



**MIECO CHIPBOARD BERHAD (12849-K)**

**Condensed Consolidated Statement of Comprehensive Income for the financial year ended 31 December 2017**

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to 31 December 2017 RM'000	Preceding year quarter to 31 December 2016 RM'000	Current year to 31 December 2017 RM'000	Preceding year to 31 December 2016 RM'000
Revenue	75,447	92,382	349,305	324,096
Other income	489	6,893	1,555	9,458
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	7,143	13,133	58,118	29,258
Depreciation and amortisation	(4,471)	(3,805)	(17,679)	(14,973)
Gain on disposal of subsidiary	-	-	-	35,000
Write back of impairment on property, plant and equipment	12,054	28,134	12,054	28,134
Profit from operations	14,726	37,462	52,493	77,419
Finance costs	(1,338)	(1,180)	(4,467)	(4,900)
Profit before taxation	13,388	36,282	48,026	72,519
Tax credit/(expense)	-	10,159	(77)	10,159
Net profit for the period	13,388	46,441	47,949	82,678
Other comprehensive income:				
Actuarial gain on defined retirement plan	-	878	-	878
Exchange differences on translating foreign subsidiaries	-	-	-	1
Total comprehensive income for the period	13,388	47,319	47,949	83,557
Net profit attributable to owners of the Company	13,388	46,441	47,949	82,678
Total comprehensive profit attributable to owners of the Company	13,388	47,319	47,949	83,557
Basic profit per share (sen)	2.55	8.85	9.13	15.75
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 31 December 2017**

The figures have not been audited.

	(Unaudited) As at 31 December 2017 RM'000	(Audited) As at 31 December 2016 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	435,160	413,293
Deferred tax assets	10,189	10,189
	<u>445,349</u>	<u>423,482</u>
<b>Current assets</b>		
Inventories	68,945	40,178
Tax recoverable	356	576
Trade receivables	46,178	48,913
Other receivables	19,905	10,007
Derivative financial instruments	50	0
Short term deposits	5,972	953
Cash and bank balances	12,164	35,483
	<u>153,570</u>	<u>136,110</u>
<b>TOTAL ASSETS</b>	<u><u>598,919</u></u>	<u><u>559,592</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	210,000	210,000
Reserves		
Share premium	5,866	5,866
Foreign currency reserve	(43)	(43)
Retained earnings	186,892	159,943
<b>Total equity</b>	<u>402,715</u>	<u>375,766</u>
<b>Non-current liabilities</b>		
Unfunded post employment benefit obligation	13,072	12,542
Other payables	721	1,041
Borrowings	14,745	0
Amount due to former immediate holding company	30,543	44,035
	<u>59,081</u>	<u>57,618</u>
<b>Current liabilities</b>		
Trade payables	47,471	68,704
Other payables and provisions	13,702	15,889
Borrowings	66,074	32,171
Derivative financial instruments	0	267
Amount due to former immediate holding company	9,876	9,177
	<u>137,123</u>	<u>126,208</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>598,919</u></u>	<u><u>559,592</u></u>
Net assets per share attributable to equity holders of the Company (RM)	<u>0.77</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 year ended 31 December 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 year	-	-	-	47,949	47,949
Dividend paid for the financial year ended 31 December 2016	-	-	-	(21,000)	(21,000)
Balance as at 31 December 2017	<u>210,000</u>	<u>5,866</u>	<u>(43)</u>	<u>186,892</u>	<u>402,715</u>
Balance as at 1 January 2016	210,000	5,866	(44)	76,387	292,209
Comprehensive income:					
- Net profit for the financial period	-	-	-	82,678	82,678
Other comprehensive income					
- Actuarial gain on defined retirement benefit plan				878	878
- Exchange difference on translating foreign subsidiaries	-	-	1	-	1
Balance as at 31 December 2016	<u>210,000</u>	<u>5,866</u>	<u>(43)</u>	<u>159,943</u>	<u>375,766</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 year ended 31 December 2017**

The figures have not been audited.

