



MIECO CHIPBOARD BERHAD (Registration No. 197201001235 (12849-K))

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the financial period ended 30 June 2023

The figures have not been audited.

| | Individual Quarter | | Cumulative Quarter | |
|---|---|---|---|---|
| | Current year quarter to 30 June 2023 RM'000 | Preceding year quarter to 30 June 2022 RM'000 | Current year to 30 June 2023 RM'000 | Preceding year to 30 June 2022 RM'000 |
| Revenue | 90,554 | 85,531 | 149,782 | 187,997 |
| Other income | 2,468 | 3,418 | 22,199 | 4,741 |
| Operating profit/(loss) before finance costs, depreciation and amortisation, income tax and non-controlling interests | 351 | 7,796 | (1,043) | 18,424 |
| Gain on acquisition of subsidiary | - | - | 20,221 | - |
| Depreciation and amortisation | (8,371) | (7,309) | (15,986) | (14,439) |
| (Loss)/Profit from operations | (8,020) | 487 | 3,192 | 3,985 |
| Finance costs | (3,217) | (2,166) | (5,597) | (4,478) |
| (Loss)/Profit before taxation | (11,237) | (1,679) | (2,405) | (493) |
| Tax expense | (89) | (143) | (140) | (152) |
| Net (loss)/profit for the period | (11,326) | (1,822) | (2,545) | (645) |
| Total comprehensive (loss)/income for the period | (11,326) | (1,822) | (2,545) | (645) |
| Net (loss)/profit attributable to owners of the Company | (11,326) | (1,822) | (2,545) | (645) |
| Total comprehensive (loss)/income attributable to owners of the Company | (11,326) | (1,822) | (2,545) | (645) |
| Basic (loss)/earnings per share (sen) | (1.13) | 0.18 | (0.25) | (0.06) |
| Diluted earnings 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 2022 and the accompanying explanatory notes attached to this interim financial report.



MIECO CHIPBOARD BERHAD (Registration No. 197201001235 (12849-K))

Condensed Consolidated Statement of Financial Position as at 30 June 2023

The figures have not been audited.

| | (Unaudited) As at 30 June 2023 RM'000 | (Audited) As at 31 December 2022 RM'000 |
|---|--|--|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 350,884 | 296,003 |
| Investment properties | 24,325 | 17,000 |
| Deferred tax assets | 7,034 | 7,034 |
| Right-of-use assets | 155,233 | 149,516 |
| Biological assets | 6,886 | - |
| Intangible assets | 1,940 | - |
| | 546,302 | 469,553 |
| Current assets | | |
| Inventories | 96,358 | 55,440 |
| Trade receivables | 40,482 | 28,846 |
| Other receivables | 16,219 | 14,770 |
| Tax recoverable | 144 | 4 |
| Deposits with licensed banks | 13,067 | 9,755 |
| Cash and bank balances | 9,956 | 58,116 |
| | 176,226 | 166,931 |
| TOTAL ASSETS | 722,528 | 636,484 |
| EQUITY AND LIABILITIES | | |
| Equity attributable to equity holders of the Company | | |
| Share capital | 276,666 | 276,666 |
| Reserves | | |
| Foreign currency reserve | (54) | (54) |
| Retained earnings | 112,448 | 114,993 |
| Total equity | 389,060 | 391,605 |
| Non-current liabilities | | |
| Bank borrowings | 93,853 | 65,230 |
| Lease liabilities | 11,619 | 9,130 |
| Employee defined benefit plan | 8,722 | 8,884 |
| Deferred tax liability | 2,209 | - |
| | 116,403 | 83,244 |
| Current liabilities | | |
| Trade payables | 46,469 | 34,597 |
| Other payables | 52,149 | 33,584 |
| Lease liabilities | 3,824 | 2,779 |
| Bank borrowings | 114,436 | 90,424 |
| Tax payable | 187 | 251 |
| | 217,065 | 161,635 |
| TOTAL EQUITY AND LIABILITIES | 722,528 | 636,484 |
| Net assets per share attributable to equity holders of the Company (RM) | 0.39 | 0.39 |

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 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 30 June 2023

The figures have not been audited.

