

MIECO CHIPBOARD BERHAD (12849-K)
Condensed Consolidated Balance Sheet as at 31 December 2008

	(Unaudited) As at 31 December 2008 RM'000	(Audited) As at 31 December 2007 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	507,003	513,145
Investment properties	7,417	8,396
Prepaid lease rentals	17,385	17,622
Deferred tax assets	455	490
	<u>532,260</u>	<u>539,653</u>
Current assets		
Inventories	75,745	48,931
Tax recoverable	1,047	1,326
Trade receivables	47,615	62,964
Other receivables	10,168	22,387
Marketable securities	36	593
Short term deposits	25,131	17,360
Cash and bank balances	10,211	13,961
	<u>169,953</u>	<u>167,522</u>
Non-current asset held for sale	-	1,672
	<u>169,953</u>	<u>169,194</u>
TOTAL ASSETS	<u><u>702,213</u></u>	<u><u>708,847</u></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	(401)	(722)
Retained earnings	106,193	129,101
Total equity	<u>335,637</u>	<u>358,224</u>
Non-current liabilities		
Deferred tax liabilities	11,274	18,222
Unfunded post employment benefit obligation	8,618	7,974
Borrowings	139,151	164,388
Amount due to holding company	20,000	-
	<u>179,043</u>	<u>190,584</u>
Current liabilities		
Trade payables	49,408	50,747
Other payables and provisions	27,827	26,047
Borrowings	105,854	80,244
Amount due to holding company	2,348	1,803
Current tax payable	2,096	1,198
	<u>187,533</u>	<u>160,039</u>
TOTAL EQUITY AND LIABILITIES	<u><u>702,213</u></u>	<u><u>708,847</u></u>
Net assets per share attributable to equity holders of the Company (RM)	1.60	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 year ended 31 December 2008**

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to 31 December 2008 RM'000	Preceding year quarter to 31 December 2007 RM'000	Current year to 31 December 2008 RM'000	Preceding year to 31 December 2007 RM'000
Revenue	66,148	93,766	370,216	351,372
Investment income	-	-	2	28
Other income	(6,414)	2,185	(5,061)	8,300
Operating (loss)/profit before finance cost, depreciation and amortisation, income tax and minority interests	(8,411)	12,286	3,265	32,485
Depreciation and amortisation	(5,993)	(3,904)	(18,218)	(15,260)
(Loss)/profit from operations	(14,404)	8,382	(14,953)	17,225
Finance costs	(3,775)	(3,909)	(14,419)	(16,664)
(Loss)/profit before taxation	(18,179)	4,473	(29,372)	561
Tax credit	3,622	479	6,464	1,750
(Loss)/profit after taxation	(14,557)	4,952	(22,908)	2,311
Minority interest	-	-	-	-
Net (loss)/profit for the year attributable to equity holders of the Company	(14,557)	4,952	(22,908)	2,311
(Losses)/earnings per share – Basic (sen)	(6.93)	2.36	(10.91)	1.10
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 year ended 31 December 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 income recognised directly in equity	-	-	-	321	-	321
Loss for the financial year	-	-	-	-	(22,908)	(22,908)
Total recognised income and expense for the year	-	-	-	321	(22,908)	(22,587)
Balance as at 31 December 2008	210,000	5,866	13,979	(401)	106,193	335,637
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)
Net profit for the financial 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

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 year ended 31 December 2008**

The figures have not been audited.

	Current year to 31 December 2008	Preceding year to 31 December 2007
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
- (Loss)/profit after taxation	(22,908)	2,311
- Adjustments for non-cash and non-operating items	39,041	24,157
	<u>16,133</u>	<u>26,468</u>
- Changes in working capital		
• (Increase)/decrease in inventories	(27,674)	1,686
• Decrease/(increase) in receivables	26,291	(25,438)
• Increase/(decrease) in payables	640	(154)
• Increase in intercompany balances	297	503
	<u>15,687</u>	<u>3,065</u>
- Payment of back dated wages	-	(786)
- Payment of staff retirement benefits	(551)	(540)
- Net income tax	726	2,414
Net cash flows from operating activities	<u>15,862</u>	<u>4,153</u>
<u>Cash flows from investing activities</u>		
- Purchases of property, plant and equipment	(17,693)	(13,155)
- Interest income received	42	116
- Proceeds from disposal of investment in associated company	-	3,430
- Dividend income received	2	28
- Proceeds from sales of property, plant, and equipment	154	205
- Proceeds from disposal of marketable securities	1,440	658
Net cash flows used in investing activities	<u>(16,055)</u>	<u>(8,718)</u>
<u>Cash flows from financing activities</u>		
- Drawdown of revolving credit	3,000	132,000
- Drawdown of promissory notes	8,341	-
- Drawdown of term loan	20,000	47,253
- Repayment of term loan	(13,130)	(97,000)
- Proceeds from bankers acceptance financing	759	12,854
- Redemption of bonds and commercial papers	-	(80,000)
- Financing expenses	(14,545)	(14,605)
- Repayment of hire purchase creditor	(181)	(148)
- Dividend paid	-	(2,100)
Net cash flows from/(used in) financing activities	<u>4,244</u>	<u>(1,746)</u>
Net increase/(decrease) in cash and cash equivalents	4,051	(6,311)
Cash and cash equivalents at 1 January	31,321	37,655
Effects of exchange rate changes	(30)	(23)
Cash and cash equivalents as at 31 December	<u>35,342</u>	<u>31,321</u>
Cash and cash equivalents comprise:		
Short term deposits	25,131	17,360
Cash and bank balances	10,211	13,961
	<u>35,342</u>	<u>31,321</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 financial 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 financial 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 Effects 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 a 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. As at 31 December 2008, the Group has not recognised deferred tax asset on unutilised investment tax allowances (which has no expiry date) of RM435.0 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 financial 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 global economic 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 2008.

