



MIECO CHIPBOARD BERHAD (12849-K)

Condensed Consolidated Statement of Comprehensive Income for the financial period ended 30 June 2016

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 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Revenue	<u>79,295</u>	<u>97,156</u>	<u>140,689</u>	<u>182,671</u>
Other income/(expenses)	<u>627</u>	<u>(200)</u>	<u>1,500</u>	<u>(664)</u>
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	5,626	12,332	7,006	21,224
Depreciation and amortisation	(3,739)	(3,757)	(7,452)	(7,515)
Gain on disposal of subsidiary	-	-	35,000	-
Profit from operations	<u>1,887</u>	<u>8,575</u>	<u>34,554</u>	<u>13,709</u>
Finance costs	(1,078)	(1,840)	(2,543)	(3,753)
Profit before taxation	<u>809</u>	<u>6,735</u>	<u>32,011</u>	<u>9,956</u>
Tax credit	7	-	-	-
Net profit for the period	<u>816</u>	<u>6,735</u>	<u>32,011</u>	<u>9,956</u>
Other comprehensive loss:				
Exchange differences on translating foreign subsidiaries	-	-	-	(2)
Total comprehensive income for the period	<u>816</u>	<u>6,735</u>	<u>32,011</u>	<u>9,954</u>
Net profit attributable to owners of the Company	<u>816</u>	<u>6,735</u>	<u>32,011</u>	<u>9,956</u>
Total comprehensive profit attributable to owners of the Company	<u>816</u>	<u>6,735</u>	<u>32,011</u>	<u>9,954</u>
Basic profit per share (sen)	0.39	3.21	15.24	4.74
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 30 June 2016

The figures have not been audited.

	(Unaudited) As at 30 June 2016 RM'000	(Audited) As at 31 December 2015 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	399,499	402,018
Current assets		
Inventories	59,408	52,251
Tax recoverable	575	823
Trade receivables	54,580	61,190
Other receivables	9,384	8,527
Derivative assets	17	-
Short term deposits	938	929
Cash and bank balances	5,949	10,682
	<u>130,851</u>	<u>134,402</u>
TOTAL ASSETS	<u>530,350</u>	<u>536,420</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	(44)	(44)
Retained earnings	108,398	76,387
Total equity	<u>324,220</u>	<u>292,209</u>
Non-current liabilities		
Unfunded post employment benefit obligation	12,663	12,044
Amount due to immediate holding company	47,599	46,694
	<u>60,262</u>	<u>58,738</u>
Current liabilities		
Trade payables	64,681	60,273
Other payables and provisions	19,603	40,491
Borrowings	57,060	80,319
Derivative financial instruments	-	79
Amount due to immediate holding company	4,524	4,311
	<u>145,868</u>	<u>185,473</u>
TOTAL EQUITY AND LIABILITIES	<u>530,350</u>	<u>536,420</u>
Net assets per share attributable to equity holders of the Company (RM)	<u>1.54</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 period ended 30 June 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	-	-	-	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>
Balance as at 1 January 2015	210,000	5,866	(43)	57,744	273,567
Comprehensive income:					
- Net profit for the financial period	-	-	-	9,956	9,956
Other comprehensive loss					
- Exchange differences on translating foreign subsidiaries	-	-	(2)	-	(2)
Balance as at 30 June 2015	<u>210,000</u>	<u>5,866</u>	<u>(45)</u>	<u>67,700</u>	<u>283,521</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 period ended 30 June 2016

The figures have not been audited.