| | Attributable to equity holders of the Company | | | Total equity RM'000 |
|--|---|-----------------------------|-------------------|------------------------|
| | Share capital | Foreign currency reserve | Retained earnings | |
| | RM'000 | RM'000 | RM'000 | |
| As at 1 January 2023 | 276,666 | (54) | 114,993 | 391,605 |
| Total comprehensive income for the financial period: | | | | |
| - Loss for the financial period | - | - | (2,545) | (2,545) |
| As at 30 June 2023 | 276,666 | (54) | 112,448 | 389,060 |
| As at 1 January 2022 | 276,666 | (35) | 146,682 | 423,313 |
| Total comprehensive income for the financial period: | | | | |
| - Loss for the financial period | - | - | (645) | (645) |
| Balance as at 30 June 2022 | 276,666 | (35) | 146,037 | 422,668 |

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 2022 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 30 June 2023
The figures have not been audited.

| | Current year to | Preceding year |
|---|------------------------|-----------------------|
| | 30 June | to |
| | 2023 | 30 June |
| | RM'000 | 2022 |
| | RM'000 | RM'000 |
| <u>Cash flows from operating activities</u> | | |
| – Loss before tax | (2,405) | (493) |
| – Adjustments for non-cash and non-operating items | | |
| • Other non-cash and non-operating items | 1,592 | 19,542 |
| | <u>(813)</u> | <u>19,049</u> |
| – Changes in working capital | | |
| • Increase in inventories | (3,856) | (13,439) |
| • (Increase)/Decrease in receivables | (8,494) | 19,285 |
| • Decrease in payables | (13,772) | (7,328) |
| | <u>(26,935)</u> | <u>17,567</u> |
| – Payment of staff retirement benefits | (629) | (566) |
| – Income tax paid | (203) | (42) |
| Net cash (used in)/from operating activities | <u>(27,767)</u> | <u>16,959</u> |
| <u>Cash flows (used in)/from investing activities</u> | | |
| – Net acquisition of subsidiary | (47,816) | - |
| – Purchase of property, plant and equipment | (7,953) | (9,292) |
| – Interest income received | 207 | 478 |
| – Withdrawal of fixed deposits with licensed banks | (28) | (4) |
| Net cash used in investing activities | <u>(55,590)</u> | <u>(8,818)</u> |
| <u>Cash flows (used in)/from financing activities</u> | | |
| – Proceeds/(Repayment) of term loan | 25,531 | (4,964) |
| – Repayment of lease liabilities | (240) | (44) |
| – Proceeds/(Repayment) of bankers acceptances/invoice financing | 12,604 | (27,121) |
| – Financing expenses | (5,597) | (4,477) |
| – Proceeds/(Repayment) of overdraft facility | 419 | (779) |
| – Drawdown/(Repayment) of hire purchase liabilities | 2,480 | 6,445 |
| Net cash from/(used in) financing activities | <u>35,197</u> | <u>(30,940)</u> |
| Net (decrease)/increase in cash and cash equivalents | (48,160) | (22,799) |
| Cash and cash equivalents at 1 January | 58,116 | 78,952 |
| Cash and cash equivalents at 30 June | <u>9,956</u> | <u>56,153</u> |

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the financial period ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial report.



MIECO CHIPBOARD BERHAD (Registration No. 197201001235 (12849-K))

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 2022. 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 2022.

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 2022 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 2023:

| | | |
|------------------------|---|--|
| MFRS 17 | : | Insurance Contracts |
| Amendments to MFRS 17 | : | Insurance Contracts |
| Amendments to MFRS 17 | : | Initial Application of |
| Amendments to MFRS 101 | : | MFRS 17 and MFRS 9 - Comparative Information |
| Amendments to MFRS 108 | : | Definition of Accounting Estimates |
| Amendments to MFRS 112 | : | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |

3. Auditors' report of preceding annual financial statements for financial year ended 31 December 2022

The audit report of the Group's financial statements for the financial year ended 31 December 2022 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 2023.

6. Change in estimates

There were no changes in estimates that have had a material effect for the financial period ended 30 June 2023.

7. Issuance and repayment of debt and equity securities

There were no issuance, cancellation, repurchases, resale and repayment of debt and equity securities for the financial period ended 30 June 2023.

8. Dividends paid

There were no dividends paid for the financial period ended 30 June 2023.



