



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 2021

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to 31 December 2021 RM'000	Preceding year quarter to 31 December 2020 RM'000	Current year to 31 December 2021 RM'000	Preceding year to 31 December 2020 RM'000
Revenue	134,806	112,362	372,623	377,332
Other income/(expense)	2,202	(88)	4,688	942
Operating profit before finance costs, depreciation and amortisation, income tax and non-controlling interests	26,130	19,504	55,667	36,504
Depreciation and amortisation	(7,741)	(7,232)	(30,482)	(28,729)
Reversal of allowance/(Allowance for) impairment losses of property, plant and equipment (Net)	8,102	12,132	8,102	(131)
Profit from operations	26,491	24,404	33,287	7,644
Finance costs	(2,910)	(2,562)	(10,312)	(11,548)
Profit/(Loss) before taxation	23,581	21,842	22,975	(3,904)
Tax credit/(expense)	4,530	5,062	4,530	(573)
Net profit/(loss) for the financial year	28,111	26,904	27,505	(4,477)
Other comprehensive loss: <i>Item that will not be reclassified subsequently to profit or loss</i>				
Remeasurement of defined benefit liability	0	(1,062)	0	(1,062)
Total comprehensive income/(loss) for the financial year	28,111	25,842	27,505	(5,539)
Net profit/(loss) attributable to owners of the Company	28,111	26,904	27,505	(4,477)
Total comprehensive income/(loss) attributable to owners of the Company	28,111	25,842	27,505	(5,539)
Basic earnings/(loss) per share (sen)	2.81	2.69*	2.75	(0.45)*
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 accompanying explanatory notes attached to this interim financial report.

*For comparative purpose, the earnings per share for the quarter and year to date ended 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 and issuance of 160,000,000 ordinary shares pursuant to Private Placement completed on 23 December 2021.



MIECO CHIPBOARD BERHAD (Registration No. 197201001235 (12849-K))
Condensed Consolidated Statement of Financial Position as at 31 December 2021
The figures have not been audited.

	(Unaudited) As at 31 December 2021 RM'000	(Audited) As at 31 December 2020 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	330,320	360,975
Investment properties	17,000	0
Deferred tax assets	9,873	5,147
Right-of-use assets	140,717	140,786
	<u>497,910</u>	<u>506,908</u>
Current assets		
Inventories	62,414	52,601
Trade receivables	67,773	55,662
Other receivables	6,803	10,520
Tax recoverable	44	3
Derivative financial instruments	8	46
Deposits with licensed banks	9,593	12,187
Cash and bank balances	78,952	8,637
	<u>225,587</u>	<u>139,656</u>
TOTAL ASSETS	<u>723,497</u>	<u>646,564</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	276,666	215,866
Reserves		
Foreign currency reserve	(43)	(43)
Retained earnings	146,682	119,177
Total equity	<u>423,305</u>	<u>335,000</u>
Non-current liabilities		
Other payables	2,149	5,749
Bank borrowings	82,003	92,195
Lease liabilities	1,175	1,587
Employee defined benefit plan	16,049	15,344
	<u>101,376</u>	<u>114,875</u>
Current liabilities		
Trade payables	60,546	59,461
Other payables	23,060	26,398
Lease liabilities	412	498
Bank borrowings	114,662	110,328
Tax payable	136	4
	<u>198,816</u>	<u>196,689</u>
TOTAL EQUITY AND LIABILITIES	<u>723,497</u>	<u>646,564</u>
Net assets per share attributable to equity holders of the Company (RM)	<u>0.42</u>	<u>0.34*</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 and issuance of 160,000,000 ordinary shares pursuant to Private Placement completed on 23 December 2021.



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

Condensed Consolidated Statement of Changes in Equity for the financial year ended 31 December 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	
As at 1 January 2021	215,866	(43)	119,177	335,000
Total comprehensive income for the financial year:				
- Profit for the financial year	-	-	27,505	27,505
Transaction with owners:				
- Issuance of private placement	60,800	-	-	60,800
As at 31 December 2021	276,666	(43)	146,682	423,305
As at 1 January 2020	215,866	(43)	124,716	340,539
Total comprehensive loss for the financial year:				
- Loss for the financial year	-	-	(4,477)	(4,477)
- Other comprehensive loss for the financial year	-	-	(1,062)	(1,062)
Balance as at 31 December 2020	215,866	(43)	119,177	335,000

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 year ended 31 December 2021

The figures have not been audited.

