



**MIECO CHIPBOARD BERHAD (12849-K)**

**Condensed Consolidated Statement of Comprehensive Income for the financial year ended 31 December 2016**

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to 31 December 2016 RM'000	Preceding year quarter to 31 December 2015 RM'000	Current year to 31 December 2016 RM'000	Preceding year to 31 December 2015 RM'000
Revenue	92,382	86,257	324,096	354,988
Other income	6,893	113	9,458	1,642
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	13,133	7,877	29,258	40,708
Depreciation and amortisation	(3,805)	(3,737)	(14,973)	(14,961)
Gain on disposal of subsidiary	-	-	35,000	-
Write back of impairment on property, plant and equipment	28,134	-	28,134	-
Profit from operations	37,462	4,140	77,419	25,747
Finance costs	(1,180)	(1,619)	(4,900)	(7,104)
Profit before taxation	36,282	2,521	72,519	18,643
Taxation	10,159	-	10,159	-
Net profit for the period	46,441	2,521	82,678	18,643
Other comprehensive gain/(loss):				
Actuarial gain on defined retirement plan	878	-	878	-
Exchange differences on translating foreign subsidiaries	-	1	1	(1)
Total comprehensive income for the period	47,319	2,522	83,557	18,642
Net profit attributable to owners of the Company	46,441	2,521	82,678	18,643
Total comprehensive profit attributable to owners of the Company	47,319	2,522	83,557	18,642
Basic profit per share (sen)	22.11	1.20	39.37	8.88
Diluted profit per share (sen)	N/A	N/A	N/A	N/A

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the explanatory notes attached to this interim financial report.



**MIECO CHIPBOARD BERHAD (12849-K)**

**Condensed Consolidated Statement of Financial Position as at 31 December 2016**

The figures have not been audited.

	(Unaudited) As at 31 December 2016 RM'000	(Audited) As at 31 December 2015 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	413,293	402,018
Deferred tax assets	10,189	0
	<u>423,482</u>	<u>402,018</u>
<b>Current assets</b>		
Inventories	40,178	52,251
Tax recoverable	576	823
Trade receivables	48,913	61,190
Other receivables	10,007	2,893
Short term deposits	953	929
Cash and bank balances	35,483	10,682
	<u>136,110</u>	<u>128,768</u>
<b>TOTAL ASSETS</b>	<u><u>559,592</u></u>	<u><u>530,786</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
Foreign currency reserve	(43)	(44)
Retained earnings	159,943	76,387
<b>Total equity</b>	<u>375,766</u>	<u>292,209</u>
<b>Non-current liabilities</b>		
Unfunded post employment benefit obligation	12,542	12,044
Other payables	43,404	46,694
	<u>55,946</u>	<u>58,738</u>
<b>Current liabilities</b>		
Trade payables	68,704	60,273
Other payables and provisions	26,738	39,168
Borrowings	32,171	80,319
Derivative financial instruments	267	79
	<u>127,880</u>	<u>179,839</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>559,592</u></u>	<u><u>530,786</u></u>
Net assets per share attributable to equity holders of the Company (RM)	<u>1.79</u>	<u>1.39</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 2016**

The figures have not been audited.

	← Attributable to equity holders of the Company →				
	Share capital	Share premium	Foreign currency reserve	Retained earnings	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2016	210,000	5,866	(44)	76,387	292,209
Comprehensive income:					
- Net profit for the financial period	-	-	-	82,678	82,678
Other comprehensive income					
- Actuarial gain on defined retirement benefit plan				878	878
- Exchange differences on translating Foreign subsidiaries	-	-	1	-	1
Balance as at 31 December 2016	<u>210,000</u>	<u>5,866</u>	<u>(43)</u>	<u>159,943</u>	<u>375,766</u>
Balance as at 1 January 2015	210,000	5,866	(43)	57,744	273,567
Comprehensive income:					
- Net profit for the financial period	-	-	-	18,643	18,643
Other comprehensive loss					
- Exchange differences on translating foreign subsidiaries	-	-	(1)	-	(1)
Balance as at 31 December 2015	<u>210,000</u>	<u>5,866</u>	<u>(44)</u>	<u>76,387</u>	<u>292,209</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the explanatory notes attached to this interim financial report.



