



MIECO CHIPBOARD BERHAD (12849-K)

Condensed Consolidated Statement of Comprehensive Income for the financial year ended 31 December 2019

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to 31 December 2019 RM'000	Preceding year quarter to 31 December 2018 RM'000	Current year to 31 December 2019 RM'000	Preceding year to 31 December 2018 RM'000
Revenue	110,138	112,596	427,282	419,847
Other income	1,542	590	6,440	1,191
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	10,499	1,049	44,538	10,990
Depreciation and amortisation	(7,305)	(7,264)	(28,607)	(26,824)
Impairment of property, plant and equipment	(1,236)	(26,077)	(1,236)	(26,077)
Profit/(Loss) from operations	1,958	(32,292)	14,695	(41,911)
Finance costs	(3,575)	(2,483)	(15,143)	(13,744)
Loss before taxation	(1,617)	(34,775)	(448)	(55,655)
Tax credit/(expense)	2,162	(4,329)	2,099	(4,928)
Net profit/(loss) for the period	545	(39,104)	1,651	(60,583)
Other comprehensive income:				
Actuarial gain on employee defined benefit plan	0	2,022	0	2,022
Total comprehensive income/(loss) for the period	545	(37,082)	1,651	(58,561)
Net profit/(loss) attributable to owners of the Company	545	(39,104)	1,651	(60,583)
Total comprehensive profit/(loss) attributable to owners of the Company	545	(37,082)	1,651	(58,561)
Basic profit/(loss) per share (sen)	0.10	(7.45)	0.31	(11.54)
Diluted profit/(loss) 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 2018 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 2019

The figures have not been audited.

	(Unaudited) As at 31 December 2019 RM'000	(Audited) As at 31 December 2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	522,201	561,634
Deferred tax assets	5,433	5,433
Right-of-use assets	509	0
	<u>528,143</u>	<u>567,067</u>
Current assets		
Inventories	66,995	63,564
Tax recoverable	23	405
Trade receivables	62,320	66,524
Other receivables	8,917	9,753
Derivative financial instruments	64	34
Short term deposits	11,776	11,455
Cash and bank balances	9,812	12,080
	<u>159,907</u>	<u>163,815</u>
Non-current assets held for sale	16,182	0
	<u>176,089</u>	<u>163,815</u>
TOTAL ASSETS	<u><u>704,232</u></u>	<u><u>730,882</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	124,716	123,081
Total equity	<u>340,539</u>	<u>338,904</u>
Non-current liabilities		
Unfunded post employment benefit obligation	13,935	12,631
Other payables	75	400
Borrowings	93,900	119,802
Lease liabilities	455	0
Amount due to former immediate holding company	3,287	17,252
Deferred tax liabilities	0	2,546
	<u>111,652</u>	<u>152,631</u>
Current liabilities		
Trade payables	68,691	80,275
Other payables and provisions	26,945	27,770
Lease liabilities	81	0
Borrowings	138,727	116,516
Amount due to former immediate holding company	17,597	14,786
	<u>252,041</u>	<u>239,347</u>
TOTAL EQUITY AND LIABILITIES	<u><u>704,232</u></u>	<u><u>730,882</u></u>
Net assets per share attributable to equity holders of the Company (RM)	<u>0.65</u>	<u>0.65</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2018 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 2019

The figures have not been audited.

	Attributable to equity holders of the company			
	Share capital	Foreign currency reserve	Retained earnings	Total equity
	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2019	215,866	(43)	123,081	338,904
Effects of adoption of MFRS 16	-	-	(16)	(16)
Total comprehensive income for the year	-	-	1,651	1,651
Balance as at 31 December 2019	215,866	(43)	124,716	340,539
Balance as at 1 January 2018	215,866	(43)	186,892	402,715
Total comprehensive (loss)/income for the year :				
- Net loss for the financial year	-	-	(60,583)	(60,583)
- Actuarial gain on employee defined benefit plan	-	-	2,022	2,022
Dividend paid for the financial year ended 31 December 2017	-	-	(5,250)	(5,250)
Balance as at 31 December 2018	215,866	(43)	123,081	338,904

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2018 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 2019

The figures have not been audited.