	Current year to 31 December 2021 RM'000	Preceding year to 31 December 2020 RM'000
<u>Cash flows from operating activities</u>		
– Profit/(Loss) before tax	22,975	(3,905)
– Adjustments for non-cash and non-operating items		
• Other non-cash and non-operating items	29,550	43,267
	<u>52,525</u>	<u>39,362</u>
– Changes in working capital		
• (Increase)/Decrease in inventories	(8,738)	13,343
• (Increase)/Decrease in receivables	(5,136)	5,405
• Decrease in payables	(5,669)	(4,678)
	<u>32,982</u>	<u>53,432</u>
– Payment of defined benefit liability	(767)	(1,187)
– Net income tax paid	(104)	(78)
Net cash from operating activities	<u>32,111</u>	<u>52,167</u>
<u>Cash flows from/(used in) investing activities</u>		
– Purchase of property, plant and equipment	(8,664)	(6,830)
– Proceeds from sale of property, plant and equipment	0	111
– Proceeds from disposal of non-current assets held for sale	0	16,300
– Interest income received	143	349
– Placement of fixed deposits with licensed banks	(151)	(411)
– Withdrawal of fixed deposits with licensed banks	2,745	0
– Proceeds from private placement	60,800	0
Net cash from investing activities	<u>54,873</u>	<u>9,519</u>
<u>Cash flows (used in)/from financing activities</u>		
– Repayment of term loan	(9,143)	(14,986)
– Repayment of lease liabilities	(499)	(4,615)
– Net proceeds/(repayment) of bankers acceptances/invoice financing	2,506	(9,950)
– Financing expenses	(10,312)	(11,548)
– Repayment of overdraft facility	779	0
– Repayment to former immediate holding company	0	(20,884)
Net cash used in financing activities	<u>(16,669)</u>	<u>(61,983)</u>
Net decrease in cash and cash equivalents	70,315	(297)
Cash and cash equivalents at 1 January	8,637	8,891
Effect of exchange translation differences on cash and cash equivalents	0	43
Cash and cash equivalents at 31 December	<u>78,952</u>	<u>8,637</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.



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 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:

Amendment to MFRS 9, MFRS 139, : Interest Rate Benchmark Reform - Phase 2
MFRS 7, MFRS 4 and MFRS 16

3. Auditors' 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 year ended 31 December 2021.

6. Change in estimates

There were no changes in estimates that have had a material effect for the financial year ended 31 December 2021.

7. Issuance and repayment of debt and equity securities

As at the quarter ended 31 December 2021, a total of 160,000,000 new ordinary shares were issued pursuant to the exercise of the Private Placement. Details of the issued and paid up capital of the Company as at 31 December 2021 are as follows :-

	No. of Shares	RM'000
As at 30 September 2021	839,999,966	215,866
Ordinary shares issued pursuant to Private Placement	160,000,000	60,800
As at 31 December 2021	999,999,966	276,666

Other than the above, there were no issuance and repayment of debt and equity securities, share cancellations and resale of treasury shares in the current quarter and financial period ended 31 December 2021.



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8. Dividends paid

There were no dividends paid for the financial year ended 31 December 2021.

9. Segmental reporting

The Group operates in the following geographical areas:

	Revenue		Total assets		Capital expenditure	
	Current year to 31 December 2021	Preceding year to 31 December 2020	As at 31 December 2021	As at 31 December 2020	Current year to 31 December 2021	Preceding year to 31 December 2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	341,566	332,266	723,497	646,564	8,664	8,440
South East Asia	16,480	16,068	-	-	-	-
Middle East and South Asia	5,360	4,889	-	-	-	-
Hong Kong and China	3,076	19,179	-	-	-	-
Others	6,141	4,930	-	-	-	-
	<u>372,623</u>	<u>377,332</u>	<u>723,497</u>	<u>646,564</u>	<u>8,664</u>	<u>8,440</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 2021

