



MIECO CHIPBOARD BERHAD (12849-K)

Condensed Consolidated Statement of Comprehensive Income for the financial period ended 30 June 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
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RM'000	RM'000	RM'000	RM'000
Revenue	90,127	79,295	172,726	140,689
Other income	872	627	1,356	1,500
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	18,953	5,626	29,877	7,006
Depreciation and amortisation	(4,399)	(3,739)	(8,777)	(7,452)
Gain on disposal of subsidiary	-	-	-	35,000
Profit from operations	14,554	1,887	21,100	34,554
Finance costs	(1,111)	(1,078)	(2,104)	(2,543)
Profit before taxation	13,443	809	18,996	32,011
Tax (expense)/credit	(26)	7	(58)	-
Net profit for the period	13,417	816	18,938	32,011
Other comprehensive loss:				
Exchange differences on translating foreign subsidiaries	(4)	-	(4)	-
Total comprehensive income for the period	13,413	816	18,934	32,011
Net profit attributable to owners of the Company	13,417	816	18,938	32,011
Total comprehensive profit attributable to owners of the Company	13,413	816	18,934	32,011
Basic profit per share (sen)	6.39	0.39	9.02	15.24
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 30 June 2017

The figures have not been audited.

	(Unaudited) As at 30 June 2017 RM'000	(Audited) As at 31 December 2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	415,269	413,293
Deferred tax assets	10,189	10,189
	<u>425,458</u>	<u>423,482</u>
Current assets		
Inventories	48,053	40,178
Tax recoverable	271	576
Trade receivables	35,999	48,913
Other receivables	17,535	10,007
Short term deposits	312	953
Cash and bank balances	12,513	35,483
	<u>114,683</u>	<u>136,110</u>
TOTAL ASSETS	<u><u>540,141</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	(47)	(43)
Retained earnings	157,881	159,943
Total equity	<u>373,700</u>	<u>375,766</u>
Non-current liabilities		
Unfunded post employment benefit obligation	12,788	12,542
Other payables	961	1,041
Amount due to former immediate holding company	37,154	44,035
	<u>50,903</u>	<u>57,618</u>
Current liabilities		
Trade payables	47,645	68,704
Other payables and provisions	13,596	15,889
Borrowings	44,535	32,171
Derivative financial instruments	49	267
Amount due to former immediate holding company	9,713	9,177
	<u>115,538</u>	<u>126,208</u>
TOTAL EQUITY AND LIABILITIES	<u><u>540,141</u></u>	<u><u>559,592</u></u>
Net assets per share attributable to equity holders of the Company (RM)	<u>1.78</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 30 June 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	-	-	-	18,938	18,938
Other comprehensive loss					
- Exchange differences on translating foreign subsidiaries	-	-	(4)	-	(4)
Dividend paid for the financial year ended 31 December 2016	-	-	-	(21,000)	(21,000)
Balance as at 30 June 2017	<u>210,000</u>	<u>5,866</u>	<u>(47)</u>	<u>157,881</u>	<u>373,700</u>
Balance as at 1 January 2016	210,000	5,866	(44)	76,387	292,209
Comprehensive income:					
- Net profit for the financial period	-	-	-	32,011	32,011
Balance as at 30 June 2016	<u>210,000</u>	<u>5,866</u>	<u>(44)</u>	<u>108,398</u>	<u>324,220</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 30 June 2017

The figures have not been audited.

	Current year to 30 June 2017	Preceding year to 30 June 2016
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
– Profit after tax	18,938	32,011
– Adjustments for non-cash and non-operating items		
• Taxation	58	0
• Other non-cash and non-operating items	11,779	10,345
• Gain on disposal of subsidiary	0	(35,000)
	<u>30,775</u>	<u>7,356</u>
– Changes in working capital		
• Increase in inventories	(7,443)	(7,143)
• Decrease in receivables	4,340	5,621
• Decrease in payables	(22,677)	(16,182)
• Increase in intercompany balances	0	213
	<u>4,995</u>	<u>(10,135)</u>
– Payment of staff retirement benefits	(529)	(137)
– Net income tax refund	247	247
Net cash flows from operating activities	<u>4,713</u>	<u>(10,025)</u>
<u>Cash flows from investing activities</u>		
– Purchase of property, plant and equipment	(10,855)	(4,999)
– Proceeds from sale of property, plant and equipment	20	0
– Interest income received	241	46
– Proceeds from disposal of subsidiary	0	35,000
Net cash flows from/(used in) investing activities	<u>(10,594)</u>	<u>30,047</u>
<u>Cash flows from financing activities</u>		
– Repayment of term loans	0	(27,888)
– Repayment of hire purchase liabilities	0	(19)
– Net proceed of bankers acceptances/revolving credit	14,218	4,111
– Financing expenses	(2,104)	(2,425)
– (Repayment of)/proceeds from overdraft facility	(1,854)	1,466
– Dividend paid	(21,000)	0
– Repayment to former immediate holding company	(6,345)	0
Net cash flows used in financing activities	<u>(17,085)</u>	<u>(24,755)</u>
Net increase in cash and cash equivalents	(22,966)	(4,733)
Cash and cash equivalents at 1 January	35,483	10,682
Effects of exchange rate changes	(4)	0
Cash and cash equivalents at 30 June	<u>12,513</u>	<u>5,949</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 the 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 30 June 2017.

