



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 2022

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current year quarter to 31 December 2022 RM'000 (Unaudited)	Preceding year quarter to 31 December 2021 RM'000 (Audited)	Current year to 31 December 2022 RM'000 (Unaudited)	Preceding year to 31 December 2021 RM'000 (Audited)
Revenue	65,630	134,951	328,264	372,768
Other income	2,847	2,135	9,249	4,620
Operating profit before finance costs, depreciation and amortisation, income tax and non-controlling interests	214	24,281	23,341	55,592
Depreciation and amortisation	(7,315)	(7,741)	(29,806)	(32,256)
Net (Impairment losses)/Reversal on property, plant and equipment and right-of-use assets (Net)	(15,131)	9,951	(15,131)	9,951
(Loss)/Profit from operations	(22,232)	26,491	(21,596)	33,287
Finance costs	(2,370)	(2,910)	(9,099)	(10,312)
(Loss)/Profit before tax	(24,602)	23,581	(30,695)	22,975
Tax (expense)/credit	(2,945)	4,530	(3,242)	4,530
Net (loss)/profit for the financial year	(27,547)	28,111	(33,937)	27,505
Other comprehensive income for the financial year:				
<i>Item that will not be reclassified subsequently to profit or loss</i>				
Remeasurement of defined benefit liability	2,032	0	2,032	0
Total comprehensive (loss)/income for the financial year	(25,515)	28,111	(31,905)	27,505
Net (loss)/income attributable to owners of the Company	(27,547)	28,111	(33,937)	27,505
Total comprehensive (loss)/income attributable to owners of the Company	(25,515)	28,111	(31,905)	27,505
Basic (loss)/earnings per share (sen)	(2.75)	3.33	(3.39)	3.26
Diluted (loss)/earnings per share (sen)	(2.75)	3.33	(3.39)	3.26

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 2021 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 2022
The figures have not been audited.

	(Unaudited) As at 31 December 2022 RM'000	(Audited) As at 31 December 2021 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	297,577	330,017
Investment properties	17,000	17,000
Right-of-use assets	144,944	141,019
Deferred tax assets	7,034	9,873
	466,555	497,909
Current assets		
Inventories	54,101	62,414
Trade receivables	28,845	67,982
Other receivables	13,196	18,812
Tax recoverable	4	44
Derivative financial instruments	0	8
Deposits with licensed banks	12,291	9,593
Cash and bank balances	55,580	78,952
	164,017	237,805
TOTAL ASSETS	630,572	735,714
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	276,666	276,666
Reserves		
Foreign currency reserve	(35)	(35)
Retained earnings	114,777	146,682
Total equity	391,408	423,313
Non-current liabilities		
Other payables	0	2,149
Bank borrowings	71,338	80,699
Lease liabilities	9,102	1,174
Employee defined benefit plan	8,884	16,049
	89,324	100,071
Current liabilities		
Trade payables	31,218	60,718
Other payables	31,247	35,098
Lease liabilities	2,808	413
Bank borrowings	84,316	115,965
Tax payable	251	136
	149,840	212,330
TOTAL EQUITY AND LIABILITIES	630,572	735,714
Net assets per share attributable to equity holders of the Company (RM)	0.39	0.42

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 and the 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 2022

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 2022	276,666	(35)	146,682	423,313
Total comprehensive income for the financial year:				
- Loss for the financial year	-	-	(33,937)	(33,937)
- Remeasurement of defined benefit liability	-	-	2,032	2,032
As at 31 December 2022	276,666	(35)	114,777	391,408
As at 1 January 2021	215,866	(35)	119,177	335,008
Total comprehensive income for the financial year:				
- Profit for the financial year	-	-	27,505	27,505
Transaction with owners:				
Issuance of ordinary shares - private placement	60,800	-	-	60,800
As at 31 December 2021	276,666	(35)	146,682	423,313

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 2021 and the accompanying explanatory notes attached to this interim financial report.



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

Condensed Consolidated Statement of Cash Flows for the financial year ended 31 December 2022

The figures have not been audited.

