



MIECO CHIPBOARD BERHAD (12849-K)

Condensed Consolidated Statement of Comprehensive Income for the financial period ended 30 September 2018

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to 30 September 2018 RM'000	Preceding year quarter to 30 September 2017 RM'000	Current year to 30 September 2018 RM'000	Preceding year to 30 September 2017 RM'000
Revenue	128,272	101,132	307,251	273,858
Other income/(expenses)	163	(290)	601	1,066
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	5,094	21,097	9,941	50,974
Depreciation and amortisation	(7,247)	(4,431)	(19,559)	(13,208)
(Loss)/Profit from operations	(2,153)	16,666	(9,618)	37,766
Finance costs	(4,409)	(1,025)	(11,261)	(3,129)
(Loss)/Profit before taxation	(6,562)	15,641	(20,879)	34,637
Tax expense	(254)	(19)	(599)	(77)
Net (loss)/profit for the period	(6,816)	15,622	(21,478)	34,560
Other comprehensive loss:				
Exchange differences on translating foreign subsidiaries	-	4	-	-
Total comprehensive (loss)/income for the period	(6,816)	15,626	(21,478)	34,560
Net (loss)/profit attributable to owners of the Company	(6,816)	15,622	(21,478)	34,560
Total comprehensive (loss)/income attributable to owners of the Company	(6,816)	15,626	(21,478)	34,560
Basic (loss)/profit per share (sen)	(1.30)	2.97	(4.09)	6.58
Diluted (loss)/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 2017 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 2018

The figures have not been audited.

	(Unaudited) As at 30 September 2018 RM'000	(Audited) As at 31 December 2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	591,843	435,160
Goodwill	306	0
Deferred tax assets	10,189	10,189
	<u>602,338</u>	<u>445,349</u>
Current assets		
Inventories	77,181	68,945
Tax recoverable	414	356
Trade receivables	73,898	46,178
Other receivables	18,923	19,905
Derivative financial instruments	0	50
Short term deposits	7,978	5,972
Cash and bank balances	9,735	12,164
	<u>188,129</u>	<u>153,570</u>
TOTAL ASSETS	<u><u>790,467</u></u>	<u><u>598,919</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	215,866	215,866
Reserves		
Foreign currency reserve	(43)	(43)
Retained earnings	160,164	186,892
Total equity	<u>375,987</u>	<u>402,715</u>
Non-current liabilities		
Unfunded post employment benefit obligation	13,894	13,072
Other payables	480	721
Borrowings	124,722	14,745
Amount due to former immediate holding company	20,715	30,543
Deferred tax liabilities	2,984	0
	<u>162,795</u>	<u>59,081</u>
Current liabilities		
Trade payables	86,296	47,471
Other payables and provisions	39,137	13,702
Borrowings	112,588	66,074
Amount due to former immediate holding company	13,446	9,876
Derivative financial instruments	218	0
	<u>251,685</u>	<u>137,123</u>
TOTAL EQUITY AND LIABILITIES	<u><u>790,467</u></u>	<u><u>598,919</u></u>
Net assets per share attributable to equity holders of the Company (RM)	<u>0.72</u>	<u>0.77</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 2018

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 2018	215,866	-	(43)	186,892	402,715
Comprehensive loss:					
- Net loss for the financial period	-	-	-	(21,478)	(21,478)
Dividend paid for the financial year ended 31 December 2017	-	-	-	(5,250)	(5,250)
Balance as at 30 September 2018	<u>215,866</u>	<u>-</u>	<u>(43)</u>	<u>160,164</u>	<u>375,987</u>
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)
Transfer arising from 'no par value' Regime	5,866	(5,866)	-	-	-
Balance as at 30 September 2017	<u>215,866</u>	<u>-</u>	<u>(43)</u>	<u>173,503</u>	<u>389,326</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 2017 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 2018

The figures have not been audited.

