Foreign currency translation, representing net income recognised directly in equity | - | - | - | 2 | - | 2 |
| Expiry of warrant | - | - | (13,979) | - | 13,979 | - |
| Loss for the financial period | - | - | - | - | (16,594) | (16,594) |
| Total recognised income and expense for the period | - | - | (13,979) | 2 | (2,615) | (16,592) |
| Balance as at 30 June 2009 | 210,000 | 5,866 | - | (399) | 98,533 | 314,000 |
| Balance as at 1 January 2008 | 210,000 | 5,866 | 13,979 | (722) | 129,101 | 358,224 |
| Foreign currency translation, representing net expense recognised directly in equity | - | - | - | (162) | - | (162) |
| Loss for the financial period | - | - | - | - | (7,553) | (7,553) |
| Total recognised income and expense for the period | - | - | - | (162) | (7,553) | (7,715) |
| Balance as at 30 June 2008 | 210,000 | 5,866 | 13,979 | (884) | 121,548 | 350,509 |

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2008 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 2009

The figures have not been audited.

| | Current year to 30 June 2009 | Preceding year to 30 June 2008 |
|---|---------------------------------|-----------------------------------|
| | RM'000 | RM'000 |
| <u>Cash flows from operating activities</u> | | |
| – Loss after taxation | (16,594) | (7,553) |
| – Adjustments for non-cash and non-operating items | 16,415 | 11,934 |
| | <u>(179)</u> | <u>4,381</u> |
| – Changes in working capital | | |
| • Decrease/(increase) in inventories | 25,057 | (9,866) |
| • Decrease in receivables | 19,650 | 5,584 |
| • (Decrease)/increase in payables | (26,419) | 3,928 |
| • Increase in intercompany balances | 87 | 118 |
| | <u>18,196</u> | <u>4,145</u> |
| – Payment of staff retirement benefits | (569) | (73) |
| – Net income tax | (634) | 1,072 |
| Net cash flows from operating activities | <u>16,993</u> | <u>5,144</u> |
| <u>Cash flows from investing activities</u> | | |
| – Purchases of property, plant and equipment | (171) | (7,924) |
| – Interest income received | 22 | 29 |
| – Dividend income received | - | 1 |
| – Proceeds from sales of investment property | 7,069 | - |
| – Proceeds from sales of property, plant, and equipment | 318 | 39 |
| – Proceeds from disposal of marketable securities | - | 1,440 |
| Net cash flows from/(used in) investing activities | <u>7,238</u> | <u>(6,415)</u> |
| <u>Cash flows from financing activities</u> | | |
| – Loan from holding company | 14,000 | - |
| – Repayment of term loan | (13,434) | - |
| – Repayment of bankers acceptance financing | (49,548) | (12,811) |
| – Repayment of revolving credit financing | (3,000) | - |
| – Repayment of promissory note financing | (8,341) | - |
| – Financing expenses | (5,696) | (7,147) |
| – Repayment of hire purchase creditor | (91) | (91) |
| Net cash flows used in financing activities | <u>(66,110)</u> | <u>(20,049)</u> |
| Net decrease in cash and cash equivalents | (41,879) | (21,320) |
| Cash and cash equivalents at 1 January | 35,342 | 31,321 |
| Effects of exchange rate changes | (7) | (44) |
| Cash and cash equivalents as at 30 June | <u>(6,544)</u> | <u>9,957</u> |
| Cash and cash equivalents comprise: | | |
| Overdraft | (17,473) | (5,566) |
| Short term deposits | 5,305 | 7,844 |
| Cash and bank balances | 5,624 | 7,679 |
| | <u>(6,544)</u> | <u>9,957</u> |

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2008 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 2008. 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 2008.

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 2008.

3. Audit report of preceding annual financial statements for financial year ended 31 December 2008

The audit report of the Group's financial statements for the financial year ended 31 December 2008 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 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 2009.

6. Change in estimates

There were no changes in estimates that have had a material effect for the financial period ended 30 June 2009.

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 2009 except for the expiry of Warrants 2004/2009 which lapsed on 21 April 2009 without any warrants being exercised.

8. Dividends paid

There were no dividends paid for the financial period ended 30 June 2009.

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 2009 RM'000 | Preceding year to 30 June 2008 RM'000 | As at 30 June 2009 RM'000 | As at 30 June 2008 RM'000 | Current year to 30 June 2009 RM'000 | Preceding year to 30 June 2008 RM'000 |
| Malaysia | 90,836 | 164,951 | 606,149 | 685,959 | 129 | 7,921 |
| Hong Kong and China | - | 30,571 | 105 | 3,159 | 42 | 3 |
| Other | - | - | 280 | 6,059 | - | - |
| | <u>90,836</u> | <u>195,522</u> | <u>606,534</u> | <u>695,177</u> | <u>171</u> | <u>7,924</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 2009

There were no material events subsequent to the end of the current period ended 30 June 2009.

12. Changes in the composition of the Group during the financial period ended 30 June 2009

There were no changes in the composition of the Group during the financial period ended 30 June 2009.

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 2008 to the date of this report.

