



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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 31 December 2020

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to 31 December 2020 RM'000	Preceding year quarter to 31 December 2019 RM'000	Current year to 31 December 2020 RM'000	Preceding year to 31 December 2019 RM'000
Revenue	116,945	110,138	381,916	427,282
Other income	324	1,542	1,354	6,440
Operating profit before finance costs, depreciation and amortisation, income tax and non-controlling interests	19,717	10,499	36,718	44,538
Depreciation and amortisation	(7,232)	(7,305)	(28,729)	(28,607)
Reversal of allowance/(Allowance for) impairment losses of property, plant and equipment (Net)	12,073	(1,301)	(191)	(1,301)
Profit from operations	24,558	1,893	7,798	14,630
Finance costs	(2,562)	(3,575)	(11,548)	(15,143)
Profit/(Loss) before taxation	21,996	(1,682)	(3,750)	(513)
Tax credit/(expense)	5,062	2,227	(573)	2,164
Net profit/(loss) for the financial year	27,058	545	(4,323)	1,651
Other comprehensive loss: <i>Item that will not be reclassified subsequently to profit or loss:</i> Remeasurement of defined benefit liability	(1,062)	0	(1,062)	0
Total comprehensive income/(loss) for the financial year	25,996	545	(5,385)	1,651
Net profit/(loss) attributable to owners of the Company	27,058	545	(4,323)	1,651
Total comprehensive income/(loss) attributable to owners of the Company	25,996	545	(5,385)	1,651
Basic earnings/(loss) per share (sen)	5.15	0.10	(0.82)	0.31
Diluted earnings/(loss) per share (sen)	5.15	0.10	(0.82)	0.31

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 2019 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 31 December 2020

The figures have not been audited.

	(Unaudited) As at 31 December 2020 RM'000	(Audited) As at 31 December 2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	501,279	522,201
Deferred tax assets	5,147	5,433
Right-of-use assets	422	509
	<u>506,848</u>	<u>528,143</u>
Current assets		
Inventories	52,587	66,995
Trade receivables	55,891	62,319
Other receivables	12,132	9,724
Tax recoverable	0	23
Derivative financial instruments	46	64
Deposits with licensed banks	12,139	11,776
Cash and bank balances	8,645	9,812
	<u>141,440</u>	<u>160,713</u>
Non-current assets held for sale	0	16,182
	<u>141,440</u>	<u>176,895</u>
TOTAL ASSETS	<u><u>648,288</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	119,331	124,716
Total equity	<u>335,154</u>	<u>340,539</u>
Non-current liabilities		
Other payables	5,749	75
Amount due to former immediate holding company	0	3,287
Borrowings	93,201	93,900
Lease liabilities	370	455
Employee defined benefit plan	15,344	13,935
	<u>114,664</u>	<u>111,652</u>
Current liabilities		
Trade payables	59,470	69,971
Other payables	28,229	26,471
Amount due to former immediate holding company	0	17,597
Lease liabilities	85	81
Borrowings	110,685	138,727
Tax payable	1	0
	<u>198,470</u>	<u>252,847</u>
TOTAL EQUITY AND LIABILITIES	<u><u>648,288</u></u>	<u><u>705,038</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 financial year ended 31 December 2019 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 year ended 31 December 2020
The figures have not been audited.

	Attributable to equity holders of the Company			Total equity RM'000
	Share capital RM'000	Foreign currency reserve RM'000	Retained earnings RM'000	
As at 1 January 2020	215,866	(43)	124,716	340,539
Total comprehensive income/(loss) for the financial year:				
- Net loss for the financial year	-	-	(4,323)	(4,323)
- Remeasurement of defined benefit liability	-	-	(1,062)	(1,062)
As at 31 December 2020	<u>215,866</u>	<u>(43)</u>	<u>119,331</u>	<u>335,154</u>
As at 1 January 2019	215,866	(43)	123,081	338,904
Effects of adoption of MFRS 16	-	-	(16)	(16)
Total comprehensive income for the financial year	-	-	1,651	1,651
As at 31 December 2019	<u>215,866</u>	<u>(43)</u>	<u>124,716</u>	<u>340,539</u>

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 2019 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 year ended 31 December 2020

The figures have not been audited.