	Current year to 30 September 2018	Preceding year to 30 September 2017
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
– (Loss)/Profit after tax	(21,478)	34,560
– Adjustments for non-cash and non-operating items		
• Taxation	599	77
• Other non-cash and non-operating items	31,380	17,989
	<u>10,501</u>	<u>52,626</u>
– Changes in working capital		
• Decrease/(Increase) in inventories	10,905	(14,483)
• (Increase)/Decrease in receivables	(18,633)	(14,004)
• Increase/(Decrease) in payables	42,572	(14,910)
	<u>45,345</u>	<u>9,229</u>
– Payment of staff retirement benefits	(328)	(750)
– Net income tax (paid)/ refund	(82)	196
Net cash flows from operating activities	<u>44,935</u>	<u>8,675</u>
<u>Cash flows (used in)/from investing activities</u>		
– Purchase of property, plant and equipment	(21,143)	(16,781)
– Proceeds from sale of property , plant and equipment	2	20
– Interest income received	133	274
– Net acquisition of subsidiary	(57,292)	0
Net cash flows used in investing activities	<u>(78,300)</u>	<u>(16,487)</u>
<u>Cash flows from/(used in) financing activities</u>		
– Proceeds of term loan	37,773	12,000
– Proceeds of hire purchase liabilities	139	0
– Proceeds of bankers acceptances/invoice financing	16,036	20,258
– Financing expenses	(11,261)	(3,128)
– Proceeds/(Repayment) of overdraft facility	55	(2,282)
– Dividend paid	(5,250)	(21,000)
– Repayment of former immediate holding company	(6,556)	(9,556)
Net cash flows generated from/(used in) financing activities	<u>30,936</u>	<u>(3,708)</u>
Net decrease in cash and cash equivalents	(2,429)	(11,520)
Cash and cash equivalents at 1 January	12,164	35,483
Effects of exchange rate changes	0	0
Cash and cash equivalents at 30 Sep	<u>9,735</u>	<u>23,963</u>

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 2017. 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 2017.

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 2017 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 2018:

Amendments to the following MFRSs :

MFRS 9	:	Financial Instrument
MFRS 15	:	Revenue from Contract with Customers
Amendment to MFRS 15	:	Clarification to MFRS 15 Revenue from Contract with Customers
Amendment to MFRS 140	:	Transfers of Investment Property
IC Int. 22	:	Foreign Currency Transactions and Advance Consideration
Amendment to MFRS 1	:	Annual improvements to MFRS 2014-2016 cycle
Amendment to MFRS 128	:	Annual improvements to MFRS 2014-2016 cycle

MFRS 15 Revenue from Contracts with Customers

The Group has assessed the effects of applying the new standard on the Group's financial statements and has identified the revenue relating to sale of goods will be recognised when control of the products has transferred.

3. Audit report of preceding annual financial statements for financial year ended 31 December 2017

The audit report of the Group's financial statements for the financial year ended 31 December 2017 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 2018.



6. Change in estimates

There were no changes in estimates that have had a material effect for the financial period ended 30 September 2018.

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 2018.

8. Dividends paid

An interim single-tier dividend of 1 sen per share on 525,000,000 ordinary shares, amounting to RM5,250,000 in respect of the financial year ended 31 December 2017, was paid on 27 April 2018.

9. Segmental reporting

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 30 September 2018 RM'000	Preceding year to 30 September 2017 RM'000	As at 30 September 2018 RM'000	As at 30 September 2017 RM'000	Current year to 30 September 2018 RM'000	Preceding year to 30 September 2017 RM'000
Malaysia	234,867	203,723	790,467	578,233	21,143	16,781
South East Asia	18,316	13,186	-	-	-	-
Middle East and South Asia	21,669	23,623	-	-	-	-
Hong Kong and China	23,367	19,706	-	-	-	-
Others	9,032	13,620	-	-	-	-
	<u>307,251</u>	<u>273,858</u>	<u>790,467</u>	<u>578,233</u>	<u>21,143</u>	<u>16,781</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 2018

There were no material events subsequent to the end of the current financial period ended 30 September 2018.



12. **Changes in the composition of the Group during the financial period ended 30 September 2018**

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 ("**Great Platform**") ("**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 Proposed Acquisition was completed on 27 February 2018 and Great Platform became a wholly-owned subsidiary of the Company.

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 2017.

14. **Capital commitments**

Capital commitments not provided for in the financial statements as at 30 September 2018 were as follow:-

	RM'000
Approved and contracted	
Property, plant equipment	<u>14,013</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 two Directors of the Company are also directors and one of whom has substantial financial interest</u>	
Sales	4,409
Purchases	11,581
Rental received	360
Commission	189
Rental paid	<u>72</u>



PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. Review of performance

Quarter on quarter review

For the third quarter of 2018, the Group recorded revenue of RM128.3 million as compared to RM101.1 million a year ago, an increase of 27% mainly resulting from the inclusive of revenue from the new subsidiary. The plainboard selling price remained weak while the sales volume has increased as compared to previous year.

A pre-tax loss of RM6.6 million was incurred this quarter as compared to the pre-tax profit of RM15.6 million a year ago, mainly due to the continued soft selling prices, high cost of materials and pre-operating costs of a new production facility.

Year on year review

Group turnover for the nine months under review rose 12% to RM307.3 million against RM273.9 million in the corresponding period last year. Turnover was increased by the inclusion of the new subsidiary's results offset by the overall weaker pricing this year.