	<b>Current year to 31 December 2017</b>	<b>Preceding year to 31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Cash flows from operating activities</u>		
– Profit after tax	47,949	82,678
– Adjustments for non-cash and non-operating items		
• Tax expense/ (credit)	77	(10,159)
• Other non-cash and non-operating items	23,927	37,270
• Gain on disposal of subsidiary	0	(35,000)
• Write back of impairment on property, plant and equipment	(12,054)	(28,134)
	<hr/>	<hr/>
	59,899	46,655
– Changes in working capital		
• (Increase)/decrease in inventories	(28,413)	5,105
• (Increase)/decrease in receivables	(8,743)	11,341
• Decrease in payables	(22,804)	(14,765)
	<hr/>	<hr/>
	(61)	48,336
– Payment of staff retirement benefits	(1,003)	(137)
– Net income tax refund	143	218
	<hr/>	<hr/>
Net cash flows from operating activities	(921)	48,417
<u>Cash flows from investing activities</u>		
– Purchase of property, plant and equipment	(27,708)	(7,489)
– Proceeds from sale of property, plant and equipment	305	49
– Placement of fixed deposit with licensed bank	(5,700)	0
– Interest income received	319	52
– Proceeds from disposal of subsidiary	0	35,000
	<hr/>	<hr/>
Net cash flows (used in)/from investing activities	(32,784)	27,612
<u>Cash flows from financing activities</u>		
– Net proceeds/(repayment) of term loans	16,605	(28,453)
– Net proceeds/(repayment) of hire purchase liabilities	425	(30)
– Net proceed/(repayment) of bankers acceptances/revolving credit	33,900	(18,258)
– Financing expenses	(4,468)	(3,080)
– Repayment of overdraft facility	(2,282)	(1,407)
– Dividend paid	(21,000)	0
– Repayment to former immediate holding company	(12,794)	0
	<hr/>	<hr/>
Net cash flows used in financing activities	10,386	(51,228)
Net (decrease)/increase in cash and cash equivalents	(23,319)	24,801
Cash and cash equivalents at 1 January	35,483	10,682
Effects of exchange rate changes	0	0
	<hr/>	<hr/>
Cash and cash equivalents at 31 December	12,164	35,483

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 year ended 31 December 2017.

**6. Change in estimates**

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

**9. Segmental reporting**

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 31 December 2017 RM'000	Preceding year to 31 December 2016 RM'000	As at 31 December 2017 RM'000	As at 31 December 2016 RM'000	Current year to 31 December 2017 RM'000	Preceding year to 31 December 2016 RM'000
Malaysia	260,830	240,083	598,919	559,592	27,708	7,489
South East Asia	18,768	13,303	-	-	-	-
Middle East and South Asia	29,858	38,388	-	-	-	-
Hong Kong and China	23,241	13,696	-	-	-	-
Others	16,608	18,626	-	-	-	-
	<u>349,305</u>	<u>324,096</u>	<u>598,919</u>	<u>559,592</u>	<u>27,708</u>	<u>7,489</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 2017

There were no material events subsequent to the end of the current financial year ended 31 December 2017.

#### 12. Changes in the composition of the Group during the financial year ended 31 December 2017

There were no changes in the composition of the Group during the financial year ended 31 December 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 31 December 2017 were as follow:-

	RM'000
Approved and contracted:	
Property, plant and equipment	931
Proposed acquisition of 100% issued share capital of Great Platform Sdn Bhd	57,886
	<u>58,817</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	2,390
Purchases	10,400
Rental received	60
Commission	26
Rental paid	<u>96</u>



## **PART B: Explanatory Notes of Bursa Malaysia Listing Requirements**

### **1. Review of performance**

#### **Quarter on quarter review**

The Group recorded a revenue of RM75.4 million for the current quarter ended 31 December 2017 representing a decrease of 18% as compared to RM92.4 million for the preceding financial year corresponding quarter. The softening of global demand has caused the decrease of plainboard sales volume.

The Group also recorded a profit before tax for the current quarter of RM13.4 million compared to preceding financial year corresponding quarter of RM36.3 million. The profit before tax had decreased by 63% mainly due to the abovementioned lower sales volume and also the higher write back of impairment on Lipis plant in the last quarter of 2016 (i.e RM28.1 million in 2016 & RM12.1 million in 2017).

#### **Year on year review**

For the financial year ended 31 December 2017, the Group recorded a revenue of RM349.3 million, an increase of 8% compared to previous year ended 31 December 2016 mainly contributed by higher selling prices.

However, the profit before tax decreased to RM48.0 million from RM72.5 million a year ago mainly attributed to the one time exceptional of RM35.0 million gain on sale of Mieco Wood Products Sdn. Bhd. and the write back of impairment on Lipis plant in year 2016.

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

The Group's revenue for the current financial quarter of RM75.4 million was 25% lower when compared to RM101.1 million recorded in the preceding quarter. The decreased was mainly attributed by lower selling price and sales demand.

The current quarter profit before tax was slightly below the level of the immediate preceding quarter, which was recorded at RM13.4 million against RM15.6 million mainly due to the lower revenue, offset by the write back of impairment on Lipis plant of RM12.1 million.

### **3. Prospects**

The Group foresee that the market conditions in the particle board industry will remain competitive and challenging due to softening of market demand and competition from competitors. Notwithstanding, the Group will continue to focus on cost management and productivity in mitigating the market challenges.

