



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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the financial period ended 30 June 2021

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to 30 June 2021 RM'000	Preceding year quarter to 30 June 2020 RM'000	Current year to 30 June 2021 RM'000	Preceding year to 30 June 2020 RM'000
Revenue	81,202	63,684	179,534	151,508
Other income	705	552	1,346	1,057
Operating profit/(loss) before finance cost, depreciation and amortisation, income tax and minority interests	10,984	(2,084)	27,216	(1,381)
Depreciation and amortisation	(7,419)	(7,158)	(14,780)	(14,326)
Allowance for impairment losses of property, plant and equipment (Net)	0	0	0	(12,264)
Profit/(Loss) from operations	3,565	(9,242)	12,436	(27,971)
Finance costs	(2,364)	(2,969)	(4,797)	(6,223)
Profit/(Loss) before taxation	1,201	(12,211)	7,639	(34,194)
Tax expense	0	0	0	(5,239)
Net profit/(loss) for the period	1,201	(12,211)	7,639	(39,433)
Total comprehensive income/(loss) for the period	1,201	(12,211)	7,639	(39,433)
Net profit/(loss) attributable to owners of the Company	1,201	(12,211)	7,639	(39,433)
Total comprehensive income/(loss) attributable to owners of the Company	1,201	(12,211)	7,639	(39,433)
Basic earnings/(loss) per share (sen)	0.14	(1.45)*	0.91	(4.69)*
Diluted earnings/(loss) per share (sen)	N/A	N/A	N/A	N/A

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 2020 and the explanatory notes attached to this interim financial report.

*For comparative purpose, the earnings per share for the quarter and year to date ended 30 June 2020 has been adjusted to reflect the bonus issue of 3 for every 5 existing ordinary shares which was completed on 16 April 2021.



MIECO CHIPBOARD BERHAD (Registration No. 197201001235 (12849-K))
Condensed Consolidated Statement of Financial Position as at 30 June 2021
The figures have not been audited.

	(Unaudited) As at 30 June 2021 RM'000	(Audited) As at 31 December 2020 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	353,239	360,975
Right-of-use assets	139,376	140,786
Deferred tax assets	5,147	5,147
	<u>497,762</u>	<u>506,908</u>
Current assets		
Inventories	52,510	52,601
Trade receivables	43,861	55,662
Other receivables	9,779	10,520
Tax recoverable	34	3
Derivative financial instruments	0	46
Deposits with licensed banks	12,178	12,187
Cash and bank balances	14,233	8,637
	<u>132,595</u>	<u>139,656</u>
TOTAL ASSETS	<u>630,357</u>	<u>646,564</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	126,816	119,177
Total equity	<u>342,639</u>	<u>335,000</u>
Non-current liabilities		
Other payables	3,949	5,749
Lease liabilities	1,374	1,587
Bank borrowings	87,347	92,195
Employee defined benefit plan	15,756	15,344
	<u>108,426</u>	<u>114,875</u>
Current liabilities		
Trade payables	57,261	59,461
Other payables	23,757	26,398
Lease liabilities	416	498
Bank borrowings	97,796	110,328
Derivative financial instruments	58	0
Tax payable	4	4
	<u>179,292</u>	<u>196,689</u>
TOTAL EQUITY AND LIABILITIES	<u>630,357</u>	<u>646,564</u>
Net assets per share attributable to equity holders of the Company (RM)	<u>0.41</u>	<u>0.40*</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 2020 and the accompanying explanatory notes attached to this interim financial report.

*For comparative purpose, the net assets per share attributable to the owners of the Company as at 31 December 2020 has been adjusted to reflect the bonus issue of 3 for every 5 existing ordinary shares which was completed on 16 April 2021.



