



MIECO CHIPBOARD BERHAD (12849-K)

Condensed Consolidated Statement of Comprehensive Income for the financial period ended 30 September 2021

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 2021 RM'000	30 September 2020 RM'000	30 September 2021 RM'000	30 September 2020 RM'000
Revenue	58,283	113,463	237,817	264,971
Other income/(expense)	1,140	(27)	2,486	1,030
Operating profit before finance cost, depreciation and amortisation, income tax and minority interests	2,320	18,381	29,536	17,000
Depreciation and amortisation	(7,961)	(7,172)	(22,741)	(21,498)
Impairment of property, plant and equipment	0	0	0	(12,264)
(Loss)/Profit from operations	(5,641)	11,209	6,795	(16,762)
Finance costs	(2,605)	(2,762)	(7,402)	(8,985)
(Loss)/Profit before taxation	(8,246)	8,447	(607)	(25,747)
Tax expense	0	(396)	0	(5,635)
Net (loss)/profit for the period	(8,246)	8,051	(607)	(31,382)
Total comprehensive (loss)/profit for the period	(8,246)	8,051	(607)	(31,382)
Net (loss)/profit attributable to owners of the Company	(8,246)	8,051	(607)	(31,382)
Total comprehensive (loss)/profit attributable to owners of the Company	(8,246)	8,051	(607)	(31,382)
Basic (loss)/profit per share (sen)	(0.98)	0.96*	(0.07)	(3.74)*
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 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 September 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 (12849-K)

Condensed Consolidated Statement of Financial Position as at 30 September 2021

The figures have not been audited.

	(Unaudited) As at 30 September 2021 RM'000	(Audited) As at 31 December 2020 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	348,258	360,975
Right-of-use assets	138,867	140,786
Deferred tax assets	5,147	5,147
	<u>492,272</u>	<u>506,908</u>
Current assets		
Inventories	64,052	52,601
Trade receivables	47,790	55,662
Other receivables	8,803	10,520
Tax recoverable	52	3
Derivative financial instruments	0	46
Deposits with licensed banks	9,442	12,187
Cash and bank balances	9,861	8,637
	<u>140,000</u>	<u>139,656</u>
TOTAL ASSETS	<u><u>632,272</u></u>	<u><u>646,564</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	118,570	119,177
Total equity	<u>334,393</u>	<u>335,000</u>
Non-current liabilities		
Other payables	3,049	5,749
Lease liabilities	1,270	1,587
Bank borrowings	85,093	92,195
Employee defined benefit plan	16,124	15,344
	<u>105,536</u>	<u>114,875</u>
Current liabilities		
Trade payables	58,883	59,461
Other payables	25,581	26,398
Lease liabilities	418	498
Bank borrowings	107,435	110,328
Derivative financial instruments	22	0
Tax payable	4	4
	<u>192,343</u>	<u>196,689</u>
TOTAL EQUITY AND LIABILITIES	<u><u>632,272</u></u>	<u><u>646,564</u></u>
Net assets per share attributable to equity holders of the Company (RM)	<u>0.40</u>	<u>0.40*</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the 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 (12849-K)

Condensed Consolidated Statement of Changes in Equity for the financial period ended 30 September 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 loss:				
- Net loss for the financial period	-	-	(607)	(607)
Balance as at 30 September 2021	215,866	(43)	118,570	334,393
Balance as at 1 January 2020	215,866	(43)	124,716	340,539
Comprehensive loss:				
- Net loss for the financial period	-	-	(31,382)	(31,382)
Balance as at 30 September 2020	215,866	(43)	93,334	309,157

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2020 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 2021

The figures have not been audited.