14. Capital commitments

Capital commitments not provided for in the financial statements as at 30 June 2009 were as follow:

| | |
|-------------------------------|-----------|
| Authorised and contracted | RM'000 |
| | <u>37</u> |
| Analysed as follow: | |
| Property, plant and equipment | <u>37</u> |

PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. Review of performance

Quarter on Quarter review

Group revenue of RM46.0 million in the second quarter of 2009 decreased by 55% against the same corresponding quarter last year due mainly to lower sales quantity and selling prices of particleboard and related products, though partially mitigated by favourable sales mix.

Despite lower sales, Group recorded pre-tax profit of RM0.2 million as compared to a loss of RM5.0 million a year ago mainly due to lower raw materials prices and reduction in operational costs.

Year on Year review

Despite favourable sales mix, group revenue of RM90.8 million in the first half year of 2009 decreased by 54% when compared to RM195.5 million a year ago due mainly to lower sales quantity and decreased selling prices of particleboard and related products, as a result of the global economic downturn.

Group pre-tax loss increased to RM19.9 million from RM10.0 million a year ago due to lower sales volume and RM5.2 million foreign exchange loss.

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

With higher sales quantity and favourable sales mix of particleboard and related products, the Group registered a marginal pre-tax profit of RM0.2 million in the second quarter of 2009 compared to RM20.1 million loss in the immediate preceding quarter, which had included an RM8.0 million foreign exchange loss mainly arising from USD hedging contracts.

3. Prospects for the current financial year

Although the Group has seen a turnaround in the second quarter of 2009, an overall Group loss is anticipated in the current financial year mainly due to the fixed costs of the plant in Lipis which has been temporarily closed as a result of the economic downturn. Although there are initial signs of improvement in demand, recovery remains uncertain for the particleboard industry despite implementation of stimulus packages worldwide. The Group continues to strive to increase value-added sales, contain costs and improve operational efficiencies.

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 2009 RM'000 | Current year to 30 June 2009 RM'000 |
|----------------------------|--|---|
| In respect of current year | | |
| - Malaysia tax | (4) | (4) |
| - Foreign tax | (5) | (12) |
| | <u>(9)</u> | <u>(16)</u> |
| In respect of prior year | | |
| | <u>-</u> | <u>(2)</u> |
| Deferred taxation | | |
| - Malaysia tax | <u>5,815</u> | <u>3,294</u> |
| Tax credit | <u>5,806</u> | <u>3,276</u> |

The Group's effective tax rate for the quarter under review differs from the statutory tax rate mainly due to the effect of current year's unabsorbed capital allowances and tax losses previously not recognised.

The Group's effective tax rate for the period under review differs from the statutory tax rate mainly due to the effect of current year's tax losses not recognised and expenses not deductible for tax purposes.

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 2009.

7. Marketable securities

- a) There were no purchases and sales of marketable securities for the financial period ended 30 June 2009.
- b) Total investment in marketable securities as at 30 June 2009:

| | As at 30 June 2009 RM'000 |
|--|---------------------------------|
| Total investment at cost | 66 |
| Total investment at carrying value (after allowance for impairment loss) | 53 |
| Market value | 53 |

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 USD11.5 million term loan. The details of the Group's borrowings as at 30 June 2009 were as follows:

| | Current RM'000 | Non- current RM'000 |
|----------------------------------|-------------------|------------------------|
| Term loan (unsecured) | 26,935 | 125,697 |
| Bankers acceptance (unsecured) | 17,948 | - |
| Bank overdraft (unsecured) | 17,473 | - |
| Hire purchase creditor (secured) | 164 | 328 |
| | <u>62,520</u> | <u>126,025</u> |

10. Off balance sheet financial instruments

As at 3 August 2009, 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 payables Euro 0.257 million | 1,264 | 1 EURO = RM 4.9095 |
| Future purchases Euro 0.076 million | 376 | 1 EURO = RM 4.9140 |
| Trade receivables USD 1.517 million | 5,285 | 1 USD = RM 3.4831 |
| Future sales USD 2.428 million | 8,454 | 1 USD = RM 3.4818 |

The settlement dates of the above open forward contracts range between 1 to 5 months.

The unrecognised gain and loss as at 3 August 2009 on open contracts which hedge anticipated future foreign currency purchases and sales amounted to gain of RM0.032 million and loss of RM0.062 million respectively. These exchange gains and losses are deferred until the related purchases and sales 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 2008.

12. Dividend

The directors do not recommend the payment of dividend for the financial period ended 30 June 2009. No dividend was declared for the same period last year.

13. Earnings per share

| | Current year quarter to 30 June 2009 | Preceding year quarter to 30 June 2008 | Current year to 30 June 2009 | Preceding year to 30 June 2008 |
|---|--|--|------------------------------------|--------------------------------------|
| a) Basic | | | | |
| Profit/(loss) for the period (RM'000) | 6,054 | (3,698) | (16,594) | (7,553) |
| Weighted average number of ordinary shares in issue ('000) | 210,000 | 210,000 | 210,000 | 210,000 |
| Earnings/(loss) per share (sen) | 2.88 | (1.76) | (7.90) | (3.60) |
| b) Diluted | N.A. | N.A. | N.A. | N.A. |

Diluted earnings per share for 2009 and 2008 are not presented as the effects of the assumed exercise of Warrants were antidilutive. The Warrants expired on 21 April 2009.

BY ORDER OF THE BOARD
MIECO CHIPBOARD BERHAD

Ho Swee Ling
Company Secretary
Kuala Lumpur
10 August 2009