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

Condensed Consolidated Statement of Changes in Equity for the financial period ended 30 June 2021

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	
Balance as at 1 January 2021	215,866	(43)	119,177	335,000
Comprehensive income:				
- Net profit for the financial period	-	-	7,639	7,639
Balance as at 30 June 2021	<u>215,866</u>	<u>(43)</u>	<u>126,816</u>	<u>342,639</u>
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	<u>215,866</u>	<u>(43)</u>	<u>85,283</u>	<u>301,106</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 2020 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 period ended 30 June 2021

The figures have not been audited.

	Current year to 30 June 2021	Preceding year to 30 June 2020
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
– Profit/(Loss) after tax	7,639	(39,433)
– Adjustments for non-cash and non-operating items		
• Taxation	0	5,239
• Other non-cash and non-operating items	16,963	33,167
	<u>24,602</u>	<u>(1,027)</u>
– Changes in working capital		
• Decrease in inventories	91	15,312
• Decrease in receivables	15,849	10,617
• Decrease in payables	(6,570)	(10,574)
	<u>33,972</u>	<u>14,328</u>
– Payment of staff retirement benefits	(324)	(116)
– Net income tax paid	(31)	(36)
Net cash flows from operating activities	<u>33,617</u>	<u>14,176</u>
<u>Cash flows (used in)/from investing activities</u>		
– Purchase of property, plant and equipment	(5,634)	(1,329)
– Interest income received	77	134
– Placement of fixed deposit with licensed bank	9	(10)
– Proceeds from disposal of non-current assets held for sale	0	16,300
Net cash flows used in investing activities	<u>(5,548)</u>	<u>15,905</u>
<u>Cash flows (used in)/from financing activities</u>		
– Repayment of term loan	(4,443)	(10,961)
– Repayment of hire purchase liabilities	(254)	(4,150)
– Repayment of bankers acceptances/invoice financing	(12,938)	(9,094)
– Financing expenses	(4,797)	(6,223)
– Proceeds of overdraft facility	0	3,272
– Repayment of lease liabilities	(41)	(36)
– Repayment of former immediate holding company	0	753
– Net cash flows used in financing activities	<u>(22,473)</u>	<u>(26,439)</u>
Net increase in cash and cash equivalents	5,596	2,832
Cash and cash equivalents at 1 January	8,637	9,812
Effects of exchange rate changes	0	0
Cash and cash equivalents at 30 Jun	<u>14,233</u>	<u>12,644</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 2020 and the accompanying explanatory notes attached to this interim financial report.



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 2020. 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 2020.

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 2020 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 2021:

Amendments to the following MFRSs :
Amendment to MFRS 9, MFRS 139 : Interest Rate Benchmark Reform – Phase 2
and MFRS 7, MFRS 4 and MFRS 16

3. Audit report of preceding annual financial statements for financial year ended 31 December 2020

The audit report of the Group's financial statements for the financial year ended 31 December 2020 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 2021.

6. Change in estimates

There were no changes in estimates that have had a material effect for the financial period ended 30 June 2021.

7. Issuance and repayment of debt and equity securities

There were no issuance and repayment of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial period under review, except for the followings : -

Bonus Issue of Shares

On 2 March 2021, the Company proposed to undertake a bonus issue of up to 315,000,000 new ordinary shares in the Company ("Bonus Shares") on the basis of 3 Bonus Shares for every 5 existing ordinary shares held in the Company which were subsequently approved by the shareholders of the Company at an Extraordinary General Meeting held on 31 March 2021 ("Bonus Issue").

The Bonus Issue has been completed following the listing and quotation for 314,999,966 Bonus Shares pursuant to the Bonus Issue on the Main Market of Bursa Securities on 16 April 2021.



8. Dividends paid

There were no dividends paid for the financial period ended 30 June 2021.

