



MIECO CHIPBOARD BERHAD (12849-K)

Condensed Consolidated Statement of Comprehensive Income for the financial period ended 31 March 2017

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to	Preceding year quarter to	Current year to	Preceding year to
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	RM'000	RM'000	RM'000	RM'000
Revenue	82,599	61,394	82,599	61,394
Other income	484	873	484	873
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	10,924	1,380	10,924	1,380
Depreciation and amortisation	(4,378)	(3,713)	(4,378)	(3,713)
Gain on disposal of subsidiary	0	35,000	0	35,000
Profit from operations	6,546	32,667	6,546	32,667
Finance costs	(993)	(1,465)	(993)	(1,465)
Profit before taxation	5,553	31,202	5,553	31,202
Tax expense	(32)	(7)	(32)	(7)
Net profit/Total comprehensive income for the period	5,521	31,195	5,521	31,195
Net profit attributable to owners of the Company	5,521	31,195	5,521	31,195
Total comprehensive profit attributable to owners of the Company	5,521	31,195	5,521	31,195
Basic profit per share (sen)	2.63	14.85	2.63	14.85
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 2016 and the explanatory notes attached to this interim financial report.



MIECO CHIPBOARD BERHAD (12849-K)

Condensed Consolidated Statement of Financial Position as at 31 March 2017

The figures have not been audited.

	(Unaudited) As at 31 March 2017 RM'000	(Audited) As at 31 December 2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	418,236	413,293
Deferred tax assets	10,189	10,189
	<u>428,425</u>	<u>423,482</u>
Current assets		
Inventories	36,871	40,178
Tax recoverable	328	576
Trade receivables	41,268	48,913
Other receivables	8,871	10,007
Short term deposits	959	953
Cash and bank balances	34,302	35,483
	<u>122,599</u>	<u>136,110</u>
TOTAL ASSETS	<u><u>551,024</u></u>	<u><u>559,592</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
Foreign currency reserve	(43)	(43)
Retained earnings	144,464	159,943
Total equity	<u>360,287</u>	<u>375,766</u>
Non-current liabilities		
Unfunded post employment benefit obligation	12,595	12,542
Other payables	961	1,041
Amount due to former immediate holding company	40,411	44,035
	<u>53,967</u>	<u>57,618</u>
Current liabilities		
Trade payables	56,726	68,704
Other payables and provisions	15,135	15,889
Borrowings	55,243	32,171
Derivative financial instruments	32	267
Amount due to former immediate holding company	9,634	9,177
	<u>136,770</u>	<u>126,208</u>
TOTAL EQUITY AND LIABILITIES	<u><u>551,024</u></u>	<u><u>559,592</u></u>
Net assets per share attributable to equity holders of the Company (RM)	<u>1.72</u>	<u>1.79</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 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 2017

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 2017	210,000	5,866	(43)	159,943	375,766
Comprehensive income:					
- Net profit for the financial period	-	-	-	5,521	5,521
Dividend paid for the financial year ended 31 December 2016	-	-	-	(21,000)	(21,000)
Balance as at 31 March 2017	<u>210,000</u>	<u>5,866</u>	<u>(43)</u>	<u>144,464</u>	<u>360,287</u>
Balance as at 1 January 2016	210,000	5,866	(44)	76,387	292,209
Comprehensive income:					
- Net profit for the financial period	-	-	-	31,195	31,195
Balance as at 31 March 2016	<u>210,000</u>	<u>5,866</u>	<u>(44)</u>	<u>107,582</u>	<u>323,404</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 2016 and the explanatory notes attached to this interim financial report.



MIECO CHIPBOARD BERHAD (12849-K)

Condensed Consolidated Statement of Cash Flow for the financial period ended 31 March 2017

The figures have not been audited.

