



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

**Condensed Consolidated Statement of Comprehensive Income for the financial period ended 31 March 2018**

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to 31 March 2018 RM'000	Preceding year quarter to 31 March 2017 RM'000	Current year to 31 March 2018 RM'000	Preceding year to 31 March 2017 RM'000
Revenue	80,605	82,599	80,605	82,599
Other (expenses)/income	(359)	484	(359)	484
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	477	10,924	477	10,924
Depreciation and amortisation	(5,099)	(4,378)	(5,099)	(4,378)
(Loss)/Profit from operations	(4,622)	6,546	(4,622)	6,546
Finance costs	(2,440)	(993)	(2,440)	(993)
(Loss)/Profit before taxation	(7,062)	5,553	(7,062)	5,553
Tax expense	(81)	(32)	(81)	(32)
Net (loss)/profit for the period	(7,143)	5,521	(7,143)	5,521
Total comprehensive (loss)/income for the period	(7,143)	5,521	(7,143)	5,521
Net (loss)/profit attributable to owners of the Company	(7,143)	5,521	(7,143)	5,521
Total comprehensive (loss)/profit attributable to owners of the Company	(7,143)	5,521	(7,143)	5,521
Basic (loss)/profit per share (sen)	(1.36)	1.05	(1.36)	1.05
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 31 March 2018**

The figures have not been audited.

	(Unaudited) As at 31 March 2018 RM'000	(Audited) As at 31 December 2017 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	590,843	435,160
Goodwill	306	0
Deferred tax assets	10,189	10,189
	<u>601,338</u>	<u>445,349</u>
<b>Current assets</b>		
Inventories	96,700	68,945
Tax recoverable	406	356
Trade receivables	47,266	46,178
Other receivables	26,702	19,905
Derivative financial instruments	44	50
Short term deposits	7,978	5,972
Cash and bank balances	9,329	12,164
	<u>188,425</u>	<u>153,570</u>
<b>TOTAL ASSETS</b>	<u><u>789,763</u></u>	<u><u>598,919</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	215,866	215,866
Reserves		
Foreign currency reserve	(43)	(43)
Retained earnings	179,749	186,892
<b>Total equity</b>	<u>395,572</u>	<u>402,715</u>
<b>Non-current liabilities</b>		
Unfunded post employment benefit obligation	13,249	13,072
Other payables	720	721
Borrowings	141,492	14,745
Amount due to former immediate holding company	27,548	30,543
Deferred tax liabilities	2,504	0
	<u>185,513</u>	<u>59,081</u>
<b>Current liabilities</b>		
Trade payables	56,047	47,471
Other payables and provisions	36,477	13,702
Borrowings	102,931	66,074
Amount due to former immediate holding company	13,223	9,876
	<u>208,678</u>	<u>137,123</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>789,763</u></u>	<u><u>598,919</u></u>
Net assets per share attributable to equity holders of the Company (RM)	<u>0.75</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 31 March 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	-	-	-	(7,143)	(7,143)
Balance as at 31 March 2018	215,866	-	(43)	179,749	395,572
Balance as at 1 January 2017	210,000	5,866	(43)	159,943	375,766
Comprehensive income:					
- Net profit for the financial period	-	-	-	5,521	5,521
Dividend paid for the financial year ended 31 December 2017	-	-	-	(21,000)	(21,000)
Transfer arising from 'no par value' regime	5,866	(5,866)	-	-	-
Balance as at 31 March 2017	215,866	-	(43)	144,464	360,287

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 31 March 2018**

The figures have not been audited.

	<b>Current year to 31 March 2018</b>	<b>Preceding year to 31 March 2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Cash flows from operating activities</u>		
– (Loss)/Profit after tax	(7,143)	5,521
– Adjustments for non-cash and non-operating items		
• Taxation	81	32
• Other non-cash and non-operating items	7,685	6,368
	<u>803</u>	<u>11,921</u>
– Changes in working capital		
• (Increase)/decrease in inventories	(8,614)	3,307
• (Increase)/decrease in receivables	(705)	7,846
• Increase/(decrease) in payables	10,180	(12,372)
	<u>1,664</u>	<u>10,702</u>
– Payment of staff retirement benefits	(206)	(331)
– Net income tax (paid)/ refund	(36)	216
Net cash flows from operating activities	<u>1,422</u>	<u>10,587</u>
<u>Cash flows (used in)/from investing activities</u>		
– Purchase of property, plant and equipment	(5,684)	(9,384)
– Proceeds from sale of property , plant and equipment	0	20
– Interest income received	43	133
– Net acquisition of subsidiary	(57,292)	0
Net cash flows used in investing activities	<u>(62,933)</u>	<u>(9,231)</u>
<u>Cash flows from/(used in) financing activities</u>		
– Proceeds of term loan	45,589	0
– Proceeds of hire purchase liabilities	1,214	0
– Proceeds of bankers acceptances/revolving credit	14,277	24,436
– Financing expenses	(2,440)	(993)
– Proceeds/(Repayment) of overdraft facility	36	(1,364)
– Dividend paid	0	(21,000)
– Repayment of former immediate holding company	0	(3,616)
Net cash flows generated from/(used in) financing activities	<u>58,676</u>	<u>(2,537)</u>
Net decrease in cash and cash equivalents	(2,835)	(1,181)
Cash and cash equivalents at 1 January	12,164	35,483
Effects of exchange rate changes	0	0
Cash and cash equivalents at 31 March	<u>9,329</u>	<u>34,302</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. Based on the assessment, the impact to its retained earnings is reduced by RM739,510.



### 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 31 March 2018.

### 6. Change in estimates

There were no changes in estimates that have had a material effect for the financial period ended 31 March 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 31 March 2018.

