

**MIECO CHIPBOARD BERHAD (12849-K)**  
**Condensed Consolidated Balance Sheets as at 31 March 2008**

	(Unaudited) As at 31 March 2008 RM'000	(Restated) As at 31 December 2007 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	511,871	513,145
Investment property	8,396	8,396
Prepaid lease rentals	17,562	17,622
Deferred tax assets	89,000	87,287
	<u>626,829</u>	<u>626,450</u>
<b>Current assets</b>		
Inventories	51,597	48,931
Tax recoverable	1,260	1,326
Trade receivables	58,960	62,964
Other receivables	19,195	22,387
Marketable securities	593	593
Short term deposits	8,204	17,360
Cash and bank balances	10,254	13,961
	<u>150,063</u>	<u>167,522</u>
Non-current asset held for sale	1,595	1,672
	<u>151,658</u>	<u>169,194</u>
<b>TOTAL ASSETS</b>	<u><u>778,487</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	(891)	(722)
Retained earnings	230,781	234,120
<b>Total equity</b>	<u>459,735</u>	<u>463,243</u>
<b>Non-current liabilities</b>		
Unfunded post employment benefit obligation	8,305	7,974
Borrowings	149,337	164,388
	<u>157,642</u>	<u>172,362</u>
<b>Current liabilities</b>		
Trade payables	48,084	50,747
Other payables and provisions	30,319	26,047
Borrowings	79,667	80,244
Amount due to holding company	1,806	1,803
Current tax payable	1,234	1,198
	<u>161,110</u>	<u>160,039</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>778,487</u></u>	<u><u>795,644</u></u>
Net assets per share attributable to equity holders of the company (RM)	2.19	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 31 March 2008**

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to 31 March 2008  RM'000	Preceding year quarter to 31 March 2007 (restated)  RM'000	Current year to 31 March 2008  RM'000	Preceding year to 31 March 2007 (restated)  RM'000
Revenue	93,997	95,057	93,997	95,057
Investment income	1	4	1	4
Other income	2,301	1,452	2,301	1,452
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	2,448	9,055	2,448	9,055
Depreciation and amortisation	(3,884)	(3,759)	(3,884)	(3,759)
(Loss) /profit from operations	(1,436)	5,296	(1,436)	5,296
Finance costs	(3,576)	(4,989)	(3,576)	(4,989)
(Loss) /profit before taxation	(5,012)	307	(5,012)	307
Tax credit /(expense)	1,673	(113)	1,673	(113)
(Loss) /profit after taxation	(3,339)	194	(3,339)	194
Minority interest	-	-	-	-
Net (loss) /profit for the period attributable to equity holders of the company	(3,339)	194	(3,339)	194
(Losses) /earnings per share – Basic (sen)	(1.59)	0.09	(1.59)	0.09
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 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 31 March 2008**

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 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	-	-	-	(169)	-	(169)
Loss for the period	-	-	-	-	(3,339)	(3,339)
Total recognised income and expense for the period	-	-	-	(169)	(3,339)	(3,508)
Balance as at 31 March 2008	210,000	5,866	13,979	(891)	230,781	459,735
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	-	-	-	(186)	-	(186)
Profit for the period (as restated)	-	-	-	-	194	194
Total recognised income and expense for the period	-	-	-	(186)	194	8
Balance as at 31 March 2007 (as restated)	210,000	5,866	13,979	(499)	232,054	461,400

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 31 March 2008**

The figures have not been audited.

	<b>Current year to 31 March 2008</b>	<b>Preceding year to 31 March 2007 (restated)</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Cash flows from operating activities</u>		
- (Loss) /profit after taxation	(3,339)	194
- Adjustments for non-cash and non-operating items	4,729	7,448
	<u>1,390</u>	<u>7,642</u>
- Changes in working capital		
• Increase in inventories	(2,666)	(365)
• Decrease/ (increase) in receivables	6,570	(7,166)
• Increase/ (decrease) in payables	1,851	(7,531)
• Increase in intercompany balances	3	47
	<u>7,148</u>	<u>(7,373)</u>
- Payment of back dated wages	-	(785)
- Payment of staff retirement benefits	(3)	(289)
- Income tax paid	(158)	(264)
Net cash flows from/ (used in) operating activities	<u>6,987</u>	<u>(8,711)</u>
<u>Cash flows from investing activities</u>		
- Purchases of property, plant and equipment	(2,650)	(1,326)
- Interest income received	18	70
- Dividend income received	1	4
- Proceeds from sales of property, plant, and equipment	35	3
Net cash flows used in investing activities	<u>(2,596)</u>	<u>(1,249)</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	(13,573)	(8,888)
- Proceeds from export credit refinancing	79	-
- Redemption of bonds and commercial papers	-	(80,000)
- Financing expenses	(3,669)	(2,797)
- Repayment of hire purchase creditor	(45)	(31)
Net cash flows used in financing activities	<u>(17,208)</u>	<u>(9,463)</u>
Net decrease in cash and cash equivalents	(12,817)	(19,423)
Cash and cash equivalents at 1 January	31,321	37,655
Effects of exchange rate changes	(46)	-
Cash and cash equivalents as at 31 March	<u>18,458</u>	<u>18,232</u>
Cash and cash equivalents comprise:		
Short term deposits	8,204	8,052
Cash and bank balances	10,254	11,160
Bank Overdraft	-	(980)
	<u>18,458</u>	<u>18,232</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
3 months ended 31 March 2007			
Deferred tax (expense)/ credit	(111)	247	136
Net (loss)/ profit for the period	(53)	247	194

