



MIECO CHIPBOARD BERHAD (12849-K)

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

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to 30 September 2016 RM'000	Preceding year quarter to 30 September 2015 RM'000	Current year to 30 September 2016 RM'000	Preceding year to 30 September 2015 RM'000
Revenue	91,025	86,060	231,714	268,731
Other income	1,065	2,194	2,565	1,530
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	9,119	11,606	16,125	32,830
Depreciation and amortisation	(3,716)	(3,708)	(11,168)	(11,223)
Gain on disposal of subsidiary	-	-	35,000	-
Profit from operations	5,403	7,898	39,957	21,607
Finance costs	(1,177)	(1,732)	(3,720)	(5,485)
Profit before taxation	4,226	6,166	36,237	16,122
Taxation	-	-	-	-
Net profit for the period	4,226	6,166	36,237	16,122
Other comprehensive gain/(loss):				
Exchange differences on translating foreign subsidiaries	1	-	1	(2)
Total comprehensive income for the period	4,227	6,166	36,238	16,120
Net profit attributable to owners of the Company	4,226	6,166	36,237	16,122
Total comprehensive profit attributable to owners of the Company	4,227	6,166	36,238	16,120
Basic profit per share (sen)	2.01	2.94	17.26	7.68
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 September 2016

The figures have not been audited.

	(Unaudited) As at 30 September 2016 RM'000	(Audited) As at 31 December 2015 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	395,999	402,018
Current assets		
Inventories	55,291	52,251
Tax recoverable	576	823
Trade receivables	67,047	61,190
Other receivables	2,080	2,893
Short term deposits	953	929
Cash and bank balances	16,905	10,682
	<u>142,852</u>	<u>128,768</u>
TOTAL ASSETS	<u>538,851</u>	<u>530,786</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)	(44)
Retained earnings	112,624	76,387
Total equity	<u>328,447</u>	<u>292,209</u>
Non-current liabilities		
Unfunded post employment benefit obligation	13,042	12,044
Amount due to immediate holding company	48,056	46,694
	<u>61,098</u>	<u>58,738</u>
Current liabilities		
Trade payables	69,800	60,273
Other payables and provisions	18,677	34,857
Borrowings	56,153	80,319
Derivative financial instruments	48	79
Amount due to immediate holding company	4,628	4,311
	<u>149,306</u>	<u>179,839</u>
TOTAL EQUITY AND LIABILITIES	<u>538,851</u>	<u>530,786</u>
Net assets per share attributable to equity holders of the Company (RM)	<u>1.56</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 September 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	-	-	-	36,237	36,237
Other comprehensive income					
- Exchange differences 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>
Balance as at 1 January 2015	210,000	5,866	(43)	57,744	273,567
Comprehensive income:					
- Net profit for the financial period	-	-	-	16,122	16,122
Other comprehensive loss					
- Exchange differences on translating foreign subsidiaries	-	-	(2)	-	(2)
Balance as at 30 September 2015	<u>210,000</u>	<u>5,866</u>	<u>(45)</u>	<u>73,866</u>	<u>289,687</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 September 2016

The figures have not been audited.

	Current year to 30 September 2016	Preceding year to 30 September 2015
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
– Profit after tax	36,237	16,122
– Adjustments for non-cash and non-operating items		
• Other non-cash and non-operating items	15,307	17,595
• Gain on disposal of subsidiary	(35,000)	0
	<u>16,544</u>	<u>33,717</u>
– Changes in working capital		
• Increase in inventories	(3,026)	(6,945)
• Increase in receivables	(4,701)	(12,438)
• Increase in payables	3,415	15,333
• Increase in intercompany balances	317	311
	<u>12,549</u>	<u>29,978</u>
– Payment of staff retirement benefits	(137)	(325)
– Net income tax refund/(paid)	247	(350)
Net cash flows from operating activities	<u>12,659</u>	<u>29,303</u>
<u>Cash flows from investing activities</u>		
– Purchase of property, plant and equipment	(5,461)	(1,305)
– Interest income received	45	1
– Proceeds from disposal of subsidiary	35,000	2
Net cash flows from/(used in) investing activities	<u>29,584</u>	<u>(1,302)</u>
<u>Cash flows from financing activities</u>		
– Repayment of term loans	(27,938)	(14,242)
– Repayment of hire purchase liabilities	(28)	(28)
– Repayment of bankers acceptances/revolving credit	(997)	(1,820)
– Financing expenses	(2,706)	(4,236)
– Drawdown of overdraft facility	5,311	1,700
– Repayment of amount due to a related company	(9,663)	0
Net cash flows used in financing activities	<u>(36,021)</u>	<u>(18,626)</u>
Net (decrease)/ increase in cash and cash equivalents	6,222	9,375
Cash and cash equivalents at 1 January	10,682	5,797
Effects of exchange rate changes	1	2
Cash and cash equivalents at 30 September	<u>16,905</u>	<u>15,174</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 September 2016.