**MIECO CHIPBOARD BERHAD (12849-K)**

**Condensed Consolidated Statement of Cash Flow for the financial year ended 31 December 2016**

The figures have not been audited.

	<b>Current year to 31 December 2016</b>	<b>Preceding year to 31 December 2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Cash flows from operating activities</u>		
– Profit after tax	82,678	18,643
– Adjustments for non-cash and non-operating items		
• Taxation	(10,159)	0
• Other non-cash and non-operating items	36,731	25,149
• Gain on disposal of subsidiary	(35,000)	0
• Write back of impairment on property, plant and equipment	(28,134)	0
	<hr/>	<hr/>
	46,116	43,792
– Changes in working capital		
• Decrease/(Increase) in inventories	5,105	(4,562)
• Decrease/(Increase) in receivables	5,707	(12,535)
• (Decrease)/Increase in payables	(8,587)	22,308
	<hr/>	<hr/>
	48,341	49,003
– Payment of staff retirement benefits	(137)	(362)
– Net income tax refund/(paid)	216	(344)
Net cash flows from operating activities	<hr/>	<hr/>
	48,420	48,297
<u>Cash flows from investing activities</u>		
– Purchase of property, plant and equipment	(7,489)	(17,205)
– Interest income received	51	6
– Proceeds from sale of property, plant and equipment	49	0
– Proceeds from disposal of subsidiary	35,000	2
Net cash flows from/(used in) investing activities	<hr/>	<hr/>
	27,611	(17,197)
<u>Cash flows from financing activities</u>		
– Repayment of term loans	(28,452)	(19,153)
– Repayment of hire purchase liabilities	(31)	(36)
– Repayment of bankers acceptances/revolving credit	(18,258)	(5,439)
– Financing expenses	(3,082)	(5,284)
– Drawdown of overdraft facility	(1,407)	3,689
Net cash flows used in financing activities	<hr/>	<hr/>
	(51,230)	(26,223)
Net increase in cash and cash equivalents	24,801	4,877
Cash and cash equivalents at 1 January	10,682	5,799
Effects of exchange rate changes	0	6
Cash and cash equivalents at 31 December	<hr/>	<hr/>
	35,483	10,682

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the explanatory notes attached to this interim financial report.



## **PART A: Explanatory Notes of MFRS 134**

### **1. Basis of preparation**

The interim financial statements have been prepared under the historical cost convention except for derivative financial instruments.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 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 financial year ended 31 December 2015. 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 2015.

### **2. Changes in Accounting Policies**

The significant accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual financial statements for the year ended 31 December 2015 except for the adoption of the following standards which are applicable to its financial statements and effective for annual periods beginning on or after 1 January 2016:

#### Amendments to the following MFRSs:

MFRS 10:	Consolidated Financial Statements
MFRS 11:	Joint Arrangements
MFRS 12:	Disclosure of Interest in Other Entities
MFRS 14:	Regulatory Deferral Accounts
MFRS 101:	Presentation of Financial Statements
MFRS 116:	Property, Plant and Equipment
MFRS 127:	Consolidated and Separate Financial Statements (Annual Improvement 2012 – 2014 Cycle)
MFRS 128:	Investment in Associates and Joint Ventures
MFRS 138:	Intangible Assets
MFRS 141:	Agriculture

The adoption of the above standards and interpretations are not expected to have any significant impact on the financial statements of the Group in the year of initial application.



**3. Audit report of preceding annual financial statements for financial year ended 31 December 2015**

The audit report of the Group's financial statements for the financial year ended 31 December 2015 was not qualified.

**4. Seasonality or cyclicity of interim operations**

Demand for particleboard and related products are generally seasonal and are 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 2016.

**6. Change in estimates**

There were no changes in estimates that have had a material effect for the financial year ended 31 December 2016.

**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 2016.

**8. Dividends paid**

There were no dividends paid for the financial year ended 31 December 2016.

