



MIECO CHIPBOARD BERHAD (Registration No. 197201001235 (12849-K))
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the financial period ended 31 March 2021

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to 31 March 2021 RM'000	Preceding year quarter to 31 March 2020 RM'000	Current year to 31 March 2021 RM'000	Preceding year to 31 March 2020 RM'000
Revenue	98,332	87,824	98,332	87,824
Other income	641	505	641	505
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	16,232	703	16,232	703
Depreciation and amortisation	(7,361)	(7,167)	(7,361)	(7,167)
Allowance for impairment losses of property, plant and equipment (Net)	0	(12,264)	0	(12,264)
Profit/(Loss) from operations	8,871	(18,728)	8,871	(18,728)
Finance costs	(2,433)	(3,254)	(2,433)	(3,254)
Profit/(Loss) before taxation	6,438	(21,982)	6,438	(21,982)
Tax expense	0	(5,239)	0	(5,239)
Net profit/(loss) for the period	6,438	(27,221)	6,438	(27,221)
Total comprehensive income/(loss) for the period	6,438	(27,221)	6,438	(27,221)
Net profit/(loss) attributable to owners of the Company	6,438	(27,221)	6,438	(27,221)
Total comprehensive income/(loss) attributable to owners of the Company	6,438	(27,221)	6,438	(27,221)
Basic earnings/(loss) per share (sen)	1.23	(5.18)	1.23	(5.18)
Diluted earnings/(loss) per share (sen)	N/A	N/A	N/A	N/A

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the explanatory notes attached to this interim financial report.



MIECO CHIPBOARD BERHAD (Registration No. 197201001235 (12849-K))
Condensed Consolidated Statement of Financial Position as at 31 March 2021
The figures have not been audited.

	(Unaudited)	(Audited)
	As at	As at
	31 March	31 December
	2021	2020
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	356,978	360,975
Right-of-use assets	140,061	140,786
Deferred tax assets	5,147	5,147
	<u>502,186</u>	<u>506,908</u>
Current assets		
Inventories	57,200	52,601
Trade receivables	50,128	55,662
Other receivables	11,644	10,520
Tax recoverable	18	3
Derivative financial instruments	0	46
Deposits with licensed banks	12,231	12,187
Cash and bank balances	11,497	8,637
	<u>142,718</u>	<u>139,656</u>
TOTAL ASSETS	<u><u>644,904</u></u>	<u><u>646,564</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	125,615	119,177
Total equity	<u>341,438</u>	<u>335,000</u>
Non-current liabilities		
Other payables	4,849	5,749
Lease liabilities	1,501	1,587
Bank borrowings	89,596	92,195
Employee defined benefit plan	15,577	15,344
	<u>111,523</u>	<u>114,875</u>
Current liabilities		
Trade payables	60,967	59,461
Other payables	22,048	26,398
Lease liabilities	406	498
Bank borrowings	108,455	110,328
Derivative financial instruments	63	0
Tax payable	4	4
	<u>191,943</u>	<u>196,689</u>
TOTAL EQUITY AND LIABILITIES	<u><u>644,904</u></u>	<u><u>646,564</u></u>
Net assets per share attributable to equity holders of the Company (RM)	<u>0.65</u>	<u>0.64</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to this interim financial report.



MIECO CHIPBOARD BERHAD (Registration No. 197201001235 (12849-K))
Condensed Consolidated Statement of Changes in Equity for the financial period ended 31 March 2021
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 2021	215,866	(43)	119,177	335,000
Comprehensive income:				
- Net profit for the financial period	-	-	6,438	6,438
Balance as at 31 March 2021	<u>215,866</u>	<u>(43)</u>	<u>125,615</u>	<u>341,438</u>
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>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to this interim financial report.



MIECO CHIPBOARD BERHAD (Registration No. 197201001235 (12849-K))
Condensed Consolidated Statement of Cash Flow for the financial period ended 31 March 2021

The figures have not been audited.

	Current year to 31 March 2021	Preceding year to 31 March 2020
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
– Loss after tax	6,438	(27,221)
– Adjustments for non-cash and non-operating items		
• Taxation	0	5,239
• Other non-cash and non-operating items	6,998	22,765
	<u>13,436</u>	<u>783</u>
– Changes in working capital		
• (Increase)/Decrease in inventories	(4,599)	5,498
• Decrease in receivables	7,540	9,766
• (Decrease)/Increase in payables	(3,639)	9,960
	<u>12,738</u>	<u>26,007</u>
– Payment of staff retirement benefits	(135)	(116)
– Net income tax paid	(15)	(8)
Net cash flows from operating activities	<u>12,588</u>	<u>25,883</u>
<u>Cash flows (used in)/from investing activities</u>		
– Purchase of property, plant and equipment	(2,639)	(570)
– Interest income received	38	67
– Placement of fixed deposit with licensed bank	(44)	(7)
Net cash flows used in investing activities	<u>(2,645)</u>	<u>(510)</u>
<u>Cash flows (used in)/from financing activities</u>		
– Repayment of term loan	(2,212)	(9,742)
– Repayment of hire purchase liabilities	(174)	(630)
– Repayment of bankers acceptances/invoice financing	(2,609)	(2,875)
– Financing expenses	(2,433)	(3,254)
– Proceeds of overdraft facility	350	0
– Repayment of lease liabilities	(5)	(20)
– Repayment of former immediate holding company	0	336
Net cash flows used in financing activities	<u>(7,083)</u>	<u>(16,185)</u>
Net increase in cash and cash equivalents	2,860	9,188
Cash and cash equivalents at 1 January	8,637	8,891
Effects of exchange rate changes	0	0
Cash and cash equivalents at 31 March	<u>11,497</u>	<u>18,079</u>