	Current year to 31 December 2019 RM'000	Preceding year to 31 December 2018 RM'000
<u>Cash flows from operating activities</u>		
– Profit/(Loss) after tax	1,651	(60,583)
– Adjustments for non-cash and non-operating items		
• Tax (credit)/expense	(2,099)	4,928
• Other non-cash and non-operating items	50,102	69,246
	<u>49,654</u>	<u>13,591</u>
– Changes in working capital		
• (Increase)/Decrease in inventories	(2,561)	23,467
• Decrease/(Increase) in receivables	1,443	(2,365)
• (Decrease)/Increase in payables	(12,824)	24,773
	<u>35,712</u>	<u>59,466</u>
– Payment of staff retirement benefits	(167)	(338)
– Net income tax paid	(1)	(84)
Net cash flows from operating activities	<u>35,544</u>	<u>59,044</u>
<u>Cash flows (used in)/from investing activities</u>		
– Purchase of property, plant and equipment	(7,815)	(24,290)
– Proceeds from sale of property, plant and equipment	30	2
– Interest income received	358	298
– Net cash outflows on acquisition	0	(5,449)
– Settlement of liabilities	0	(51,529)
– Placement of fixed deposit with licensed bank	(321)	(5,483)
Net cash flows used in investing activities	<u>(7,748)</u>	<u>(86,451)</u>
<u>Cash flows from/(used in) financing activities</u>		
– (Repayment)/Proceeds of term loan	(17,677)	34,857
– Repayment of hire purchase liabilities	(2,236)	(411)
– Repayment of Lease Liabilities	(113)	0
– Proceeds of bankers acceptances/invoice financing	17,011	18,542
– Financing expenses	(15,106)	(13,744)
– (Repayment)/Proceeds of overdraft facility	(789)	1,710
– Dividend paid	0	(5,250)
– Repayment of former immediate holding company	(11,154)	(8,381)
Net cash flows (used in)/generated from financing activities	<u>(30,064)</u>	<u>27,323</u>
Net decrease in cash and cash equivalents	(2,268)	(84)
Cash and cash equivalents at 1 January	12,080	12,164
Effects of exchange rate changes	0	0
Cash and cash equivalents at 31 Dec	<u>9,812</u>	<u>12,080</u>

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 December 2018 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 2018. 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 2018.

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 2018 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 2019:

Amendments to the following MFRSs :

MFRS 16	:	Leases
Amendment to MFRS 9	:	Prepayment Features with Negative Compensation
Amendment to MFRS 119	:	Plan Amendment, Curtailment or Settlement
Amendment to MFRS 128	:	Long-term Interests in Associates and Joint Ventures
Amendment to MFRS 140	:	Transfers of Investment Property
IC Interpretation 23	:	Uncertainty over Income Tax Treatments
Annual Improvements to MFRSs 2015-2017 Cycle		

3. Audit report of preceding annual financial statements for financial year ended 31 December 2018

The audit report of the Group's financial statements for the financial year ended 31 December 2018 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 2019.

6. Change in estimates

There were no changes in estimates that have had a material effect for the financial year ended 31 December 2019.

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 2019.

8. Dividends paid

There were no dividends paid for the financial year ended 31 December 2019.



9. **Segmental reporting**

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 31 December 2019	Preceding year to 31 December 2018	As at 31 December 2019	As at 31 December 2018	Current year to 31 December 2019	Preceding year to 31 December 2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	344,664	324,226	704,232	730,882	7,815	24,290
South East Asia	23,737	23,577	-	-	-	-
Middle East and South Asia	14,120	28,014	-	-	-	-
Hong Kong and China	39,492	32,940	-	-	-	-
Others	5,269	11,090	-	-	-	-
	<u>427,282</u>	<u>419,847</u>	<u>704,232</u>	<u>730,882</u>	<u>7,815</u>	<u>24,290</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 2019**

As announced on 2 July 2019, a fire had occurred at one of our manufacturing plant in Kuala Lipis. Subsequent announcements and updates were made on 22 July 2019, 1 November 2019 and 24 February 2020, whereby the plant has resume its operation on 22 July 2019 and the insurance company has made the full and final settlement of the claims for both Material Damage and Business Interruption to the Group on 1 November 2019 and 24 February 2020, respectively.

12. **Changes in the composition of the Group during the financial year ended 31 December 2019.**

There were no changes in the composition of the Group during the financial year ended 31 December 2019.

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 2018.

14. **Capital commitments**

Capital commitments not provided for in the financial statements as at 31 December 2019 were as follows:-

	RM'000
Approved and contracted Property, plant equipment	<u>13,488</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	4,166
Purchases	14,175
Rental received	456
Commission	211
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 2019 decreased by 2% or RM2.5 million to RM110.1 million from RM112.6 million recorded in the preceding year corresponding quarter. The decreased in revenue was mainly due to the lower sales volume in the current quarter but was mitigated with the higher average selling price mainly from plainboard.

Pre-tax loss was reported at RM1.6 million for the current quarter, compared to the pre-tax loss of RM34.8 million recorded in the corresponding quarter of the preceding year. The improvement of RM33.2 million from the pre-tax loss was mainly due to the non-cash impairment loss of RM26.1 million on the plants arising from financial year end assessment of carrying value against its recoverable amount in 2018 and coupled with the improvement in the plainboard selling prices.

Year on year review

For the whole year of 2019, the Group revenue was marginally higher at RM427.3 million, which was 2% higher compared to RM419.8 million a year ago. The increment was due to the increase in overall selling prices and the consolidation of full 12 months revenue from a subsidiary in the current reporting period compared to 10 months revenue post acquisition in the previous year corresponding period.

In line with the higher revenue, a pre-tax loss of RM0.4 million was recorded in 2019 which was an improvement of RM55.3 million from the pre-tax loss of RM55.7 million in the previous year. The improved results was mainly attributable to the abovementioned impairment loss in 2018, increased selling price coupled with better product mix, and savings from better cost management.

