



MIECO CHIPBOARD BERHAD (12849-K)

Condensed Consolidated Statement of Comprehensive Income for the financial period ended 30 September 2017

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to 30 September 2017 RM'000	Preceding year quarter to 30 September 2016 RM'000	Current year to 30 September 2017 RM'000	Preceding year to 30 September 2016 RM'000
Revenue	101,132	91,025	273,858	231,714
Other (expenses)/income	(290)	1,065	1,066	2,565
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	21,097	9,119	50,974	16,125
Depreciation and amortisation	(4,431)	(3,716)	(13,208)	(11,168)
Gain on disposal of subsidiary	-	-	-	35,000
Profit from operations	16,666	5,403	37,766	39,957
Finance costs	(1,025)	(1,177)	(3,129)	(3,720)
Profit before taxation	15,641	4,226	34,637	36,237
Tax expense	(19)	-	(77)	-
Net profit for the period	15,622	4,226	34,560	36,237
Other comprehensive income:				
Exchange differences on translating foreign subsidiaries	4	1	-	1
Total comprehensive income for the period	15,626	4,227	34,560	36,238
Net profit attributable to owners of the Company	15,622	4,226	34,560	36,237
Total comprehensive profit attributable to owners of the Company	15,626	4,227	34,560	36,238
Basic profit per share (sen)	2.97	0.80	6.58	6.90
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 September 2017

The figures have not been audited.

	(Unaudited) As at 30 September 2017 RM'000	(Audited) As at 31 December 2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	416,651	413,293
Deferred tax assets	10,189	10,189
	<u>426,840</u>	<u>423,482</u>
Current assets		
Inventories	55,093	40,178
Tax recoverable	303	576
Trade receivables	47,769	48,913
Other receivables	23,953	10,007
Short term deposits	312	953
Cash and bank balances	23,963	35,483
	<u>151,393</u>	<u>136,110</u>
TOTAL ASSETS	<u><u>578,233</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	173,503	159,943
Total equity	<u>389,326</u>	<u>375,766</u>
Non-current liabilities		
Unfunded post employment benefit obligation	12,942	12,542
Other payables	961	1,041
Borrowings	10,559	0
Amount due to former immediate holding company	33,863	44,035
	<u>58,325</u>	<u>57,618</u>
Current liabilities		
Trade payables	56,393	68,704
Other payables and provisions	12,701	15,889
Borrowings	51,588	32,171
Derivative financial instruments	106	267
Amount due to former immediate holding company	9,794	9,177
	<u>130,582</u>	<u>126,208</u>
TOTAL EQUITY AND LIABILITIES	<u><u>578,233</u></u>	<u><u>559,592</u></u>
Net assets per share attributable to equity holders of the Company (RM)	<u>0.74</u>	<u>0.72</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 September 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	-	-	-	34,560	34,560
Dividend paid for the financial year ended 31 December 2016	-	-	-	(21,000)	(21,000)
Balance as at 30 September 2017	<u>210,000</u>	<u>5,866</u>	<u>(43)</u>	<u>173,503</u>	<u>389,326</u>
Balance as at 1 January 2016	210,000	5,866	(44)	76,387	292,209
Comprehensive income:					
- Net profit for the financial period	-	-	-	36,237	36,237
Other comprehensive income					
- Exchange difference on translating foreign subsidiaries	-	-	1	-	1
Balance as at 30 September 2016	<u>210,000</u>	<u>5,866</u>	<u>(43)</u>	<u>112,624</u>	<u>328,447</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 September 2017

The figures have not been audited.

