



MIECO CHIPBOARD BERHAD (12849-K)

Condensed Consolidated Statement of Comprehensive Income for the financial period ended 30 September 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
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Revenue	113,463	111,911	264,971	317,144
Other (expense)/income	(27)	3,925	1,030	4,898
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	18,381	13,085	17,000	34,040
Depreciation and amortisation	(7,172)	(7,101)	(21,498)	(21,302)
Impairment of property, plant and equipment	0	0	(12,264)	0
Profit/(Loss) from operations	11,209	5,984	(16,762)	12,738
Finance costs	(2,762)	(3,695)	(8,985)	(11,568)
Profit/(Loss) before taxation	8,447	2,289	(25,747)	1,170
Tax expense	(396)	(84)	(5,635)	(64)
Net profit/(loss) for the period	8,051	2,205	(31,382)	1,106
Total comprehensive profit/(loss) for the period	8,051	2,205	(31,382)	1,106
Net profit/(loss) attributable to owners of the Company	8,051	2,205	(31,382)	1,106
Total comprehensive profit/(loss) attributable to owners of the Company	8,051	2,205	(31,382)	1,106
Basic profit/(loss) per share (sen)	1.53	0.42	(5.98)	0.21
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 2019 and the explanatory notes attached to this interim financial report.



MIECO CHIPBOARD BERHAD (12849-K)

Condensed Consolidated Statement of Financial Position as at 30 September 2020

The figures have not been audited.

	(Unaudited) As at 30 September 2020 RM'000	(Audited) As at 31 December 2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	492,819	522,202
Deferred tax assets	194	5,433
Right-of-use assets	444	508
	<u>493,457</u>	<u>528,143</u>
Current assets		
Inventories	53,628	66,995
Tax recoverable	76	23
Trade receivables	61,123	62,319
Other receivables	11,718	9,724
Derivative financial instruments	0	64
Short term deposits	11,786	11,776
Cash and bank balances	9,951	9,812
	<u>148,282</u>	<u>160,713</u>
Assets classified as held for sale	0	16,182
	<u>148,282</u>	<u>176,895</u>
TOTAL ASSETS	<u><u>641,739</u></u>	<u><u>705,038</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	93,334	124,716
Total equity	<u>309,157</u>	<u>340,539</u>
Non-current liabilities		
Unfunded post employment benefit obligation	14,428	13,935
Other payables	6,649	75
Borrowings	87,100	93,900
Lease liabilities	396	455
Amount due to former immediate holding company	0	3,287
	<u>108,573</u>	<u>111,652</u>
Current liabilities		
Trade payables	65,851	69,971
Other payables and provisions	33,553	26,471
Lease liabilities	84	81
Borrowings	124,511	138,727
Derivative financial instruments	10	0
Amount due to former immediate holding company	0	17,597
	<u>224,009</u>	<u>252,847</u>
TOTAL EQUITY AND LIABILITIES	<u><u>641,739</u></u>	<u><u>705,038</u></u>
Net assets per share attributable to equity holders of the Company (RM)	<u>0.59</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 30 September 2020

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	
Balance as at 1 January 2020	215,866	(43)	124,716	340,539
Comprehensive loss:				
- Net loss for the financial period	-	-	(31,382)	(31,382)
Balance as at 30 September 2020	215,866	(43)	93,334	309,157
Balance as at 1 January 2019	215,866	(43)	123,081	338,904
Comprehensive income:				
- Net profit for the financial period	-	-	1,106	1,106
Balance as at 30 September 2019	215,866	(43)	124,187	340,010

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 30 September 2020

The figures have not been audited.