### **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 2017 RM'000	Preceding year quarter to 31 December 2016 RM'000	Current year to 31 December 2017 RM'000	Preceding year to 31 December 2016 RM'000
Profit before tax is arrived at after charging/(crediting):-				
Interest income	(44)	(7)	(319)	(52)
Interest expense	1,262	1,011	4,391	4,701
Loan facility fees	76	170	76	200
Depreciation and amortisation	4,471	3,805	17,679	14,973
Allowance for inventories obsolescence /(Write back of allowance)	78	7,257	(354)	6,833
Inventories written off	-	21	-	135
Net realised foreign exchange gain	(273)	(2,382)	(1,917)	(3,708)
Net unrealised foreign exchange loss/(gain)	151	(591)	1,325	(1,493)
Fair value (gain)/loss on derivative financial instruments	(156)	219	(317)	188
Write back of impairment loss on property, plant and equipment	(12,054)	(28,134)	(12,054)	(28,134)
Impairment loss on property, plant and equipment	-	7,809	-	7,809
Allowance of doubtful debts for trade receivables	-	431	-	404
Gain on insurance claims	-	(5,010)	-	(5,010)
Gain on disposal of subsidiary	-	-	-	(35,000)

## 6. Tax expense

	Current quarter to 31 December 2017 RM'000	Current year to 31 December 2017 RM'000
In respect of current year		
- Malaysia income tax	0	(66)
- Deferred tax	0	0
	0	(66)
In respect of previous year		
- Malaysia income tax	0	(11)
	0	(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 31 December 2017	As at 31 December 2016
Total retained earnings of the Company and its subsidiaries	RM'000	RM'000
- Realised	173,159	145,573
- Unrealised	14,430	15,480
	<hr/>	<hr/>
	187,589	161,053
Add: Consolidation adjustments	(697)	(1,110)
	<hr/>	<hr/>
	<u>186,892</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 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.

On 19 December 2017, the Board of Directors of MIECO announced that the abovementioned resolution as set out in the Notice of the Extraordinary General Meeting of the Company, dated 29 November 2017 was duly passed by the shareholder of MIECO.

Subsequently on 13 February 2018, on behalf of the Board of Directors of MIECO, RHB Investment Bank Berhad had announced that all the conditions precedent of the share sale agreement ("SSA") for the Proposed Acquisition have been fulfilled on 13 February 2018. Accordingly, the SSA has become unconditional on even date. The proposal is expected to be completed in the first quarter of 2018.

Except the above-mentioned, there is no other corporate proposals announced or outstanding as at 19 December 2017 (being the latest practicable date which is not earlier than 7 days from the date of issue of this Quarterly Report).



## 9. Borrowings and debt securities

The Group's borrowings are all denominated in Ringgit Malaysia. The details of the Group's borrowings as at 31 December 2017 as follows:-

	Current	Non-current	Total
	RM'000	RM'000	RM'000
Bankers acceptance and revolving credit (secured)	60,440	-	60,440
Bankers acceptance and revolving credit (unsecured)	3,349	-	3,349
Term loan (secured)	1,900	12,905	14,805
Term loan (unsecured)	277	1,523	1,800
Hire purchase (unsecured)	108	317	425
	66,074	14,745	80,819
	66,074	14,745	80,819

## 10. Derivative financial instruments

As at 31 December 2017, the outstanding foreign currency forward contracts are as follows:

Type of derivatives	Contract/Notional value	Fair value
	RM'000	assets
	RM'000	RM'000
Foreign exchange forward contract	1,308	50
- Less than 1 year, USD denominated		

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. Fair value changes of financial instruments

During the financial ended 31 December 2017, the Group recognised a gain of RM0.3 million in the profit and loss arising from changes in fair value of the forward currency contracts.

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 31 December 2017</u>				
Derivative financial assets		50		50
<u>As at 31 December 2016</u>				
Derivative financial liabilities		267		267

## 12. 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.

## 13. Proposed dividend

On 26 February 2018, the Board of Directors has declared an interim single-tier dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2017, to be paid on 27 April 2018. The entitlement date for the dividend payment is 13 April 2018.

## 14. Profit per share

	Current year quarter to 31 December 2017	Preceding year quarter to 31 December 2016	Current year to 31 December 2017	Preceding year to 31 December 2016
a) Basic				
Profit for the year (RM'000)	13,388	46,441	47,949	82,678
Weighted average number of ordinary shares in issue ('000)	525,000	525,000	525,000	525,000
Profit per share (sen)	2.55	8.85	9.13	15.75
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 February 2018