	Current year to 30 September 2017	Preceding year to 30 September 2016
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
– Profit after tax	34,560	36,237
– Adjustments for non-cash and non-operating items		
• Taxation	77	0
• Other non-cash and non-operating items	17,989	15,307
• Gain on disposal of subsidiary	0	(35,000)
	<hr/> 52,626	<hr/> 16,544
– Changes in working capital		
• Increase in inventories	(14,483)	(3,026)
• Increase in receivables	(14,004)	(4,701)
• Decrease in payables	(14,910)	(6,248)
• Increase in intercompany balances	0	317
	<hr/> 9,229	<hr/> 2,886
– Payment of staff retirement benefits	(750)	(137)
– Net income tax refund	196	247
	<hr/> (750)	<hr/> (137)
Net cash flows from operating activities	<hr/> <hr/> 8,675	<hr/> <hr/> 2,996
<u>Cash flows from investing activities</u>		
– Purchase of property, plant and equipment	(16,781)	(5,461)
– Proceeds from sale of property, plant and equipment	20	0
– Interest income received	274	45
– Proceeds from disposal of subsidiary	0	35,000
Net cash flows (used in)/from investing activities	<hr/> (16,487)	<hr/> 29,584
<u>Cash flows from financing activities</u>		
– Proceeds/(repayment) of term loans	12,000	(27,938)
– Repayment of hire purchase liabilities	0	(28)
– Net proceed/(repayment) of bankers acceptances/revolving credit	20,258	(997)
– Financing expenses	(3,128)	(2,706)
– (Repayment of)/proceeds from overdraft facility	(2,282)	5,311
– Dividend paid	(21,000)	0
– Repayment to former immediate holding company	(9,556)	0
Net cash flows used in financing activities	<hr/> (3,708)	<hr/> (26,358)
Net (decrease)/increase in cash and cash equivalents	(11,520)	6,222
Cash and cash equivalents at 1 January	35,483	10,682
Effects of exchange rate changes	0	1
Cash and cash equivalents at 30 September	<hr/> <hr/> 23,963	<hr/> <hr/> 16,905

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 September 2017.

6. Change in estimates

There were no changes in estimates that have had a material effect for the financial period ended 30 September 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 September 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 September 2017 RM'000	Preceding year to 30 September 2016 RM'000	As at 30 September 2017 RM'000	As at 30 September 2016 RM'000	Current year to 30 September 2017 RM'000	Preceding year to 30 September 2016 RM'000
Malaysia	203,723	179,766	578,233	538,851	16,781	5,461
South East Asia	13,186	7,211	-	-	-	-
Middle East and South Asia	23,623	28,183	-	-	-	-
Hong Kong and China	19,706	7,265	-	-	-	-
Others	13,620	9,289	-	-	-	-
	<u>273,858</u>	<u>231,714</u>	<u>578,233</u>	<u>538,851</u>	<u>16,781</u>	<u>5,461</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 September 2017

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

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

There were no changes in the composition of the Group during the financial period ended 30 September 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.

Subsequently, on 26 October 2017, MMS received notification from A.C. Lui & Co. that MMS has been struck off from the Register of the Accounting and Corporate Regulatory Authority of Singapore with effect from 10 October 2017. 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 September 2017 were as follow:-

	RM'000
Approved and contracted	<u>323</u>

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	2,205
Purchases	7,206
Rental received	<u>45</u>



PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. Review of performance

Quarter on quarter review

Group revenue for third quarter this year was RM101.1 million, increase by 11% when compared to RM91.0 million a year ago. The higher revenue is mainly due to the continued strong selling prices from plainboard.

The Group reported higher pre-tax profit of RM15.6 million against RM4.2 million in last year attributable to the abovementioned higher selling price coupled with improved production efficiency. The performance in the corresponding quarter last year was also affected by both higher production reject and repair and maintenance cost.

Year on year review

Group revenue for the nine months under review increased by 18% to RM273.9 million against RM231.7 million a year ago mainly due to the higher of overall sales volume, better plainboard selling prices and improved production efficiency. However, the Group recorded a lower profit before tax of RM34.6 million against RM36.2 million for the same period last year mainly attributable to the one time exceptional of RM35.0 million gain on sale of Mieco 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 12% from RM90.1 million in the preceding quarter to RM101.1 million mainly due to the increase in sales volume.

As a result of higher revenue, the Group profit before tax rose from RM13.4 million in the second quarter to RM15.6 million in the current quarter.

3. Prospects

The Group foresee a more competitive and challenging market conditions in the particle board industry as a result of downward pricing pressure on our products. The pricing pressure is due to the softening of global demand and keener competition on the recent entrance of new players in the market.

