

MIECO CHIPBOARD BERHAD (12849-K)
Condensed Consolidated Balance Sheets as at 31 December 2007

	(Unaudited) As at 31 December 2007 RM'000	(Audited) As at 31 December 2006 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	513,145	514,438
Investment property	8,396	6,878
Prepaid lease rentals	17,385	17,642
Deferred tax assets	158	412
	<u>539,084</u>	<u>539,370</u>
Current assets		
Inventories	48,931	51,789
Tax recoverable	1,326	3,051
Trade receivables	62,964	56,273
Other receivables	22,624	4,654
Amount due from associated companies	0	899
Marketable securities	593	884
Short term deposits	17,360	26,641
Cash and bank balances	13,961	11,014
	<u>167,759</u>	<u>155,205</u>
Non-current asset held for sale	1,672	1,750
	<u>169,431</u>	<u>156,955</u>
TOTAL ASSETS	<u>708,515</u>	<u>696,325</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	13,979
Foreign currency reserve	(722)	(313)
Retained earnings	129,101	128,890
Total equity	<u>358,224</u>	<u>358,422</u>
Non-current liabilities		
Deferred tax liabilities	17,890	20,399
Unfunded post employment benefit obligation	7,974	7,232
Borrowings	164,388	50,000
	<u>190,252</u>	<u>77,631</u>
Current liabilities		
Trade payables	50,747	54,354
Other payables and provisions	26,047	22,594
Borrowings	80,244	180,950
Amount due to holding company	1,803	1,300
Provision for back dated wages	0	1,051
Current tax payable	1,198	23
	<u>160,039</u>	<u>260,272</u>
TOTAL EQUITY AND LIABILITIES	<u>708,515</u>	<u>696,325</u>
Net assets per share attributable to equity holders of the company (RM)	1.71	1.71

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the explanatory notes attached to this interim financial report.

MIECO CHIPBOARD BERHAD (12849-K)**Condensed Consolidated Income Statement for the financial year ended 31 December 2007**

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to 31 December 2007 RM'000	Preceding year quarter to 31 December 2006 RM'000	Current year to 31 December 2007 RM'000	Preceding year to 31 December 2006 RM'000
Revenue	93,766	85,485	351,372	330,424
Investment income	-	2	28	26
Other income	2,185	5,427	8,300	7,526
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	12,286	10,612	32,485	41,989
Depreciation and amortisation	(3,904)	(3,787)	(15,261)	(15,494)
Profit from operations	8,382	6,825	17,224	26,495
Finance costs	(3,909)	(5,454)	(16,663)	(15,792)
Share of results of associated companies	-	-	-	(673)
Profit before taxation	4,473	1,371	561	10,030
Tax credit /(expense)	479	(157)	1,750	(3,535)
Profit after taxation	4,952	1,214	2,311	6,495
Minority interest	-	-	-	-
Net profit for the year attributable to equity holders of the company	4,952	1,214	2,311	6,495
Earnings per share – Basic (sen)	2.36	0.58	1.10	3.09
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 2006 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 year ended 31 December 2007**

The figures have not been audited.

	← Attributable to equity holders of the company →					
	← Non - distributable →			Distributable		
	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Foreign currency reserve RM'000	Retained earnings RM'000	Total equity RM'000
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	-	-	-	(409)	-	(409)
Profit for the year	-	-	-	-	2,311	2,311
Dividend for financial year 2006	-	-	-	-	(2,100)	(2,100)
Total recognised income and expense for the year	-	-	-	(409)	211	(198)
Balance as at 31 December 2007	210,000	5,866	13,979	(722)	129,101	358,224
Balance as at 1 January 2006	210,000	5,866	13,979	-	122,395	352,240
Foreign currency translation, representing net expense recognised directly in equity	-	-	-	(313)	-	(313)
Profit for the year	-	-	-	-	6,495	6,495
Total recognised income and expense for the year	-	-	-	(313)	6,495	6,182
Balance as at 31 December 2006	210,000	5,866	13,979	(313)	128,890	358,422

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the explanatory notes attached to this interim financial report.

MIECO CHIPBOARD BERHAD (12849-K)**Condensed Consolidated Cash Flow Statement for the financial year ended 31 December 2007**

The figures have not been audited.