MIECO CHIPBOARD BERHAD (Registration No. 197201001235 (12849-K))

9. Segmental reporting

The Group operates in the following geographical areas:

| | Revenue | | Total assets | | Capital expenditure | |
|-------------------------------|---|---|------------------------------------|------------------------------------|---|---|
| | Current year to 30 June 2023 RM'000 | Preceding year to 30 June 2022 RM'000 | As at 30 June 2023 RM'000 | As at 30 June 2022 RM'000 | Current year to 30 June 2023 RM'000 | Preceding year to 30 June 2022 RM'000 |
| Malaysia | 133,869 | 172,159 | 722,528 | 701,775 | 7,953 | 9,292 |
| South East Asia | 5,038 | 4,640 | - | - | - | - |
| Middle East and South Asia | 2,547 | 3,897 | - | - | - | - |
| Hong Kong and China | 4,314 | 4,802 | - | - | - | - |
| Others | 4,014 | 2,499 | - | - | - | - |
| | <u>149,782</u> | <u>187,997</u> | <u>722,528</u> | <u>701,775</u> | <u>7,953</u> | <u>9,292</u> |

10. Valuation of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

11. Material events subsequent to the financial period ended 30 June 2023

There were no material subsequent events as at 28 August 2023, being the latest practicable date, which shall not be earlier than 7 days from the date of issuance of this interim financial report.

12. Changes in the composition of the Group during the financial period ended 30 June 2023

The Company had on 6 October 2021, entered into conditional share sale agreement (“SSA”) with SYF Resources Berhad (“SYF”) for the acquisition of the entire equity interest in Seng Yip Furniture Sdn. Bhd. (“Seng Yip Furniture”), a wholly-owned subsidiary of SYF, for a purchase consideration of RM50,000,000 to be satisfied entirely via cash (“Proposed Acquisition”).

The acquisition had been completed on 14 March 2023 and consequently Seng Yip Furniture 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 2022.

14. Capital commitments

Capital commitments not provided for in the interim financial report as at 30 June 2023 were as follows:-

| | |
|--------------------------------|--------------|
| | RM'000 |
| <i>Approved and contracted</i> | |
| Property, plant equipment | <u>6,501</u> |



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15. Significant related party transactions

The Group had the following transactions with related parties during the financial year-to-date:

RM'000

Transaction with the company(ies) in which two Directors of the Company are also directors and one of whom has substantial financial interest

| | |
|-----------------|-------------|
| Sales | 1,534 |
| Purchases | 2,392 |
| Rental received | 114 |
| Rental paid | 48 |
| | <hr/> <hr/> |

Transaction with a Director

| | |
|-------------|-------------|
| Rental paid | 47 |
| | <hr/> <hr/> |



MIECO CHIPBOARD BERHAD (Registration No. 197201001235 (12849-K))

PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. Review of performance

Quarter on quarter review

The Group recorded a revenue of RM90.6 million in the second quarter of 2023, marginally increased by 6% from RM85.5 million in the preceding year corresponding quarter. The increase in revenue mainly resulted from the inclusion of revenue from a newly acquired subsidiary, Seng Yip Furniture Sdn Bhd (“Seng Yip Furniture”). The consolidation of revenue from Seng Yip Furniture has offset the lower sales volume resulted by continuous soft market conditions. The Group, as a whole, experienced low sales demand and weak selling prices particularly the plainboard product.

The Group reported a net loss of RM11.3 million as compared to RM1.8 million loss in the same quarter last year. The higher loss in the current quarter mainly due to lower sales volume and margin compression caused by higher operating cost incurred especially the hike in utility and labour costs.

Year on year review

For the first half of 2023, the Group’s revenue declined to RM149.8 million, which was 20% lower against RM188.0 million a year ago. The sharp decline in the revenue was mainly due to drop in both sales volume and average selling price resulted from the continuous soft market conditions.

The Group recorded a loss after tax of RM2.5 million for the cumulative six months in 2023 compared to a loss after tax of RM0.6 million in the previous year corresponding period. The higher loss was due to the lower sales volume and average selling price coupled with increase in operational costs.

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

The Group’s revenue for the current quarter was higher by 53% to RM90.6 million from RM59.2 million in the preceding quarter mainly resulted by the inclusion of the newly acquired subsidiary’s results.

The Group posted a loss after tax of RM11.3 million against profit after tax of RM8.8 million previously as the preceding quarter results included the one-time bargain purchase gain of RM20.2 million from the acquisition of Seng Yip Furniture.