6. Change in estimates

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

8. Dividends paid

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

9. Segmental reporting

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 30 September 2016 RM'000	Preceding year to 30 September 2015 RM'000	As at 30 September 2016 RM'000	As at 30 September 2015 RM'000	Current year to 30 September 2016 RM'000	Preceding year to 30 September 2015 RM'000
Malaysia	179,766	212,052	538,851	533,023	5,461	1,305
South East Asia	7,211	15,709	-	-	-	-
Middle East and South Asia	28,183	25,143	-	-	-	-
Hong Kong and China	7,265	9,759	-	-	-	-
Others	9,289	6,068	-	-	-	-
	<u>231,714</u>	<u>268,731</u>	<u>538,851</u>	<u>533,023</u>	<u>5,461</u>	<u>1,305</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 2016

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

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

There were no changes in the composition of the Group during the financial period ended 30 September 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 September 2016 were as follows:-

	RM'000
Property, plant and equipment:	
Approved and contracted	<u>2,290</u>



PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. Review of performance

Quarter on quarter review

Group revenue for third quarter increase 6% to RM91.0 million from RM86.1 million a year ago arising from higher plainboard sales. Despite the higher revenue, the Group reported a lower pre-tax profit of RM4.3 million against RM6.2 million a year ago. Lower pre-tax profit is due to the sales consisting of higher percentage of second grade plainboard a result of higher reject from production due to ongoing repairs and maintenance to the Plant. Higher repair and maintenance cost and the provision for the mandatory general offer expenses also contributed to higher cost.

Year on year review

Group revenue for the nine months under review decreased by 14% to RM231.7 million against RM268.7 million a year ago due to lower sales volume from the Lipis plant. Group pre-tax profit rose to RM36.2 million from RM16.1 million for the same period last year mainly attributable to the gain on sale of Mieco 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 pre-tax profit rose from RM0.8 million in the second quarter to RM4.2 million in the third quarter of this year mainly due to higher plainboard sales including sales of second grade boards.

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 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 September 2016 RM'000	Preceding year quarter to 30 September 2015 RM'000	Current year to 30 September 2016 RM'000	Preceding year to 30 September 2015 RM'000
Profit before tax is arrived at after charging/(crediting):-				
Interest income	0	(1)	(45)	(1)
Interest expense	1,177	1,732	3,690	5,455
Loan facility fees	0	0	30	30
Depreciation and amortisation	3,716	3,708	11,168	11,223
Net realised foreign exchange (gain)/loss	(556)	37	(1,326)	684
Net unrealised foreign exchange (gain)/loss	(586)	(1)	(902)	883
Fair value loss/(gain) on derivative financial instruments	65	(864)	(31)	(1,328)
Gain on disposal of subsidiary	0	0	(35,000)	0

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 statutory tax rate mainly due to utilisation of previously unrecognised deferred tax assets.

7. Retained earnings

	As at 30 September 2016 RM'000	As at 31 December 2015 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	109,631	72,446
- Unrealised	4,101	5,136
	<u>113,732</u>	<u>77,582</u>
Add: Consolidation adjustments	(1,108)	(1,195)
	<u>112,624</u>	<u>76,387</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

On 30 June 2016, Dato' Sri Ng Ah Chai (the "Offeror") entered into a conditional share sale agreement with BRDB Developments Sdn Bhd ("BRDB") for the acquisition of 119,193,971 ordinary shares of RM1.00 each in MIECO ("MIECO Share(s)", representing approximately 56.76% of the issued and paid-up share capital of MIECO held by BRDB, for a total purchase consideration of RM107,274,573.90 or equivalent to RM0.90 per MIECO Share, to be fully satisfied via cash ("Acquisition"). The Acquisition has become unconditional on 4 October 2016 and the shareholding of the Offeror in MIECO has increased from nil to 56.76% of the issued and paid-up share capital of MIECO on even date.

Pursuant to the Acquisition, on behalf of the Offeror, RHB Investment Bank Berhad formally extend an unconditional mandatory take-over offer to acquire all the remaining 90,806,029 MIECO Shares, representing approximately 43.24% of the issued and paid-up share capital of MIECO ("Offer Shares") not already held by the Offeror for a cash consideration of RM0.90 per Offer Share ("Offer") pursuant to Section 218(2) of the Capital Markets and Services Act 2007 and subparagraph 4.01(a) of the Rules on Takeover, Mergers and Compulsory Acquisition.

On 25 October 2016, the Offer document, setting out details, terms and conditions of the Offer together with the Form of Acceptance and Transfer, has been dispatched to the shareholders of MIECO. The Offer was closed at 5.00pm on 15 November 2016, with 24,084 MIECO Shares which are complete and valid in all respect were accepted under the Offer.

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 2016 as follows:-

	Current RM'000
Bankers acceptance and revolving credit (secured)	47,150
Bank overdraft (secured)	9,000
Hire purchase obligation	3
	56,153

10. Derivative financial instruments

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

	Currency to be received	RM'000 equivalent	30.09.2016 Average contractual rate
Hedged items			
Trade receivables	US Dollar 0.422 million	1,709	4.052

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 September 2016. No dividend was declared for the same period last year.

13. Profit per share

	Current year quarter to 30 September 2016	Preceding year quarter to 30 September 2015	Current year to 30 September 2016	Preceding year to 30 September 2015
a) Basic				
Profit for the period (RM'000)	4,226	6,166	36,237	16,122
Weighted average number of ordinary shares in issue ('000)	210,000	210,000	210,000	210,000
Profit per share (sen)	2.01	2.94	17.26	7.68
b) Diluted	N/A	N/A	N/A	N/A

BY ORDER OF THE BOARD
MIECO CHIPBOARD BERHAD

Ng Geok Lian
Company Secretary
Kuala Lumpur

25 November 2016