There were no material subsequent events as at 25 February 2022, 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 2021

There were no changes in the composition of the Group during the financial year ended 31 December 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 interim financial report as at 31 December 2021 were as follows:-

	RM'000
<i>Approved and contracted</i>	
Property, plant equipment	7,970
Proposed acquisition of 100% equity interest in Seng Yip Furniture Sdn Bhd	50,000
	<u>57,970</u>



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15. Significant related party transactions

The Group had the following transactions with related parties during the financial year ended 31 December 2021:

	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	3,404
Purchases	11,136
Rental received	456
Commission	10
Rental paid	<u>96</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 has recorded a revenue of RM134.8 million for the final quarter of 2021, an increase of 20% from RM112.4 million in the preceding year corresponding quarter. The increase in revenue was mainly attributable to higher of average selling price in current quarter.

The Group's net profit has improved to RM28.1 million compared to RM26.9 million in preceding year correspondence quarter. The higher net profit was mainly due to improve margin resulted from the higher average selling.

Year on year review

For the whole financial year of 2021, the Group's revenue was marginally lower by 1% to RM372.6 million from RM377.3 million a year ago. The decline was mainly due to lower sales volume as a result of the implementation of various phases of Covid-19 lockdown measures to curb the resurgence of Covid-19 cases in our country and the subsequent prolonged tight containment measures which had adversely affected the Group operational activities.

Despite of lower revenue, the Group has made a turnaround on its net profit by registering a net profit of RM27.5 million compared to net loss of RM4.5 million posted in 2020 mainly thanks to the much improved average selling price driven by the stronger demand in domestic market coupled with the net reversal of impairment loss on the plants of RM8.2 million and tax credit of RM4.5 million arising from the recognition of deferred tax assets.

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

The Group's revenue for the current quarter was more than doubled by 131% to RM134.9 million from RM58.3 million in the preceding quarter mainly contributed by the higher sales volume after the relaxation of Covid-19 containment measures in current quarter.

Accordingly, the net profit of the Group has significantly improved to RM28.1 million in current quarter compared to net loss of RM8.2 million recorded in preceding quarter. The substantial improvement was largely due to the abovementioned better revenue coupled with the net reversal of impairment loss on the plants of RM8.2 million and tax credit of RM4.5 million arising from the recognition of deferred tax assets.

3. Prospects

The Group saw encouraging business recovery in the last quarter of 2021, as most states in Malaysia were placed under Phase 4 of National Recovery Plan with the full resumption of business activities and certain social activities.

The outlook of 2022 is positive as the Group anticipates positive business sentiments as the country continues to chart its economic recovery on the back of various stimulus packages introduced by the Government.

The particle board market growth is expected to continue to be positive with the growing demand from both the domestic and international markets, and the Group expects the market to remain firm for the rest of 2022.

However, the Group remains cautious given the recent spike in new Covid-19 cases amidst high vaccination rate, the continued closure of international borders as well as inflationary and supply chain pressures posed by the pandemic.

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 2021 RM'000	Preceding year quarter to 31 December 2020 RM'000	Current year to 31 December 2021 RM'000	Preceding year to 31 December 2020 RM'000
Profit/(Loss) before tax is arrived at after charging/(crediting):-				
Interest income	(85)	(124)	(1,362)	(349)
Interest expense	2,910	2,562	10,312	11,548
Depreciation and amortisation	7,741	7,232	30,482	28,726
Net realised foreign exchange gain	(322)	(45)	(922)	(604)
Net unrealised foreign exchange loss	87	184	138	67
Fair value gain/(loss) on derivative financial instruments	45	(112)	38	(18)
Provision/(Write Back) allowance for inventories obsolescence	1,075	722	1,075	722
Allowance/(Reversal) for doubtful debts – trade receivables	656	241	(2,584)	241
(Reversal of)/Allowance for impairment of property, plant and equipment (net)	(8,102)	(12,132)	(8,102)	131

6. Tax credit/(expense)

	Current quarter to 31 December 2021 RM'000	Current year to 31 December 2021 RM'000
In respect of current year		
- Malaysia income tax	(195)	(195)
- Real property gains tax	0	0
- Deferred tax	4,726	4,726
	<u>4,531</u>	<u>4,531</u>
In respect of previous year		
Malaysia income tax	0	0
Deferred tax	0	0
	<u>4,531</u>	<u>4,531</u>

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



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7. Status of corporate proposals

i. Private Placement; and

ii. Acquisition

(Collectively referred to as the "Corporate Exercises")

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 ("**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 Acquisition.

