


MIECO CHIPBOARD BERHAD (12849-K)
Condensed Consolidated Statement of Comprehensive Income for the financial period ended 31 March 2020

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to	Preceding year quarter to	Current year to	Preceding year to
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	RM'000	RM'000	RM'000	RM'000
Revenue	87,824	93,947	87,824	93,947
Other income	505	253	505	253
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	703	6,157	703	6,157
Depreciation and amortisation	(7,167)	(7,099)	(7,167)	(7,099)
Impairment of property, plant and equipment	(12,264)	0	(12,264)	0
Loss from operations	(18,728)	(942)	(18,728)	(942)
Finance costs	(3,254)	(3,876)	(3,254)	(3,876)
Loss before taxation	(21,982)	(4,818)	(21,982)	(4,818)
Tax expense	(5,239)	(4)	(5,239)	(4)
Net loss for the period	(27,221)	(4,822)	(27,221)	(4,822)
Total comprehensive loss for the period	(27,221)	(4,822)	(27,221)	(4,822)
Net loss attributable to owners of the Company	(27,221)	(4,822)	(27,221)	(4,822)
Total comprehensive loss attributable to owners of the Company	(27,221)	(4,822)	(27,221)	(4,822)
Basic loss per share (sen)	(5.18)	(0.92)	(5.18)	(0.92)
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 2019 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 2020

The figures have not been audited.

	(Unaudited)	(Audited)
	As at	As at
	31 March	31 December
	2020	2019
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	503,362	522,202
Deferred tax assets	194	5,433
Right-of-use assets	487	508
	<u>504,043</u>	<u>528,143</u>
Current assets		
Inventories	61,497	66,995
Tax recoverable	31	23
Trade receivables	52,703	62,319
Other receivables	10,284	9,724
Derivative financial instruments	0	64
Short term deposits	11,783	11,776
Cash and bank balances	18,079	9,812
	<u>154,377</u>	<u>160,713</u>
Assets classified as held for sale	16,182	16,182
	<u>170,559</u>	<u>176,895</u>
	<u>674,602</u>	<u>705,038</u>
TOTAL ASSETS		
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	97,495	124,716
Total equity	<u>313,318</u>	<u>340,539</u>
Non-current liabilities		
Unfunded post employment benefit obligation	14,187	13,935
Other payables	0	75
Borrowings	96,035	93,900
Lease liabilities	439	455
Amount due to former immediate holding company	0	3,287
	<u>110,661</u>	<u>111,652</u>
Current liabilities		
Trade payables	72,162	69,971
Other payables and provisions	34,440	26,471
Lease liabilities	77	81
Borrowings	122,421	138,727
Derivative financial instruments	303	0
Amount due to former immediate holding company	21,220	17,597
	<u>250,623</u>	<u>252,847</u>
	<u>674,602</u>	<u>705,038</u>
TOTAL EQUITY AND LIABILITIES		
Net assets per share attributable to equity holders of the Company (RM)	<u>0.60</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 2019 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 2020**

The figures have not been audited.

	Attributable to equity holders of the Company			Total equity RM'000
	Share capital RM'000	Foreign currency reserve RM'000	Retained earnings RM'000	
Balance as at 1 January 2020	215,866	(43)	124,716	340,539
Comprehensive loss:				
- Net loss for the financial period	-	-	(27,221)	(27,221)
Balance as at 31 March 2020	<u>215,866</u>	<u>(43)</u>	<u>97,495</u>	<u>313,318</u>
Balance as at 1 January 2019	215,866	(43)	123,081	338,904
Comprehensive loss:				
- Net loss for the financial period	-	-	(4,822)	(4,822)
Balance as at 31 March 2019	<u>215,866</u>	<u>(43)</u>	<u>118,259</u>	<u>334,082</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 2019 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 2020

The figures have not been audited.

	Current year to 31 March 2020	Preceding year to 31 March 2019
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
– Loss after tax	(27,221)	(4,822)
– Adjustments for non-cash and non-operating items		
• Taxation	5,239	4
• Other non-cash and non-operating items	22,765	11,295
	<u>783</u>	<u>6,477</u>
– Changes in working capital		
• Decrease/(Increase) in inventories	5,498	(9,638)
• Decrease/(Increase) in receivables	9,766	4,268
• Increase/(Decrease) in payables	9,960	(4,421)
	<u>26,007</u>	<u>(3,314)</u>
– Payment of staff retirement benefits	(116)	(96)
– Net income tax (paid)/refund	(8)	31
Net cash flows from operating activities	<u>25,883</u>	<u>(3,379)</u>
<u>Cash flows (used in)/from investing activities</u>		
– Purchase of property, plant and equipment	(570)	(1,576)
– Interest income received	67	71
– Placement of fixed deposit with licensed bank	(7)	0
Net cash flows used in investing activities	<u>(510)</u>	<u>(1,505)</u>
<u>Cash flows (used in)/from financing activities</u>		
– Repayment of term loan	(9,742)	(3,413)
– Repayment of hire purchase liabilities	(630)	(559)
– (Repayment)/Proceeds of bankers acceptances/invoice financing	(2,875)	16,138
– Financing expenses	(3,254)	(3,876)
– Proceeds of overdraft facility	0	330
– Repayment of lease liabilities	(20)	0
– Repayment of former immediate holding company	336	(4,601)
Net cash flows (used in)/generated from financing activities	<u>(16,185)</u>	<u>4,019</u>
Net decrease in cash and cash equivalents	9,188	(865)
Cash and cash equivalents at 1 January	8,891	12,080
Effects of exchange rate changes	0	0
Cash and cash equivalents at 31 March	<u>18,079</u>	<u>11,125</u>