	Current year to 31 December 2022 RM'000 (Unaudited)	Preceding year to 31 December 2021 RM'000 (Audited)_
<u>Cash flows from operating activities</u>		
– (Loss)/Profit before tax	(30,695)	22,975
– Adjustments for non-cash and non-operating items		
• Other non-cash and non-operating items	54,707	29,550
	<u>24,012</u>	<u>52,525</u>
– Changes in working capital		
• Decrease/(Increase) in inventories	8,313	(8,738)
• Decrease/(Increase) in receivables	44,726	(5,136)
• Decrease in payables	(35,582)	(5,669)
	<u>41,469</u>	<u>32,982</u>
– Payment of defined benefit liability	(6,983)	(767)
– Net income tax paid	(250)	(104)
Net cash from operating activities	<u>34,236</u>	<u>32,111</u>
<u>Cash flows (used in)/from investing activities</u>		
– Purchase of property, plant and equipment	(5,105)	(8,664)
– Interest income received	979	143
Net cash (used in)/from investing activities	<u>(4,126)</u>	<u>(8,521)</u>
<u>Cash flows (used in)/from financing activities</u>		
– Repayment of term loan	(16,483)	(9,143)
– Repayment of lease liabilities	(675)	(499)
– Placement of fixed deposits with licensed banks	(2,697)	(151)
– Withdrawal of fixed deposits with licensed banks	0	2,745
– Proceeds from private placement	0	60,800
– Net (repayment)/proceeds of bankers acceptances/invoice financing	(25,093)	2,506
– Financing expenses	(9,099)	(10,312)
– Repayment of overdraft facility	565	779
Net cash used in financing activities	<u>(53,482)</u>	<u>46,725</u>
Net decrease in cash and cash equivalents	(23,372)	70,315
Cash and cash equivalents at 1 January	78,952	8,637
Effect of exchange translation differences on cash and cash equivalents	0	0
Cash and cash equivalents at 31 December	<u>55,580</u>	<u>78,952</u>

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

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 2021 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 2022:

Amendments to MFRS 3	:	Reference to the Conceptual Framework
Amendments to MFRS 116	:	Property, Plant and Equipment – Proceed before Intended Use
Amendments to MFRS 137	:	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvement to MFRS standards 2018 - 2020		
• Amendments to MFRS 1		
• Amendments to MFRS 9		
• Amendments to MFRS 16		
• Amendments to MFRS 141		

3. Auditors' report of preceding annual financial statements for financial year ended 31 December 2021

The audit report of the Group's financial statements for the financial year ended 31 December 2021 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 2022.

6. Change in estimates

There were no changes in estimates that have had a material effect for the financial year ended 31 December 2022.

7. Issuance and repayment of debt and equity securities

There were no issuance, cancellation, repurchases, resale and repayment of debt and equity securities for the financial year ended 31 December 2022.

8. Dividends paid

There were no dividends paid for the financial year ended 31 December 2022.



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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 2022	Preceding year to 31 December 2021	As at 31 December 2022	As at 31 December 2021	Current year to 31 December 2022	Preceding year to 31 December 2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	305,917	341,711	630,572	735,714	5,105	8,664
South East Asia	7,383	16,480	-	-	-	-
Middle East and South Asia	5,467	5,360	-	-	-	-
Hong Kong and China	5,819	3,076	-	-	-	-
Others	3,678	6,141	-	-	-	-
	<u>328,264</u>	<u>372,768</u>	<u>630,572</u>	<u>735,714</u>	<u>5,105</u>	<u>8,664</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 2022

There were no material subsequent events as at 23 February 2023, 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 2022

There were no changes in the composition of the Group during the financial year ended 31 December 2022.

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 2021.