	Current year to 30 June 2016	Preceding year to 30 June 2015
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
– Profit after tax	32,011	9,956
– Adjustments for non-cash and non-operating items		
• Other non-cash and non-operating items	10,345	12,236
• Gain on disposal of subsidiary	(35,000)	0
	<u>7,356</u>	<u>22,192</u>
– Changes in working capital		
• Increase in inventories	(7,143)	(2,164)
• Decrease/(Increase) in receivables	5,621	(17,607)
• (Decrease)/Increase in payables	(6,519)	16,514
• Increase in intercompany balances	213	206
	<u>(472)</u>	<u>19,141</u>
– Payment of staff retirement benefits	(137)	0
– Net income tax refund/(paid)	247	(412)
Net cash flows (used in)/from operating activities	<u>(362)</u>	<u>18,729</u>
<u>Cash flows from investing activities</u>		
– Purchase of property, plant and equipment	(4,999)	(773)
– Interest income received	46	2
– Proceeds from disposal of subsidiary	35,000	0
Net cash flows from/(used in) investing activities	<u>30,047</u>	<u>(771)</u>
<u>Cash flows from financing activities</u>		
– Repayment of term loans	(27,888)	(7,510)
– Repayment of hire purchase liabilities	(19)	(16)
– Proceeds/(repayment) of bankers acceptances/revolving credit	4,111	(3,002)
– Financing expenses	(2,425)	(2,900)
– Drawdown of overdraft facility	1,466	0
– Repayment of amount due to a related company	(9,663)	0
Net cash flows used in financing activities	<u>(34,418)</u>	<u>(13,428)</u>
Net (decrease)/ increase in cash and cash equivalents	(4,733)	4,530
Cash and cash equivalents at 1 January	10,682	5,797
Effects of exchange rate changes	0	4
Cash and cash equivalents at 30 June	<u>5,949</u>	<u>10,331</u>

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 period ended 30 June 2016.

6. Change in estimates

There were no changes in estimates that have had a material effect for the financial period ended 30 June 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 period ended 30 June 2016.

8. Dividends paid

There were no dividends paid for the financial period ended 30 June 2016.

9. Segmental reporting

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 30 June 2016 RM'000	Preceding year to 30 June 2015 RM'000	As at 30 June 2016 RM'000	As at 30 June 2015 RM'000	Current year to 30 June 2016 RM'000	Preceding year to 30 June 2015 RM'000
Malaysia	111,519	143,469	530,349	530,279	4,999	773
South East Asia	4,584	12,818	1	3	-	-
Middle East and South Asia	15,292	16,075	-	-	-	-
Hong Kong and China	3,542	5,847	-	-	-	-
Others	5,752	4,462	-	-	-	-
	<u>140,689</u>	<u>182,671</u>	<u>530,350</u>	<u>530,282</u>	<u>4,999</u>	<u>773</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 2016

There were no material events subsequent to the end of the current financial period ended 30 June 2016.

12. Changes in the composition of the Group during the financial period ended 30 June 2016

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

Capital commitments not provided for in the financial statements as at 30 June 2016 were as follows:-

	RM'000
Property, plant and equipment:	
Approved and contracted	2,290
Approved but not contracted	5,270
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	7,560
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PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. Review of performance

Quarter on quarter review

Group revenue for second quarter fell 18% to RM79.3 million from RM97.2 million a year ago as damage from a fire at the Lipis Plant earlier continued to affect production output with some repairs only expected to complete in the fourth quarter.

The Group reported lower sales volume due to decreased sales of value-added products arising from a slowing domestic economy amidst weak external demand. As a result, the Group registered a lower pre-tax profit of RM0.8 million when compared to RM6.7 million a year ago.

Year on year review

Group revenue for first half 2016 of RM140.7 million decreased by 23% against RM182.7 million a year ago due to lower overall sales volume, which was mitigated by better plainboard selling prices. Group first half profit before tax of RM32 million as compared to RM10 million a year ago, is mainly attributable to the gain on sale of Miecoco Wood Products Sdn Bhd in the first quarter of this year.

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

Group operating profit before finance cost, depreciation and amortisation, income tax and minority interests, rose from RM1.4 million in the first quarter to RM5.6 million in the second quarter of this year mainly due to more sales of plainboards and improved productivity. Profit before taxation was RM0.8 million in the second quarter when compared to RM31.2 million in the preceding quarter which was boosted by the said gain on sale of Miecoco Wood Products Sdn Bhd.

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 in the second half of the year by reducing manufacturing costs and improving productivity.