**9. Segmental reporting**

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 31 December 2016 RM'000	Preceding year to 31 December 2015 RM'000	As at 31 December 2016 RM'000	As at 31 December 2015 RM'000	Current year to 31 December 2016 RM'000	Preceding year to 31 December 2015 RM'000
Malaysia	240,083	283,270	559,592	530,785	7,489	17,205
South East Asia	13,303	19,917	-	-	-	-
Middle East and South Asia	38,388	32,318	-	-	-	-
Hong Kong and China	13,696	12,307	-	-	-	-
Others	18,626	7,177	-	1	-	-
	<u>324,096</u>	<u>354,988</u>	<u>559,592</u>	<u>530,786</u>	<u>7,489</u>	<u>17,205</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 December 2016**

There were no material events subsequent to the end of the current financial year ended 31 December 2016.

**12. Changes in the composition of the Group during the financial period ended 31 December 2016**

There were no changes in the composition of the Group during the financial year ended 31 December 2016.

**13. Changes in contingent liabilities and contingent assets**

There were no material changes in contingent liabilities and contingent assets since the last statement of financial position as at 31 December 2015.

**14. Capital commitments**

There were no capital commitments as at 31 December 2016.



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

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

#### **Quarter on quarter review**

Group revenue in the final quarter of 2016 rose to RM92.4 million, up by 7% quarter on quarter mainly due to higher sales volume of plainboard.

Profit before taxation increased to RM36.3 million from RM2.5 million as there was a partial write back of impairment on Lipis plant amounting to RM28.1 million. At operating level, profitability was improved by achieving lower raw material consumption.

#### **Year on year review**

Group revenue for year under review decreased by 9% to RM324.1 million against RM355.0 million a year ago due to lower sales volume from the Lipis plant in the first half of 2016. However, Group pre-tax profit rose to RM72.5 million from RM18.6 million in 2015 mainly attributable to the gain on sale of Mieco Wood Products Sdn Bhd in the first quarter of this year and the partial write back of impairment on Lipis plant.

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

Group pre-tax profit increased to RM36.3 million from RM4.2 million in the preceding quarter mainly attributable to the earlier mentioned write back of impairment on Lipis plant couple with improved raw material consumption.

### **3. Prospects**

The Group foresees difficult operating conditions and uncertain global economic environment. Notwithstanding that, the Group is cautiously optimistic of improving its operating performance by reducing manufacturing costs, improving productivity and increasing plants capacity utilisation.

### **4. Variance of actual profit from forecast profit**

The Group did not provide any profit forecast in a public document and therefore, this note is not applicable.





## 5. Profit before tax

	Current year quarter to 31 December 2016 RM'000	Preceding year quarter to 31 December 2015 RM'000	Current year to 31 December 2016 RM'000	Preceding year to 31 December 2015 RM'000
Profit before tax is arrived at after charging/(crediting):-				
Interest income	(7)	(5)	(52)	(6)
Interest expense	1,011	1,619	4,701	7,074
Loan facility fees	170	0	200	30
Depreciation and amortisation	3,805	3,737	14,973	14,961
Allowances for inventories obsolescence / (Write back of allowance)	7,257	(633)	6,833	(633)
Inventories written off	21	87	135	87
Net realised foreign exchange gain	(2,382)	(1,773)	(3,708)	(1,089)
Net unrealised foreign exchange (gain)/loss	(591)	1,460	(1,493)	2,343
Fair value loss/(gain) on derivative financial instruments	219	79	188	(1,249)
Write back of impairment loss on property, plant and equipment	(28,134)	-	(28,134)	-
Impairment loss on property, plant and equipment	7,809	-	7,809	-
Allowance of doubtful debts for trade receivables	431	-	404	-
Gain on insurance claims	(5,010)	-	(5,010)	-
Gain on disposal of subsidiary	-	-	(35,000)	-

## 6. Tax credit

	Current quarter to 31 December 2016 RM'000	Current year to 31 December 2016 RM'000
In respect of current year		
- Deferred tax	<u>10,189</u>	<u>10,189</u>
In respect of previous year		
• Malaysia income tax	<u>(30)</u>	<u>(30)</u>
	<u>10,159</u>	<u>10,159</u>

The Group's effective tax rate for the current quarter and the year under review were differs from the statutory tax rate mainly due to recognition of unutilised tax credit which previously not recognised.