	Current year to 31 December 2020 RM'000	Preceding year to 31 December 2019 RM'000
<u>Cash flows from operating activities</u>		
– Loss before tax	(3,750)	(513)
– Adjustments for non-cash and non-operating items		
• Other non-cash and non-operating items	42,128	50,166
	<u>38,378</u>	<u>49,653</u>
– Changes in working capital		
• Decrease/(Increase) in inventories	13,686	(2,561)
• Decrease in receivables	4,259	637
• Decrease in payables	(3,147)	(12,018)
	<u>53,176</u>	<u>35,711</u>
– Payment of defined benefit liability	(1,187)	(167)
– Net income tax paid	(262)	(1)
	<u>51,727</u>	<u>35,543</u>
<u>Cash flows from/(used in) investing activities</u>		
– Purchase of property, plant and equipment	(8,037)	(7,819)
– Proceeds from sale of property, plant and equipment	111	34
– Proceeds from disposal of non-current assets held for sale	16,300	0
– Interest income received	349	358
– Placement of fixed deposits with licensed banks	(363)	(321)
Net cash from/(used in) investing activities	<u>8,360</u>	<u>(7,748)</u>
<u>Cash flows (used in)/from financing activities</u>		
– Repayment of term loan	(14,902)	(17,677)
– Repayment of hire purchase liabilities	(2,968)	(2,236)
– Repayment of lease liabilities	(81)	(75)
– Net (repayment)/proceeds of bankers acceptances/invoice financing	(9,950)	17,011
– Financing expenses	(11,548)	(15,143)
– Repayment of overdraft facility	(921)	(789)
– Repayment to former immediate holding company	(20,884)	(11,154)
Net cash used in financing activities	<u>(61,254)</u>	<u>(30,063)</u>
Net decrease in cash and cash equivalents	(1,167)	(2,268)
Cash and cash equivalents at 1 January	9,812	12,080
Effect of exchange translation differences on cash and cash equivalents	0	0
Cash and cash equivalents at 31 December	<u>8,645</u>	<u>9,812</u>

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 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 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 financial 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:

Amendment to MFRS 3	:	Definition of Business
Amendment to MFRS 7, MFRS 9 and MFRS 139	:	Interest Rate Benchmark Reform
Amendment to MFRS 101 and MFRS 108	:	Definition of Materials
Amendments to References to the Conceptual Framework in MFRS Standards		

3. Auditors' 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 year ended 31 December 2020.

6. Change in estimates

There were no changes in estimates that have had a material effect for the financial year ended 31 December 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 year ended 31 December 2020.

8. Dividends paid

There were no dividends paid for the financial year ended 31 December 2020.



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9. Segmental reporting

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 31 December 2020	Preceding year to 31 December 2019	As at 31 December 2020	As at 31 December 2019	Current year to 31 December 2020	Preceding year to 31 December 2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	336,851	344,664	648,288	705,038	8,037	7,819
South East Asia	16,067	23,737	-	-	-	-
Middle East and South Asia	4,889	14,120	-	-	-	-
Hong Kong and China	19,179	39,492	-	-	-	-
Others	4,930	5,269	-	-	-	-
	<u>381,916</u>	<u>427,282</u>	<u>648,288</u>	<u>705,038</u>	<u>8,037</u>	<u>7,819</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 year ended 31 December 2020

There were no material subsequent events as at 18 February 2021, 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 year ended 31 December 2020.

There were no changes in the composition of the Group during the financial year ended 31 December 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 interim financial report as at 31 December 2020 were as follows:-

	RM'000
<i>Approved and contracted</i>	
Property, plant equipment	<u>7,606</u>

15. Significant related party transactions

The Group had the following transactions with related parties during the financial year ended 31 December 2020:

	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	2,051
Purchases	13,497
Rental received	456
Commission	151
Rental paid	<u>92</u>



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PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. Review of performance

Quarter on quarter review

The Group's revenue for the fourth quarter of 2020 rose by 6% to RM116.9 million from RM110.1 million recorded in the preceding year corresponding quarter. The increase in revenue was mainly due to higher average selling price in the current quarter.

The Group's net profit has improved significantly to RM27.1 million compared to RM0.5 million recorded in preceding year correspondence quarter. The substantially higher net profit of RM26.6 million mainly resulted from the improved average selling price coupled with the net reversal of impairment losses of RM12.1 million on the plants that provided earlier and recognition of deferred tax assets of RM5.1 million.

Year on year review

For the whole year of 2020, the Group's revenue was lower by 11% to RM381.9 million from RM427.3 million a year ago. The decline was mainly due to the business stoppage and disruption of business operation in first half of the year caused by the MCO (Movement Control Order).

Consequently, the Group registered a net loss of RM4.3 million compared to net profit of RM1.7 million posted in 2019 primarily due to the abovementioned lower revenue caused by the MCO.