14. Capital commitments

Capital commitments not provided for in the interim financial report as at 31 December 2022 were as follows:-

	RM'000
<i>Approved and contracted</i>	
Property, plant equipment	<u>4,541</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 2022:

	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	3,580
Purchases	9,432
Rental received	1,443
Commission	2
Rental paid	96



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PART B: Explanatory Notes of Bursa Malaysia Listing Requirements

1. Review of performance

Quarter on quarter review

For the current quarter under review, the Group recorded a revenue of RM65.6 million which was approximately 51% lower from RM135.0 million recorded in the preceding year corresponding quarter. The decrease in revenue mainly due to the lower sales volume and slide in the average selling price caused by soft market conditions in the current quarter.

Accordingly, the Group suffered a loss after tax of RM27.5 million when compared to profit after tax of RM28.1 million in the same quarter a year ago. The loss mainly as a result of the above mentioned soft market conditions and higher operating cost coupled with a non-cash impairment loss of RM15.1 million on the plants arising from financial year end assessment.

Whereas in the same quarter of the previous year, there was a gain of RM10.0 million derived from the write back of the balance of impairment to plant.

Year on year review

For the whole financial year of 2022, the Group's revenue was lower by 12% to RM328.3 million from RM372.8 million a year ago. The decline was mainly due to the fall in sales volume and average selling price in fourth quarter as a result of the soft market conditions.

Consequently, the Group registered a net loss of RM33.9 million for financial year ended 2022 compared to a net profit of RM27.5 million posted in year 2021. The higher loss mainly due to the lower revenue exacerbated by non-cash impairment loss of RM15.1 million and deferred tax asset written down of RM2.8 million in the financial year under review.

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

The Group's revenue for the current quarter decreased by 12% to RM65.6 million from RM74.6 million in the preceding quarter as both sales volume and average selling price were low due to continued soft market conditions.

The Group loss after tax was widened to RM27.5 million against RM5.7 million in the preceding quarter. The declined result mainly due to the inclusion of the non-cash impairment loss of RM15.1 million on the plants and deferred tax asset written down of RM2.8 million in the current quarter.

3. Prospects

The operating environment for the particle board industry has been very challenging and competitive due primarily to the high raw material cost, rising inflation rate and the worldwide geographical conflict. These have affected the demand for the Group's products therefore asserting a downward pressure on the Group's revenue and margins.

The Group expects the challenging environment to continue, therefore the Group will remain focused on improving the manufacturing operations and concurrently review our customer and product mix so as to manage the challenges ahead.

Moving forward, the Group expects its overall performance for the financial year ending 31 December 2023 to remain challenging.

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. (Loss)/Profit before tax

	Current year quarter to 31 December 2022 RM'000	Preceding year quarter to 31 December 2021 RM'000	Current year to 31 December 2022 RM'000	Preceding year to 31 December 2021 RM'000
(Loss)/Profit before tax is arrived at after charging/(crediting):-				
Interest income	(222)	(85)	(979)	(1,362)
Interest expense	2,370	2,910	9,099	10,312
Depreciation and amortisation	7,315	7,741	29,806	32,256
Net realised foreign exchange gain	(555)	(322)	(3,157)	(922)
Net unrealised foreign exchange loss	181	87	54	138
Fair value (gain)/loss on derivative financial instruments	(42)	45	8	38
Allowance for inventories obsolescence	222	1,075	222	1,075
(Reversal)/Impairment losses on trade receivables	(338)	656	(317)	(2,584)
Net impairment losses/(reversal) on property, plant and equipment and right-of-use assets	15,131	(9,951)	15,131	(9,951)

6. Tax credit/(expense)

	Current quarter to 31 December 2022 RM'000	Current year to 31 December 2022 RM'000
In respect of current year		
- Malaysian income tax	106	403
- Real property gains tax	0	0
- Deferred tax	2,839	2,839
	<u>2,945</u>	<u>3,242</u>
In respect of previous year		
- Malaysian income tax	0	0
- Deferred tax	0	0
	<u>0</u>	<u>0</u>
	<u>2,945</u>	<u>3,242</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.