## 7. Retained earnings

	As at 31 December 2016	As at 31 December 2015
Total retained earnings of the Company and its subsidiaries	RM'000	RM'000
- Realised	145,573	72,446
- Unrealised	15,480	5,136
	<hr/>	<hr/>
	161,053	77,582
Add: Consolidation adjustments	(1,110)	(1,195)
	<hr/>	<hr/>
	159,943	76,387
	<hr/> <hr/>	<hr/> <hr/>

The disclosure of realised and unrealised profits above is solely for compliance with the directive issued by Bursa Malaysia Securities Berhad and should not be used for any other purpose.

## 8. Status of corporate proposals

On 30 June 2016, Dato' Sri Ng Ah Chai (the "Offeror") entered into a conditional share sale agreement with BRDB Developments Sdn Bhd ("BRDB") for the acquisition of 119,193,971 ordinary shares of RM1.00 each in MIECO ("MIECO Share(s)"), representing approximately 56.76% of the issued and paid-up share capital of MIECO held by BRDB, for a total purchase consideration of RM107,274,573.90 or equivalent to RM0.90 per MIECO Share, to be fully satisfied via cash ("Acquisition"). The Acquisition has become unconditional on 4 October 2016 and the shareholding of the Offeror in MIECO has increased from nil to 56.76% of the issued and paid-up share capital of MIECO on even date.

Pursuant to the Acquisition, on behalf of the Offeror, RHB Investment Bank Berhad formally extend an unconditional mandatory take-over offer to acquire all the remaining 90,806,029 MIECO Shares, representing approximately 43.24% of the issued and paid-up share capital of MIECO ("Offer Shares") not already held by the Offeror for a cash consideration of RM0.90 per Offer Share ("Offer") pursuant to Section 218(2) of the Capital Markets and Services Act 2007 and subparagraph 4.01(a) of the Rules on Takeover, Mergers and Compulsory Acquisition.

On 25 October 2016, the Offer document, setting out details, terms and conditions of the Offer together with the Form of Acceptance and Transfer, has been dispatched to the shareholders of MIECO. The Offer was closed at 5.00pm on 15 November 2016, with 24,084 MIECO Shares which are complete and valid in all respect were accepted under the Offer.

Apart from the above, there are no corporate proposals announced but not completed as at the date of this report.



## 9. Borrowings and debt securities

The Group's borrowings are all denominated in Ringgit Malaysia. The details of the Group's borrowings as at 31 December 2016 as follows:-

	Current RM'000
Bankers acceptance and revolving credit (secured)	29,889
Bank overdraft (unsecured)	2,282
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	32,171
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## 10. Derivative financial instruments

The Group's open forward contracts entered into are as follows:

Hedged items	Currency to be received	RM'000 equivalent	31.12.2016 Average contractual rate
Trade receivables	US Dollar 2.338 million	10,262	4.3893

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

Forward foreign currency exchange contracts are entered into with licensed banks to hedge the Group's exposure to foreign exchange risk in respect of its export sales by establishing the rate at which foreign currency assets will be settled.

These contracts are executed with credit-worthy/reputable financial institutions in Malaysia. As such, credit risk and liquidity risk in respect of non-performance by counterparties to these contracts are minimal.

## 11. Changes in material litigation

As at the date of this report, there were no changes in material litigation since the last statement of financial position as at 31 December 2015.

## 12. Dividend

On 27 February 2017, the Board of Directors has declared an interim single-tier tax exempt dividend of 10 sen per ordinary share in respect of the financial year ended 31 December 2016, to be paid on 24 March 2017. The entitlement date for the dividend payment is 14 March 2017.



### 13. Profit per share

	Current year quarter to 31 December 2016	Preceding year quarter to 31 December 2015	Current year to 31 December 2016	Preceding year to 31 December 2015
a) Basic				
Profit for the period (RM'000)	46,441	2,521	82,678	18,643
Weighted average number of ordinary shares in issue ('000)	210,000	210,000	210,000	210,000
Profit per share (sen)	22.11	1.20	39.37	8.88
b) Diluted	N/A	N/A	N/A	N/A

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

Ng Geok Lian  
Company Secretary  
Kuala Lumpur

27 February 2017