6. Change in estimates

There were no changes in estimates that have had a material effect for the financial period ended 30 June 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 30 June 2017.

8. Dividends paid

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.

There were no dividend paid in the current quarter under review.

9. Segmental reporting

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 30 June 2017 RM'000	Preceding year to 30 June 2016 RM'000	As at 30 June 2017 RM'000	As at 30 June 2016 RM'000	Current year to 30 June 2017 RM'000	Preceding year to 30 June 2016 RM'000
Malaysia	130,257	111,519	540,141	530,349	10,855	4,999
South East Asia	8,713	4,584	-	1	-	-
Middle East and South Asia	14,536	15,292	-	-	-	-
Hong Kong and China	11,613	3,542	-	-	-	-
Others	7,607	5,752	-	-	-	-
	<u>172,726</u>	<u>140,689</u>	<u>540,141</u>	<u>530,350</u>	<u>10,855</u>	<u>4,999</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 30 June 2017

There were no material events subsequent to the end of the current financial period ended 30 June 2017.

12. Changes in the composition of the Group during the financial period ended 30 June 2017

There were no changes in the composition of the Group during the financial period ended 30 June 2017, other than the following:

On 9 June 2017, Mico Marketing (S) Pte Ltd (MMS), a wholly-owned subsidiary of the Company has submitted an application to the Accounting and Corporate Regulatory Authority (“ACRA”) to strike its name off the Register pursuant to Section 344 of the Singapore Companies Act, Chapter 50 (the “Proposed Strike Off”). The said application is pending ACRA’s approval. The striking off does not have any material financial effect to the Group.

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 30 June 2017 were as follow:-

Approved and contracted	RM’000 <u>323</u>
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15. Significant related parties transactions

The Group had the following transactions with related parties during the financial year-to-date:

	RM’000
<u>Transaction with the company(ies) in which a Director of the Company is also the Director and has substantial financial interest</u>	
Sales	1,633
Purchases	3,464
Rental received	<u>30</u>



PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. Review of performance

Quarter on quarter review

The group recorded revenue of RM90.1 million in the second quarter, up by 14% against RM79.3 million a year ago mainly due to increase in plainboard selling prices. Sales volume was slightly higher compared to the corresponding quarter last year.

With a stronger revenue due to the higher selling prices coupled with improved production efficiency, the Group registered a higher pre-tax profit of RM13.4 million when compared to RM0.8 million a year ago.

Year on year review

Group revenue for first half of 2017 of RM172.7 million increased by 23% against RM140.7 million in last year mainly due to the higher overall sales volume and the abovementioned increase in plainboard selling prices coupled with better production efficiency. However, the Group recorded a lower profit before tax of RM19.0 million against RM32.0 million a year ago mainly attributable to the one time exceptional of RM35.0 million gain on sale of Miecoco Wood Products Sdn Bhd in the first quarter of 2016.

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

Group revenue increased by 9% from RM82.6 million in the preceding quarter mainly due to higher overall sales volume with better selling prices in the quarter under review.

As a result of higher revenue and increased production output, the Group profit before tax rose from RM5.6 million in the first quarter to RM13.4 million in the current quarter.

