



MIECO CHIPBOARD BERHAD (12849-K)

Condensed Consolidated Statement of Comprehensive Income for the financial period ended 30 June 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 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
Revenue	63,684	111,285	151,508	205,232
Other income	552	720	1,057	973
Operating (loss)/profit before finance cost, depreciation and amortisation, income tax and minority interests	(2,084)	14,797	(1,381)	20,954
Depreciation and amortisation	(7,158)	(7,102)	(14,326)	(14,201)
Impairment of property, plant and equipment	0	0	(12,264)	0
(Loss)/Profit from operations	(9,242)	7,695	(27,971)	6,753
Finance costs	(2,969)	(3,997)	(6,223)	(7,873)
(Loss)/Profit before taxation	(12,211)	3,698	(34,194)	(1,120)
Tax credit/(expense)	0	24	(5,239)	20
Net (loss)/profit for the period	(12,211)	3,722	(39,433)	(1,100)
Total comprehensive (loss)/profit for the period	(12,211)	3,722	(39,433)	(1,100)
Net (loss)/profit attributable to owners of the Company	(12,211)	3,722	(39,433)	(1,100)
Total comprehensive (loss)/profit attributable to owners of the Company	(12,211)	3,722	(39,433)	(1,100)
Basic (loss)/profit per share (sen)	(2.33)	0.71	(7.51)	(0.21)
Diluted (loss)/profit 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 June 2020
The figures have not been audited.

	(Unaudited) As at 30 June 2020 RM'000	(Audited) As at 31 December 2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	496,984	522,202
Deferred tax assets	194	5,433
Right-of-use assets	465	508
	<u>497,643</u>	<u>528,143</u>
Current assets		
Inventories	51,683	66,995
Tax recoverable	59	23
Trade receivables	50,372	62,319
Other receivables	11,441	9,724
Derivative financial instruments	0	64
Short term deposits	11,786	11,776
Cash and bank balances	12,644	9,812
	<u>137,985</u>	<u>160,713</u>
Assets classified as held for sale	0	16,182
	<u>137,985</u>	<u>176,895</u>
	<u>635,628</u>	<u>705,038</u>
TOTAL ASSETS		
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	85,283	124,716
Total equity	<u>301,106</u>	<u>340,539</u>
Non-current liabilities		
Unfunded post employment benefit obligation	14,587	13,935
Other payables	0	75
Borrowings	88,224	93,900
Lease liabilities	417	455
Amount due to former immediate holding company	0	3,287
	<u>103,228</u>	<u>111,652</u>
Current liabilities		
Trade payables	61,767	69,971
Other payables and provisions	24,281	26,471
Lease liabilities	83	81
Borrowings	123,470	138,727
Derivative financial instruments	56	0
Amount due to former immediate holding company	21,637	17,597
	<u>231,294</u>	<u>252,847</u>
	<u>635,628</u>	<u>705,038</u>
TOTAL EQUITY AND LIABILITIES		
Net assets per share attributable to equity holders of the Company (RM)	<u>0.57</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 June 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	-	-	(39,433)	(39,433)
Balance as at 30 June 2020	215,866	(43)	85,286	301,106
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	215,866	(43)	121,981	337,804

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 June 2020

The figures have not been audited.

	Current year to 30 June 2020	Preceding year to 30 June 2019
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
– Loss after tax	(39,433)	(1,100)
– Adjustments for non-cash and non-operating items		
• Taxation	5,239	(20)
• Other non-cash and non-operating items	33,167	22,880
	<u>(1,027)</u>	<u>21,760</u>
– Changes in working capital		
• Decrease/(Increase) in inventories	15,312	(10,896)
• Decrease/(Increase) in receivables	10,617	(6,575)
• Decrease in payables	(10,574)	(1,298)
	<u>14,328</u>	<u>2,991</u>
– Payment of staff retirement benefits	(116)	(142)
– Net income tax (paid)/refund	(36)	12
Net cash flows from operating activities	<u>14,176</u>	<u>2,861</u>
<u>Cash flows from/(used in) investing activities</u>		
– Purchase of property, plant and equipment	(1,329)	(2,498)
– Interest income received	134	141
– Placement of fixed deposit with licensed bank	(10)	0
– Proceeds from disposal of non-current assets held for sale	16,300	0
Net cash flows from/(used in) investing activities	<u>15,095</u>	<u>(1,505)</u>
<u>Cash flows (used in)/from financing activities</u>		
– Repayment of term loan	(10,961)	(7,866)
– Repayment of hire purchase liabilities	(4,150)	(1,124)
– (Repayment)/Proceeds of bankers acceptances/invoice financing	(9,094)	27,732
– Financing expenses	(6,223)	(7,873)
– Proceeds of overdraft facility	3,272	327
– Repayment of lease liabilities	(36)	0
– Repayment of former immediate holding company	753	(8,006)
Net cash flows (used in)/generated from financing activities	<u>(26,439)</u>	<u>4,019</u>
Net decrease in cash and cash equivalents	2,832	3,694
Cash and cash equivalents at 1 January	9,812	12,080
Effects of exchange rate changes	0	0
Cash and cash equivalents at 30 Jun	<u>12,644</u>	<u>15,774</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 June 2020.