9. Segmental reporting

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 30 June 2021 RM'000	Preceding year to 30 June 2020 RM'000	As at 30 June 2021 RM'000	As at 30 June 2020 RM'000	Current year to 30 June 2021 RM'000	Preceding year to 30 June 2020 RM'000
Malaysia	164,357	123,731	630,357	635,628	5,634	1,329
South East Asia	8,852	8,333	-	-	-	-
Middle East and South Asia	2,303	3,464	-	-	-	-
Hong Kong and China	708	14,112	-	-	-	-
Others	3,314	1,868	-	-	-	-
	<u>179,534</u>	<u>151,508</u>	<u>630,357</u>	<u>635,628</u>	<u>5,634</u>	<u>1,329</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 2021

There were no material subsequent events as at 19 August 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 period ended 30 June 2021

There were no changes in the composition of the Group during the financial period ended 30 June 2021.

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 2020.

14. Capital commitments

Capital commitments not provided for in the financial statements as at 30 June 2021 were as follow:-

	RM'000
Approved and contracted Property, plant equipment	<u>2,267</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	2,944
Purchases	5,746
Rental received	228
Commission	2
Rental paid	48
	<hr/>



PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. Review of performance

Quarter on quarter review

Group revenue for the current quarter of 2021 was higher by 27% or RM17.5 million to RM81.2 million from RM63.7 million recorded in the preceding year corresponding quarter. The increase in revenue was mainly contributed by higher average selling price and sales volume.

The Group recorded a profit after tax of RM1.2 million which was an improvement of RM13.4 million when compared to a loss after tax of RM12.2 million in the same quarter last year. The turnaround was due primarily to the higher product average selling price coupled with higher production output in the current quarter, compared to lower production output in the same quarter last year as a result of longer business stoppage and disruption caused by the implementation of First Movement Control Order (MCO 1.0).

Year on year review

For the first half of 2021, the Group revenue rose to RM179.5 million, which was 18% higher against RM151.5 million a year ago. The higher revenue was mainly due to the higher average selling price and sales volume.

The Group registered a profit after tax of RM7.6 million for the cumulative six months in 2021 when compared to a loss after tax of RM39.4 million in the previous year corresponding period. The improved performance was mainly contributed by higher revenue in current year and the absent of non-cash impairment loss of RM12.3 million and deferred tax asset written down of RM5.2 million which were recognised in the previous year corresponding period.

2. Material change in performance for the quarter against the immediate preceding quarter

Group revenue for the current quarter decreased by 17% to RM81.2 million from RM98.3 million in the preceding quarter due to lower sales volume mainly resulting from the full business stoppage as a result of the imposition of the nationwide Full Movement Control Order (FMCO) began from 1st June 2021.

Consequently, the Group posted a lower profit after tax of RM1.2 million as compared to profit after tax of RM6.4 million in preceding quarter. The lower profit in the current quarter due primarily to the lower revenue and loss in fixed cost caused by the operation stoppage under the abovementioned FMCO lockdown.

3. Prospects

The rapid resurgence of cases in our home country has led to the implementation of blanket containment measures, notably the Full Movement Control Order (FMCO) from 1st June 2021. The Group's operations during the quarter review had been affected negatively due to the closure during FMCO.

However, with the accelerated rollout of the National COVID-19 Immunisation Programme and the launch of the National Recovery Plan, we remain hopeful that it will help to achieve herd immunity and facilitate business recovery in a more sustainable manner.

Nevertheless, the Group foresee that the outlook of the board industry continue to be positive, as we are experiencing strong demands and good pricing.

As at the date of this report, majority of the employees of the Group have completed both their vaccine shots either through the "Program Imunisasi Industri COVID-19 Kerjasama Awam-Swasta (PIKAS)" or MySejahtera arrangement.

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 minimize the impact of the outbreak on the Group's operation.

