



MIECO CHIPBOARD BERHAD (12849-K)

Condensed Consolidated Statement of Comprehensive Income for the financial year ended 31 December 2015

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 December 2015	31 December 2014	31 December 2015	31 December 2014
	RM'000	RM'000	RM'000	RM'000
Revenue	86,257	79,891	354,988	344,820
Other income/(expenses)	113	(1,887)	1,642	198
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	7,877	5,079	40,708	27,146
Depreciation and amortisation	(3,737)	(3,736)	(14,961)	(14,937)
Gain on disposal of property, plant and equipment	-	16,134	-	16,134
Profit from operations	4,140	17,477	25,747	28,343
Finance costs	(1,619)	(2,105)	(7,104)	(8,902)
Profit before taxation	2,521	15,372	18,643	19,441
Tax expense	-	(931)	-	(1,564)
Net profit for the period/year	2,521	14,441	18,643	17,877
Other comprehensive income:				
Actuarial gain on defined retirement plan	-	848	-	848
Exchange differences on translating foreign subsidiaries	1	-	(1)	-
Total other comprehensive (loss)/income for the period/year	1	848	(1)	848
Total comprehensive income for the period/year	2,522	15,289	18,642	18,725
Net profit attributable to owners of the Company	2,521	14,441	18,643	17,877
Total comprehensive profit attributable to owners of the Company	2,522	15,289	18,642	18,725
Basic profit per share (sen)	1.20	6.88	8.88	8.51
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 2014 and the explanatory notes attached to this interim financial report.



MIECO CHIPBOARD BERHAD (12849-K)

Condensed Consolidated Statement of Financial Position as at 31 December 2015

The figures have not been audited.

	(Unaudited) As at 31 December 2015 RM'000	(Audited) As at 31 December 2014 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	402,018	400,868
Current assets		
Inventories	52,251	47,143
Tax recoverable	823	479
Trade receivables	61,189	54,727
Other receivables	8,528	2,859
Short term deposits	929	520
Cash and bank balances	10,682	5,799
	<u>134,402</u>	<u>111,527</u>
TOTAL ASSETS	<u>536,420</u>	<u>512,395</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)	(43)
Retained earnings	76,387	57,744
Total equity	<u>292,209</u>	<u>273,567</u>
Non-current liabilities		
Unfunded post employment benefit obligation	12,044	10,956
Borrowings	-	380
Amount due to immediate holding company	46,694	44,874
	<u>58,738</u>	<u>56,210</u>
Current liabilities		
Trade payables	60,273	45,366
Other payables and provisions	40,491	31,151
Borrowings	80,319	100,880
Derivative financial instruments	79	1,328
Amount due to immediate holding company	4,311	3,893
	<u>185,473</u>	<u>182,618</u>
TOTAL EQUITY AND LIABILITIES	<u>536,420</u>	<u>512,395</u>
Net assets per share attributable to equity holders of the Company (RM)	<u>1.39</u>	<u>1.30</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2014 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 year ended 31 December 2015

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 2015	210,000	5,866	(43)	57,744	273,567
Comprehensive income:					
- Net profit for the financial year	-	-	-	18,643	18,643
Other comprehensive income					
- Exchange differences on translating foreign subsidiaries	-	-	(1)	-	(1)
Balance as at 31 December 2015	<u>210,000</u>	<u>5,866</u>	<u>(44)</u>	<u>76,387</u>	<u>292,209</u>
Balance as at 1 January 2014	210,000	5,866	(43)	39,019	254,842
Comprehensive income:					
- Net profit for the financial year	-	-	-	17,877	17,877
Other comprehensive income					
- Actuarial gain on defined retirement benefit plan	-	-	-	848	848
Balance as at 31 December 2014	<u>210,000</u>	<u>5,866</u>	<u>(43)</u>	<u>57,744</u>	<u>273,567</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 2014 and the explanatory notes attached to this interim financial report.



MIECO CHIPBOARD BERHAD (12849-K)

Condensed Consolidated Statement of Cash Flow for the financial year ended 31 December 2015

The figures have not been audited.