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 December 2019 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 2019. 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 2019.

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 2019 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 2020:

Amendments to the following MFRSs :

MFRS 3	:	Definition of a Business
Amendment to MFRS 9, MFRS 139 and MFRS 7	:	Interest Rate Benchmark Reform
Amendment to MFRS 101 and MFRS 108	:	Definition of Material

3. Audit report of preceding annual financial statements for financial year ended 31 December 2019

The audit report of the Group's financial statements for the financial year ended 31 December 2019 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 2020.

6. Change in estimates

There were no changes in estimates that have had a material effect for the financial period ended 31 March 2020.

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 2020.

8. Dividends paid

There were no dividends paid for the financial period ended 31 March 2020.



9. **Segmental reporting**

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 31 March 2020 RM'000	Preceding year to 31 March 2019 RM'000	As at 31 March 2020 RM'000	As at 31 March 2019 RM'000	Current year to 31 March 2020 RM'000	Preceding year to 31 March 2019 RM'000
Malaysia	73,520	80,324	674,602	729,916	570	1,576
South East Asia	4,363	4,732	-	-	-	-
Middle East and South Asia	2,812	3,801	-	-	-	-
Hong Kong and China	5,905	4,074	-	-	-	-
Others	1,224	1,016	-	-	-	-
	<u>87,824</u>	<u>93,947</u>	<u>674,602</u>	<u>729,916</u>	<u>570</u>	<u>1,576</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 2020**

There were no material events subsequent to the end of the current quarter under review, except for the recent outbreak of COVID-19 pandemic and the Movement Control Order ("MCO") imposed by the Malaysian Government since 18 March 2020 which subsequently changed into Conditional MCO and Recovery MCO phases. The Group's production and distribution operations had been suspended in compliance with the MCO. However, some of the plants had resumed operation towards the end of April 2020 after obtaining "Approval For Operation" issue by Ministry of International Trade & Industry.

12. **Changes in the composition of the Group during the financial period ended 31 March 2020**

There were no changes in the composition of the Group during the financial period ended 31 March 2020.

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 2019.

14. **Capital commitments**

Capital commitments not provided for in the financial statements as at 31 March 2020 were as follow:-

	RM'000
Approved and contracted Property, plant equipment	<u>7,746</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	662
Purchases	3,746
Rental received	114
Commission	40
Rental paid	<u>24</u>



PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. Review of performance

Quarter on quarter review

Group revenue in the first quarter of 2020 decreased by 6% or RM6.1 million to RM87.8 million from RM93.9 million recorded in the preceding year corresponding quarter. The decreased revenue was mainly due to lower sales volume resulting from the sudden stoppage of business operation as a result of the lockdown Movement Control Order (MCO) imposed by the government against the spread COVID-19 pandemic beginning from 18 March 2020 to 12 May 2020.

The Group suffered a loss after tax of RM27.2 million when compared to loss after tax of RM4.8 million in the same quarter a year ago. The loss declined sharply due primarily to the non-cash impairment loss of RM12.3 million on the plants arising from the preliminary assessment of carrying value against its recoverable amount based on the best information available on the COVID-19 impact in the current quarter. Consequently, the Group's deferred tax asset is estimated to reduce by RM5.2 million due to insufficient probable future taxable profits available against which the deductible temporary differences can be utilised.

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

Group revenue for the current quarter decreased by 20% to RM87.8 million from RM110.1 million in the preceding quarter due to lower sales volume caused by the sudden stoppage of business operation as a result of the lockdown MCO imposed by the government and restrictions on truck deliveries during the festive season.

In the current quarter, the Group recorded a loss after tax of RM27.2 million against profit after tax of RM0.5 million in preceding quarter. This was due to lower sales volume and coupled with the higher non-cash impairment loss of RM12.3 million against RM1.3 million in preceding quarter and reduced deferred tax asset of RM5.2 million due to COVID-19 impact.

3. Prospects

The global economic growth is affected due to the outbreak of COVID-19 and its rapid spread across the globe. Inevitably, social and economic conditions in Malaysia will be affected by the COVID-19, particularly, if the Government extends or implement additional orders/policies, which may further restrict business activities.

