

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

(Incorporated in Malaysia)

## **NOTES TO INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 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 consolidated interim financial statements 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 consolidated interim financial statements should be read in conjunction with the Group's audited financial statements for the financial year ended 31 August 2017. The explanatory notes attached to the consolidated 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 August 2017.

#### **1.2 Changes in Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 August 2017 except for the adoption of new standards, amendments to standards and IC Interpretations that are effective for the financial period ended 31 August 2018. The adoption does not have significant impact on the Group's financial statements.

#### **1.3 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.

#### **1.4 Seasonal or Cyclical Factors.**

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

#### **1.5 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 quarter under review.

#### **1.6 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 quarter under review.

#### 1.7 Issuances and Repayment of Debt and Equity Securities

The Group has issued 40,253,000 ordinary shares under the Share Issuance Scheme (“SIS”) option granted to certain employees of the Group.

#### 1.8 Dividend Paid

There were no dividends paid during the quarter under review.

#### 1.9 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 August 2018

	Moulding & Timber RM'000	Logging & others RM'000	Plantation & Land Clearing RM'000	Investment & others RM'000	Total RM'000
Total Revenue	1,851	-	-	-	1,851
Segment result	(2,184)	-	-	(12,726)	(14,910)
Share of results of associates					(37)
Loss for the period					(14,947)

##### b) Information about geographical segment

<u>Country</u>	<u>Revenue</u>	
	<u>01/06/18 to 31/08/18</u> <u>( RM'000 )</u>	<u>01/06/17 to 31/08/17</u> <u>( RM'000 )</u>
Malaysia	87	338
Asia Pacific	1,764	4,035
Total	<u>1,851</u>	<u>4,373</u>

#### 1.10 Carrying Amount of Revalued Assets

The Group has carried out a valuation exercise on the Revalued Assets during the quarter under review. The revaluation was conducted by JS property consultants (E. M.) Sdn Bhd, to comply with the requirements of the FRS in respect of the fair value measurement of property, plant and equipment.

#### 1.11 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.

#### **1.12 Changes in the Composition of the Group**

There were no changes in the composition of Group during the quarter under review.

#### **1.13 Contingent Liabilities**

There were no contingent liabilities as at the date of this announcement.

#### **1.14 Capital Commitments**

There were no capital commitments as at the date of this announcement.

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

### **2.1 Review of Performance**

The Group recorded revenue of RM1.851 million for the quarter ended 31 August 2018 as compared to RM4.373 million for the corresponding quarter ended 31 August 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 pre-tax loss of RM15.035 million for the current quarter, compared to a pre-tax loss of RM8.883 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 RM1.851 million against RM2.446 million in the preceding quarter. The Group posted a pre-tax loss of RM15.035 million compared with preceding quarter pre-tax loss of RM0.941 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 loss was mainly attributable to impairment loss on receivables (RM10.6 million), provision for doubtful debts (RM1.145 million) and impairment loss on property, plant and equipment (RM0.48 million).

### **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 explore the opportunities to venture into the production of high quality wood products to improve the Group's financial performance.

### **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.**

On 30 August 2018, the Board announced that the Company entered into conditional Share Sale Agreement with Ms Bo Pandala for disposal of 25.66% equity interest in NWP Lao Industries Co., Ltd (“NWP Lao”), representing the Company entire investment and beneficial interest in NWP Lao, for a total consideration of USD200,000.00

## **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**

- 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.

On 9 August 2018, the Board announced that the said Agreement is terminated due to no progress since entering into the Agreement.

- b) On 4 July 2016, the Board announced that the Company had entered into a Memorandum of Understanding (“MOU”) with 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 30 August 2018, the Board announced that said MOU is terminated due to no further progress in matter nor carried out any partnership for construction of development of property in Malaysia.

- c) On 4 July 2016, the Board announced that the Company had entered into a Memorandum of Understanding with Listari Marina (MM2II) 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

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.

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

With reference to the announcements made on 13 January 2017, 27 November 2017 and 26 January 2018 in relation to the above, NWPBu and Dato’ Ismail have mutually agreed to extend the Conditional Period for the SSA to 13 April 2017, 31 December 2017 and 31 March 2018 respectively.

On 2 April 2018, the Company had via a letter informed Dato’ Ismail 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.

- e) On 6 February 2017, the Board announced that the Company has established a Share Issuance Scheme of up to 15% of the Issued and Paid-up Share Capital of the Company (“SIS”).

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 (“SIS Options”) to the Eligible Persons of NWP. The SIS Options have been exercised as follows:

- 17 May 2017 – 6,380,000 ordinary shares at the issue price of RM0.205 per share
- 26 May 2017 – 2,640,000 ordinary shares at the issue price of RM0.205 per share

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.

On 27 November 2017, the Board announced that the Company has accepted the offer to surrender the unexercised SIS portion. The surrendered portion shall be included as part of ungranted options, the granting of which will be determine by the Option Committee.

On same date, the Board announced that the Company had made second batch of offer of options under the Share Issuance Scheme implemented with effect from 6 February 2017 (“SIS Options”) to the Eligible Persons of NWP. The SIS Options have been exercised as follows:

- 14 December 2017 – 830,000 ordinary shares at the issue price of RM0.12 per share
- 27 December 2017 – 20,390,000 ordinary shares at the issue price of RM0.12 per share
- 8 February 2018 – 10,013,000 ordinary shares at the issue price of RM0.12 per share

- f) 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, Guangdong 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**

There were no issuance, cancellation, repurchase, resale and repayment of borrowings and debt securities during the quarter under review.

## **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**

On 3 September 2018, the Board announced that a wholly owned subsidiary of the Company, NWPBu has served a Writ of Summons together with the Statement of Claim (the “Claim”) both dated 20 August 2018, through its solicitors, Messrs. Weng Seng & Co, to Ismail bin Hassan (the “Defendant”).

The Claim is arising from a conditional SSA entered between NWPBu and the Defendant as mentioned detailed in 2.8 d). On 23 October 2018, the Board announced that the civil suit has withdrawn to go for arbitration.

### 2.13 Dividend

No dividend has been recommended during the quarter under review.

### 2.14 Earnings Per Share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Qtr	Preceding Year Qtr	Current Year	Preceding Year
	<u>31/08/18</u>	<u>31/08/17</u>	<u>31/08/18</u>	<u>31/08/17</u>
<b>a) Basic earnings per share</b>				
Net loss for the period (RM'000) after tax attributable to equity holder of the parent.	(14,944)	(8,880)	(18,007)	(11,149)
Number of ordinary shares issued ('000)	392,253	361,020	392,253	361,020
Basic loss per share (sen)	(3.81)	(2.46)	(4.59)	(3.09)
<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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