	Current year to 31 December 2015	Preceding year to 31 December 2014
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
– Profit after tax	18,643	17,877
– Adjustments for non-cash and non-operating items		
• Taxation	0	1,564
• Other non-cash and non-operating items	24,812	26,913
• Loss on disposal of property, plant and equipment	1,092	127
• Gain on disposal of non-current asset held for sale	0	(16,595)
	<hr/>	<hr/>
	44,547	29,886
– Changes in working capital		
• Increase in inventories	(5,359)	(1,401)
• Increase in receivables	(12,589)	(2,235)
• Increase /(decrease) in payables	24,197	(10,584)
• Increase in intercompany balances	418	402
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	51,214	16,068
– Payment of staff retirement benefits	(327)	(137)
– Net income tax paid	(344)	(1,539)
	<hr/>	<hr/>
Net cash flows from operating activities	50,543	14,392
<u>Cash flows from investing activities</u>		
– Purchases of property, plant and equipment	(17,206)	(3,637)
– Interest income received	5	2
– Proceeds from sales of property, plant, and equipment	2	36
– Proceeds from disposal of non-current assets held for sale	0	23,000
	<hr/>	<hr/>
Net cash flows (used in)/from investing activities	(17,199)	19,401
<u>Cash flows from financing activities</u>		
– Repayment of term loans	(21,254)	(28,552)
– Repayment of hire purchase liabilities	(33)	(6)
– Repayment of bankers acceptances/trade financing	(5,437)	(1,021)
– Financing expenses	(5,431)	(7,065)
– Proceeds from/(repayment of) overdraft facility	3,689	(4,861)
– Advance from a related company	0	10,000
	<hr/>	<hr/>
Net cash flows used in financing activities	(28,466)	(31,505)
Net increase in cash and cash equivalents	4,878	2,288
Cash and cash equivalents at 1 January	5,799	3,465
Effects of exchange rate changes	5	46
	<hr/>	<hr/>
Cash and cash equivalents at 31 December	10,682	5,799

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 December 2014 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 2014. 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 2014.

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 2014 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 2015:

Amendments to the following MFRSs:

MFRS 1:	First-time Adoption of Financial Reporting Standards (Annual Improvements 2010-2012 Cycle)
MFRS 2:	Share-based Payment(Annual Improvements 2010-2012 Cycle)
MFRS 3:	Business Combinations(Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
MFRS 8:	Operating Segments(Annual Improvements 2010-2012 Cycle)
MFRS 13:	Fair Value Measurement(Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
MFRS 116:	Property, Plant and Equipment(Annual Improvements 2010-2012 Cycle)
MFRS 119:	Defined Benefits Plans : Employee Contributions
MFRS 124:	Related Party Disclosures(Annual Improvements 2010-2012 Cycle)
MFRS 138:	Intangible Assets(Annual Improvements 2010-2012 Cycle)
MFRS 140:	Investment Property(Annual Improvements 2011-2013 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 2014

The audit report of the Group's financial statements for the financial year ended 31 December 2014 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 year ended 31 December 2015.

6. Change in estimates

There were no changes in estimates that have had a material effect for the financial year ended 31 December 2015.

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 year ended 31 December 2015.

8. Dividends paid

There were no dividends paid for the financial year ended 31 December 2015.

9. Segmental reporting

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 31 December 2015 RM'000	Preceding year to 31 December 2014 RM'000	As at 31 December 2015 RM'000	As at 31 December 2014 RM'000	Current year to 31 December 2015 RM'000	Preceding year to 31 December 2014 RM'000
Malaysia	283,270	253,224	536,419	512,394	17,206	3,637
South East Asia	19,916	25,676	1	1	-	-
Middle East and South Asia	32,318	32,173	-	-	-	-
Hong Kong and China	12,307	21,848	-	-	-	-
Others	7,177	11,899	-	-	-	-
	<u>354,988</u>	<u>344,820</u>	<u>536,420</u>	<u>512,395</u>	<u>17,206</u>	<u>3,637</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 year ended 31 December 2015

There were no material events subsequent to the end of the current financial year ended 31 December 2015.

12. Changes in the composition of the Group during the financial year ended 31 December 2015

There were no changes in the composition of the Group during the financial year ended 31 December 2015.

On 25 September 2015, the Company entered into a conditional Sale and Purchase Agreement (SPA) with Anjakan Kekal Sdn Bhd (AKSB) for the proposed sale of its wholly-owned subsidiary, Mieco Wood Products Sdn Bhd (MWP) for a cash consideration of RM35 million.

The completion of the proposed sale of MWP is pending the payment of the balance purchase consideration from AKSB.

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 2014.

14. Capital commitments

Capital commitments not provided for in the financial statements as at 31 December 2015 were as follows:-

	RM'000
Property, plant and equipment:	
Approved and contracted	1,865
Approved but not contracted	11,184
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	<u>13,049</u>



PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. Review of performance

Quarter on quarter review

Group revenue in the final quarter of 2015 rose to RM86.3 million, up 8% quarter on quarter underpinned by higher selling prices of plainboards and more value-added products sold.

