



MIECO CHIPBOARD BERHAD (12849-K)

Condensed Consolidated Statement of Comprehensive Income for the financial period ended 30 September 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 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Revenue	111,911	128,272	317,144	307,251
Other income	3,925	163	4,898	601
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	13,085	5,094	34,040	9,941
Depreciation and amortisation	(7,101)	(7,247)	(21,302)	(19,559)
Profit/(Loss) from operations	5,984	(2,153)	12,738	(9,618)
Finance costs	(3,695)	(4,409)	(11,568)	(11,261)
Profit/(Loss) before taxation	2,289	(6,562)	1,170	(20,879)
Tax expense	(84)	(254)	(64)	(599)
Net profit/(loss) for the period	2,205	(6,816)	1,106	(21,478)
Total comprehensive income/(loss) for the period	2,205	(6,816)	1,106	(21,478)
Net profit/(loss) attributable to owners of the Company	2,205	(6,816)	1,106	(21,478)
Total comprehensive income/(loss) attributable to owners of the Company	2,205	(6,816)	1,106	(21,478)
Basic profit/(loss) per share (sen)	0.42	(1.30)	0.21	(4.09)
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 September 2019

The figures have not been audited.

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 December
	2019	2018
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	545,489	561,634
Deferred tax assets	<u>5,433</u>	<u>5,433</u>
	<u>550,922</u>	<u>567,067</u>
Current assets		
Inventories	70,152	63,564
Tax recoverable	321	405
Trade receivables	71,147	66,524
Other receivables	13,936	9,753
Derivative financial instruments	0	34
Short term deposits	11,464	11,455
Cash and bank balances	<u>10,240</u>	<u>12,080</u>
	<u>177,260</u>	<u>163,815</u>
TOTAL ASSETS	<u><u>728,182</u></u>	<u><u>730,882</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	<u>124,187</u>	<u>123,081</u>
Total equity	<u>340,010</u>	<u>338,904</u>
Non-current liabilities		
Unfunded post employment benefit obligation	13,584	12,631
Other payables	160	400
Borrowings	100,227	119,802
Amount due to former immediate holding company	6,687	17,252
Deferred tax liabilities	<u>2,518</u>	<u>2,546</u>
	<u>123,176</u>	<u>152,631</u>
Current liabilities		
Trade payables	75,228	80,275
Other payables and provisions	31,869	27,770
Borrowings	141,494	116,516
Amount due to former immediate holding company	16,363	14,786
Derivative financial instruments	<u>42</u>	<u>0</u>
	<u>264,996</u>	<u>239,347</u>
TOTAL EQUITY AND LIABILITIES	<u><u>728,182</u></u>	<u><u>730,882</u></u>
Net assets per share attributable to equity holders of the Company (RM)	<u>0.65</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 September 2019

The figures have not been audited.

	←—Attributable to equity holders of the Company—→			
	Share capital	Foreign currency reserve	Retained earnings	Total equity
	RM'000	RM'000	RM'000	RM'000
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
Balance as at 1 January 2018	210,000	(43)	186,892	402,715
Comprehensive loss:				
- Net loss for the financial period	-	-	(21,478)	(21,478)
Dividend paid for the financial year ended 31 December 2017			(5,250)	(5,250)
Balance as at 30 September 2018	215,866	(43)	160,164	375,987

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 September 2019

The figures have not been audited.

	Current year to 30 September 2019 RM'000	Preceding year to 30 September 2018 RM'000
<u>Cash flows from operating activities</u>		
– Profit/(Loss) after tax	1,106	(21,478)
– Adjustments for non-cash and non-operating items		
• Tax expense	64	599
• Other non-cash and non-operating items	35,255	31,380
	<hr/> 36,425	<hr/> 10,501
– Changes in working capital		
• (Increase)/Decrease in inventories	(6,588)	10,905
• Increase in receivables	(9,024)	(18,633)
• (Decrease)/Increase in payables	(1,231)	42,572
	<hr/> 19,582	<hr/> 45,345
– Payment of staff retirement benefits	(151)	(328)
– Net income tax paid	(8)	(82)
	<hr/> 19,423	<hr/> 44,935
<u>Cash flows (used in)/from investing activities</u>		
– Purchase of property, plant and equipment	(6,353)	(21,143)
– Proceeds from sale of property, plant and equipment	30	2
– Interest income received	213	133
– Net acquisition of subsidiary	0	(57,292)
Net cash flows used in investing activities	<hr/> (6,110)	<hr/> (78,300)
<u>Cash flows from/(used in) financing activities</u>		
– (Repayment)/Proceeds of term loan	(12,755)	37,773
– (Repayment)/Proceeds of hire purchase liabilities	(1,696)	139
– Proceeds of bankers acceptances/invoice financing	19,552	16,036
– Financing expenses	(11,568)	(11,261)
– Proceeds of overdraft facility	302	55
– Dividend paid	0	(5,250)
– Repayment of former immediate holding company	(8,988)	(6,556)
Net cash flows generated from financing activities	<hr/> (15,153)	<hr/> 30,936
Net decrease in cash and cash equivalents	(1,840)	(2,429)
Cash and cash equivalents at 1 January	12,080	12,164
Effects of exchange rate changes	0	0
Cash and cash equivalents at 30 Sep	<hr/> <hr/> 10,240	<hr/> <hr/> 9,735

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 September 2019.