6. Change in estimates

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

8. Dividends paid

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



9. Segmental reporting

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 30 June 2020 RM'000	Preceding year to 30 June 2019 RM'000	As at 30 June 2020 RM'000	As at 30 June 2019 RM'000	Current year to 30 June 2020 RM'000	Preceding year to 30 June 2019 RM'000
Malaysia	123,731	169,274	635,628	740,166	1,329	2,498
South East Asia	8,333	10,363	-	-	-	-
Middle East and South Asia	3,464	7,092	-	-	-	-
Hong Kong and China	14,112	15,965	-	-	-	-
Others	1,868	2,538	-	-	-	-
	<u>151,508</u>	<u>205,232</u>	<u>635,628</u>	<u>740,166</u>	<u>1,329</u>	<u>2,498</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 2020

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

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

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

	RM'000
Approved and contracted Property, plant equipment	<u>8,971</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	847
Purchases	5,997
Rental received	228
Commission	52
Rental paid	<u>44</u>



PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. Review of performance

Quarter on quarter review

Group revenue in the second quarter of 2020 decreased sharply by 43% or RM47.6 million to RM63.7 million from RM111.3 million recorded in the preceding year corresponding quarter. The decreased revenue was mainly due to stoppage and disruption of business operation as a result of the lockdown Movement Control Order (MCO) imposed by the government against the spread COVID-19 pandemic beginning from 18 March 2020 to 12 May 2020.

Accordingly, the Group suffered a loss after tax of RM12.2 million when compared to profit after tax of RM3.7 million in the same quarter a year ago. The loss was mainly due to lower revenue and plant production output as a result of the business disruption by MCO.

Year on year review

For the first half of 2020, the Group revenue dropped to RM151.5 million, which was 26% lower against RM205.2 million a year ago. The decline was due to the above mentioned business stoppage and disruption caused by the MCO.

The Group suffered a substantial net loss of RM39.4 million for the cumulative six months in 2020 when compared to marginal net loss of RM1.1 million in the previous year corresponding period. The higher loss was mainly due to the said 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 quarter of the current year.

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

Group revenue for the current quarter decreased by 27% to RM63.7 million from RM87.8 million in the preceding quarter due to lower sales volume as there was a longer period of business stoppage in the current quarter.

The Group recorded a loss after tax of RM12.2 million against loss after tax of RM27.2 million previously as the preceding quarter included non-cash impairment loss of RM12.3 million and deferred tax asset written down of RM5.2 million.

3. Prospects

The global economic growth is affected due to the outbreak of COVID-19 and its rapid spread across the globe. Inevitably, social and economic conditions in Malaysia is affected by the COVID-19, particularly, if the Government extends or implement additional orders/policies, which may further restrict business activities.

Going forward, there are indications of recovery in the Group performance, mainly due to our business market being primarily in the local front. We expect to see some boost in demand, albeit a small one in light of current economic and market conditions both locally and globally.

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

Nevertheless, the Group and the Company will persevere with its on-going strategy to improve product mix and build upon the operating initiatives already implemented while pursuing various alternative actions to improve its financial position.

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 2020 RM'000	Preceding year quarter to 30 June 2019 RM'000	Current year to 30 June 2020 RM'000	Preceding year to 30 June 2019 RM'000
Profit/(Loss) before tax is arrived at after charging/(crediting):-				
Interest income	(67)	(70)	(134)	(141)
Interest expense	2,969	3,997	6,223	7,873
Depreciation and amortisation	7,158	7,102	14,326	14,201
Net realised foreign exchange gain	(182)	(267)	(494)	(538)
Net unrealised foreign exchange loss/(gain)	305	(256)	(283)	192
Impairment of property, plant and equipment	0	0	12,264	0
Fair value (gain)/loss on derivative financial instruments	(247)	(64)	120	24
Gain from disposal of non-current assets held for sale	(118)	0	(118)	0

6. Tax expense

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

	Current RM'000	Non-current RM'000	Total RM'000
Bank overdraft (unsecured)	4,193	-	4,193
Bankers acceptance and revolving credit (secured)	73,280	-	73,280
Bankers acceptance and revolving credit (unsecured)	27,462	-	27,462
Invoice financing (secured)	1,299	-	1,299
Term loan (secured)	16,102	85,843	101,945
Term loan (unsecured)	765	2,342	3,107
Hire purchase obligation	369	39	408
	<u>123,470</u>	<u>88,224</u>	<u>211,694</u>

9. Derivative financial instruments

As at 30 June 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	10,749	56

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 2020</u>				
Derivative financial liabilities		(56)		(56)
<u>As at 30 June 2019</u>				
Derivative financial assets		11		11



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

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

	Current year quarter to 30 June 2020	Preceding year quarter to 30 June 2019	Current year to 30 June 2020	Preceding year to 30 June 2019
a) Basic				
(Loss)/Profit for the period (RM'000)	(12,211)	3,722	(39,433)	(1,100)
Weighted average number of ordinary shares in issue ('000)	525,000	525,000	525,000	525,000
(Loss)/Profit per share (sen)	(2.33)	0.71	(7.51)	(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 June 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) The directors are in the midst of negotiating with former immediate holding company to obtain deferred repayment arrangement for year 2020 to improve the Group's short-term liquidity.
- (b) 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.
- (c) 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
- (d) 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

25 August 2020