	Current year to 30 September 2021	Preceding year to 30 September 2020
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
– Loss after tax	(607)	(31,382)
– Adjustments for non-cash and non-operating items		
• Taxation	0	5,635
• Other non-cash and non-operating items	27,782	43,641
	<u>27,175</u>	<u>17,894</u>
– Changes in working capital		
• (Increase)/Decrease in inventories	(11,451)	13,367
• Decrease/(Increase) in receivables	12,921	(667)
• (Decrease)/Increase in payables	(3,961)	9,415
	<u>24,684</u>	<u>40,009</u>
– Payment of staff retirement benefits	(324)	(659)
– Net income tax paid	(49)	(53)
Net cash flows from operating activities	<u>24,311</u>	<u>39,297</u>
<u>Cash flows (used in)/from investing activities</u>		
– Purchase of property, plant and equipment	(8,111)	(4,383)
– Interest income received	74	201
– Withdrawal/(Placement) of fixed deposit with licensed bank	2,745	(10)
– Proceeds from disposal of non-current assets held for sale	0	15,904
– Proceeds from disposal of property, plant and equipment	0	71
Net cash flows (used in)/from investing activities	<u>(5,292)</u>	<u>11,783</u>
<u>Cash flows (used in)/from financing activities</u>		
– Repayment of term loan	(6,677)	(12,521)
– Repayment of hire purchase liabilities	(335)	(4,143)
– (Repayment)/Proceeds of bankers acceptances/invoice financing	(4,287)	(3,431)
– Financing expenses	(7,402)	(8,985)
– Proceeds/(Repayment) of overdraft facility	969	(921)
– Repayment of lease liabilities	(63)	(56)
– Repayment of former immediate holding company	0	(20,884)
Net cash flows (used in)/generated from financing activities	<u>(17,795)</u>	<u>(50,941)</u>
Net increase/(decrease) in cash and cash equivalents	1,224	139
Cash and cash equivalents at 1 January	8,637	9,812
Effects of exchange rate changes	0	0
Cash and cash equivalents at 30 Sep	<u>9,861</u>	<u>9,951</u>

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 December 2020 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 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 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 September 2021.

6. Change in estimates

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

9. Segmental reporting

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 30 Sep 2021 RM'000	Preceding year to 30 Sep 2020 RM'000	As at 30 Sep 2021 RM'000	As at 30 Sep 2020 RM'000	Current year to 30 Sep 2021 RM'000	Preceding year to 30 Sep 2020 RM'000
Malaysia	215,277	227,059	632,272	641,739	8,111	4,383
South East Asia	15,080	12,031	-	-	-	-
Middle East and South Asia	2,824	4,341	-	-	-	-
Hong Kong and China	708	17,971	-	-	-	-
Others	3,928	3,569	-	-	-	-
	<u>237,817</u>	<u>264,971</u>	<u>632,272</u>	<u>641,739</u>	<u>8,111</u>	<u>4,383</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 2021

There were no material events subsequent to the end of the current financial period ended 30 September 2021.

12. Changes in the composition of the Group during the financial period ended 30 September 2021

There were no changes in the composition of the Group during the financial period ended 30 September 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 September 2021 were as follow:-

	RM'000
Approved and contracted Property, plant equipment	<u>4,584</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	3,181
Purchases	7,945
Rental received	342
Commission	5
Rental paid	72
	<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 2021, Group revenue declined sharply by 49% or RM55.2 million to RM58.3 million from RM113.5 million in the preceding year corresponding quarter. The decrease in revenue was mainly due to the implementation of blanket containment measures, notably the Full Movement Control Order (FMCO) on 1 June 2021 to curb the resurgence of Covid-19 cases in our country and the subsequent prolonged tight containment measures in current quarter which has adversely affected the Group operational activities.

Consequently the Group suffered a loss after tax of RM8.2 million compared to a profit after tax of RM8.1 million in the same quarter last year due to lower revenue and production output as a result of the FMCO.

Year on year review

For the cumulative nine months of 2021, the Group revenue slipped 10% to RM237.8 million from RM265.0 million a year ago. The decline was mainly due to the above mentioned operational disruption caused by the FMCO.

Notwithstanding of lower revenue, the Group narrowed its net loss to RM0.6 million for the 9 months ended 30 September 2021 when compared to net loss of RM31.4 million in the previous year corresponding period. The improved performance was mainly contributed by higher product average selling price 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 to the result of the immediate preceding quarter

Group revenue for the current quarter decreased by 28% to RM58.3 million from RM81.2 million in the preceding quarter mainly due to operational constraints resulted by the FMCO and prolonged tight containment measures in current quarter.

Accordingly, the Group recorded a loss after tax of RM8.2 million against profit after tax of RM1.2 million in preceding quarter. The higher losses due primarily to the lower revenue and loss in fixed cost caused by the implementation of FMCO and the impact of tight containment measures in current quarter.

3. Prospects

The implementation of the FMCO from 1st June 2021 had adversely affected the Group operation during the quarter under review.

With majority of the states in Malaysia had entered to Phase 4 of the National Recovery Plan coupled with further relaxation of restrictions and resumption of economic activities, we hope this would help to facilitate business recovery.

Barring any unforeseen circumstances, the Group is cautiously optimistic to achieve a more sustainable performance as the market demand for our product continues to remain firm.

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.