Nevertheless, the Group will continue to explore new market opportunities be it local or overseas market, streamline production efficiency, stringent cost control, develop effective branding strategies and shift towards higher value products to mitigate the market challenge.

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 September 2017 RM'000	Preceding year quarter to 30 September 2016 RM'000	Current year to 30 September 2017 RM'000	Preceding year to 30 September 2016 RM'000
Profit before tax is arrived at after charging/(crediting):-				
Interest income	(34)	-	(275)	(45)
Interest expense	1,025	1,177	3,129	3,690
Loan facility fees	-	-	-	30
Depreciation and amortisation	4,431	3,716	13,208	11,168
Write back of allowance for inventories obsolescence	-	-	(432)	-
Net realised foreign exchange gain	(28)	(556)	(1,644)	(1,326)
Net unrealised foreign exchange loss/(gain)	243	(586)	1,174	(902)
Fair value loss/(gain) on derivative financial instruments	57	65	(161)	(31)
Gain on disposal of subsidiary	-	-	-	(35,000)

6. Tax expense

	Current quarter to 30 September 2017 RM'000	Current year to 30 September 2017 RM'000
In respect of current year		
- Malaysia income tax	(8)	(66)
- Deferred tax	0	0
	(8)	(66)
In respect of previous year		
- Malaysia income tax	(11)	(11)
	(19)	(77)

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 September 2017 RM'000	As at 31 December 2016 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	160,202	145,573
- Unrealised	14,425	15,480
	174,627	161,053
Add: Consolidation adjustments	(1,124)	(1,110)
	173,503	159,943

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 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.

Subsequently 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.

2. Proposed acquisition of the entire issued share capital of Great Platform Sdn Bhd ("**Proposed Acquisition**") and the proposed assumption of liabilities owing by Great Platform to SYF Resources Berhad ("**Proposed Assumption of Liabilities**") for a total purchase consideration of RM58,592,150, comprising a purchase consideration of RM7,063,341 for the Proposed Acquisition and RM51,528,809 for the Proposed Assumption of Liabilities, to be satisfied entirely via cash

The Company, had on 26 July 2017 entered into a conditional share sale agreement with SYF Resources Berhad for the proposed acquisition of the entire issued share capital of Great Platform Sdn Bhd ("**Proposed Acquisition**") and the proposed assumption of liabilities owing by Great Platform to SYF Resources Berhad ("**Proposed Assumption of Liabilities**") for a total purchase consideration of RM58,592,150, comprising a purchase consideration of RM7,063,341 for the Proposed Acquisition and RM51,528,809 for the Proposed Assumption of Liabilities, to be satisfied entirely via cash.

The above proposal is subject to approvals of the shareholders of the Company at an Extraordinary General Meeting to be convened and any other relevant authorities, 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 30 September 2017 as follows:-

	Current	Non-current	Total
	RM'000	RM'000	RM'000
Bankers acceptance and revolving credit (secured)	50,147	-	50,147
Term loan (secured)	1,441	10,559	12,000
	51,588	10,559	62,147
	51,588	10,559	62,147



10. Derivative financial instruments

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

Hedged items	Currency to be received	RM'000 equivalent	30.09.2017 Average contractual rate
Trade receivables	US Dollar 3.039 million	12,771	4.2027

Hedged items	Currency to be received	RM'000 equivalent	30.09.2016 Average contractual rate
Trade receivables	US Dollar 0.422 million	1,709	4.0518

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 September 2017. No dividend was declared for the same period last year.



13. Profit per share

	Current year quarter to 30 September 2017	Preceding year quarter to 30 September 2016	Current year to 30 September 2017	Preceding year to 30 September 2016
a) Basic				
Profit for the year (RM'000)	15,622	4,226	34,560	36,237
Weighted average number of ordinary shares in issue ('000)	525,000	525,000	525,000	525,000
Profit per share (sen)	2.97	0.80	6.58	6.90
b) Diluted	N/A	N/A	N/A	N/A

BY ORDER OF THE BOARD
MIECO CHIPBOARD BERHAD

Ng Geok Lian
Company Secretary
Selangor

20 November 2017