

# **NWP HOLDINGS BERHAD (495476-M)**

(Incorporated in Malaysia)

## **NOTES TO INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 MAY 2018**

**The figures have not been audited**

### **1. SELECTED EXPLANATORY NOTES TO THE CONDENSED QUARTERLY REPORT (Requirement of MFRS 134 paragraph 16)**

#### **1.1 Basis of Presentation**

The interim quarterly reports are unaudited and have been prepared in accordance with the Financial Reporting Standards (FRS) 134, "Interim Financial Reporting" and paragraph 9.22 of the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements.

The interim quarterly reports should be read in conjunction with the Group's audited financial statements for the year ended 31 August 2017 in which the group prepared its financial statement in accordance with Financial Reporting Standards ("FRS") The explanatory notes attached to the quarterly reports 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 August 2017.

#### **Financial Reporting Standards (FRS Framework)**

The accounting policies and methods of computation adopted by the Group in preparing this Interim Financial Statements are consistent with those adopted in the Audited Financial Statements for the year ended 31 August 2017, except for the compliance with the new/revised Financial Reporting Standards ("FRSs") that came into effect during the previous financial quarter.

The adoption of the new/revised FRSs that came into effect during the previous financial quarter does not have any significant financial impact on the Group's financial result for the financial quarter under review nor the Group's shareholders' funds as at 31 August 2017.

To converge with International Financial Reporting Standards ("IFRSs") in 2012, the Malaysian Accounting Standard Board ("MASB") had on 19 November 2011 issued the Malaysian Financial Reporting Standards ("MFRS"), which are mandatory for annual financial period beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venture (herein referred as "Transitioning Entity").

The Group is subject to the application of MFRSs 141 Agriculture and is therefore a Transitioning Entity. As such, the Group elected to continue preparing its financial statements in accordance with the FRSs framework for the annual periods beginning on or before 1 January 2015.

Pursuant to MASB Notice issued on 2 September 2015, Transitioning Entity that has in the alternative chosen to apply "FRSs" shall comply with MFRSs for the annual period on or after 1 January 2018.

The Group is currently in the process of determining the impact arising from the initial application of MFRS framework.

## 1.2 Qualification of Audit Report of Preceding Financial Statements.

The auditor's reports on the financial statements for the year ended 31 August 2017 were qualified by the external auditors. The Board is in the midst of rectifying them.

## 1.3 Seasonal or Cyclical Factors.

The group's businesses were not affected by any seasonal or cyclical factors.

## 1.4 Unusual Items

There were no unusual items due to their nature, size or incidence affecting assets, liabilities, equity, net income or cash flows of the Group during the period.

## 1.5 Changes in Estimates Reported in Prior Interim Periods of the Current Financial Year or Prior Financial Year.

There were no estimations of amounts used in previous reporting quarter having a material impact in the current reporting quarter.

## 1.6 Issuances and Repayment of Debt and Equity Securities

The Group has issued additional 31,233,000 Ordinary Shares under the Share Issuance Scheme ("SIS") option granted to certain employees of the Group.

## 1.7 Dividend Paid

No payment of dividend was made during the quarter under review.

## 1.8 Segmental Reporting

### a) Information about business segment

The Group is principally engaged in the manufacturing and trading of timber and timber related products, provision of logging services and plantation and land clearing.

#### 3 months ended 31 May 2018

	Moulding & Timber RM'000	Logging & others RM'000	Plantation & Land Clearing RM'000	Investment & others RM'000	Total RM'000
Total Revenue	2,446	-	-	0	2,446
Segment result	(893)	-	-	0	(893)
Share of results of associates					(48)
Loss for the period					(941)

## b) Information about geographical segment

<u>Country</u>	<u>Revenue</u>	
	<u>01/03/18 to 31/05/18</u>	<u>01/03/17 to 31/05/17</u>
	<u>( RM'000 )</u>	<u>( RM'000 )</u>
Malaysia	206	547
Asia Pacific	2,240	3,588
North America	-	-
Total	<u>2,446</u>	<u>4,135</u>

### 1.9 Valuation of Property, Plant and Equipment.

The Property, plant & equipment are stated at cost or valuation less accumulated depreciation and impairment losses if any have been brought forward without amendments from the previous annual financial statement ended 31 August 2017. No valuation has been carried out since then.

### 1.10 Material Events Subsequent to the end of the Current Quarter.

There were no material events subsequent to the end of this quarter that has not been reflected in the financial statements.

### 1.11 Changes in the Composition of the Group

There were no changes in the composition of group during the interim financial report.

### 1.12 Contingent Liabilities

There were no contingent liabilities as at the date of this announcement except corporate guarantee given to banks for credit facilities extended to subsidiary.

### 1.13 Capital Commitments

There were no capital commitments as at balance sheet date.

