



MIECO CHIPBOARD BERHAD (12849-K)

Condensed Consolidated Statement of Comprehensive Income for the financial year ended 31 December 2018

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to 31 December 2018 RM'000	Preceding year quarter to 31 December 2017 RM'000	Current year to 31 December 2018 RM'000	Preceding year to 31 December 2017 RM'000
Revenue	112,596	75,447	419,847	349,305
Other income	590	489	1,191	1,555
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	1,049	7,143	10,990	58,118
Depreciation and amortisation	(7,264)	(4,471)	(26,824)	(17,679)
(Impairment)/Write back of impairment on property, plant and equipment	(26,077)	12,054	(26,077)	12,054
(Loss)/Profit from operations	(32,292)	14,726	(41,911)	52,493
Finance costs	(2,483)	(1,338)	(13,744)	(4,467)
(Loss)/Profit before taxation	(34,775)	13,388	(55,655)	48,026
Tax expense	(4,329)	-	(4,928)	(77)
Net (loss)/profit for the period	(39,104)	13,388	(60,583)	47,949
Other comprehensive income:				
Actuarial gain on defined retirement plan	2,022	-	2,022	-
Total comprehensive (loss)/income for the period	(37,082)	13,388	(58,561)	47,949
Net (loss)/profit attributable to owners of the Company	(39,104)	13,388	(60,583)	47,949
Total comprehensive (loss)/income attributable to owners of the Company	(37,082)	13,388	(58,561)	47,949
Basic (loss)/profit per share (sen)	(7.45)	2.55	(11.54)	9.13
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 December 2018

The figures have not been audited.

	(Unaudited) As at 31 December 2018 RM'000	(Audited) As at 31 December 2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	561,634	435,160
Deferred tax assets	5,433	10,189
	<u>567,067</u>	<u>445,349</u>
Current assets		
Inventories	63,564	68,945
Tax recoverable	405	356
Trade receivables	66,524	46,178
Other receivables	9,741	19,905
Derivative financial instruments	34	50
Short term deposits	11,455	5,972
Cash and bank balances	12,080	12,164
	<u>163,803</u>	<u>153,570</u>
TOTAL ASSETS	<u><u>730,870</u></u>	<u><u>598,919</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	215,866	215,866
Reserves		
Foreign currency reserve	(43)	(43)
Retained earnings	123,081	186,892
Total equity	<u>338,904</u>	<u>402,715</u>
Non-current liabilities		
Unfunded post employment benefit obligation	12,631	13,072
Other payables	400	721
Borrowings	119,804	14,745
Amount due to former immediate holding company	17,252	30,543
Deferred tax liabilities	2,546	0
	<u>152,633</u>	<u>59,081</u>
Current liabilities		
Trade payables	80,276	47,471
Other payables and provisions	27,757	13,702
Borrowings	116,514	66,074
Amount due to former immediate holding company	14,786	9,876
	<u>239,333</u>	<u>137,123</u>
TOTAL EQUITY AND LIABILITIES	<u><u>730,870</u></u>	<u><u>598,919</u></u>
Net assets per share attributable to equity holders of the Company (RM)	<u>0.65</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 year ended 31 December 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 year	-	-	-	(60,583)	(60,583)
Dividend paid for the financial year ended 31 December 2017	-	-	-	(5,250)	(5,250)
Other comprehensive income					
- Actuarial gain on defined retirement benefit plan	-	-	-	2,022	2,022
Balance as at 31 December 2018	<u>215,866</u>	<u>-</u>	<u>(43)</u>	<u>123,081</u>	<u>338,904</u>
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)
Transfer arising from 'no par value' Regime	5,866	(5,866)	-	-	-
Balance as at 31 December 2017	<u>215,866</u>	<u>-</u>	<u>(43)</u>	<u>186,892</u>	<u>402,715</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 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 December 2018

The figures have not been audited.

