

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

	(Unaudited) As at 30 September 2008 RM'000	(Audited) As at 31 December 2007 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	506,975	513,145
Investment property	8,396	8,396
Prepaid lease rentals	17,444	17,622
Deferred tax assets	459	490
	533,274	539,653
Current assets		
Inventories	70,719	48,931
Tax recoverable	637	1,326
Trade receivables	65,157	62,964
Other receivables	14,149	22,387
Marketable securities	49	593
Short term deposits	8,566	17,360
Cash and bank balances	9,132	13,961
	168,409	167,522
Non-current asset held for sale	1,595	1,672
	170,004	169,194
TOTAL ASSETS	703,278	708,847
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	13,979
Foreign currency reserve	(884)	(722)
Retained earnings	120,750	129,101
Total equity	349,711	358,224
Non-current liabilities		
Deferred tax liabilities	13,861	18,222
Unfunded post employment benefit obligation	8,610	7,974
Borrowings	155,323	164,388
	177,794	190,584
Current liabilities		
Trade payables	51,044	50,747
Other payables and provisions	32,542	26,047
Borrowings	87,183	80,244
Amount due to holding company	2,083	1,803
Current tax payable	2,921	1,198
	175,773	160,039
TOTAL EQUITY AND LIABILITIES	703,278	708,847
Net assets per share attributable to equity holders of the company (RM)	1.67	1.71

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 September 2008**

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to 30 September 2008 RM'000	Preceding year quarter to 30 September 2007 RM'000	Current year to 30 September 2008 RM'000	Preceding year to 30 September 2007 RM'000
Revenue	108,546	84,584	304,068	257,606
Investment income	1	23	2	28
Other income	(798)	4,315	1,351	6,115
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	6,619	11,326	11,676	20,199
Depreciation and amortisation	(4,273)	(3,824)	(12,225)	(11,357)
Profit/(loss) from operations	2,346	7,502	(549)	8,842
Finance costs	(3,549)	(4,058)	(10,644)	(12,754)
(Loss)/profit before taxation	(1,203)	3,444	(11,193)	(3,912)
Tax (expense)/credit	(1,393)	43	2,842	1,271
(Loss)/profit after taxation	(2,596)	3,487	(8,351)	(2,641)
Minority interest	-	-	-	-
Net (loss)/profit for the period attributable to equity holders of the company	(2,596)	3,487	(8,351)	(2,641)
(Losses)/earnings per share – Basic (sen)	(1.24)	1.66	(3.98)	(1.26)
Earnings per share – Diluted (sen)	N/A	N/A	N/A	N/A
[See Part B Note 13(b)]				

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 September 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	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 period	-	-	-	-	(8,351)	(8,351)
Total recognised income and expense for the period	-	-	-	(162)	(8,351)	(8,513)
Balance as at 30 September 2008	210,000	5,866	13,979	(884)	120,750	349,711
Balance as at 1 January 2007	210,000	5,866	13,979	(313)	128,890	358,422
Foreign currency translation, representing net expense recognised directly in equity	-	-	-	(361)	-	(361)
Loss for the period	-	-	-	-	(2,641)	(2,641)
Dividend for financial year 2006	-	-	-	-	(2,100)	(2,100)
Total recognised income and expense for the period	-	-	-	(361)	(4,741)	(5,102)
Balance as at 30 September 2007	210,000	5,866	13,979	(674)	124,149	353,320

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 September 2008**

The figures have not been audited.

	Current year to 30 September 2008	Preceding year to 30 September 2007
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
– Loss after taxation	(8,351)	(2,641)
– Adjustments for non-cash and non-operating items	21,639	18,919
	<u>13,288</u>	<u>16,278</u>
– Changes in working capital		
• Increase in inventories	(19,196)	(4,914)
• Decrease/(increase) in receivables	6,272	(25,838)
• Increase/(decrease) in payables	6,916	(7,733)
• Increase in intercompany balances	280	757
	<u>7,560</u>	<u>(21,450)</u>
– Payment of back dated wages	-	(786)
– Payment of staff retirement benefits	(379)	(481)
– Income tax refund	912	2,076
Net cash flows from/(used in) operating activities	<u>8,093</u>	<u>(20,641)</u>
<u>Cash flows from investing activities</u>		
– Purchases of property, plant and equipment	(9,886)	(8,726)
– Interest income received	35	106
– Proceeds from disposal of investment in associated company	-	3,430
– Dividend income received	2	28
– Proceeds from sales of property, plant, and equipment	39	202
– Proceeds from disposal of marketable securities	1,440	-
Net cash flows used in investing activities	<u>(8,370)</u>	<u>(4,960)</u>
<u>Cash flows from financing activities</u>		
– Drawdown of revolving credit	-	132,000
– Drawdown of term loan	17,000	47,253
– Repayment of term loan	(13,130)	(97,000)
– (Repayment of)/proceeds from bankers acceptance financing	(6,403)	3,134
– Redemption of bonds and commercial papers	-	(80,000)
– Financing expenses	(10,637)	(10,638)
– Repayment of hire purchase creditor	(137)	(116)
– Dividend paid	-	(2,100)
Net cash flows used in financing activities	<u>(13,307)</u>	<u>(7,467)</u>
Net decrease in cash and cash equivalents	(13,584)	(33,068)
Cash and cash equivalents at 1 January	31,321	37,655
Effects of exchange rate changes	(39)	(26)
Cash and cash equivalents as at 30 September	<u>17,698</u>	<u>4,561</u>
Cash and cash equivalents comprise:		
Short term deposits	8,566	7,574
Cash and bank balances	9,132	8,950
Bank overdraft	-	(11,963)
	<u>17,698</u>	<u>4,561</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

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. The Group had at the beginning of this financial year changed its accounting policy retrospectively in accordance with FRS 112 and adjusted the opening retained earnings and restated certain comparative amounts as at 31 December 2007 and for the prior periods. However, the Group has since reviewed this policy and has in this current quarter under review, reversed the recognition of deferred tax asset on unutilised investment tax allowances. As at 30 September 2008, the Group has unrecognised deferred tax asset on unutilised investment tax allowances (which has no expiry date) of RM428.8 million.