6. Change in estimates

There were no changes in estimates that have had a material effect for the financial year ended 31 December 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 year ended 31 December 2008.

8. Dividends paid

There were no dividends paid for the financial year ended 31 December 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 31 December 2008 RM'000	Preceding year to 31 December 2007 RM'000	Current year to 31 December 2008 RM'000	Preceding year to 31 December 2007 RM'000	Current year to 31 December 2008 RM'000	Preceding year to 31 December 2007 RM'000
Malaysia	324,428	294,300	696,909	698,254	17,687	13,969
Hong Kong and China	45,788	57,072	160	4,571	6	5
Other	-	-	5,144	6,022	-	-
	<u>370,216</u>	<u>351,372</u>	<u>702,213</u>	<u>708,847</u>	<u>17,693</u>	<u>13,974</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 2008

There were no material events subsequent to the year ended 31 December 2008.

12. Changes in the composition of the Group during the financial year ended 31 December 2008

There were no changes in the composition of the Group during the financial year ended 31 December 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 31 December 2008 were as follow:

	RM'000
Authorised and contracted	213
Authorised but not contracted	<u>1,090</u>
	<u>1,303</u>
Analysed as follow:	
Property, plant and equipment	<u>1,303</u>

PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. Review of performance

Quarter on Quarter review

Despite higher selling prices and favourable sales mix, group revenue decreased by 29% to RM66.1 million in the last quarter of 2008 due mainly to lower sales quantity of particleboard and related products.

The Group saw its sales volume fall at a steep pace especially for exports while raw material prices remained high which resulted in a loss before tax of RM18.2 million as compared to a pretax profit of RM4.5 million a year ago. In addition, the Group incurred a RM5.9 million loss on disposal of plant and equipment.

Year on Year review

Group revenue grew 5% to RM370.2 million from RM351.4 million in 2007, mainly attributable to higher selling prices and favourable sales mix of particleboard and related products.

Despite higher revenue, Group suffered a loss before tax of RM29.4 million in 2008 against pretax profit of RM0.6 million a year ago as a result of increase in raw material prices and energy costs whilst demand for particleboard and related products marked by intense competition was aggravated by the global economic slump.

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

Despite a more favourable sales mix and higher selling prices, the group incurred a greater fourth quarter loss before tax of RM18.2 million as a result of lower sales quantity, increased raw material prices and a RM5.9 million loss on disposal of plant and equipment.

3. Prospects for the current financial year

In view of the increasingly difficult business conditions in the face of a worldwide recession threat, the Directors expect the Group to incur losses in the current financial year. However, the Group hopes to reduce these losses by proactive efforts to restructure the business, manage 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 31 December 2008 RM'000	Current year to 31 December 2008 RM'000
In respect of current year		
- Malaysia tax	1,018	(202)
- Foreign tax	21	(143)
	<u>1,039</u>	<u>(345)</u>
In respect of prior year	<u>-</u>	<u>(104)</u>
Deferred taxation		
- Malaysia tax	2,581	6,911
- Foreign tax	2	2
	<u>2,583</u>	<u>6,913</u>
Tax credit	<u>3,622</u>	<u>6,464</u>

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

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 2008.

7. Marketable securities

a) Total purchases and sales of marketable securities:

	Current quarter to 31 December 2008	Current year to 31 December 2008
	RM'000	RM'000
Total sales proceeds	-	1,440
Total profit on sale	-	904

b) Total investment in marketable securities as at 31 December 2008:

Total investment at cost	66
Total investment at carrying value (after allowance for impairment loss)	36
Market value	36

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 USD12.5 million term loan. The details of the Group's borrowings as at 31 December 2008 were as follows:

	Current RM'000	Non- current RM'000
Term loan (unsecured)	26,853	138,741
Revolving credit (unsecured)	3,000	-
Promissory notes (unsecured)	8,341	-
Bankers acceptance (unsecured)	67,496	-
Hire purchase creditor (secured)	164	410
	<u>105,854</u>	<u>139,151</u>

10. Off balance sheet financial instruments

As at 13 February 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 receivables: USD 2.017 million	7,289	1 USD = RM 3.6136
Future sales of goods: USD 18.406 million	63,541	1 USD = RM 3.4522
Trade payables Euro 1.218 million	6,064	1 EURO = RM 4.9784
Future purchase of goods: Euro 0.374 million	1,871	1 EURO = RM 5.0015

The settlement dates of the above open forward contracts range between 1 to 6 months.

The unrecognised losses as at 13 February 2009 on open contracts which hedge anticipated future foreign currency sales amounted to RM2.816 million and future foreign currency purchases amounted to RM0.500 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 dividend for the financial year ended 31 December 2008. No dividend was declared for last year.

13. Earnings per share

	Current year quarter to 31 December 2008	Preceding year quarter to 31 December 2007	Current year to 31 December 2008	Preceding year to 31 December 2007
a) Basic				
(Loss)/profit for the year (RM'000)	(14,557)	4,952	(22,908)	2,311
Weighted average number of ordinary shares in issue ('000)	210,000	210,000	210,000	210,000
(Losses)/earnings per share (sen)	(6.93)	2.36	(10.91)	1.10
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
20 February 2009