	Current year to 31 March 2017	Preceding year to 31 March 2016
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
– Profit after tax	5,521	31,195
– Adjustments for non-cash and non-operating items		
• Taxation	32	7
• Other non-cash and non-operating items	5,378	5,148
• Gain on disposal of subsidiary	0	(35,000)
	<u>10,931</u>	<u>1,350</u>
– Changes in working capital		
• Decrease/(Increase) in inventories	3,307	(5,855)
• Decrease in receivables	7,846	18,741
• Decrease in payables	(12,372)	(8,683)
• Increase in intercompany balances	0	105
	<u>9,712</u>	<u>5,658</u>
– Payment of staff retirement benefits	211	0
– Net income tax refund	216	248
Net cash flows from operating activities	<u>10,139</u>	<u>5,906</u>
<u>Cash flows from investing activities</u>		
– Purchase of property, plant and equipment	(9,384)	(2,792)
– Proceeds from sale of property, plant and equipment	20	0
– Interest income received	133	29
– Proceeds from disposal of subsidiary	0	35,000
Net cash flows from/(used in) investing activities	<u>(9,231)</u>	<u>32,237</u>
<u>Cash flows from financing activities</u>		
– Repayment of term loans	0	(6,997)
– Repayment of hire purchase liabilities	0	(10)
– Drawdown/(repayment) of bankers acceptances/revolving credit	24,436	(15,614)
– Financing expenses	(545)	(1,442)
– Repayment of overdraft facility	(1,364)	(3,689)
– Dividend paid	(21,000)	0
– Repayment of former immediate holding company	(3,616)	0
Net cash flows used in financing activities	<u>(2,089)</u>	<u>(27,752)</u>
Net increase in cash and cash equivalents	(1,181)	10,391
Cash and cash equivalents at 1 January	35,483	10,682
Effects of exchange rate changes	0	0
Cash and cash equivalents at 31 March	<u>34,302</u>	<u>21,073</u>

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 December 2016 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 2016. 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 2016.

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 2016 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 2017:

Amendments to the following MFRSs:

MFRS 107:	Statement of Cash Flows – Disclosure Initiative
MFRS 112:	Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses
MFRS 12:	Disclosure of Interest in Other Entities (Annual Improvement to MFRS Standards 2014-2016 Cycle)

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 2016

The audit report of the Group's financial statements for the financial year ended 31 December 2016 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 period ended 31 March 2017.

6. Change in estimates

There were no changes in estimates that have had a material effect for the financial period ended 31 March 2017.

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 2017.

8. Dividends paid

During the financial period ended 31 March 2017, an interim single-tier dividend of 10 sen per share amounting to RM21,000,000 in respect of the financial year ended 31 December 2016 was paid on 24 March 2017.

9. Segmental reporting

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 31 March 2017 RM'000	Preceding year to 31 March 2016 RM'000	As at 31 March 2017 RM'000	As at 31 March 2016 RM'000	Current year to 31 March 2017 RM'000	Preceding year to 31 March 2016 RM'000
Malaysia	61,076	48,644	551,024	532,393	9,384	2,792
South East Asia	5,063	3,161	0	1	-	-
Middle East and South Asia	7,351	5,079	-	-	-	-
Hong Kong and China	5,868	1,836	-	-	-	-
Others	3,241	2,674	-	-	-	-
	<u>82,599</u>	<u>61,394</u>	<u>551,024</u>	<u>532,394</u>	<u>9,384</u>	<u>2,792</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 2017

There were no material events subsequent to the end of the current financial period ended 31 March 2017.

12. Changes in the composition of the Group during the financial period ended 31 March 2017

There were no changes in the composition of the Group during the financial period ended 31 March 2017.

13. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets since the last statement of financial position as at 31 December 2016.

14. Capital commitments

Capital commitments not provided for in the financial statements as at 31 March 2017 were as follow:-

Approved and contracted	RM'000
	<u>4,514</u>



PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. Review of performance

Quarter on quarter review

For the first quarter of 2017, Group revenue increased to RM82.6 million, up 35% against RM61.4 million a year ago mainly due to higher production output at the Lipis Plant for this year.

Group profit before tax lower by 82% to RM5.6 million from RM31.2 million a year ago mainly attributable to the gain of RM35.0 million on sale of wholly-owned subsidiary, Mieco Wood Products Sdn Bhd in 2016.

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

Group revenue decreased by 11% from RM92.4 million in the fourth quarter of 2016 mainly due to lower production output in the quarter under review as a result of the plants stoppage for major servicing.