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 September 2008.

6. Change in estimates

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

8. Dividends paid

There were no dividends paid for the financial period ended 30 September 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 September 2008 RM'000	Preceding year to 30 September 2007 RM'000	Current year to 30 September 2008 RM'000	Preceding year to 30 September 2007 RM'000	Current year to 30 September 2008 RM'000	Preceding year to 30 September 2007 RM'000
Malaysia	262,821	216,383	695,299	690,146	9,885	9,542
Hong Kong and China	41,247	41,223	1,893	8,215	1	3
Other	-	-	6,086	4,570	-	-
	<u>304,068</u>	<u>257,606</u>	<u>703,278</u>	<u>702,931</u>	<u>9,886</u>	<u>9,545</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 2008

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

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

There were no changes in the composition of the Group during the financial period ended 30 September 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 September 2008 were as follow:

	RM'000
Authorised and contracted	6,312
Authorised but not contracted	6,341
	<u>12,653</u>
Analysed as follow:	
Property, plant and equipment	<u>12,653</u>

PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. Review of performance

Quarter on Quarter review

Group revenue increased to RM108.5 million in the third quarter of 2008, up 28% due to higher selling prices and favourable sales mix of particleboard and related products.

However, higher raw material and energy costs resulted in a loss before tax of RM1.2 million against a pretax profit of RM3.4 million a year ago, which was attributable to a gain on disposal of an associated company last year.

Year on Year review

Group revenue was up 18% to RM304.1 million for the 9 months period of 2008 mainly due to higher selling prices of particleboards and related products.

However, the Group suffered a loss before tax of RM11.2 million for the period under review against RM3.9 million loss a year ago as a result of increases in raw material prices which overtook improved selling prices and increased production volume.

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

Group loss before tax in this quarter decreased by RM3.8 million as compared to immediate preceding quarter as a result of higher selling prices and value added products though partially offset by higher raw material and energy costs.

3. Prospects for the current financial year

The Group's export revenue will be adversely affected by the global economic crisis and operating conditions will remain very challenging in the last quarter of the current financial year.

4. Variance of actual profit from forecast profit

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

5. Tax (expenses)/credit

	Current quarter to 30 September 2008	Current year to 30 September 2008
	RM'000	RM'000
In respect of current year		
- Malaysia tax	(1,011)	(1,220)
- Foreign tax	(29)	(164)
	<u>(1,040)</u>	<u>(1,384)</u>
In respect of prior year		
	<u>(104)</u>	<u>(104)</u>
Deferred taxation		
- Malaysia tax	<u>(249)</u>	<u>4,330</u>
Tax (expenses)/credit	<u>(1,393)</u>	<u>2,842</u>

The Group's effective tax rate for the quarter under review differ from the statutory tax rate due mainly to reversal of deferred tax asset on unutilised investment tax allowances previously recognised.

The Group's effective tax rate for the period under review differ from the statutory tax rate due mainly to under provision of tax in prior year and certain 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 September 2008.

7. Marketable securities

a) Total purchases and sales of marketable securities:

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

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

Total investment at cost	66
Total investment at carrying value (after allowance for impairment loss)	49
Market value	49

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 USD12.5 million term loan. The details of the Group's borrowings as at 30 September 2008 were as follows:

	Current RM'000	Non- current RM'000
Term loan (unsecured)	26,685	154,873
Bankers acceptance (unsecured)	60,334	-
Hire purchase creditor (secured)	164	450
	<u>87,183</u>	<u>155,323</u>

10. Off balance sheet financial instruments

As at 14 November 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 3.627 million	11,753	1 USD = RM 3.2407
Future sales of goods: USD 18.888 million	62,685	1 USD = RM 3.3187
Trade payables Euro 0.819 million	4,065	1 EURO = RM 4.9649
Future purchase of goods: Euro 0.781 million	3,909	1 EURO = RM 5.0023

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

The unrecognised loss as at 14 November 2008 on open contracts which hedge anticipated future foreign currency sales amounted to RM6.031 million and future foreign currency purchases amounted to RM0.597 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 September 2008. No interim dividend was declared for the same period last year.

13. Earnings per share

	Current year quarter to 30 September 2008	Preceding year quarter to 30 September 2007	Current year to 30 September 2008	Preceding year to 30 September 2007
a) Basic				
(Loss)/profit for the period (RM'000)	(2,596)	3,487	(8,351)	(2,641)
Weighted average number of ordinary shares in issue ('000)	210,000	210,000	210,000	210,000
(Losses)/earnings per share (sen)	(1.24)	1.66	(3.98)	(1.26)
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
21 November 2008