Pre-tax loss of RM20.9 million was recorded for the cumulative nine months this year versus the pre-tax profit of RM34.6 million for the corresponding period last year. The loss was due to the overall soft market conditions in pricing as well as high operating cost.

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

Group revenue for the current quarter increased by 30% to RM128.3 million from RM98.4 million in the preceding quarter due to clearance of stocks that had accumulated as a result of the soft market conditions. Consequently, inventory level has been reduced by RM19.9 million from the preceding quarter.

As the increase in revenue was mainly due to stock clearance, the Group continued to incur pre-tax loss of RM6.6 million for the current quarter, albeit marginally improved from the RM7.3 million in the preceding quarter. There is no significant change in the results of these two quarters, as the Group continued to face difficult business environment.

3. Prospects

The nine months of the year had been largely affected by weaker market prices for the Group's products that followed through from the end of the previous year. With local market conditions unlikely to improve much for the final quarter of the year, the Group will target the export market as an avenue to increase sales. On the local front, we are targeting to grow and build up our position in the melamine faced chipboard market with particular focus on the renovation and fit-out sector.

Concurrent with the efforts to grow the revenue base, the Group's production facilities will be rationalised and streamlined to achieve higher production efficiency and better cost management.

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 2018 RM'000	Preceding year quarter to 30 September 2017 RM'000	Current year to 30 September 2018 RM'000	Preceding year to 30 September 2017 RM'000
Profit before tax is arrived at after charging/(crediting):-				
Interest income	(45)	(34)	(133)	(275)
Interest expense	4,409	1,025	11,261	3,129
Depreciation and amortisation	7,247	4,431	19,559	13,208
Write back of allowance for inventories obsolescence	-	-	-	(432)
Net realised foreign exchange (gain)/loss	(124)	(28)	402	(1,644)
Net unrealised foreign exchange (gain)/loss	(26)	243	(725)	1,174
Fair value loss/(gain) on derivative financial instruments	58	57	268	(161)

6. Tax expense

	Current quarter to 30 September 2018 RM'000	Current year to 30 September 2018 RM'000
In respect of current year		
- Malaysia income tax	(14)	(39)
- Deferred tax	(240)	(560)
	<u>(254)</u>	<u>(599)</u>
In respect of previous year		
Malaysia income tax	0	0
	<u>(254)</u>	<u>(599)</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. Status of corporate proposals

As at the date of this report, being the latest practicable date, there are no corporate proposals announced and pending completions.



8. 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 2018 as follows:-

	Current RM'000	Non-current RM'000	Total RM'000
Bank overdraft (secured)	1,740	-	1,740
Bankers acceptance and revolving credit (secured)	67,849	-	67,849
Bankers acceptance and revolving credit (unsecured)	15,061	-	15,061
Invoice financing (secured)	8,501	-	8,501
Invoice financing (unsecured)	209	-	209
Term loan (secured)	15,907	116,243	132,150
Term loan (unsecured)	878	3,578	4,456
Hire purchase obligation	2,443	4,901	7,344
	<u>112,588</u>	<u>124,722</u>	<u>237,310</u>

9. Derivative financial instruments

As at 30 September 2018, the outstanding foreign currency forward contracts are as follows:

Type of derivatives	Contract/Notional value RM'000	Fair value liabilities RM'000
Foreign exchange forward contract - Less than 1 year, USD denominated	17,664	(218)

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.



10. Fair value changes of financial instruments

The Group use the following hierarchy in determining the fair value of all financial instruments carried at fair value:

- Level 1 : Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 : Inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 : Inputs are unobservable inputs for the asset or liability

	Level 1	Level 2	Level 3	Total
<u>As at 30 September 2018</u>				
Derivative financial liabilities		(218)		(218)
<u>As at 30 September 2017</u>				
Derivative financial liabilities		(106)		(106)

11. Changes in material litigation

As at the date of this report, there were no material litigation since the last statement of financial position as at 31 December 2017.

12. Dividend

The Directors do not recommend the payment of dividend for the financial period ended 30 September 2018. No dividend was declared for the same period last year.

13. Profit per share

	Current year quarter to 30 September 2018	Preceding year quarter to 30 September 2017	Current year to 30 September 2018	Preceding year to 30 September 2017
a) Basic				
(Loss)/Profit for the year (RM'000)	(6,816)	15,622	(21,478)	34,560
Weighted average number of ordinary shares in issue ('000)	525,000	525,000	525,000	525,000
(Loss)/Profit per share (sen)	(1.30)	2.98	(4.09)	6.58
b) Diluted	N/A	N/A	N/A	N/A

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

Ng Geok Lian
Company Secretary
Selangor

21 November 2018