



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

**Condensed Consolidated Statement of Comprehensive Income for the financial period ended 30 June 2019**

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to	Preceding year quarter to	Current year to	Preceding year to
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Revenue	111,285	98,374	205,232	178,979
Other income	720	797	973	438
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	14,797	4,369	20,954	4,846
Depreciation and amortisation	(7,102)	(7,213)	(14,201)	(12,312)
Profit/(Loss) from operations	7,695	(2,844)	6,753	(7,466)
Finance costs	(3,997)	(4,412)	(7,873)	(6,852)
Profit/(Loss) before taxation	3,698	(7,256)	(1,120)	(14,318)
Tax credit/(expense)	24	(264)	20	(345)
Net profit/(loss) for the period	3,722	(7,520)	(1,100)	(14,663)
Total comprehensive income/(loss) for the period	3,722	(7,520)	(1,100)	(14,663)
Net profit/(loss) attributable to owners of the Company	3,722	(7,520)	(1,100)	(14,663)
Total comprehensive income/(loss) attributable to owners of the Company	3,722	(7,520)	(1,100)	(14,663)
Basic profit/(loss) per share (sen)	0.71	(1.43)	(0.21)	(2.79)
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 30 June 2019**  
The figures have not been audited.

	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	549,932	561,634
Deferred tax assets	5,433	5,433
	<u>555,365</u>	<u>567,067</u>
<b>Current assets</b>		
Inventories	74,460	63,564
Tax recoverable	385	405
Trade receivables	70,073	66,524
Other receivables	12,636	9,753
Derivative financial instruments	11	34
Short term deposits	11,462	11,455
Cash and bank balances	15,774	12,080
	<u>184,801</u>	<u>163,815</u>
<b>TOTAL ASSETS</b>	<u><u>740,166</u></u>	<u><u>730,882</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	121,981	123,081
<b>Total equity</b>	<u>337,804</u>	<u>338,904</u>
<b>Non-current liabilities</b>		
Unfunded post employment benefit obligation	13,224	12,631
Other payables	240	400
Borrowings	106,627	119,802
Amount due to former immediate holding company	10,239	17,252
Deferred tax liabilities	2,518	2,546
	<u>132,848</u>	<u>152,631</u>
<b>Current liabilities</b>		
Trade payables	79,044	80,275
Other payables and provisions	27,918	27,770
Borrowings	148,759	116,516
Amount due to former immediate holding company	13,793	14,786
	<u>269,514</u>	<u>239,347</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>740,166</u></u>	<u><u>730,882</u></u>
Net assets per share attributable to equity holders of the Company (RM)	<u>0.64</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 period ended 30 June 2019**

The figures have not been audited.

	<b>Share capital</b>	<b>Foreign currency reserve</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Balance as at 1 January 2019	215,866	(43)	123,081	338,904
Comprehensive loss:				
- Net loss for the financial period	-	-	(1,100)	(1,100)
Balance as at 30 June 2019	<u>215,866</u>	<u>(43)</u>	<u>121,981</u>	<u>337,804</u>
Balance as at 1 January 2018	210,000	(43)	186,892	402,715
Comprehensive loss:				
- Net loss for the financial period	-	-	(14,663)	(14,663)
Dividend paid for the financial year ended 31 December 2017			(5,250)	(5,250)
Balance as at 30 June 2018	<u>215,866</u>	<u>(43)</u>	<u>166,979</u>	<u>382,802</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 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 period ended 30 June 2019**

The figures have not been audited.