	Current year to 30 September 2020	Preceding year to 30 September 2019
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
– (Loss)/Profit after tax	(31,382)	1,106
– Adjustments for non-cash and non-operating items		
• Taxation	5,635	64
• Other non-cash and non-operating items	43,641	35,255
	<u>17,894</u>	<u>36,425</u>
– Changes in working capital		
• Decrease/(Increase) in inventories	13,367	(6,588)
• Increase in receivables	(667)	(9,024)
• Increase/(Decrease) in payables	9,415	(1,231)
	<u>40,009</u>	<u>19,582</u>
– Payment of staff retirement benefits	(659)	(151)
– Net income tax (paid)/refund	(53)	(8)
Net cash flows from operating activities	<u>39,297</u>	<u>19,423</u>
<u>Cash flows from/(used in) investing activities</u>		
– Purchase of property, plant and equipment	(4,383)	(6,353)
– Interest income received	201	213
– Placement of fixed deposit with licensed bank	(10)	0
– Proceeds from disposal of non-current assets held for sale	15,904	0
– Proceeds from disposal of property, plant and equipment	71	30
Net cash flows from/(used in) investing activities	<u>11,783</u>	<u>(6,110)</u>
<u>Cash flows (used in)/from financing activities</u>		
– Repayment of term loan	(12,521)	(12,755)
– Repayment of hire purchase liabilities	(4,143)	(1,696)
– (Repayment)/Proceeds of bankers acceptances/invoice financing	(3,431)	19,552
– Financing expenses	(8,985)	(11,568)
– (Repayment)/Proceeds of overdraft facility	(921)	302
– Repayment of lease liabilities	(56)	0
– Repayment of former immediate holding company	(20,884)	(8,988)
Net cash flows (used in)/generated from financing activities	<u>(50,941)</u>	<u>(15,153)</u>
Net increase/(decrease) in cash and cash equivalents	139	(1,840)
Cash and cash equivalents at 1 January	9,812	12,080
Effects of exchange rate changes	0	0
Cash and cash equivalents at 30 Sep	<u>9,951</u>	<u>10,240</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,	:	Interest Rate Benchmark Reform
MFRS 139 and MFRS 7		
Amendment to MFRS 101	:	Definition of Material
and MFRS 108		

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 30 September 2020.

6. Change in estimates

There were no changes in estimates that have had a material effect for the financial period ended 30 September 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 30 September 2020.

8. Dividends paid

There were no dividends paid for the financial period ended 30 September 2020.



9. Segmental reporting

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 30 Sep 2020 RM'000	Preceding year to 30 Sep 2019 RM'000	As at 30 Sep 2020 RM'000	As at 30 Sep 2019 RM'000	Current year to 30 Sep 2020 RM'000	Preceding year to 30 Sep 2019 RM'000
Malaysia	227,059	258,225	641,739	728,182	4,383	6,353
South East Asia	12,031	17,004	-	-	-	-
Middle East and South Asia	4,341	10,171	-	-	-	-
Hong Kong and China	17,971	27,714	-	-	-	-
Others	3,569	4,030	-	-	-	-
	<u>264,971</u>	<u>317,144</u>	<u>641,739</u>	<u>728,182</u>	<u>4,383</u>	<u>6,353</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 September 2020

There were no material events subsequent to the end of the current financial period ended 30 September 2020.

12. Changes in the composition of the Group during the financial period ended 30 September 2020

There were no changes in the composition of the Group during the financial period ended 30 September 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 30 September 2020 were as follow:-

	RM'000
Approved and contracted Property, plant equipment	<u>10,125</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	1,517
Purchases	10,364
Rental received	342
Commission	115
Rental paid	<u>68</u>



PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. Review of performance

Quarter on quarter review

For the third quarter of 2020, Group revenue recorded at RM113.5 million, a marginal increase from the RM111.9 million in the preceding year corresponding quarter. The higher revenue was mainly due to higher average selling price in current quarter.

The Group reported higher pre-tax profit of RM8.4 million against RM2.3 million in the same quarter a year ago was mainly attributable to the improved selling price.

Year on year review

For the nine months of 2020, the Group recorded lower revenue of RM265.0 million, which decreased by 16% against RM317.1 million a year ago. The decline was mainly due to the business stoppage and disruption in first half of the year caused by the MCO (Movement Control Order).