Despite a stronger fourth quarter revenue, the Group registered a lower pre-tax profit of RM2.5 million when compared to RM15.4 million a year ago, mainly due to a RM16.1 million gain on disposal of land and buildings in Semambu, Pahang upon completion of sale in November 2014. The fourth quarter of 2015 saw increased selling prices as well as higher sale volume whilst raw material costs particularly for wood and diesel, were lower.

Year on year review

For the full-year 2015, the Group recorded revenue of RM355.0 million, up 3% against RM344.8 million in 2014 reflecting increased plainboard selling prices and focus on value-added products.

The Group achieved a pre-tax profit of RM18.7 million against RM19.4 million in 2014. The strong operational performance in 2015 was derived from higher plainboard selling prices and increased sales of value-added products, helped by lower wood and diesel prices.

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

Group profit before tax decreased to RM2.5 million from RM6.2 million in the preceding quarter mainly due to lower production volume and a fair value gain on hedged contracts in the preceding quarter.

3. Prospects

As 2016 unfolds, the Group faces more difficult market conditions amid sluggish global demand and concern over China's slowdown and U.S. growth. Notwithstanding this, the Group hopes to continue to improve financial performance in 2016 with its ongoing effort to reduce manufacturing costs and improve productivity whilst maintaining market focus on value-added products and enhancing customer service.

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 December 2015 RM'000	Preceding year quarter to 31 December 2014 RM'000	Current year to 31 December 2015 RM'000	Preceding year to 31 December 2014 RM'000
Profit before tax is arrived at after charging/(crediting):-				
Interest income	(5)	(1)	(6)	(2)
Interest expense	1,619	2,105	7,074	8,872
Loan facility fees	0	0	30	30
Depreciation and amortisation	3,737	3,736	14,961	14,937
(Write back of allowance for)/ allowances for inventories obsolescence	(633)	350	(633)	(155)
Net realised foreign exchange gain	(1,773)	(317)	(1,089)	(1,680)
Net unrealised foreign exchange loss	1,460	975	2,343	680
Fair value loss/(gain) on derivative financial instruments	79	916	(1,249)	1,083
Net (Gain)/loss on disposal on property, plant and equipment	0	(16,134)	3	(16,134)

6. Tax expense

There is no tax expense in respect of the current quarter and in the year.

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

7. Retained earnings

	As at 31 December 2015 RM'000	As at 31 December 2014 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	72,446	52,641
- Unrealised	5,136	6,288
	<u>77,582</u>	<u>58,929</u>
Add: Consolidation adjustments	(1,195)	(1,185)
	<u>76,387</u>	<u>57,744</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

There are no corporate proposals announced but not completed as at the date of this report.



9. Borrowings and debt securities

The Group's borrowings are all denominated in Ringgit Malaysia except for a USD2.004 million term loan. The details of the Group's borrowings as at 31 December 2015 as follows:-

	Current		Total
	RM'000	USD'000	RM'000
Term loan (secured)	19,504	-	19,504
Term loan in USD (secured)	8,598	2,004	8,598
Term loan (unsecured)	350	-	350
Bankers acceptance and revolving credit (secured)	13,998	-	13,998
Bankers acceptance and trade financing (unsecured)	34,149	-	34,149
Bank overdraft (unsecured)	3,689	-	3,689
Hire purchase obligation	31	-	31
	<u>80,319</u>	<u>2,004</u>	<u>80,319</u>

The Company has complied with all financial ratio covenants under its loan agreements as at 31 December 2015. As the Company expects to fully repay all term loans in 2016 mostly from proceeds arising from disposal of MWP, the term loans continue to be stated as current liability.



10. Derivative financial instruments

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

Hedged items	Currency to be received	RM'000 equivalent	31.12.2015 Average contractual rate
Trade receivables	US Dollar 1.196 million	5,107	4.2714
Future sales of goods	US Dollar - million	-	-
		<u>5,107</u>	
Hedged items	Currency to be received	RM'000 equivalent	31.12.2014 Average contractual rate
Trade receivables	US Dollar 2.991 million	10,534	3.5215
Future sales of goods	US Dollar 2.023 million	7,124	3.5215
		<u>17,658</u>	

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 or liabilities 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 2014.

12. Dividend

The Directors do not recommend the payment of dividend for the financial year ended 31 December 2015. No dividend was declared for the same period last year.



13. Profit per share

	Current year quarter to 31 December 2015	Preceding year quarter to 31 December 2014	Current year to 31 December 2015	Preceding year to 31 December 2014
a) Basic				
Profit for the year (RM'000)	2,521	14,441	18,643	17,877
Weighted average number of ordinary shares in issue ('000)	210,000	210,000	210,000	210,000
Profit per share (sen)	1.20	6.88	8.88	8.51
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

25 February 2016