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 2016 RM'000	Preceding year quarter to 30 June 2015 RM'000	Current year to 30 June 2016 RM'000	Preceding year to 30 June 2015 RM'000
Profit before tax is arrived at after charging/(crediting):-				
Interest income	(16)	0	(45)	0
Interest expense	1,078	1,840	2,513	3,723
Loan facility fees	0	0	30	30
Depreciation and amortisation	3,739	3,757	7,452	7,515
Net realised foreign exchange (gain)/loss	(348)	123	(770)	647
Net unrealised foreign exchange (gain)/loss	(431)	184	(316)	884
Fair value loss/(gain) on derivative financial instruments	384	0	(96)	(464)
Gain on disposal of subsidiary	0	0	(35,000)	0

6. Tax credit

	Current quarter to 30 June 2016 RM'000	Current year to 30 June 2016 RM'000
In respect of current year		
- Malaysia income tax	7	0
- Deferred tax	<u>0</u>	<u>0</u>
	7	0
In respect of previous year		
- Malaysia income tax	<u>0</u>	<u>0</u>
	<u>7</u>	<u>0</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 2016	As at 31 December 2015
Total retained earnings of the Company and its subsidiaries	RM'000	RM'000
- Realised	105,523	72,446
- Unrealised	3,964	5,136
	<hr/> 109,487	<hr/> 77,582
Add: Consolidation adjustments	(1,089)	(1,195)
	<hr/> 108,398	<hr/> 76,387

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, the Board of Directors received a Notification of Potential Mandatory General Offer (“Notification”) from Dato’ Sri Ng Ah Chai (“Dato’ Sri Ng” or the “Offeror”) pursuant to the conditional Share Sale Agreement (“Agreement”) signed between Dato’ Sri Ng and BRDB Developments Sdn Bhd (“BRDB”) for the proposed acquisition of 119,193,971 ordinary shares of RM1.00 each in MIECO, representing 56.76% of the issued and paid-up share capital of MIECO (“Sale Shares”) by Dato’ Sri Ng from BRDB, at an acquisition price of RM0.90 per MIECO Share to be fully satisfied via cash consideration (“Proposal Acquisition of Sale Shares”).

The conditions precedent in the Agreement are expected to be fulfilled within three (3) months from the date of the Agreement. Upon the Agreement becoming unconditional, Dato’ Sri Ng is obliged to undertake a mandatory general offer (“MGO”) to acquire all the remaining ordinary shares in MIECO not already held by Dato’ Sri Ng and the parties acting in concert with him pursuant to Section 218(2) of the Capital Markets and Services Act, 2007 (“CMSA”) and Section 9(1)(a) of the Malaysian Code on Take-Overs and Mergers, 2010 (“Code”). Accordingly, a written notice in regards to the MGO shall be served to the Board by the Offeror, upon the Agreement becoming unconditional, in accordance with Section 11(8) of the Code.

Dato’ Sri Ng has informed that upon the Agreement becoming unconditional, he will undertake the MGO obligation and the MGO will be fully satisfied by way of cash at an offer price of RM0.90 per MIECO Share, which is equivalent to the acquisition price of the Sale Shares, in accordance with the provisions of CMSA and the Code.



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 2016 as follows:-

	Current RM'000
Term loan (unsecured)	50
Bankers acceptance and revolving credit (secured)	13,000
Bankers acceptance and trade financing (unsecured)	38,843
Bank overdraft (unsecured)	5,155
Hire purchase obligation	12
	<hr/>
	57,060
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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	30.06.2016 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 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

The Directors do not recommend the payment of dividend for the financial period ended 30 June 2016. No dividend was declared for the same period last year.



13. Profit per share

	Current year quarter to 30 June 2016	Preceding year quarter to 30 June 2015	Current year to 30 June 2016	Preceding year to 30 June 2015
a) Basic				
Profit for the period (RM'000)	816	6,735	32,011	9,956
Weighted average number of ordinary shares in issue ('000)	210,000	210,000	210,000	210,000
Profit per share (sen)	0.39	3.21	15.24	4.74
b) Diluted	N/A	N/A	N/A	N/A

BY ORDER OF THE BOARD
MIECO CHIPBOARD BERHAD

Ho Swee Ling
Yap Choon Fon
Company Secretaries
Kuala Lumpur

26 August 2016