	Current year to 31 December 2018	Preceding year to 31 December 2017
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
– (Loss)/Profit after tax	(60,583)	47,949
– Adjustments for non-cash and non-operating items		
• Taxation	4,928	77
• Other non-cash and non-operating items	41,794	23,927
• Impairment/(Write back of impairment) on property, plant and equipment	26,077	(12,054)
• Impairment of goodwill	306	-
	<hr/>	<hr/>
	12,522	59,899
– Changes in working capital		
• Decrease/(Increase) in inventories	24,522	(28,413)
• Increase in receivables	(2,353)	(8,743)
• Increase/(decrease) in payables	24,773	(22,804)
	<hr/>	<hr/>
	59,464	(61)
– Payment of staff retirement benefits	(337)	(1003)
– Net income tax (paid)/ refund	(85)	143
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Net cash flows from operating activities	59,042	(921)
<u>Cash flows (used in)/from investing activities</u>		
– Purchase of property, plant and equipment	(24,276)	(27,708)
– Proceeds from sale of property, plant and equipment	2	305
– Placement of fixed deposit with licensed bank	(3,483)	(5,700)
– Interest income received	298	319
– Net acquisition of subsidiary	(57,292)	0
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Net cash flows used in investing activities	(84,751)	(32,784)
<u>Cash flows from/(used in) financing activities</u>		
– Proceeds of term loan	34,856	16,605
– Proceeds of hire purchase liabilities	(411)	425
– Proceeds of bankers acceptances/invoice financing	18,540	33,900
– Financing expenses	(13,744)	(4,468)
– Proceeds/(Repayment) of overdraft facility	25	(2,282)
– Dividend paid	(5,250)	(21,000)
– Repayment of former immediate holding company	(8,391)	(12,794)
	<hr/>	<hr/>
Net cash flows generated from financing activities	25,625	10,386
Net decrease in cash and cash equivalents	(84)	(23,319)
Cash and cash equivalents at 1 January	12,164	35,483
Effects of exchange rate changes	0	0
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Cash and cash equivalents at 31 Dec	12,080	12,164

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.

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 year ended 31 December 2018.

6. Change in estimates

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



8. Dividends paid

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.

9. Segmental reporting

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to	Preceding year to	As at	As at	Current year to	Preceding year to
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	324,226	260,830	730,870	598,919	24,276	27,708
South East Asia	23,577	18,768	-	-	-	-
Middle East and South Asia	28,014	29,858	-	-	-	-
Hong Kong and China	32,940	23,241	-	-	-	-
Others	11,090	16,608	-	-	-	-
	<u>419,847</u>	<u>349,305</u>	<u>730,870</u>	<u>598,919</u>	<u>24,276</u>	<u>27,708</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 2018

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

12. Changes in the composition of the Group during the financial year ended 31 December 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 December 2018 were as follow:-

	RM'000
Approved and contracted	
Property, plant equipment	<u>14,029</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 two Directors of the Company are also directors and one of whom has substantial financial interest</u>	
Sales	6,719
Purchases	14,789
Rental received	510
Commission	286
Rental paid	<u>96</u>



PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. Review of performance

Quarter on quarter review

Group revenue in the fourth and final quarter of 2018 rose 49% to RM112.6 million when compared to RM75.4 million a year ago mainly resulting from the inclusion of revenue from the newly acquired subsidiary. The plainboard selling price remained weak while the sales volume has increased as compared to previous year.

Despite higher revenue, the Group still suffered a pre-tax loss of RM34.8 million when compared to the pre-tax profit of RM13.4 million in the same quarter a year ago, mainly as a result of a non-cash impairment loss of RM26.1 million on the plants arising from financial year end assessment of carrying value against its recoverable amount and overall soft market conditions in pricing as well as high cost. Whereas in the same quarter a year ago, there was a gain of RM12.1 million which was the write back from the balance of impairment to plant provided in 2013.

Year on year review

For the whole year of 2018, Group revenue rose to RM419.8 million, up 20% against RM349.3 million in 2017, mainly attributed by the inclusion of the newly acquired subsidiary's results.

However, the Group recorded a pre-tax loss of RM55.7 million in 2018 against a pre-tax profit of RM48.0 million in the previous year, mainly due to the abovementioned impairment loss and overall soft market conditions in pricing as well as high operating cost in the financial year under review.

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

Group revenue for the current quarter decreased by 12% to RM112.6 million from RM128.3 million in the preceding quarter due to lower sales volume as compared to preceding quarter. In third quarter, there was a clearance of stocks that had accumulated from the soft market conditions.