The Group and the Company are unable to reasonably estimate the financial impact of COVID-19 for the financial year ending 31 December 2020 as the situation is still evolving and the uncertainty of the outcome of the current events. It is however certain that the local and worldwide measures against the spread of the COVID-19 will have adverse effects on the Group's and the Company's sales, operations and supply chains.

Nevertheless, the Group and the Company will persevere with its on-going strategy to improve product mix and build upon the operating initiatives already implemented while pursuing various alternative actions to improve its financial position.

The Group and the Company will continuously monitor the impact of COVID-19 on its operations and its financial performance. The Group and the Company will also be taking appropriate and timely measures to minimise the impact of the outbreak on the Group's and the Company's operations

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 March 2020 RM'000	Preceding year quarter to 31 March 2019 RM'000	Current year to 31 March 2020 RM'000	Preceding year to 31 March 2019 RM'000
Profit/(Loss) before tax is arrived at after charging/(crediting):-				
Interest income	(67)	(71)	(67)	(71)
Interest expense	3,254	3,876	3,254	3,876
Depreciation and amortisation	7,167	7,099	7,167	7,099
Net realised foreign exchange gain	(312)	(271)	(312)	(271)
Net unrealised foreign exchange (gain)/loss	(588)	64	(588)	64
Impairment of property, plant and equipment	12,264	0	12,264	0
Fair value loss on derivative financial instruments	367	88	367	88

6. Tax expense

	Current quarter to 31 March 2020 RM'000	Current year to 31 March 2020 RM'000
In respect of current year		
- Malaysia income tax	0	0
- Deferred tax	(5,239)	(5,239)
	<u>(5,239)</u>	<u>(5,239)</u>
In respect of previous year		
Malaysia income tax	0	0
	<u>(5,239)</u>	<u>(5,239)</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 March 2020 as follows:-

	Current RM'000	Non-current RM'000	Total RM'000
Bankers acceptance and revolving credit (secured)	76,207	-	76,207
Bankers acceptance and revolving credit (unsecured)	32,051	-	32,051
Term loan (secured)	11,969	91,194	103,163
Term loan (unsecured)	499	2,608	3,107
Hire purchase obligation	1,695	2,233	3,928
	<u>122,421</u>	<u>96,035</u>	<u>218,456</u>



9. Derivative financial instruments

As at 31 March 2020, the outstanding foreign currency forward contracts are as follows:

Type of derivatives	Contract/Notional value RM'000	Fair value liabilities RM'000
Foreign exchange forward contract - Less than 1 year, USD denominated	10,003	303

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 March 2020</u>				
Derivative financial liabilities		(303)		(303)
<u>As at 31 March 2019</u>				
Derivative financial liabilities		(53)		(53)

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 2019.

12. Dividend

The Directors do not recommend the payment of dividend for the financial period ended 31 March 2020. No dividend was declared for the same period last year.

13. Profit/(Loss) per share

	Current year quarter to 31 March 2020	Preceding year quarter to 31 March 2019	Current year to 31 March 2020	Preceding year to 31 March 2019
a) Basic				
Loss for the period (RM'000)	(27,221)	(4,822)	(27,221)	(4,822)
Weighted average number of ordinary shares in issue ('000)	525,000	525,000	525,000	525,000
Loss per share (sen)	(5.18)	(0.92)	(5.18)	(0.92)
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 2019 contained a paragraph on material uncertainty related to going concern, as follows :

"We draw attention to Note 2 to the consolidated financial statements, which indicates the Group's current liabilities exceeded its current assets by RM76.0 million. This, and other events or conditions as disclosed in Note 2, 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."

Despite having the net current liabilities position and taking into consideration the negative impact on Group's operation due to COVID-19, 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 March 2020 on a going concern basis remain appropriate given the following measures being taken and would be taken by the Group to address the material uncertainty related to going concern :

- (a) The directors are in the midst of negotiating with former immediate holding company to obtain deferred repayment arrangement for year 2020 to improve the Group's short-term liquidity.
- (b) COVID-19 relief moratorium - The Group has obtained the support of its bankers for temporary moratorium on term loan instalments and other short-term liquidity relief.
- (c) Production - The Company will continue to seek further improvement in cost control and production efficiency in the following key areas:
 - Sourcing and procurement,
 - Production planning and scheduling,
 - Maintain highest preventive maintenance level to minimise machinery breakdown and to continue improving the performance of the plants
 - Optimise production and inventory holding level on raw materials and finished goods
- (d) Asset disposal pursuant to the streamlining and rationalisation of its production facilities. As at the date of this report, the transaction in relation to the disposal of Gemas Plant has been completed.

The Directors will closely monitor the progress of the above measures while evaluating the impact of subsequent developments on the Group's financial position.

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

26 June 2020