5. Profit/(Loss) before tax

	Current year quarter to 30 September 2021 RM'000	Preceding year quarter to 30 September 2020 RM'000	Current year to 30 September 2021 RM'000	Preceding year to 30 September 2020 RM'000
Profit/(Loss) before tax is arrived at after charging/(crediting):-				
Interest income	3	(91)	(74)	(225)
Interest expense	2,605	2,762	7,402	8,985
Depreciation and amortisation	7,961	7,172	22,741	21,498
Net realised foreign exchange gain	(103)	(116)	(613)	(610)
Net unrealised foreign exchange (gain)/loss	(88)	273	(226)	(10)
Impairment of property, plant and equipment	0	0	0	12,264
Fair value (gain)/loss on derivative financial instruments	(36)	(45)	68	75
Gain from disposal of non-current assets held for sale	0	0	0	(118)

6. Tax expense

	Current quarter to 30 Sep 2021 RM'000	Current year to 30 Sep 2021 RM'000
In respect of current year		
- Malaysia income tax	0	0
- Real property gain 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 higher than statutory tax rate mainly due to other taxable income and reversal of deferred tax assets.



7. **Status of corporate proposals**
i. Proposed Private Placement; and
ii. Proposed Acquisition
(Collectively referred to as the "Proposals")

On 6 October 2021, UOB Kay Hian Securities (M) Sdn Bhd ("**UOBKH**") had, on behalf of the Board announced that :-

- i. the Company intends to undertake a fundraising exercise via a private placement which involves the issuance of new shares in MIECO ("**MIECO Share(s)**" or "**Share(s)**") representing up to 20% of the total number of issued shares of MIECO (excluding treasury shares) to third party investor(s) to be identified later at an issue price to be determined later ("**Proposed Private Placement**"), of which the proceeds arising thereto are mainly intended to finance the Proposed Acquisition (as defined herein), either in whole or in part, subject to the successful procurement of placee(s) and implementation of the placement prior to completion of the Proposed Acquisition.

The Proposed Private Placement is not undertaken in accordance with a general mandate pursuant to Sections 75 and 76 of the Companies Act 2016 ("**Act**") and that the Proposed Private Placement is subject to specific shareholder approval pursuant to Paragraph 6.05 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**"); and

- ii. MIECO had on 6 October 2021, entered into conditional share sale agreement ("**SSA**") with SYF Resources Berhad ("**SYF**" or the "**Vendor**") for the acquisition of the entire equity interest in Seng Yip Furniture Sdn Bhd ("**SYFSB**"), a wholly-owned subsidiary company of SYF, for a purchase consideration of RM50,000,000 ("**Purchase Consideration**") to be satisfied entirely via cash ("**Proposed Acquisition**").

The above Proposals are subject to approvals of the shareholders of the Company at an Extraordinary General Meeting to be convened and any other relevant authorities, if required.

Except the above-mentioned, there is no other corporate proposals announced or outstanding as at 23 November 2021 (being the latest practicable date which is not earlier than 7 days from the date of issue of this Quarterly Report).

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 2021 as follows:-

	Current RM'000	Non-current RM'000	Total RM'000
Bank overdraft (secured)	969	-	969
Bankers acceptance and revolving credit (secured)	55,826	-	55,826
Bankers acceptance and revolving credit (unsecured)	21,456	-	21,456
Invoice financing (unsecured)	19,615	-	19,615
Term loan (secured)	8,449	84,129	92,578
Term loan (unsecured)	1,120	964	2,084
	<u>107,435</u>	<u>85,093</u>	<u>192,528</u>



9. **Derivative financial instruments**

As at 30 September 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	2,144	(22)

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 Sep 2021</u>				
Derivative financial liabilities		(22)		(22)
<u>As at 30 Sep 2020</u>				
Derivative financial liabilities		(10)		(10)

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 September 2021. No dividend was declared for the same period last year.



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

	Current year quarter to 30 September 2021	Preceding year quarter to 30 September 2020	Current year to 30 September 2021	Preceding year to 30 September 2020
a) Basic				
(Loss)/Profit for the period (RM'000)	(8,246)	8,051	(607)	(31,382)
Weighted average number of ordinary shares in issue ('000)	840,000	840,000	840,000	840,000
(Loss)/Profit per share (sen)	(0.98)	0.96*	(0.07)	(3.74)*
b) Diluted	N/A	N/A	N/A	N/A

*For comparative purpose, the earnings per share for the quarter and year to date ended 30 September 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 September 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 September 2021, the net current liabilities has improved to RM52.3 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

30 November 2021