	Current year to 31 December 2007 RM'000	Preceding year to 31 December 2006 RM'000
<u>Cash flows from operating activities</u>		
- Profit after taxation	2,311	6,495
- Adjustments for non-cash and non-operating items	24,157	42,757
	<u>26,468</u>	<u>49,252</u>
- Changes in working capital		
• Decrease/(Increase) in inventories	1,686	(10,297)
• Increase in receivables	(23,813)	(21,824)
• (Decrease)/ Increase in payables	(2,236)	16,882
• Increase in intercompany balances	960	261
	<u>3,065</u>	<u>34,274</u>
- Payment of back dated wages	(786)	-
- Payment of staff retirement benefits	(540)	(577)
- Income tax refund/ (paid)	2,414	(1,277)
Net cash flows from operating activities	<u>4,153</u>	<u>32,420</u>
<u>Cash flows from investing activities</u>		
- Purchases of property, plant and equipment	(13,155)	(9,713)
- Interest income received	116	187
- Proceeds from disposal of investment in associated company	3,430	-
- Proceeds from disposal of marketable securities	658	771
- Dividend income received	28	26
- Proceeds from sales of property, plant, and equipment	205	53
Net cash flows used in investing activities	<u>(8,718)</u>	<u>(8,676)</u>
<u>Cash flows from financing activities</u>		
- Drawdown of revolving credit	132,000	-
- Drawdown of term loan	47,254	97,000
- Repayment of term loan	(97,000)	-
- Proceeds from bankers acceptance financing	12,853	12,968
- Redemption of bonds and commercial papers	(80,000)	(95,000)
- Financing expenses	(14,591)	(15,809)
- Dividend paid	(2,100)	-
- Repayment of hire purchase creditor	(162)	(188)
Net cash flows used in financing activities	<u>(1,746)</u>	<u>(1,029)</u>
Net (decrease)/ increase in cash and cash equivalents	(6,311)	22,715
Cash and cash equivalents at 1 January	37,655	14,940
Effects of exchange rate changes	(23)	-
Cash and cash equivalents as at 31 December	<u>31,321</u>	<u>37,655</u>
Cash and cash equivalents comprise:		
Short term deposits	17,360	26,641
Cash and bank balances	13,961	11,014
	<u>31,321</u>	<u>37,655</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2006 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 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 2006. 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 2006.

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 2006 except for the adoption of the following new/revised Financial Reporting Standards ('FRS') effective for financial period beginning 1 January 2007:

Amendment to FRS 119 - Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures

The adoption of FRS 119 does not have significant financial impact on the Group.

3. Audit report of preceding annual financial statements for financial year ended 31 December 2006

The audit report of the Group's financial statements for the year ended 31 December 2006 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 year ended 31 December 2007.

6. Change in estimates

There were no changes in estimates that have had a material effect for the financial year ended 31 December 2007.

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 year ended 31 December 2007 except for the following:

RM175 million Al Murabahah Commercial Paper ('MCP')/Medium Term Note ('MMTN') programme

On 29 and 30 January 2007, the Company repurchased the balance RM80 million face value of MMTN and on 17 September 2007, the Company cancelled the MCP/MMTN programme.

8. Dividends paid

The Company on 23 August 2007 paid a first and final tax-exempt dividend of 1.0 sen per share amounting to RM2,100,000 in respect of the financial year ended 31 December 2006.

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 31 December 2007 RM'000	Preceding year to 31 December 2006 RM'000	Current year to 31 December 2007 RM'000	Preceding year to 31 December 2006 RM'000	Current year to 31 December 2007 RM'000	Preceding year to 31 December 2006 RM'000
Malaysia	294,300	271,215	697,922	682,105	13,969	9,703
Hong Kong and China	57,072	59,209	4,571	9,682	5	10
Other	-	-	6,022	4,538	-	-
	<u>351,372</u>	<u>330,424</u>	<u>708,515</u>	<u>696,325</u>	<u>13,974</u>	<u>9,713</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 year ended 31 December 2007

There were no material events subsequent to the end of the current year 2007 except for events disclosed at Part A Note 7.

12. Changes in the composition of the Group during the financial year 31 December 2007

On 18 September 2007, the Company and Matsushita Electric Works Ltd., Japan ('MEW') entered into a Joint Venture Termination Agreement for the Company to sell to MEW its entire 49% equity interest in Panasonic Mieco Kenaf Malaysia Sdn. Bhd. ('PMK') comprising 3,430,000 ordinary shares of RM1.00 each for a total cash consideration of RM3.43 million. The disposal of PMK was completed on 27 September 2007 and PMK has ceased to be an associated company of the Group.

Apart from the above, there were no other changes in the composition of the Group during the financial year ended December 2007.

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 2006 to the date of this report.

14. Capital commitments

Capital commitments not provided for in the financial statements as at 31 December 2007 were as follow:

	RM'000
Authorised and contracted	1,994
Authorised but not contracted	803
	<u>2,797</u>
Analysed as follow:	
Property, plant and equipment	<u>2,797</u>

PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. Review of performance

Quarter on Quarter review

Group revenue increased from RM85.5 million to RM93.8 million in the final quarter of 2007 due to higher sales volume of particleboard and related products, despite lower selling prices.