	<b>Current year to 30 June 2019 RM'000</b>	<b>Preceding year to 30 June 2018 RM'000</b>
<u>Cash flows from operating activities</u>		
– Loss after tax	(1,100)	(14,663)
– Adjustments for non-cash and non-operating items		
• Tax (credit)/expense	(20)	345
• Other non-cash and non-operating items	22,880	19,352
	<u>21,760</u>	<u>5,034</u>
– Changes in working capital		
• Increase in inventories	(10,896)	(9,044)
• Increase in receivables	(6,575)	(2,387)
• (Decrease)/Increase in payables	(1,298)	34,730
	<u>2,991</u>	<u>28,333</u>
– Payment of staff retirement benefits	(142)	(328)
– Net income tax refund/(paid)	12	(51)
Net cash flows from operating activities	<u>2,861</u>	<u>27,954</u>
<u>Cash flows (used in)/from investing activities</u>		
– Purchase of property, plant and equipment	(2,498)	(15,538)
– Proceeds from sale of property, plant and equipment	0	2
– Interest income received	141	88
– Net acquisition of subsidiary	0	(57,292)
Net cash flows used in investing activities	<u>(2,357)</u>	<u>(72,740)</u>
<u>Cash flows from/(used in) financing activities</u>		
– (Repayment)/Proceeds of term loan	(7,866)	40,595
– (Repayment)/Proceeds of hire purchase liabilities	(1,124)	680
– Proceeds of bankers acceptances/invoice financing	27,732	13,309
– Financing expenses	(7,873)	(6,852)
– Proceeds of overdraft facility	327	867
– Dividend paid	0	(5,250)
– Repayment of former immediate holding company	(8,006)	(3,264)
Net cash flows generated from financing activities	<u>3,190</u>	<u>40,085</u>
Net increase/(decrease) in cash and cash equivalents	3,694	(4,701)
Cash and cash equivalents at 1 January	12,080	12,164
Effects of exchange rate changes	0	0
Cash and cash equivalents at 30 Jun	<u>15,774</u>	<u>7,463</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 period ended 30 June 2019.

### **6. Change in estimates**

There were no changes in estimates that have had a material effect for the financial period ended 30 June 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 period ended 30 June 2019.

### **8. Dividends paid**

There were no dividends paid for the financial period ended 30 June 2019.



**9. Segmental reporting**

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 30 June 2019 RM'000	Preceding year to 30 June 2018 RM'000	As at 30 June 2019 RM'000	As at 30 June 2018 RM'000	Current year to 30 June 2019 RM'000	Preceding year to 30 June 2018 RM'000
Malaysia	169,274	135,622	740,166	793,401	2,498	15,538
South East Asia	10,363	11,253	-	-	-	-
Middle East and South Asia	7,092	11,818	-	-	-	-
Hong Kong and China	15,965	14,615	-	-	-	-
Others	2,538	5,671	-	-	-	-
	<u>205,232</u>	<u>178,979</u>	<u>740,166</u>	<u>793,401</u>	<u>2,498</u>	<u>15,538</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 30 June 2019**

As announced on 2 July 2019, a fire had occurred at one of our manufacturing plant in Kuala Lipis. A subsequent announcement and update was made on 22 July 2019, whereby the plant has resume its operation on the same day. As at date of this report, the loss adjusters are in the midst of processing the insurance claim. We shall be providing further updates on the financial impact and insurance claim, whenever there is new development.

**12. Changes in the composition of the Group during the financial period ended 30 June 2019**

There were no changes in the composition of the Group during the financial period ended 30 June 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 30 June 2019 were as follow:-

	RM'000
Approved and contracted	
Property, plant equipment	<u>14,425</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	3,229
Purchases	7,566
Rental received	228
Commission	74
Rental paid	<u>48</u>



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

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

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

The Group revenue continued to grow reaching RM111.3 million in this second quarter under review, which was an increase of 13% when compared to RM98.4 million a year ago, mainly due to higher domestic sales volume and slightly improved plainboard selling prices.

In line with the higher sales, the higher production output and better utilization of production capacity, the Group recorded a pre-tax profit of RM3.7 million, an improvement of RM11.0 million from the pre-tax loss of RM7.3 million as compared to the same period last year.

#### **Year on year review**

For the first half of 2019, the Group revenue rose to RM205.2 million, which was 15% higher against RM179.0 million a year ago. The increment was due to the increase in sales volume as well as overall selling prices and the consolidation of full 6 months revenue from a subsidiary in the current reporting period compared to only 4 months revenue post acquisition in the previous year corresponding period.