3. Prospects

The particle board markets growth is expected to continue to be positive with the growing demand from key Asian markets. The Group is cautiously optimistic of maintaining the current performance and endeavour to achieve a more sustainable performance by further improvement of productivity and 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 30 June 2017 RM'000	Preceding year quarter to 30 June 2016 RM'000	Current year to 30 June 2017 RM'000	Preceding year to 30 June 2016 RM'000
Profit before tax is arrived at after charging/(crediting):-				
Interest income	(108)	(16)	(241)	(45)
Interest expense	1,111	1,078	2,104	2,513
Loan facility fees	-	-	-	30
Depreciation and amortisation	4,399	3,739	8,777	7,452
Write back of allowance for inventories obsolescence	(432)	-	(432)	-
Net realised foreign exchange gain	(606)	(348)	(1,616)	(770)
Net unrealised foreign exchange (gain)/loss	(6)	(431)	931	(316)
Fair value loss/(gain) on derivative financial instruments	18	384	(218)	(96)
Gain on disposal of subsidiary	-	-	-	(35,000)

6. Tax expense

	Current quarter to 30 June 2017 RM'000	Current year to 30 June 2017 RM'000
In respect of current year		
- Malaysia income tax	(26)	(58)
- Deferred tax	0	0
	<u>(26)</u>	<u>(58)</u>
In respect of previous year		
- Malaysia income tax	0	0
	<u>(26)</u>	<u>(58)</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 30 June 2017 RM'000	As at 31 December 2016 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	144,280	145,573
- Unrealised	14,725	15,480
	<u>159,005</u>	<u>161,053</u>
Add: Consolidation adjustments	(1,124)	(1,110)
	<u>157,881</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

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 27 March 2017, the Board of Directors of Mieco Chipboard Berhad ("MIECO" or "the Company") announced that the Company has proposed the above corporate proposals to seek the shareholders' approval at the forthcoming 44th Annual General Meeting.

On 31 May 2017, the Board of Directors of MIECO announced that the abovementioned resolutions as set out in the Notice of 44th Annual General Meeting dated 28 April 2017 were duly passed by the shareholder of MIECO.

3. Proposed to undertake a share split involving the subdivision of every two (2) existing MIECO Shares into five (5) Split Shares

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.

On 31 May 2017, the Board of Directors of MIECO announced that the abovementioned resolutions as set out in the Notice of the Extraordinary General Meeting of the Company, dated 28 April 2017 were duly passed by the shareholder of MIECO.

Subsequent to the end of the quarter, on 5 July 2017, on behalf of the Board of Directors of MIECO, RHB Investment Bank Berhad had announced that based on the entitlement date of 5 July 2017 for the Share Split, the issued share capital of 210,000,000 ordinary shares in MIECO have been subdivided into 525,000,000 ordinary shares in MIECO pursuant to the Share Split. On 6 July 2017, the Share Split has been completed following the listing of, and quotation for 525,000,000 ordinary shares in MIECO on the Main Market of Bursa Malaysia Securities Berhad with effect from 9.00 a.m. on 6 July 2017.

9. Borrowings and debt securities

The Group's borrowings are all denominated in Ringgit Malaysia. The details of the Group's borrowings as at 30 June 2017 as follows:-

	Current
	RM'000
Bankers acceptance (secured)	44,107
Bank overdraft (secured)	428
	<hr/>
	44,535
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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	30.06.2017 Average contractual rate
Trade receivables	US Dollar 1.082 million	4,609	4.2603

Hedged items	Currency to be received	RM'000 equivalent	30.06.2016 Average contractual rate
Trade receivables	US Dollar 0.932 million	3,802	4.0775

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

Forward foreign currency exchange contracts were entered into with licensed banks to hedge the Group's exposure to foreign exchange risk in respect of the 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 is no material litigation and there were no changes in material litigation since the last statement of financial position as at 31 December 2016.

12. Proposed dividend

The Directors do not recommend the payment of dividend for the financial period ended 30 June 2017. No dividend was declared for the same period last year.



13. Profit per share

	Current year quarter to 30 June 2017	Preceding year quarter to 30 June 2016	Current year to 30 June 2017	Preceding year to 30 June 2016
a) Basic				
Profit for the year (RM'000)	13,417	816	18,938	32,011
Weighted average number of ordinary shares in issue ('000)	210,000	210,000	210,000	210,000
Profit per share (sen)	6.39	0.39	9.02	15.24
b) Diluted	N/A	N/A	N/A	N/A

BY ORDER OF THE BOARD
MIECO CHIPBOARD BERHAD

Ng Geok Lian
Company Secretary
Selangor

26 July 2017