6. Change in estimates

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

8. Dividends paid

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



9. **Segmental reporting**

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 30 September 2019	Preceding year to 30 September 2018	As at 30 September 2019	As at 30 September 2018	Current year to 30 September 2019	Preceding year to 30 September 2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	258,225	234,867	728,182	790,467	6,353	21,143
South East Asia	17,004	18,316	-	-	-	-
Middle East and South Asia	10,171	21,669	-	-	-	-
Hong Kong and China	27,714	23,367	-	-	-	-
Others	4,030	9,032	-	-	-	-
	<u>317,144</u>	<u>307,251</u>	<u>728,182</u>	<u>790,467</u>	<u>6,353</u>	<u>21,143</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 2019**

As announced on 2 July 2019, a fire had occurred at one of our manufacturing plant in Kuala Lipis. Subsequent announcements and updates were made on 22 July 2019 and 1 November 2019, whereby the plant has resume its operation on 22 July 2019 and the insurance company has made the full and final settlement of the claim for Material Damage to the Group on 1 November 2019. As at date of this report, the Business Interruption Claim has yet to be finalised. 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 September 2019**

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

	RM'000
Approved and contracted Property, plant equipment	<u>14,207</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	3,531
Purchases	10,492
Rental received	342
Commission	135
Rental paid	<u>72</u>



PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. Review of performance

Quarter on quarter review

For the third quarter of 2019, Group revenue recorded at RM111.9 million, a decrease of 13% from RM128.3 million a year ago mainly due to the effect of stock clearance in the same quarter last year, coupled with the impact from lower production output at the Lipis Plant due to a fire that damaged part of the plant.

Despite lower revenue, the Group still recorded a pre-tax profit of RM2.3 million, a turnaround of RM8.9 million from the pre-tax loss of RM6.6 million as compared to the same period last year. This is mainly a result of the improvement in the plainboard selling prices coupled with the insurance material damage claim of RM4.4 million taken up in the current quarter.

Year on year review

For the nine months under review, Group revenue rose to RM317.1 million, which was 3% higher against RM307.3 million a year ago. The increment was due to the increase in overall selling prices and the consolidation of full 9 months revenue from a subsidiary in the current reporting period compared to 7 months revenue post acquisition in the previous year corresponding period.

Pre-tax profit of RM1.2 million was recorded for the cumulative nine months in 2019, an improvement of RM22.1 million from the pre-tax loss of RM20.9 million in the previous year corresponding period. The improved results was mainly attributable to increased selling price for our products and savings from better cost management.

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

Group revenue for the current quarter was marginal increased RM0.6 million to RM111.9 million from RM111.3 million in the preceding quarter.

The Group recorded lower pre-tax profit of RM2.3 million compared to RM3.7 million in preceding quarter. The lower profit mainly attributable to lower plant utilisation rate in the current quarter as a result of the fire incident in Lipis plant.

3. Prospects

There was slight increase in chipboard prices in early 2019 which have since remained fairly stable. 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 as 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 September 2019 RM'000	Preceding year quarter to 30 September 2018 RM'000	Current year to 30 September 2019 RM'000	Preceding year to 30 September 2018 RM'000
Profit/(Loss) before tax is arrived at after charging/(crediting):-				
Interest income	(72)	(45)	(213)	(133)
Interest expense	3,695	4,409	11,568	11,261
Depreciation and amortisation	7,101	7,247	21,302	19,559
Write back of allowance for inventories obsolescence	(31)	-	(31)	-
Net realised foreign exchange (gain)/loss	(530)	(124)	(1,068)	402
Net unrealised foreign exchange gain	(60)	(26)	(252)	(725)
Fair value loss on derivative financial instruments	52	58	76	268

6. Tax credit/(expense)

	Current quarter to 30 September 2019 RM'000	Current year to 30 September 2019 RM'000
In respect of current year		
- Malaysia income tax	(71)	(79)
- Deferred tax	0	0
	<u>(71)</u>	<u>(79)</u>
In respect of previous year		
Malaysia income tax	(13)	(13)
Deferred tax	0	28
	<u>(84)</u>	<u>(64)</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 2019 as follows:-

	Current RM'000	Non-current RM'000	Total RM'000
Bank overdraft (secured)	2,012		2,012
Bankers acceptance and revolving credit (secured)	75,132	-	75,132
Bankers acceptance and revolving credit (unsecured)	33,116	-	33,116
Invoice financing (secured)	5,430	-	5,430
Term loan (secured)	22,346	95,009	117,355
Term loan (unsecured)	960	2,618	3,578
Hire purchase obligation	2,498	2,600	5,098
	<u>141,494</u>	<u>100,227</u>	<u>241,721</u>

9. **Derivative financial instruments**

As at 30 September 2019, 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	12,866	(42)

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 September 2019</u>				
Derivative financial liabilities		(42)		(42)
<u>As at 30 September 2018</u>				
Derivative financial liabilities		(218)		(218)

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 September 2019. No dividend was declared for the same period last year.

13. Profit per share

	Current year quarter to 30 September 2019	Preceding year quarter to 30 September 2018	Current year to 30 September 2019	Preceding year to 30 September 2018
a) Basic				
Profit/(Loss) for the period (RM'000)	2,205	(6,816)	1,106	(21,478)
Weighted average number of ordinary shares in issue ('000)	525,000	525,000	525,000	525,000
Profit/(Loss) per share (sen)	0.42	(1.30)	0.21	(4.09)
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 September 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

21 November 2019