



MIECO CHIPBOARD BERHAD (12849-K)

Condensed Consolidated Statement of Comprehensive Income for the financial period ended 31 March 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
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Revenue	93,947	80,605	93,947	80,605
Other income/(expense)	253	(359)	253	(359)
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	6,157	477	6,157	477
Depreciation and amortisation	(7,099)	(5,099)	(7,099)	(5,099)
Loss from operations	(942)	(4,622)	(942)	(4,622)
Finance costs	(3,876)	(2,440)	(3,876)	(2,440)
Loss before taxation	(4,818)	(7,062)	(4,818)	(7,062)
Tax expense	(4)	(81)	(4)	(81)
Net loss for the period	(4,822)	(7,143)	(4,822)	(7,143)
Total comprehensive loss for the period	(4,822)	(7,143)	(4,822)	(7,143)
Net loss attributable to owners of the Company	(4,822)	(7,143)	(4,822)	(7,143)
Total comprehensive loss attributable to owners of the Company	(4,822)	(7,143)	(4,822)	(7,143)
Basic loss per share (sen)	(0.92)	(1.36)	(0.92)	(1.36)
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 2018 and the explanatory notes attached to this interim financial report.



MIECO CHIPBOARD BERHAD (12849-K)

Condensed Consolidated Statement of Financial Position as at 31 March 2019

The figures have not been audited.

	(Unaudited)	(Audited)
	As at	As at
	31 March	31 December
	2019	2018
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	556,111	561,634
Deferred tax assets	5,433	5,433
	<u>561,544</u>	<u>567,067</u>
Current assets		
Inventories	73,202	63,564
Tax recoverable	370	405
Trade receivables	58,774	66,524
Other receivables	13,356	9,753
Derivative financial instruments	0	34
Short term deposits	11,455	11,455
Cash and bank balances	11,215	12,080
	<u>168,372</u>	<u>163,815</u>
TOTAL ASSETS	<u><u>729,916</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	118,259	123,081
Total equity	<u>334,082</u>	<u>338,904</u>
Non-current liabilities		
Unfunded post employment benefit obligation	12,903	12,631
Other payables	320	400
Borrowings	112,356	119,802
Amount due to former immediate holding company	13,680	17,252
Deferred tax liabilities	2,546	2,546
	<u>141,805</u>	<u>152,631</u>
Current liabilities		
Trade payables	79,561	80,275
Other payables and provisions	24,200	27,770
Borrowings	136,458	116,516
Derivative financial instruments	53	0
Amount due to former immediate holding company	13,757	14,786
	<u>254,029</u>	<u>239,347</u>
TOTAL EQUITY AND LIABILITIES	<u><u>729,916</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 31 March 2019

The figures have not been audited.

	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 loss:				
- Net loss for the financial period	-	-	(4,822)	(4,822)
Balance as at 31 March 2019	<u>215,866</u>	<u>(43)</u>	<u>118,259</u>	<u>334,082</u>
Balance as at 1 January 2018	210,000	(43)	186,892	402,715
Comprehensive income:				
- Net loss for the financial period	-	-	(7,143)	(7,143)
Balance as at 31 March 2018	<u>215,866</u>	<u>(43)</u>	<u>179,749</u>	<u>395,572</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 31 March 2019

The figures have not been audited.

	Current year to 31 March 2019 RM'000	Preceding year to 31 March 2018 RM'000
<u>Cash flows from operating activities</u>		
– Loss after tax	(4,822)	(7,143)
– Adjustments for non-cash and non-operating items		
• Taxation	4	81
• Other non-cash and non-operating items	11,295	7,685
	<u>6,477</u>	<u>803</u>
– Changes in working capital		
• Increase in inventories	(9,638)	(8,614)
• Decrease/(Increase) in receivables	4,268	(705)
• Increase/(Decrease) in payables	(4,421)	10,180
	<u>(3,314)</u>	<u>1,664</u>
– Payment of staff retirement benefits	(96)	(206)
– Net income tax refund/(paid)	31	(36)
Net cash flows from operating activities	<u>(3,379)</u>	<u>1,422</u>
<u>Cash flows (used in)/from investing activities</u>		
– Purchase of property, plant and equipment	(1,576)	(5,684)
– Interest income received	71	43
– Net acquisition of subsidiary	0	(57,292)
Net cash flows used in investing activities	<u>(1,505)</u>	<u>(62,933)</u>
<u>Cash flows from/(used in) financing activities</u>		
– (Repayment)/Proceeds of term loan	(3,413)	45,589
– (Repayment)/Proceeds of hire purchase liabilities	(559)	1,214
– Proceeds of bankers acceptances/invoice financing	16,138	14,277
– Financing expenses	(3,876)	(2,440)
– Proceeds of overdraft facility	330	36
– Repayment of former immediate holding company	(4,601)	0
Net cash flows generated from financing activities	<u>4,019</u>	<u>58,676</u>
Net decrease in cash and cash equivalents	(865)	(2,835)
Cash and cash equivalents at 1 January	12,080	12,164
Effects of exchange rate changes	0	0
Cash and cash equivalents at 31 March	<u>11,215</u>	<u>9,329</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 31 March 2019.