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to this interim financial report.



PART A: Explanatory Notes of MFRS 134

1. Basis of preparation

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 2020. 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 2020.

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 financial year ended 31 December 2020 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 2021:

Amendments to the following MFRSs :

Amendment to MFRS 9, : Interest Rate Benchmark Reform – Phase 2
MFRS 139 and MFRS 7,
MFRS 4 and MFRS 16

3. Audit report of preceding annual financial statements for financial year ended 31 December 2020

The audit report of the Group's financial statements for the financial year ended 31 December 2020 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 2021.

6. Change in estimates

There were no changes in estimates that have had a material effect for the financial period ended 31 March 2021.

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 2021.

8. Dividends paid

There were no dividends paid for the financial period ended 31 March 2021.



9. **Segmental reporting**

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 31 March 2021 RM'000	Preceding year to 31 March 2020 RM'000	As at 31 March 2021 RM'000	As at 31 March 2020 RM'000	Current year to 31 March 2021 RM'000	Preceding year to 31 March 2020 RM'000
Malaysia	89,606	73,520	644,904	674,602	2,639	570
South East Asia	5,434	4,363	-	-	-	-
Middle East and South Asia	932	2,812	-	-	-	-
Hong Kong and China	351	5,905	-	-	-	-
Others	2,009	1,224	-	-	-	-
	<u>98,332</u>	<u>87,824</u>	<u>644,904</u>	<u>674,602</u>	<u>2,639</u>	<u>570</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 2021**

The Company had on 2 March 2021 announced that it proposed to undertake a bonus issue of up to 315,000,000 new ordinary shares in the Company ("Mieco Shares") on the basis of 3 bonus shares for every 5 existing Mieco Shares held on an entitlement date to be determined later ("Proposed Bonus Issue of Shares"). On 11 March 2021, the Company announced that Bursa Malaysia Securities Berhad has, vide its letter dated 10 March 2021 resolved to approve the listing and quotation for up to 315,000,000 bonus shares to be issued pursuant to the Proposed Bonus Issue of Shares. The Proposed Bonus Issue of Shares was approved by shareholders of the Company at an Extraordinary General Meeting held on 31 March 2021 and was completed with the listing and quotation of the Bonus Shares on the Main Market of Bursa Securities on 16 April 2021.

12. **Changes in the composition of the Group during the financial period ended 31 March 2021**

There were no changes in the composition of the Group during the financial period ended 31 March 2021.

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 2020.

14. **Capital commitments**

Capital commitments not provided for in the financial statements as at 31 March 2021 were as follow:-

	RM'000
Approved and contracted Property, plant equipment	<u>7,768</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	2,824
Purchases	3,653
Rental received	114
Commission	1
Rental paid	<u>24</u>



PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. Review of performance

Quarter on quarter review

Group revenue for the first quarter of 2021 rose by 12% or RM10.5 million to RM98.3 million from RM87.8 million recorded in the preceding year corresponding quarter. The increased revenue was mainly contributed by higher average selling price in current quarter.

The Group recorded a profit after tax of RM6.4 million which was an improvement of RM33.6 million when compared to a loss after tax of RM27.2 million in the same quarter last year. The turnaround was due primarily to the higher product average selling price, better production output in the current quarter compared to lower production output in first quarter of 2020 as a results of the business stoppage and disruption caused by the First Movement Control Order (MCO). The higher loss in the preceding year corresponding quarter was also due to the recognition of impairment loss of RM12.3 million on the plants and the reversal of deferred tax assets of RM5.2 million.

2. Material change in performance for the quarter against the immediate preceding quarter

Group revenue for the current quarter decreased by 16% to RM98.3 million from RM116.9 million in the preceding quarter due to lower sales volume mainly resulted by heavy monsoon rains caused widespread flooding during the beginning of the year and coupled with the festive holidays in current quarter.

The Group posted a profit after tax of RM6.4 million against profit after tax of RM27.1 million in preceding quarter. The higher profit in preceding quarter mainly due to the net reversal of impairment loss of RM12.1 million on the plants and recognition of deferred tax assets of RM5.1 million.