The Group registered a profit before tax of RM4.5 million against RM1.4 million a year ago due mainly to higher sales as well as fair value gains on investment properties, though partially offset by increased raw material costs.

Year on Year review

Group revenue grew 6% to RM351.4 million from RM330.4 million in 2006, mainly attributed to higher sales of value added products, which mitigated lower selling prices for particleboards.

Despite higher revenue, Group profit before tax decreased to RM0.6 million in 2007 from RM10 million in 2006 principally due to higher raw material prices. This was mitigated by increased production volume which resulted in lower unit production cost as well as gain on disposal of an associated company and fair value gains of investment properties.

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

Group profit before tax increased to RM4.5 million in the quarter under review from RM3.4 million in the immediate preceding quarter mainly due to higher sales volume and fair value gains on investment properties, though partially offset by increased raw material prices.

3. Prospects for the current financial year

Whilst business conditions are still very challenging, the Directors are cautiously optimistic that the Group's cost down efforts and measures to drive up efficiency together with the expectation of upward price adjustments, will result in a more satisfactory year in 2008.

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 31 December 2007 RM'000	Current year to 31 December 2007 RM'000
In respect of current year		
- Malaysia tax	56	296
- Foreign tax	67	166
	<u>123</u>	<u>462</u>
In respect of prior year	41	43
	<u>164</u>	<u>505</u>
Deferred taxation		
- Malaysia tax	(644)	(2,255)
- Foreign tax	1	-
	<u>(643)</u>	<u>(2,255)</u>
Tax (credit)	<u>(479)</u>	<u>(1,750)</u>

The Group's effective tax rate for the quarter under review differs from the statutory tax rate due mainly to effect of lower tax rate and income not taxable.

The Group's effective tax rate for the year differs from the statutory tax rate due mainly to income not taxable and effect of lower tax rate though partially offset against 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 year ended 31 December 2007.

7. Marketable securities

a) Total purchases and sales of marketable securities:

	Current quarter to 31 December 2007 RM'000	Current year to 31 December 2007 RM'000
Total purchases	-	-
Total sale proceeds	658	658
Total profit on sale	376	376

b) Total investment in marketable securities as at 31 December 2007:

Total investment at cost	602
Total investment at carrying value (after allowance for impairment loss)	593
Market value	1,192

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 31 December 2007 were as follows:

	Current		Non- current	
	RM'000	Foreign currency USD'000	RM'000	Foreign currency USD'000
Revolving credit (unsecured)	9,900		122,100	
Term loan (unsecured)	3,443	1,013	41,715	12,487
Bankers acceptance (unsecured)	66,737		-	
Hire purchase creditor (secured)	164		573	
	<u>80,244</u>		<u>164,388</u>	

10. Off balance sheet financial instruments

As at 12 February 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 4.287 million	14,331	1 USD = RM 3.3425
Future sales of goods : USD 2.572 million	8,652	1 USD = RM 3.3634
Trade payables Euro 0.638 million	3,031	1 EURO = RM 4.7493

The settlement dates of the above open forward contracts range between 1 to 7 months.

The unrecognised gain as at 12 February 2008 on open contracts which hedge anticipated future foreign currency sales amounted to RM0.757 million. The unrecognised loss on open contracts which hedge anticipated future foreign currency purchases amounted to RM0.020 million. These exchange gain and loss 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 2006.

12. Dividend

The payment of a final dividend for the financial year ended 31 December 2007 is still being considered by the directors and an announcement on this matter will be made at an appropriate time. The final tax-exempt dividend of 1 sen per share amounting to RM2.1 million as recommended by the Board for the financial year ended 31 December 2006 and approved by the shareholders at the Thirty-Fourth Annual General Meeting held on 20 June 2007, was paid on 23 August 2007.

13. Earnings per share

	Current year quarter to 31 December 2007	Preceding year quarter to 31 December 2006	Current year to 31 December 2007	Preceding year to 31 December 2006
a) Basic				
Profit for the year (RM'000)	4,952	1,214	2,311	6,495
Weighted average number of ordinary shares in issue ('000)	210,000	210,000	210,000	210,000
Earnings per share (sen)	2.36	0.58	1.10	3.09
b) Diluted	N.A.	N.A.	N.A.	N.A.

Diluted earnings per share for 2007 and 2006 are not presented as the effects of the assumed exercise of Warrants are antidilutive.

BY ORDER OF THE BOARD
MIECO CHIPBOARD BERHAD

Ho Swee Ling
Company Secretary
Kuala Lumpur

19 February 2008