6. Change in estimates

There were no changes in estimates that have had a material effect for the financial period ended 31 March 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 31 March 2019.

8. Dividends paid

There were no dividends paid for the financial period ended 31 March 2019.



9. Segmental reporting

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year	Preceding	As at	As at	Current year	Preceding
	to 31 March 2019	year to 31 March 2018	31 March 2019	31 March 2018	to 31 March 2019	year to 31 March 2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	80,324	60,738	729,916	789,763	1,576	5,864
South East Asia	4,732	6,414	-	-	-	-
Middle East and South Asia	3,801	5,306	-	-	-	-
Hong Kong and China	4,074	5,086	-	-	-	-
Others	1,016	3,061	-	-	-	-
	<u>93,947</u>	<u>80,605</u>	<u>729,916</u>	<u>789,763</u>	<u>1,576</u>	<u>5,864</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 31 March 2019

There were no material events subsequent to the end of the current financial period ended 31 March 2019.

12. Changes in the composition of the Group during the financial period ended 31 March 2019

There were no changes in the composition of the Group during the financial period ended 31 March 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 31 March 2019 were as follow:-

	RM'000
Approved and contracted Property, plant equipment	<u>13,991</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	1,926
Purchases	4,263
Rental received	114
Commission	44
Rental paid	<u>24</u>



PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. Review of performance

Quarter on quarter review

Group revenue in the first quarter of 2019 increased by 17% to RM93.9 million when compared to RM80.6 million a year ago mainly due to consolidation of three months revenue in the first quarter, against one month revenue in 2018 from the subsidiary acquired in end February 2018. The plainboard average selling price was lower compared to previous year.

The Group recorded a pre-tax loss of RM4.8 million, an improvement of 32% when compared to the pre-tax loss of RM7.1 million in the same quarter a year ago, mainly as a result from cost management that had brought down the production overhead cost, coupled with cost saving on substitution of diesel usage by energy plant.

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

Group revenue for the current quarter decreased by 16% to RM93.9 million from RM112.6 million in the preceding quarter due to lower sales volume caused by major maintenance shut down of a plant and restrictions on truck deliveries during the festive season. The plainboard average selling price has increased slightly from the preceding quarter.

Despite the lower revenue, the Group recorded lower pre-tax loss of RM4.8 million against pre-tax loss of RM34.8 million in preceding quarter, mainly due to the total RM26.1 million non-cash impairment loss on the plants taken up in last quarter coupled with abovementioned increase in plainboard average selling price and better cost management.

3. Prospects

There was slight increase in chipboard prices in early 2019 with indications of further possible price increases. However, this is expected to be a slow and gradual process in light of current economic and market conditions both locally and globally.

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 before tax

	Current year quarter to 31 March 2019 RM'000	Preceding year quarter to 31 March 2018 RM'000	Current year to 31 March 2019 RM'000	Preceding year to 31 March 2018 RM'000
Profit before tax is arrived at after charging/(crediting):-				
Interest income	(71)	(44)	(71)	(44)
Interest expense	3,876	2,440	3,876	2,440
Depreciation and amortisation	7,099	5,099	7,099	5,099
Net realised foreign exchange (gain)/loss	(271)	513	(271)	513
Net unrealised foreign exchange loss/(gain)	64	(23)	64	(23)
Fair value loss on derivative financial instruments	88	6	88	6

6. Tax expense

	Current quarter to 31 March 2018 RM'000	Current year to 31 March 2019 RM'000
In respect of current year		
- Malaysia income tax	(4)	(4)
- Deferred tax	<u>0</u>	<u>0</u>
	(4)	(4)
In respect of previous year		
Malaysia income tax	<u>0</u>	<u>0</u>
	<u>(4)</u>	<u>(4)</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 31 March 2019 as follows:-

	Current RM'000	Non-current RM'000	Total RM'000
Bank overdraft (secured)	2,040		2,040
Bankers acceptance and revolving credit (secured)	71,609	-	71,609
Bankers acceptance and revolving credit (unsecured)	28,459	-	28,459
Invoice financing (secured)	10,194	-	10,194
Term loan (secured)	20,771	105,479	126,250
Term loan (unsecured)	912	3,115	4,027
Hire purchase obligation	2,473	3,762	6,235
	<u>136,458</u>	<u>112,356</u>	<u>248,814</u>

9. Derivative financial instruments

As at 31 March 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	11,441	53

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 31 March 2019</u>				
Derivative financial liabilities		(53)		(53)
<u>As at 31 March 2018</u>				
Derivative financial assets		44		44

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

13. Profit per share

	Current year quarter to 31 March 2019	Preceding year quarter to 31 March 2018	Current year to 31 March 2019	Preceding year to 31 March 2018
a) Basic				
Loss for the period (RM'000)	(4,822)	(7,143)	(4,822)	(7,143)
Weighted average number of ordinary shares in issue ('000)	525,000	525,000	525,000	525,000
Loss per share (sen)	(0.92)	(1.36)	(0.92)	(1.36)
b) Diluted	N/A	N/A	N/A	N/A

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

Ng Geok Lian
Company Secretary
Selangor

30 May 2019