### 8. Dividends paid

On 26 February 2018, the Directors declared 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 and this has not been included as a liability in the financial statements for the financial period ended 31 March 2018.

### 9. Segmental reporting

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 31 March 2018 RM'000	Preceding year to 31 March 2017 RM'000	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000	Current year to 31 March 2018 RM'000	Preceding year to 31 March 2017 RM'000
Malaysia	60,738	61,076	789,763	551,024	5,684	9,384
South East Asia	6,414	5,063	0	0	-	-
Middle East and South Asia	5,306	7,351	-	-	-	-
Hong Kong and China	5,086	5,868	-	-	-	-
Others	3,061	3,241	-	-	-	-
	<u>80,605</u>	<u>82,599</u>	<u>789,763</u>	<u>551,024</u>	<u>5,684</u>	<u>9,384</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 31 March 2018

There were no material events subsequent to the end of the current financial period ended 31 March 2018.

#### 12. Changes in the composition of the Group during the financial period ended 31 March 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 31 March 2018 were as follow:-

	RM'000
Approved and contracted	
Property, plant equipment	<u>13,948</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	1,476
Purchases	2,417
Rental received	60
Commission	28
Rental paid	<u>24</u>



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

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

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

For the first quarter of 2018, the Group recorded revenue of RM80.6 million of which RM8.8 million being contributed by the newly acquired wholly owned subsidiary, Great Platform Sdn Bhd. The quarter revenue is 2% lower against RM82.6 million a year ago mainly resulting from lower plainboard average selling price and lower sales volume from Miecoco Manufacturing Sdn Bhd.

Due to the above factors coupled with the higher wood material price, the Group incurred a pre-tax loss of RM7.1 million in the current quarter.

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

Group revenue increased by 7% from RM75.4 million in the fourth quarter of 2017 to RM80.6 million in the current quarter mainly attributed by revenue contribution from Great Platform Sdn Bhd.

However, the Group recorded a pre-tax loss of RM7.1 million for the first quarter of 2018 compared to pre-tax profit of RM13.4 million in the immediate preceding quarter mainly due to the RM12.1 million write back of impairment on Lipis Plant in final quarter of 2017 and compressed margins in the current quarter.

### **3. Prospects**

The Group foresee that the market conditions in the particle board industry is still competitive and challenging in the near future due to softening of market demand and competition from competitors. Notwithstanding, the Group will continue to focus on cost management and productivity improvement to remain competitive. Above this, the Group will continue to explore new market strategy to mitigate 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 March 2018 RM'000	Preceding year quarter to 31 March 2017 RM'000	Current year to 31 March 2018 RM'000	Preceding year to 31 March 2017 RM'000
Profit before tax is arrived at after charging/(crediting):-				
Interest income	(44)	(133)	(44)	(133)
Interest expense	2,440	993	2,440	993
Depreciation and amortisation	5,099	4,378	5,099	4,378
Net realised foreign exchange loss/(gain)	513	(1,010)	513	(1,010)
Net unrealised foreign exchange (gain)/loss	(23)	937	(23)	937
Fair value loss/(gain) on derivative financial instruments	6	(236)	6	(236)

## 6. Tax expense

	Current quarter to 31 March 2018 RM'000	Current year to 31 March 2018 RM'000
In respect of current year		
- Malaysia income tax	(11)	(11)
- Deferred tax	(70)	(70)
	<u>( 81)</u>	<u>(81)</u>
In respect of previous year		
- Malaysia income tax	0	0
	<u>(81)</u>	<u>(81)</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 31 March 2018 RM'000	As at 31 December 2017 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	159,252	173,159
- Unrealised	14,447	14,430
	<u>173,699</u>	<u>187,589</u>
Add: Consolidation adjustments	(6,050)	(697)
	<u>179,749</u>	<u>186,892</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

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 ("Proposed Transaction")

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 Proposed Transaction has been completed on 27 February 2018.

Except the above-mentioned, there is no other corporate proposal announced or outstanding as at 23 May 2018 (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 March 2018 as follows:-

	Current	Non-current	Total
	RM'000	RM'000	RM'000
Bank overdraft (secured)	1,721	-	1,721
Bankers acceptance and revolving credit (secured)	71,629	-	71,629
Bankers acceptance and revolving credit (unsecured)	15,283	-	15,283
Invoice financing (secured)	2,949	-	2,949
Term loan (secured)	8,099	131,456	139,555
Term loan (unsecured)	841	4,025	4,866
Hire purchase obligation	2,409	6,011	8,420
	<u>102,931</u>	<u>141,492</u>	<u>244,423</u>



## 10. Derivative financial instruments

As at 31 March 2018, the outstanding foreign currency forward contracts are as follows:

Type of derivatives	Contract/Notional value RM'000	Fair value assets RM'000
Foreign exchange forward contract - Less than 1 year, USD denominated	4,765	44

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.

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

## 11. 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 31 March 2018</u>				
Derivative financial assets		44		44
<u>As at 31 March 2017</u>				
Derivative financial liabilities		(32)		32

## 12. 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 2017.

## 13. Dividend

The Directors do not recommend the payment of dividend for the financial period ended 31 March 2018. No dividend was declared for the same period last year.



#### 14. Profit per share

	Current year quarter to 31 March 2018	Preceding year quarter to 31 March 2017	Current year to 31 March 2018	Preceding year to 31 March 2017
a) Basic				
(Loss)/Profit for the year (RM'000)	(7,143)	5,521	(7,143)	5,521
Weighted average number of ordinary shares in issue ('000)	525,000	525,000	525,000	525,000
(Loss)/Profit per share (sen)	(1.36)	1.05	(1.36)	1.05
b) Diluted	N/A	N/A	N/A	N/A

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

Ng Geok Lian  
Company Secretary  
Selangor

30 May 2018