## 2. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS BY BURSA MALAYSIA SECURITIES BERHAD

### 2.1 Review of Performance

The group recorded revenue of RM2.446 million for the quarter ended 31 May 2018 as compared to RM4.135 million for the corresponding quarter ended 31 May 2017. The decrease in the group's revenue for the current period was due to lower demand from the China market on timber related products. The group made a loss of RM0.941 million for the current quarter, compared to a loss before tax of RM0.718 million for the corresponding period.

### 2.2 Material Changes in the Quarterly Results Compared to the Immediate Preceding Quarter's Results

The group posted revenue of RM2.446 million against RM1.814 million in the preceding quarter. The group posted a pre-tax loss of RM0.941 million compared with preceding quarter pre-tax loss of RM1.112 million. The decrease in revenue for the quarter was mainly due to lower demand from the China market on timber related products. The higher pre-tax losses is due to preceding quarter's recognition of employee expenses arising from the granting of share options to eligible employees.

### **2.3 Prospect for the Next Quarter**

The group will continue to focus on timber processing and moulded products and will increase its processing capabilities as demand for its products is still going strong. The group will be focusing on construction business to sustain its growth in the foreseeable future. Barring unforeseen circumstances, the financial performance of the group will remain satisfactory for the next financial year.

### **2.4 Variance of Actual Profit from Forecast Profit / Profit Guarantee**

The disclosure requirements for explanatory notes on the variation of actual profit after tax and shortfall in profit guarantee are not applicable.

### **2.5 Taxation**

No taxation was provided for the period as the subsidiaries have available sufficient unutilized tax losses, unabsorbed capital allowances & reinvestment allowances to set off against any taxable profit.

### **2.6 Sale of Unquoted Investment and/or Properties.**

There were no sale of unquoted investment and properties during the quarter under review.

### **2.7 Purchases or Disposal of Quoted Securities**

There were no purchases or disposals of quoted securities during the quarter under review.

### **2.8 Status of Corporate Proposals**

To update based on announcements made after (h) and (i) below

- a) On 7 September 2016, the Board announced that a wholly owned subsidiary of the Company, NWP Builder Sdn Bhd, had entered into a turnkey-construction heads of agreement with M2B World (M) Sdn Bhd ("M2B"), appointing NWP Builder Sdn Bhd as the turnkey contractor of the Projects.
- b) On 4 July 2016, the Board announced that the Company had entered into a memorandum of understanding ("MOU") with the following parties :-
  - (i) A Memorandum of Understanding with Listari Marina (MM2H) Sdn Bhd ("LMSB") for the proposed appointment of the Company as main contractor on the proposed development by LMSB of 160 units of service suites in Pekan Klebang Sek 11, Daerah Melaka Tengah, Melaka; and
  - (ii) A Strategic Partner Memorandum of Understanding with SCEGC Installation Group Company Ltd. ("SCEGC") to jointly develop a strategic partnership for any construction in Malaysia.

On 4 October 2016, the Board announced that the parties to the MOU have mutually agreed to extend the MOUs to 4 January 2017.

On 7 November 2016, the Board announced that a Turnkey Construction Agreement has been entered into between LMSB and NWP Builder Sdn Bhd, a wholly owned subsidiary of the Company for a total contract sum of RM 22,000,000 for the construction of 9-storey tower block with 160 units of service suites on HS(D) 70398 PT 497 Pekan Klebang , Sek 11, Daerah Melaka Tengah, Melaka. The commencement of the construction works have been delayed due to late handover of the construction site. The group is in the midst of identifying suitable construction professionals to complete the project including financing.

On 26 March 2018, the Company has informed LMSB that NWP will terminate the proposed agreement due to the non-fulfillment of conditions precedent by LMSB.

- c) On 14 October 2016, the Board announced that a wholly owned subsidiary of the Company, NWP Builder Sdn Bhd, had entered into a conditional sale of shares agreement (“SSA”) with Dato’ Ismail Bin Hassan to acquire 300 common shares representing 30% equity interest in Aviation A.I. Inc. for a cash consideration of USD 1,500,000.

On 13 January 2017, the Board announced that NWP Builders Sdn Bhd and Dato’ Ismail Bin Hassan have mutually agreed to extend the Conditional Period for the SSA to 13 April 2017.

On 2 April 2018, the Company had via a letter informed the seller, ie Dato’ Ismail Bin Hassan that the Company will terminate the SSA due to non-fulfillment of conditions precedent by the seller. The event was subsequently announced to Bursa on 16 April 2018

- d) On 6 February 2017, the Board announced that the Company has establish a Share Issuance Scheme of up to 15% of the Issued and Paid-up Share Capital of the Company.

On 14 April 2017, the Board announced that the Company had made a first batch of offer of options under the Share Issuance Scheme implemented with effect from 6 February 2017 to the Eligible Persons of NWP.

On 17 May 2017, 6,380,000 options under the Share Issuance Scheme has been exercised at the issue price of RM 0.2050 per share.

On 26 May 2017, an additional 2,640,000 options under the Share Issuance Scheme has been exercised at the issue price of RM 0.2050 per share.

On 14 December 2017, an additional 830,000 options under the Share Issuance Scheme has been exercised at the issue price of RM 0.1200 per share.