3. Prospects

There were positive increment of demand on the particle board market, especially in the domestic market despite the recent re-imposition of nationwide containment measures.

This strong demand has led to increase in average selling price of our product. The particle board markets growth is expected to continue to be positive with the growing demand from both the domestic and international market, and the Group expects the market to remain firm for the rest of 2021.

However, barring unforeseen circumstances especially in developments related to the pandemic, and continued challenges that affect the roll-out of vaccines both globally and domestically, the Group is cautiously optimistic of maintaining the current performance and endeavour to achieve a more sustainable performance with the on-going strategy.

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

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 2021 RM'000	Preceding year quarter to 31 March 2020 RM'000	Current year to 31 March 2021 RM'000	Preceding year to 31 March 2020 RM'000
Profit before tax is arrived at after charging/(crediting):-				
Interest income	(38)	(67)	(38)	(67)
Interest expense	2,433	3,254	2,433	3,254
Depreciation and amortisation	7,361	7,167	7,361	7,167
Reversal of allowance for doubtful debts – trade receivables	(3,240)	0	(3,240)	0
Net realised foreign exchange gain	(145)	(312)	(145)	(312)
Net unrealised foreign exchange loss/(gain)	4	(588)	4	(588)
Allowance for impairment of property, plant and equipment (net)	0	12,264	0	12,264
Fair value loss on derivative financial instruments	109	367	109	367

6. Tax expense

	Current quarter to 31 March 2021 RM'000	Current year to 31 March 2021 RM'000
In respect of current year		
- Malaysia income tax	0	0
- Deferred tax	0	0
	<u>0</u>	<u>0</u>
In respect of previous year		
Malaysia income tax	0	0
	<u>0</u>	<u>0</u>

The Group's effective tax rate for the current quarter and the year under review were lower than statutory tax rate mainly due utilisation of deferred tax assets.

7. Status of corporate proposals

As at 20 May 2021 (being the latest practicable date which is not earlier than 7 days from the date of issuance of this Quarterly Report) :-

- a) **Status of corporate proposal announced but not completed**
There were no corporate proposals announced but not completed.
- b) **Status of utilisation of proceeds raised from any corporate proposal**
There were no proceeds raised from any corporate proposal.



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 2021 as follows:-

	Current RM'000	Non-current RM'000	Total RM'000
Bank overdraft	350	-	350
Bankers acceptance and revolving credit (secured)	71,314	-	71,314
Bankers acceptance and revolving credit (unsecured)	25,577	-	25,577
Term loan (secured)	8,450	88,063	96,513
Term loan (unsecured)	1,080	1,533	2,613
Invoice financing (unsecured)	1,684	-	1,684
	<u>108,455</u>	<u>89,596</u>	<u>198,051</u>

9. Derivative financial instruments

As at 31 March 2021, 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	3,325	63

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 2021</u>				
Derivative financial liabilities		(63)		(63)
<u>As at 31 March 2020</u>				
Derivative financial liabilities		(303)		(303)



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 2020.

12. **Dividend**

The Directors do not recommend the payment of dividend for the financial period ended 31 March 2021. No dividend was declared for the same period last year.

13. **Earnings/(Loss) per share**

	Current year quarter to 31 March 2021	Preceding year quarter to 31 March 2020	Current year to 31 March 2021	Preceding year to 31 March 2020
a) Basic earnings/(loss) per share				
Net profit/(loss) for the financial year attributable to the owners of the Company (RM'000)	6,438	(27,221)	6,438	(27,221)
Weighted average number of ordinary shares in issue ('000)	525,000	525,000	525,000	525,000
Earnings/(Loss) per share (sen)	1.23	(5.18)	1.23	(5.18)
b) Diluted earnings/(loss) per share ⁽¹⁾	N/A	N/A	N/A	N/A

⁽¹⁾ Diluted earnings/(loss) per share is equivalent to the basic earnings/(loss) per share as there are no dilutive potential ordinary shares as at the reporting date.



14. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the Group's financial statements for the financial year ended 31 December 2020 contained a paragraph on material uncertainty related to going concern, as follows :

"We draw attention to Note 2(d) to the financial statements, which indicates that the Group incurred a net loss of RM4,478,000 during the financial year ended 31 December 2020 and, as of that date, the Group's current liabilities exceeded its current assets by RM57,033,000. As stated in Note 2(d), these events or conditions, along with other matters as set forth in Note 2(d), 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 2021 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) 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. In addition, the Company has also obtained most of the bankers support to extend the repayment period of their existing term loans.
- (b) 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, and
 - Optimise production and inventory holding level on raw materials and finished goods

The Directors closely monitoring the progress of the above measures while evaluating the impact of subsequent developments on the Group's financial position. As of 31 March 2021, the net current liabilities has improved to RM49.2 million from RM57.0 million a quarter ago.

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

27 May 2021