Pre-tax loss of RM1.1 million was recorded for the cumulative six months in 2019, an improvement of RM13.2 million from the pre-tax loss of RM14.3 million in the previous year corresponding period. The improved results mainly attributable to higher domestic sales volume and increased selling price for plainboard.

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

Group revenue for the current quarter increased by 19% to RM111.3 million from RM93.9 million in the preceding quarter mainly due to increase of sales volume coupled with favourable products mix.

The Group saw a turnaround in the second quarter achieving RM3.7 million pre-tax profit against pre-tax loss of RM4.8 million in preceding quarter. The improved results mainly attributable to increase sales volume in its core markets with better plainboard selling prices, better manufacturing efficiency and higher plant utilisation rate in the current quarter compared with the lower production volumes due to production stoppage for plant maintenance in preceding quarter.

### **3. Prospects**

There was slight increase in chipboard prices in early 2019 and which have remained fairly consistent going into the mid year. In light of current economic and market conditions both locally and globally, we expect further increase in prices to be a gradual process.

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/(Loss) before tax

	Current year quarter to 30 June 2019 RM'000	Preceding year quarter to 30 June 2018 RM'000	Current year to 30 June 2019 RM'000	Preceding year to 30 June 2018 RM'000
Profit/(Loss) before tax is arrived at after charging/(crediting):-				
Interest income	(70)	(44)	(141)	(88)
Interest expense	3,997	4,412	7,873	6,852
Depreciation and amortisation	7,102	7,213	14,201	12,312
Net realised foreign exchange (gain)/loss	(267)	13	(538)	526
Net unrealised foreign exchange (gain)/loss	(256)	(676)	192	(699)
Fair value (gain)/loss on derivative financial instruments	(64)	204	24	210

## 6. Tax credit/(expense)

	Current quarter to 30 June 2019 RM'000	Current year to 30 June 2019 RM'000
In respect of current year		
- Malaysia income tax	(4)	(8)
- Deferred tax	0	0
	<u>(4)</u>	<u>(8)</u>
In respect of previous year		
Deferred tax	28	28
	<u>24</u>	<u>20</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 30 June 2019 as follows:-

	Current RM'000	Non-current RM'000	Total RM'000
Bank overdraft (secured)	2,037		2,037
Bankers acceptance and revolving credit (secured)	82,344	-	82,344
Bankers acceptance and revolving credit (unsecured)	39,001	-	39,001
Invoice financing (secured)	511	-	511
Term loan (secured)	21,439	100,577	122,016
Term loan (unsecured)	941	2,866	3,807
Hire purchase obligation	2,486	3,184	5,670
	<u>148,759</u>	<u>106,627</u>	<u>255,386</u>

**9. Derivative financial instruments**

As at 30 June 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	5,392	11

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 30 June 2019</u>				
Derivative financial assets		11		11
<u>As at 30 June 2018</u>				
Derivative financial liabilities		(159)		(159)

**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 period ended 30 June 2019. No dividend was declared for the same period last year.

**13. Profit per share**

	Current year quarter to 30 June 2019	Preceding year quarter to 30 June 2018	Current year to 30 June 2019	Preceding year to 30 June 2018
a) Basic				
Profit/(Loss) for the period (RM'000)	3,722	(7,520)	(1,100)	(14,663)
Weighted average number of ordinary shares in issue ('000)	525,000	525,000	525,000	525,000
Profit/(Loss) per share (sen)	0.71	(1.43)	(0.21)	(2.79)
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."*

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 30 June 2019 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) 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.
- (e) Consider embarking on a capital raising exercise including a private placement and rights issue when necessary.

The measures being taken as enumerated above are currently on going and expected to have effect during the financial year ending 31 December 2019.

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 improve its financial position and return to profitability.

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

Ng Geok Lian  
Company Secretary  
Selangor

20 August 2019