The Group continued to incur pre-tax loss of RM34.8 million for the current quarter, mainly due to the total of RM26.1 million non-cash impairment loss on the plants.

3. Prospects

The first half of 2018 saw chipboard prices continuing to fall from the peak in the third quarter of 2017 and reached bottom in mid-2018 before stabilising in the second half of the year. Going into 2019, there are indications of a mild recovery in price although any such recovery is expected to be a slow and gradual process in light of current economic and market conditions both locally and globally.

With the price of chipboard largely being determined by external factors, the Group will continue to work on the several measures that have been taken to improve operating results. On the marketing front, we seek to improve our sales mix and grow our customer base for higher value products viz. melamine faced chipboard and higher grade plain chipboard. While this would gradually increase revenue, cost control measures are actively being undertaken in sourcing and usage of raw materials as well reducing production overheads.

Meanwhile, the Group will continue to rationalise and streamline production facilities to improve efficiency and achieve better cost management.

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 2018 RM'000	Preceding year quarter to 31 December 2017 RM'000	Current year to 31 December 2018 RM'000	Preceding year to 31 December 2017 RM'000
Profit before tax is arrived at after charging/(crediting):-				
Interest income	(165)	(44)	(298)	(319)
Interest expense	2,483	1,262	13,744	4,391
Depreciation and amortisation	7,264	4,471	26,824	17,679
Allowance for/(write back) of inventories obsolescence	740	78	740	(354)
Net realised foreign exchange (gain)/loss	(243)	(273)	159	(1,917)
Net unrealised foreign exchange (gain)/loss	314	151	(411)	1,325
Fair value loss/(gain) on derivative financial	(252)	(156)	16	(317)
Impairment/(Write back of impairment) of plant, property and equipment	26,077	(12,054)	26,077	(12,054)
Impairment of goodwill	306	-	306	-

6. Tax expense

	Current quarter to 31 December 2018 RM'000	Current year to 31 December 2018 RM'000
In respect of current year		
- Malaysia income tax	(12)	(51)
- Deferred tax	(4,317)	(4,877)
	<u>(4,329)</u>	<u>(4,928)</u>
In respect of previous year		
Malaysia income tax	0	0
	<u>(4,329)</u>	<u>(4,928)</u>

The Group's effective tax rate for the current quarter and the year under review were higher than statutory tax rate mainly due to other taxable income and reversal of deferred tax assets.

7. Status of corporate proposals

As at the date of this report, being the latest practicable date, there are no corporate proposals announced and pending completions.



8. 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 2018 as follows:-

	Current RM'000	Non-current RM'000	Total RM'000
Bank overdraft (secured)	1,710	-	1,710
Bankers acceptance and revolving credit (secured)	73,158	-	73,158
Bankers acceptance and revolving credit (unsecured)	13,984	-	13,984
Invoice financing (secured)	5,236	-	5,236
Invoice financing (unsecured)	1,746	-	1,746
Term loan (secured)	17,150	112,296	129,446
Term loan (unsecured)	897	3,347	4,244
Hire purchase obligation	2,633	4,161	6,794
	<u>116,514</u>	<u>119,804</u>	<u>236,318</u>

9. Derivative financial instruments

As at 31 December 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	6,678	34

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.



10. 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 December 2018</u>				
Derivative financial assets		34		34
<u>As at 31 December 2017</u>				
Derivative financial assets		50		50

11. Changes in material litigation

As at the date of this report, there were no material litigation since the last statement of financial position as at 31 December 2017.

12. Dividend

The Directors do not recommend the payment of dividend for the financial period ended 31 December 2018. An interim single-tier dividend of 1 sen per share on 525,000,000 ordinary shares was declared for the same period last year.

13. Profit per share

	Current year quarter to 31 December 2018	Preceding year quarter to 31 December 2017	Current year to 31 December 2018	Preceding year to 31 December 2017
a) Basic				
(Loss)/Profit for the year (RM'000)	(39,104)	13,388	(60,583)	47,949
Weighted average number of ordinary shares in issue ('000)	525,000	525,000	525,000	525,000
(Loss)/Profit per share (sen)	(7.45)	2.55	(11.54)	9.13
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 2019