**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 31 March 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 31 March 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 31 March 2008.

**8. Dividends paid**

There were no dividends paid for the financial period ended 31 March 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 March 2008	Preceding year to 31 March 2007	Current year to 31 March 2008	Preceding year to 31 March 2007 (restated)	Current year to 31 March 2008	Preceding year to 31 March 2007
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	81,641	81,748	771,153	782,154	2,649	1,326
Hong Kong and China	12,356	13,309	1,311	8,959	1	-
Other	-	-	6,023	4,531	-	-
	<u>93,997</u>	<u>95,057</u>	<u>778,487</u>	<u>795,644</u>	<u>2,650</u>	<u>1,326</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 31 March 2008**

There were no material events subsequent to the end of the current period ended 31 March 2008.

**12. Changes in the composition of the Group during the financial period ended 31 March 2008**

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

	RM'000
Authorised and contracted	7,221
Authorised but not contracted	5,756
	<hr/>
	12,977
	<hr/>
Analysed as follow:	
Property, plant and equipment	12,977
	<hr/>

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

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

Group revenue in the first quarter of 2008 decreased marginally by 1% to RM94 million when compared to RM95.1 million a year ago, due mainly to lower selling prices for particleboards.

First quarter loss of RM5 million as compared to a profit of RM0.3 million a year earlier is mainly attributable to lower sales and increased raw material prices, though partially mitigated by increased production volume which resulted in lower unit production cost.

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

The Group registered a RM5 million loss before tax in this first quarter of 2008 as compared to RM4.5 million profit in last quarter of 2007 as a result of increased raw materials costs despite higher selling prices and production volume. Favourable results in the preceding quarter were also attributable to fair value gains on investment property.

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

The Board is cautiously optimistic that firmer selling prices for particleboard, more value-added products and services together with improved operating efficiency, will buffer the pressure on margins of higher production costs arising from increased costs of raw materials and oil prices.

### **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 March 2008 RM'000
In respect of current year	
- Malaysia tax	2
- Foreign tax	38
	----- 40
Deferred taxation	
- Malaysia tax	----- (1,713)
Tax (credit)	----- <u>(1,673)</u>

The Group's effective tax rate for the quarter under review differs 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 31 March 2008.



## 7. Marketable securities

a) Total purchases and sales of marketable securities:

	<b>Current quarter to 31 March 2008 RM'000</b>
Total purchases	-
Total sale proceeds	-
Total profit on sale	-

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

Total investment at cost	602
Total investment at carrying value (after allowance for impairment loss)	593
Market value	1,055

## 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 March 2008 were as follows:

	Current		Non- current	
	RM'000	Foreign currency USD'000	RM'000	Foreign currency USD'000
Revolving credit (unsecured)	19,800		112,200	
Term loan (unsecured)	6,460	2,025	36,605	11,475
Bankers acceptance (unsecured)	53,164		-	
Export credit refinancing (unsecured)	79		-	
Hire purchase creditor (secured)	164		532	
	<u>79,667</u>		<u>149,337</u>	

## 10. Off balance sheet financial instruments

As at 16 May 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 4.579 million	14,610	1 USD = RM 3.1908
Future sales of goods: USD 10.719 million	34,446	1 USD = RM 3.2134

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

The unrecognised loss as at 16 May 2008 on open contracts which hedge anticipated future foreign currency sales amounted to RM0.510 million. This exchange loss is deferred until the related sales are transacted, at which time it is 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 31 March 2008. No interim dividend was declared for the same period last year.

## 13. Earnings per share

	Current year quarter to 31 March 2008	Preceding year quarter to 31 March 2007 (restated)	Current year to 31 March 2008	Preceding year to 31 March 2007 (restated)
a) Basic				
(Loss)/ profit for the period (RM'000)	(3,339)	194	(3,339)	194
Weighted average number of ordinary shares in issue ('000)	210,000	210,000	210,000	210,000
(Losses)/ earnings per share (sen)	(1.59)	(0.09)	(1.59)	(0.09)
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 antidilutive.

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

Ho Swee Ling  
Company Secretary  
Kuala Lumpur  
23 May 2008