On 27 December 2017, an additional 20,390,000 options under the Share Issuance Scheme has been exercised at the issue price of RM 0.1200 per share.

On 8 February 2018, an additional 10,013,000 options under the Share Issuance Scheme has been exercised at the issue price of RM 0.1200 per share.

- e) On 20 March 2017, the Board announced that the Company had entered into a conditional Share Purchase Agreement cum Shareholders Agreement with Almaniaga Sdn Bhd to acquire 51% of the equity interest in Sinar Majumas Sdn Bhd for a cash consideration of RM 1.5 million.

On 27 July 2017, the Board announced that upon completion of the financial feasibility due diligence conducted on the Project, the Company has decided to terminate the Share Purchase Agreement cum Shareholders Agreement with Almaniaga Sdn Bhd as the Company is not satisfied with the feasibility of the Project.

f) On 25 September 2017, the Board announced that the Company wishes to seek ratification from its shareholders at an EGM to be convened, for the Company's granting of 40,000,000 SIS Options on 14 April 2017 at an exercise price of RM 0.205 each of which 9,020,000 of the granted SIS Options have been exercised

g) On 23 November 2017, the Board announced that the Company have accepted the offer to surrender the unexercised SIS portion of the following Grantees: -

- 1) Dato Zhang Li - the balance of 18,980,000 SIS Option shares
- 2) Dato Sri Kee Soon Ling - 12,000,000 SIS Option shares

The surrendered portion shall be included as part of ungranted options, the granting of which will be determine by the Option Committee.

h) On 23 November 2017, the Board announced that the Company had made second batch of offer of options under the Share Issuance Scheme ("**SIS**") implemented with effect from 06 February 2017 ("**SIS Options**"), to the Eligible Person of NWP.

i) We refer to the announcements dated 14th October 2016, 13th January 2017 and 27 November 2017 in relation to the above.

On 26 January 2018, the Board announced that NWP Builders Sdn Bhd and Dato' Ismail Bin Hassan have mutually agreed to extend the Conditional Period for the SSA to 31 March 2018.

On 2 April 2018, the Company had via a letter informed the seller, ie Dato' Ismail Bin Hassan that the Company will terminate the SSA due to non-fulfillment of conditions precedent by the seller. The event was subsequently announced to Bursa on 16 April 2018

j) On 5 March 2018, the Company had entered into a Heads of Agreement ("**HOA**") with LBGB for the followings:-

LBGB, through its wholly-owned subsidiary namely, Lamdeal Investments Limited ("**Lamdeal**"), to undertake jointly with NWP, a development project on 264 acres land ("**Development Land**") involving transformation of Zhuhai International Circuit ("**ZIC**"), which is located in Gaoxin District, Zhuhai, Guandong Province, People's Republic Of China ("**Proposed Development**"); and

LBGB to subscribe 1,100,000,000 NWP Shares, representing approximately 73.7% of the enlarged number of shares issued of NWP for a cash consideration of RM93,500,000 or 8.5 sen per NWP Share for the purpose of funding the Proposed Development ("**Proposed Subscription**").

The Proposed Development would result in NWP and its subsidiaries ("**NWP Group**") to diversify its businesses to include property development, property construction and property investment ("**Proposed Diversification**").

On 30 May 2018, the Company has terminated the HOA with LBGB as both parties could not agree with some terms and conditions of the proposal.

## 2.9 Borrowings and Debt Securities

	Unsecured <u>RM'000</u>
i) Short term borrowings	-
ii) Long term borrowings	-
Total	<u>-</u>

## 2.10 Off Balance Sheet Financial Instruments

The Group has not entered into any forward foreign exchange control maturing within 6 months to hedge its trade transactions.

The Group also has no off-balance sheet financial instrument exposure as at the date of this quarter report.

## 2.11 Related Party Transactions

Interest paid to a company in which a director has a financial interest in it.

## 2.12 Material Litigation

Full provisions have been made for any liabilities which may have material effects on the financial position of the Group. The company and its subsidiaries are not engaged in any material litigation, either as plaintiff or defendant, and the Board has no knowledge of any impending legal proceeding against the company or its subsidiaries, which may have a material effect on the financial position of the group.

## 2.13 Dividend

No dividend was paid during the current financial quarter.

## 2.14 Earnings Per Share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Qtr <u>31/05/18</u>	Preceding Year Qtr <u>31/05/17</u>	Current Year <u>31/05/18</u>	Preceding Year <u>31/05/17</u>
<b>a) Basic earnings per share</b>				
Net loss for the period (RM'000) after tax attributable to equity holder of the parent.	(936)	(716)	(3,057)	(2,269)
Number of ordinary shares issued ('000)	392,253	361,020	392,253	361,020
Basic earnings per share (sen)	(0.26)	(0.20)	(0.85)	(0.63)
<b>b) Diluted earnings per share</b>	N/A	N/A	N/A	N/A

The earnings per share are calculated based on 392,253,000 ordinary shares.

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