The profit before taxation for the first quarter of 2017 was RM5.6 million as compared to RM36.3 million in the immediate preceding quarter mainly due to the RM28.1 million partial write back of impairment on Lipis Plant in final quarter of 2016.

3. Prospects

With the growing demand from key Asian markets on particle board, the Group is cautiously optimistic of achieving a more sustainable performance by reducing production cost via stringent controls over raw material procurement and utilisation of key raw materials.

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 March 2017 RM'000	Preceding year quarter to 31 March 2016 RM'000	Current year to 31 March 2017 RM'000	Preceding year to 31 March 2016 RM'000
Profit before tax is arrived at after charging/(crediting):-				
Interest income	(133)	(29)	(133)	(29)
Interest expense	993	1,435	993	1,435
Loan facility fees	-	30	-	30
Depreciation and amortisation	4,378	3,713	4,378	3,713
Net realised foreign exchange gain	(1,010)	(422)	(1,010)	(422)
Net unrealised foreign exchange loss	937	115	937	115
Fair value gain on derivative financial instruments	(236)	(480)	(236)	(480)
Gain on disposal of subsidiary	-	(35,000)	-	(35,000)

6. Tax expense

	Current quarter to 31 March 2017 RM'000	Current year to 31 March 2017 RM'000
In respect of current year		
- Malaysia income tax	(32)	(32)
- Deferred tax	0	0
	<u>(32)</u>	<u>(32)</u>
In respect of previous year		
- Malaysia income tax	0	0
	<u>0</u>	<u>0</u>
	<u>(32)</u>	<u>(32)</u>

The Group's effective tax rate for the current quarter and the year under review were lower than statutory tax rate mainly due to utilisation of previously unrecognised deferred tax assets.

7. Retained earnings

	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	130,852	145,573
- Unrealised	14,722	15,480
	<u>145,574</u>	<u>161,053</u>
Add: Consolidation adjustments	(1,110)	(1,110)
	<u>144,464</u>	<u>159,943</u>

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

Saved as disclosed below, there is no any other corporate exercise that has been announced but not yet completed as at the date of this report.

On 27 March 2017, the Board of Directors of Mico Chipboard Berhad (“MIECO” or “the Company”) announced that the Company has proposed to seek the shareholders’ approval at the forthcoming 44th Annual General Meeting for the following proposals:

1. Proposed New Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature; and
2. Proposed Authority to Buy-Back Its Own Shares by the Company.

On 3 April 2017, RHB Investment Bank had, on behalf of the Board, announced that the Company proposed to undertake a share split involving the subdivision of every two (2) existing MIECO Shares into five (5) Split Shares held on an the entitlement date to be determined and announced later.

On 14 April 2017, RHB Investment Bank had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 14 April 2017, approved the Proposed Share Split subject to the following :

- a) Terms and conditions as stipulated in the approval letter dated 14 April 2017;
- b) Approval of shareholders of MIECO at the forthcoming Extraordinary General Meeting; and
- c) Any other relevant authority, if required.

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 March 2017 as follows:-

	Current
	RM’000
Bankers acceptance (secured)	54,325
Bank overdraft (secured)	918
	<hr/>
	55,243
	<hr/> <hr/>



10. Derivative financial instruments

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

	Currency to be received	RM'000 equivalent	31.03.2017 Average contractual rate
Hedged items			
Trade receivables	US Dollar 2.000 million	8,867	4.4335

	Currency to be received	RM'000 equivalent	31.03.2016 Average contractual rate
Hedged items			
Trade receivables	US Dollar 1.517 million	6,401	4.2183

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 2016.

12. Dividend

The Directors do not recommend the payment of dividend for the financial period ended 31 March 2017. No dividend was declared for the same period last year.



13. Profit per share

	Current year quarter to 31 March 2017	Preceding year quarter to 31 March 2016	Current year to 31 March 2017	Preceding year to 31 March 2016
a) Basic				
Profit for the year (RM'000)	5,521	31,195	5,521	31,195
Weighted average number of ordinary shares in issue ('000)	210,000	210,000	210,000	210,000
Profit per share (sen)	2.63	14.85	2.63	14.85
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

22 May 2017