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

Group revenue for the current quarter was slightly lower by RM1.8 million to RM110.1 million from RM111.9 million in the preceding quarter.

The Group reported a pre-tax loss of RM1.6 million for the current quarter, compared to pre-tax profit of RM2.3 million recorded in preceding quarter. The loss was mainly due to lower margin resulted from lower average selling price in current quarter.

3. Prospects

In light of current economic and market conditions both locally and globally, the business environment remains challenging as the macroeconomic conditions are highly uncertain with the trade war and currently further exacerbated by the Covid-19 outbreak. The Group foresee that the market conditions in the particle board industry will remain competitive and challenging due to stiff 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/(Loss) before tax

	Current year quarter to 31 December 2019 RM'000	Preceding year quarter to 31 December 2018 RM'000	Current year to 31 December 2019 RM'000	Preceding year to 31 December 2018 RM'000
Profit/(Loss) before tax is arrived at after charging/(crediting):-				
Interest income	(145)	(165)	(358)	(298)
Interest expense	3,575	2,483	15,143	13,744
Depreciation and amortisation	7,305	7,264	28,607	26,824
(Write back of)/provision of allowance for inventories obsolescence	(839)	740	(870)	740
Allowance for doubtful debts – trade receivables	3,322	0	3,322	0
Net realised foreign exchange (gain)/loss	(681)	(243)	(1,749)	159
Net unrealised foreign exchange loss/(gain)	617	314	365	(411)
Fair value (gain)/loss on derivative financial instruments	(106)	(252)	(30)	16
Impairment of plant, property and equipment	1,236	26,077	1,236	26,077
Impairment of goodwill	0	306	0	306

6. Tax credit/(expense)

	Current quarter to 31 December 2019 RM'000	Current year to 31 December 2019 RM'000
In respect of current year		
- Malaysia income tax	10	(68)
- Deferred tax	6	6
	<u>16</u>	<u>(62)</u>
In respect of previous year		
Malaysia income tax	(273)	(286)
Deferred tax	2,419	2,447
	<u>2,162</u>	<u>2,099</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 other taxable income and reversal of deferred tax liabilities.

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 2019 as follows:-

	Current RM'000	Non-current RM'000	Total RM'000
Bank overdraft (secured)	921		921
Bankers acceptance and revolving credit (secured)	79,497	-	79,497
Bankers acceptance and revolving credit (unsecured)	31,638	-	31,638
Term loan (secured)	23,359	89,308	112,667
Term loan (unsecured)	981	2,365	3,346
Hire purchase obligation	2,331	2,227	4,558
	<u>138,727</u>	<u>93,900</u>	<u>232,627</u>

9. Derivative financial instruments

As at 31 December 2019, 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	7,180	64

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 2019</u>				
Derivative financial assets		64		64
<u>As at 31 December 2018</u>				
Derivative financial assets		34		34

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 2018.

12. Dividend

The Directors do not recommend the payment of dividend for the financial year ended 31 December 2019. No dividend was declared for the same period last year.

13. Profit per share

	Current year quarter to 31 December 2019	Preceding year quarter to 31 December 2018	Current year to 31 December 2019	Preceding year to 31 December 2018
a) Basic				
Profit/(Loss) for the year (RM'000)	545	(39,104)	1,651	(60,583)
Weighted average number of ordinary shares in issue ('000)	525,000	525,000	525,000	525,000
Profit/(Loss) per share (sen)	0.10	(7.45)	0.31	(11.54)
b) Diluted	N/A	N/A	N/A	N/A



14. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the Group's financial statements for the financial year ended 31 December 2018 contained a paragraph on material uncertainty related to going concern, as follows :

"We draw attention to Note 32 to the financial statements, which indicates that the Group incurred net loss of RM60.6 million for the year ended 31 December 2018 and, as of that date, the Group's current liabilities exceeded its current assets by RM75.5 million. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

As a result of the measures implemented during the year 2019, the Group's financial results have turned around from a net loss of RM60.6 million in 2018 to a net profit of RM1.7 million in 2019, and the net current liabilities contained at RM75.9 million as at 31 December 2019 compared to RM75.5 million previously.

The Board of Directors of the Company is of the view that the preparation of the financial statements of the Group for the period ended 31 December 2019 on a going concern basis remain appropriate as the Group will persevere with the measures taken, as listed below to address the material uncertainty related to going concern :

- (a) Development of the market for melamine faced chipboard (MFC) with marketing efforts targeted at the local renovation and fit-out sector. In line with this, capacity for production of MFC has been increased.
- (b) In the plain board segment, the product mix is gradually being improved by building up sales of higher grade boards with better pricing. At the same time, production planning, procedures and control and machinery maintenance will be improved to increase capacity utilisation.
- (c) Improvement in sourcing and procurement of raw materials to reduce cost.
- (d) Streamlining and rationalisation of the Group's production facilities.

Based on the above, the Directors are of the view that the Group will be able to operate as going concern in the foreseeable future to further improve its financial position and profitability.

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

Ng Geok Lian
Company Secretary
Selangor

28 February 2020