The Group suffered a net loss of RM31.4 million for the cumulative period in 2020 when compared to marginal net profit of RM1.1 million in the previous year corresponding period. The higher loss was mainly due to the lower revenue exacerbated by non-cash impairment loss of RM12.3 million and deferred tax asset written down of RM5.2 million in the first half of the current year.

2. Material change to the result of the immediate preceding quarter

Group revenue for the current quarter increased by 78% to RM113.5 million from RM63.7 million in the preceding quarter due to full resumption of business and operation activity from MCO in the current quarter.

Accordingly, the Group recorded a profit after tax of RM8.1 million against loss after tax of RM12.2 million previously mainly attributable to the abovementioned higher revenue resulted from the improvement of sales volume and average selling price in current quarter.

3. Prospects

We have seen positive increment of demand on the particle board markets, especially in the domestic market. The strong demand has led to increase in average selling price. The particle board markets growth is expected to continue to be positive with the growing demand from the domestic market, and the Group expects further upward price adjustments towards the end of the year. However, barring any unforeseen circumstances, the Group is cautiously optimistic of maintaining the current performance and endeavour to achieve a more sustainable performance with its 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 minimise the impact of the outbreak on the Group'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 30 September 2020 RM'000	Preceding year quarter to 30 September 2019 RM'000	Current year to 30 September 2020 RM'000	Preceding year to 30 September 2019 RM'000
Profit/(Loss) before tax is arrived at after charging/(crediting):-				
Interest income	(91)	(72)	(225)	(213)
Interest expense	2,762	3,695	8,985	11,568
Depreciation and amortisation	7,172	7,101	21,498	21,302
Write back of allowance for inventories obsolescence	0	(31)	0	(31)
Net realised foreign exchange gain	(116)	(530)	(610)	(1,068)
Net unrealised foreign exchange loss/(gain)	273	(60)	(10)	(252)
Impairment of property, plant and equipment	0	0	12,264	0
Fair value (gain)/loss on derivative financial instruments	(45)	52	75	76
Gain from disposal of non-current assets held for sale	0	0	(118)	0

6. Tax expense

	Current quarter to 30 Sep 2020 RM'000	Current year to 30 Sep 2020 RM'000
In respect of current year		
- Malaysia income tax	0	0
- Real property gain tax	(396)	(396)
- Deferred tax	0	(5,239)
	<u>(396)</u>	<u>(5,635)</u>
In respect of previous year		
Malaysia income tax	0	0
	<u>(396)</u>	<u>(5,635)</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 September 2020 as follows:-

	Current RM'000	Non-current RM'000	Total RM'000
Bankers acceptance and revolving credit (secured)	63,688	-	63,688
Bankers acceptance and revolving credit (unsecured)	29,846	-	29,846
Invoice financing (secured)	14,170	-	14,170
Term loan (secured)	15,530	84,855	100,385
Term loan (unsecured)	1,037	2,070	3,107
Hire purchase obligation	240	175	415
	<u>124,511</u>	<u>87,100</u>	<u>211,611</u>

9. Derivative financial instruments

As at 30 September 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	7,142	(10)

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 Sep 2020</u>				
Derivative financial liabilities		(10)		(10)
<u>As at 30 Sep 2019</u>				
Derivative financial liabilities		(42)		(42)



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 30 September 2020. No dividend was declared for the same period last year.

13. Profit/(Loss) per share

	Current year quarter to 30 September 2020	Preceding year quarter to 30 September 2019	Current year to 30 September 2020	Preceding year to 30 September 2019
a) Basic				
Profit/(Loss) for the period (RM'000)	8,051	2,205	(31,382)	1,106
Weighted average number of ordinary shares in issue ('000)	525,000	525,000	525,000	525,000
Profit/(Loss) per share (sen)	1.53	0.42	(5.98)	0.21
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 30 September 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) 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 is also seeking 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
 - Optimise production and inventory holding level on raw materials and finished goods
- (c) Asset disposal pursuant to the streamlining and rationalisation of its production facilities.

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 November 2020