On 23 December 2021, a total of 160,000,000 Placement Shares were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad, which also marks the completion of the Private Placement.

The status of the utilization of the proceeds arising from the Private Placement is set out below :-

Description	Proceeds raised (RM'000)	Actual utilization (RM'000)	Balance unutilized (RM'000)	Intended timeframe for utilization from the receipt of Placement Funds
Purchase Consideration for the Acquisition	50,000	-	50,000	Upon completion of the Acquisition
Working Capital	10,270	-	10,270	Within 12 months
Estimated expenses in relation the Corporate Exercises	530	-	530	Upon completion
Total	60,800	-	60,800	

- 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 ("**Acquisition**").

On 28 January 2022, the Parties of the SSA had mutually agreed to further extend the conditional period of the SSA dated 6 October 2021 until 5 May 2022 ("**Extension**"). The Extension was made in order to grant the Parties an additional 3 months to fulfil the conditions precedent of the SSA.

Except the above-mentioned, there is no other corporate proposals announced or outstanding as at 25 February 2022 (being the latest practicable date which is not earlier than 7 days from the date of issue of this Quarterly Report).



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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 2021 as follows:-

	Current RM'000	Non-current RM'000	Total RM'000
Bank overdraft (secured)	779	-	779
Bankers acceptance and revolving credit (secured)	66,184	-	66,184
Bankers acceptance and revolving credit (unsecured)	27,787	-	27,787
Invoice financing (unsecured)	9,719	-	9,719
Term loan (secured)	9,053	81,332	90,385
Term loan (unsecured)	1,140	671	1,811
	<u>114,662</u>	<u>82,003</u>	<u>196,665</u>

9. Derivative financial instruments

As at 31 December 2021, 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>2,699</u>	<u>8</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 2021</u>				
Derivative financial assets	-	8	-	8
<u>As at 31 December 2020</u>				
Derivative financial assets	-	46	-	46

11. Changes in material litigation

There was no material litigation as at 25 February 2022, 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 2021. No dividend was declared for the same period last year.

13. Earnings/(Loss) per share

	Current year quarter to 31 December 2021	Preceding year quarter to 31 December 2020	Current year to 31 December 2021	Preceding year to 31 December 2020
a) Basic earnings/(loss) per share				
Net profit/(loss) for the financial year attributable to the owners of the Company (RM'000)	28,111	26,904	27,505	(4,477)
Weighted average number of ordinary shares in issue ('000)	1,000,000	1,000,000	1,000,000	1,000,000
Earnings/(Loss) per share (sen)	2.81	2.69	2.75	(0.45)
b) Diluted earnings/(loss) per share ⁽¹⁾	2.81	2.69*	2.75	(0.45)*

(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.

(2) *For comparative purpose, the earnings per share for the quarter and year to date ended 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 and issuance of 160,000,000 ordinary shares pursuant to Private Placement completed on 23 December 2021.



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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 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."

The Board of Directors of the company is of the opinion that the preparation of the financial statements of the Group for the financial year ended 31 December 2021 on a going concern basis remains appropriate given the developments and the corporate measures being taken by the Group :

- The Group has posted a net profit of RM27.5 million and also successfully raised RM60.8 million through a Private Placement exercise in the financial year ended 31 December 2021.

Therefore, as at 31 December 2021, the financial position of the Group has turnaround from a net current liabilities of RM57.0 million to a net current assets of RM26.8 million.

The directors will continue to monitor the Group's financial position to ensure the Group remain resilient moving forward.

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

Ng Geok Lian
Company Secretary
Selangor

25 February 2022