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

The Group's revenue for the current quarter was marginally improved by RM3.4 million to RM116.9 million from RM113.5 million in the preceding quarter contributed by improved in average selling price.

The net profit of the Group increased significantly to RM27.1 million in current quarter compared to RM8.1 million recorded in preceding quarter. The substantial improvement was largely due to the abovementioned reversal of impairment losses of plants and recognition of deferred tax assets in current quarter.

3. Prospects

The Group performance was severely affected due to the outbreak of COVID-19 and MCO implemented by the Government in the first half of 2020 before the indications of recovery in the second half of the year. Going into 2021, 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.



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5. Profit/(Loss) before tax

	Current year quarter to 31 December 2020 RM'000	Preceding year quarter to 31 December 2019 RM'000	Current year to 31 December 2020 RM'000	Preceding year to 31 December 2019 RM'000
Profit/(Loss) before tax is arrived at after charging/(crediting):-				
Interest income	(124)	(145)	(349)	(358)
Interest expense	2,562	3,575	11,548	15,143
Depreciation and amortisation	7,232	7,305	28,729	28,607
Allowance for/(Reversal of allowance) for impairment losses of inventories obsolescence (net)	722	(839)	722	(870)
(Reversal of allowance)/Allowance for impairment losses of trade receivables (net)	(220)	3,322	(220)	3,322
Net realised foreign exchange gain	(45)	(681)	(656)	(1,749)
Net unrealised foreign exchange loss	184	617	174	365
Fair value gain on derivative financial instruments	(121)	(106)	(46)	(30)
(Reversal of)/Allowance for impairment of property, plant and equipment (net)	(12,073)	1,301	191	1,301

6. Tax credit/(expense)

	Current quarter to 31 December 2020 RM'000	Current year to 31 December 2020 RM'000
In respect of current year		
- Malaysia income tax	(82)	(82)
- Real property gains tax	211	(185)
- Deferred tax	4,953	(286)
	<u>5,082</u>	<u>(553)</u>
In respect of previous year		
Malaysia income tax	(20)	(20)
Deferred tax	0	0
	<u>5,062</u>	<u>(573)</u>

The Group's effective tax rate for the current year under review were higher than statutory tax rate mainly due to other taxable income and recognition 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.



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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 31 December 2020 as follows:-

	Current RM'000	Non-current RM'000	Total RM'000
Bankers acceptance and revolving credit (secured)	74,905	-	74,905
Bankers acceptance and revolving credit (unsecured)	25,740	-	25,740
Invoice financing (unsecured)	540	-	540
Term loan (secured)	8,072	90,184	98,256
Term loan (unsecured)	1,055	1,800	2,855
Hire purchase obligation	373	1,217	1,590
	<u>110,685</u>	<u>93,201</u>	<u>203,886</u>

9. Derivative financial instruments

As at 31 December 2020, the outstanding foreign currency forward contracts are as follows:

Type of derivatives	Contract/ Notional value RM'000	Fair value assets RM'000
Foreign exchange forward contract - Less than 1 year, USD denominated	<u>5,854</u>	<u>46</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.



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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 31 December 2020</u>				
Derivative financial assets	-	46	-	46
<u>As at 31 December 2019</u>				
Derivative financial assets	-	64	-	64

11. Changes in material litigation

There was no material litigation as at 25 February 2021, being the latest practicable date which is not earlier than 7 days from the date of issuance of this interim financial report.

12. Dividend

The Directors do not recommend the payment of dividend for the financial year ended 31 December 2020. No dividend was declared for the same period last year.

13. Earnings/(Loss) per share

	Current year quarter to 31 December 2020	Preceding year quarter to 31 December 2019	Current year to 31 December 2020	Preceding year to 31 December 2019
a) Basic earnings/(loss) per share				
Net profit/(loss) for the financial year attributable to the owners of the Company (RM'000)	27,058	545	(4,323)	1,651
Weighted average number of ordinary shares in issue ('000)	525,000	525,000	525,000	525,000
Earnings/(Loss) per share (sen)	5.15	0.10	(0.82)	0.31
b) Diluted earnings/(loss) per share ⁽¹⁾	5.15	0.10	(0.82)	0.31

⁽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.



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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 financial year ended 31 December 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 has also obtained most of 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 are closely monitor the progress of the above measures while evaluating the impact of subsequent developments on the Group's financial position. As of 31 December 2020, the net current liabilities has improved to RM57.0 million from RM76.0 million a year ago.

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 February 2021