7. Status of corporate proposals

(A) ACQUISITION EXERCISE

There were no material corporate proposals announced and not completed as at the 23 February 2023 (being the latest practicable date which is not earlier than 7 days from the date of issue of this Quarterly Report), other than as disclosed below:

- i. Mico Chipboard Berhad (“MIECO” or the “Company”) 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 of SYF, for a purchase consideration of RM50,000,000 (“Purchase Consideration”) to be satisfied entirely via cash (“Acquisition Exercise”).

The said Acquisition Exercise had obtained shareholders’ approval at the extraordinary general meeting held on 14 December 2021.

Pursuant to the SSA and the addendum to the SSA dated 26 November 2021 entered into between the Parties pertaining to the Acquisition, the conditions precedent of the SSA shall be satisfied or waived by the Vendor 3 months after the date of the SSA with an automatic extension of 1 month from the last day of the said 3 months, i.e. 5 February 2022.

Following this, the Parties had, on 28 January 2022, mutually agreed to the Extension, and subsequently on 20 April 2022 mutually agreed to the Second Extension, and later on 1 November 2022 agreed to the Third Extension.

On 31 January 2023, the Parties had mutually agreed via an extension letter dated 31 January 2023 to further extend the conditional period of the SSA dated 6 October 2021 until **5 May 2023** (“**Fourth Extension**”). The Fourth Extension was made in order to grant the Parties an additional 3 months to fulfil the conditions precedent of the SSA.

As at the date of this report, the Acquisition Exercise is still pending for completion.

(B) STATUS OF UTILISATION OF PROCEEDS

On 6 October 2021, the Company proposed to undertake private placement of up to 20% of total number of issued shares of the Company to independent third party investors. The Private Placement was completed on 23 December 2021 following the listing and quotation of 160,000,000 placement shares on the Main Market of Bursa Securities, raising RM60,800,000-00 for the Company.

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

Description	Proceeds raised (RM'000)	Actual utilisation (RM'000)	Balance unutilised (RM'000)	Intended timeframe for utilisation 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	0	Within 12 months
Estimated expenses in relation the Corporate Exercises	530	350	180	Upon completion
Total	60,800	10,620	50,180	



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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 2022 as follows:-

	Current RM'000	Non-current RM'000	Total RM'000
Bank overdraft (secured)	1,344	-	1,344
Bankers acceptance and revolving credit (secured)	73,143	-	73,143
Bankers acceptance and revolving credit (unsecured)	4,474	-	4,474
Invoice financing (secured)	980	-	980
Term loan (secured)	4,375	70,663	75,038
Term loan (unsecured)	-	675	675
	<u>84,316</u>	<u>71,338</u>	<u>155,654</u>

9. Derivative financial instruments

As at 31 December 2022, 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>0</u>	<u>0</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.

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 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>As at 31 December 2022</u> Derivative financial assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>As at 31 December 2021</u> Derivative financial assets	<u>-</u>	<u>8</u>	<u>-</u>	<u>8</u>



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11. Changes in material litigation

There was no material litigation as at 23 February 2023, 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 2022. No dividend was declared for the same period last year.

13. (Loss)/Earnings per share

	Current year quarter to 31 December 2022	Preceding year quarter to 31 December 2021	Current year to 31 December 2022	Preceding year to 31 December 2021
(a) Basic (loss)/earnings per share				
Net (loss)/profit for the financial year, attributable to the owners of the Company (RM'000)	(27,547)	28,111	(33,937)	27,505
Weighted average number of ordinary shares in issue ('000)	1,000,000	843,945	1,000,000	843,945
(Loss)/Earnings per share (sen)	<u>(2.75)</u>	<u>3.33</u>	<u>(3.39)</u>	<u>3.26</u>
(b) Diluted (loss)/earnings per share ⁽¹⁾	<u>(2.75)</u>	<u>3.33</u>	<u>(3.39)</u>	<u>3.26</u>

⁽¹⁾ Diluted (loss)/earnings per share is equivalent to the basic (loss)/earnings per share as there are no dilutive potential ordinary shares as at the reporting date.

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

Ng Geok Lian
Company Secretary
Selangor

24 February 2023