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 2021 RM'000	Preceding year quarter to 30 June 2020 RM'000	Current year to 30 June 2021 RM'000	Preceding year to 30 June 2020 RM'000
Profit/(Loss) before tax is arrived at after charging/(crediting):-				
Interest income	(39)	(67)	(77)	(134)
Interest expense	2,364	2,969	4,797	6,223
Depreciation and amortisation	7,419	7,158	14,780	14,326
Net realised foreign exchange gain	(364)	(182)	(509)	(494)
Net unrealised foreign exchange (gain)/loss	(142)	305	(137)	(283)
Loss/(gain) from disposal of non-current assets held for sale	0	(118)	0	(118)
Fair value (gain)/loss on derivative financial instruments	(5)	(247)	104	120
Impairment of property, plant and equipment	0	0	0	12,264

6. Tax expense

	Current quarter to 30 June 2021 RM'000	Current year to 30 June 2021 RM'000
In respect of current year		
- Malaysia income tax	0	0
- Deferred tax	0	0
	<u>0</u>	<u>0</u>
In respect of previous year		
Malaysia income tax	0	0
	<u>0</u>	<u>0</u>

The Group's effective tax rate for the current quarter and the year under review were lower than statutory tax rate mainly due utilisation of deferred tax assets.

7. Status of corporate proposals

As at 19 August 2021 (being the latest practicable date which is not earlier than 7 days from the date of issuance of this Quarterly Report) :-

- a) **Status of corporate proposal announced but not completed**
There were no corporate proposals announced but not completed.
- b) **Status of utilisation of proceeds raised from any corporate proposal**
There were no proceeds raised from any corporate proposal.



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 2021 as follows:-

	Current RM'000	Non-current RM'000	Total RM'000
Bankers acceptance and revolving credit (secured)	61,641	-	61,641
Bankers acceptance and revolving credit (unsecured)	22,412	-	22,412
Term loan (secured)	8,449	86,096	94,545
Term loan (unsecured)	1,099	1,251	2,350
Invoice financing (unsecured)	4,195	-	4,195
	<u>97,796</u>	<u>87,347</u>	<u>185,143</u>

9. Derivative financial instruments

As at 30 June 2021, 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	3,784	58

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 2021</u>				
Derivative financial liabilities		(58)		(58)
<u>As at 30 June 2020</u>				
Derivative financial liabilities		(56)		(46)



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 2020.

12. **Dividend**

The Directors do not recommend the payment of dividend for the financial period ended 30 June 2021. No dividend was declared for the same period last year.

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

	Current year quarter to 30 June 2021	Preceding year quarter to 30 June 2020	Current year to 30 June 2021	Preceding year to 30 June 2020
a) Basic earnings/(loss) per share				
Net profit/(loss) for the financial year attributable to the owners of the Company (RM'000)	1,201	(12,211)	7,639	(39,433)
Weighted average number of ordinary shares in issue ('000)	840,000	840,000	840,000	840,000
Earnings/(Loss) per share (sen)	0.14	(1.45)*	0.91	(4.69)*
b) Diluted earnings/(loss) per share ⁽¹⁾	N/A	N/A	N/A	N/A

⁽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.

*For comparative purpose, the earnings per share for the quarter and year to date ended 30 June 2020 has been adjusted to reflect the bonus issue of 3 for every 5 existing ordinary shares which was completed on 16 April 2021.



14. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the Group's financial statements for the financial year ended 31 December 2020 contained a paragraph on material uncertainty related to going concern, as follows :

"We draw attention to Note 2(d) to the financial statements, which indicates that the Group incurred a net loss of RM4,478,000 during the financial year ended 31 December 2020 and, as of that date, the Group's current liabilities exceeded its current assets by RM57,033,000. As stated in Note 2(d), these events or conditions, along with other matters as set forth in Note 2(d), 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 2021 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, and
 - Optimise production and inventory holding level on raw materials and finished goods

The Directors closely monitoring the progress of the above measures while evaluating the impact of subsequent developments on the Group's financial position. As of 30 June 2021, the net current liabilities has improved to RM46.7 million from RM57.0 million as at 31 December 2020.

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 August 2021