3. Prospects

The first half of the year had been largely affected by weaker market prices and lower demand for the Group’s products. The Group expect the outlooks for the Group’s business to remain challenging as our board products are expected to experience continued market volatility from the on-going global economic uncertainty. Additionally, elevated operating cost arising from high raw material and utility costs coupled with the new minimum wages will continue to post challenges to our profit margin.

Despite these uncertainties, the Group will persevere with its on-going strategy to improve the efficiency of the production processes and the competitiveness of our products while pursuing various alternative actions to improve its financial position. The Group remains cautiously optimistic that it will be able to navigate through the current headwinds.

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.



MIECO CHIPBOARD BERHAD (Registration No. 197201001235 (12849-K))

5. Profit/(Loss) before tax

| | Current year quarter to 30 June 2023 RM'000 | Preceding year quarter to 30 June 2022 RM'000 | Current year to 30 June 2023 RM'000 | Preceding year to 30 June 2022 RM'000 |
|---|---|---|---|---|
| Profit/(Loss) before tax is arrived at after charging/(crediting):- | | | | |
| Interest income | (50) | (440) | (207) | (478) |
| Interest expense | 3,217 | 2,166 | 5,597 | 4,478 |
| Depreciation and amortisation | 8,371 | 7,309 | 15,986 | 14,439 |
| Net realised foreign exchange gain | (271) | (2,248) | (286) | (2,602) |
| Net unrealised foreign exchange loss/(gain) | 155 | (13) | 111 | (72) |
| Fair value loss on derivative financial instruments | - | 175 | - | 207 |

6. Tax credit/(expense)

| | Current quarter to 30 June 2023 RM'000 | Current year to 30 June 2023 RM'000 |
|-----------------------------|--|---|
| In respect of current year | | |
| - Malaysia income tax | (89) | (140) |
| - Real property gains tax | - | - |
| - Deferred tax | - | - |
| | <u>(89)</u> | <u>(140)</u> |
| In respect of previous year | | |
| Malaysia income tax | - | - |
| Deferred tax | - | - |
| | <u>(89)</u> | <u>(140)</u> |

The Group's effective tax rate for the current year under review was lower than statutory tax rate mainly due to other taxable income.

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 completion.



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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 2023 are as follows:-

| | Current RM'000 | Non-current RM'000 | Total RM'000 |
|---|-------------------|-----------------------|-----------------|
| Bank overdraft (secured) | 1,763 | - | 1,763 |
| Bankers acceptance and revolving credit (secured) | 92,343 | | 92,343 |
| Term loan (secured) | 10,692 | 93,853 | 104,545 |
| Invoice financing (secured) | 9,638 | - | 9,638 |
| | <u>114,436</u> | <u>93,853</u> | <u>208,289</u> |

9. Derivative financial instruments

As at 30 June 2023, 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 | <u>-</u> | <u>-</u> |

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 uses 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 2023</u> | | | | |
| Derivative financial liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>As at 30 June 2022</u> | | | | |
| Derivative financial liabilities | <u>-</u> | <u>(199)</u> | <u>-</u> | <u>(25)</u> |



MIECO CHIPBOARD BERHAD (Registration No. 197201001235 (12849-K))

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 2022.

12. Dividend

The Directors do not recommend the payment of dividend for the financial period ended 30 June 2023. No dividend was declared for the same period last year.

13. Earnings/(Loss) per share

| | Current year quarter to 30 June 2023 | Preceding year quarter to 30 June 2022 | Current year to 30 June 2023 | Preceding year to 30 June 2022 |
|---|---|---|---------------------------------------|---|
| a) Basic earnings/(loss) per share | | | | |
| Net profit/(loss) for the financial year attributable to the owners of the Company (RM'000) | (11,326) | (1,822) | (2,545) | (645) |
| Weighted average number of ordinary shares in issue ('000) | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Earnings/(Loss) per share (sen) | <u>(1.13)</u> | <u>(0.18)</u> | <u>(0.25)</u> | <u>(0.06)</u> |
| b) Diluted earnings/(loss) per share ⁽¹⁾ | <u>(1.13)</u> | <u>(0.18)</u> | <u>(0.25)</u> | <u>(0.06)</u> |

⁽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.

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

Ng Geok Lian
Company Secretary
Selangor

29 August 2023