

NWP HOLDINGS BERHAD (495476-M)

(Incorporated in Malaysia)

NOTES TO INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 November 2018

(The figures have not been audited)

1. SELECTED EXPLANATORY NOTES TO THE CONDENSED QUARTERLY REPORT

1.1 Basis of Presentation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") 134, "Interim Financial Reporting" and paragraph 9.22 of the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements.

Except for matters set out in Section 1.2 below, the interim financial statements should be read in conjunction with the Group's audited financial statements for the financial year ended 31 August 2018. The 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 August 2018.

1.2 Changes in Accounting Policies

The Group adopted the MFRS on 1 September 2018 and will prepare the first set of financial statements in accordance with MFRS for the financial year ending 31 August 2019. The date of transition to MFRS is 1 September 2017. The interim financial statements of the Group have been prepared in accordance with the accounting policies to be applied in preparing the annual financial statements of the Group for the financial year ending 31 August 2019.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the preparation of the audited financial statements for the financial year ended 31 August 2018 except for the adoption of the following MFRS, Amendments to MFRS and Issues Committee Interpretation ("IC Interpretation") that are effective for the financial periods beginning on or after 1 September 2018:

Standards	Title
MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 1	Annual Improvements to MFRS Standard 2014 - 2016 Cycle
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 15	Effective Date and Clarification to MFRS 15
<u>IC Interpretation</u>	
IC 22	Foreign Currency Transactions and Advance Consideration

1.3 Adoption of MFRS

i) MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards

In general, on the date of transition, the Group recognized, measured and reclassified its assets, liabilities and components of equity in accordance with MFRS. The Group adopted MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards on 1 September 2018 and has elected to apply the following transitional exemptions:

Business combinations

The Group has elected not to apply MFRS 3 Business Combination retrospectively to business combinations that occurred before the date of transition

Deemed cost of assets

The Group has elected to use the previous revaluation of property, plant and equipment as their deemed cost under the MFRS on the date of revaluation.

Thereafter, the Group measures the property, plant and equipment on cost less any accumulated depreciation and any accumulated impairment under cost model in MFRS 116.

ii) MFRS 9 Financial Instruments

MFRS 9 introduces the expected credit loss (“ECL”) model on impairment of financial assets, that replaces the incurred loss model applied previously. The Group have adopted lifetime ECL measurements for receivables due to the expected lifetime period of receivables are generally less than 12 months.

iii) MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that is applicable to revenue arising from contracts with customers. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised good or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for that good or service.

Upon adoption of MFRS 15, the Group recognises the revenue from contracts with customers when or as the Group transfers goods or services to a customer, measured at the amount to which the Group expects to be entitled, according to the term and condition stipulated in the contracts with customers.

1.3 Adoption of MFRS (continued)

The effect on adoption of the MFRS are as follows:

Condensed Consolidated Statement of Comprehensive Income for the period ended 30 November 2018

	As reported Previously RM'000	Effect of MFRS adoption RM'000	Restated RM'000
Revenue	2,717	(160)	2,557
Cost of Sales	(2,834)	160	(2,674)
Gross Loss	(117)		(117)
Other Income	1		1
Administrative Expenses	(795)		(795)
Other Expenses	(22)		(22)
Loss from Operations	(933)		(933)
Share of Loss of Associate	(54)		(54)
Finance Costs	(23)		(23)
Loss Before/After Tax	(1,010)		(1,010)
Other Comprehensive Income, Net of Tax	-		-
Total Comprehensive Loss	(1,010)		(1,010)
Total Comprehensive Loss Attributable To:			
Owners of the parent	(1,009)		(1,009)
Non-controlling interests	(1)		(1)
	(1,010)		(1,010)

Condensed Consolidated Statement of Financial Position as at 31 August 2018

	As reported Previously RM'000	Effect of MFRS adoption RM'000	Restated RM'000
Non-current Assets			
Property, Plant and Equipment	35,907	(1,451)	34,456
Intangible Assets	285	-	285
	36,192		34,741
Current Assets			
Inventories	5,741		5,741
Trade and Other Receivables	2,598	(126)	2,472
Deposits with Licensed Financial Institutions	83		83
Cash and Bank Balances	2,137		2,137
	10,559		10,433
Asset Held for Sale	28		28
Total Assets	46,779		45,202

1.3 Adoption of MFRS (continued)

Condensed Consolidated Statement of Financial Position as at 31 August 2018 (continued)

	As reported Previously RM'000	Effect of MFRS adoption RM'000	Restated RM'000
Equity			
Share Capital	107,863		107,863
Revaluation Reserve	17,467	(17,467)	-
Share Option Reserve	54		54
Accumulated Losses	(91,415)	(21,039)	(70,376)
Total Equity	33,969		37,541
Non-current Liabilities			
Other Payables	2,625		2,625
Obligation under Finance Lease	135		135
Deferred Tax Liabilities	5,149	(5,149)	-
	<u>7,909</u>		<u>2,760</u>
Current Liabilities			
Trade and Other Payables	3,214		3,214
Amount Due to Directors	1,656		1,656
Obligation under Finance Lease	31		31
	<u>4,901</u>		<u>4,901</u>
Total Liabilities	12,810		7,661
Total Equity and Liabilities	46,779		45,202

1.4 Qualification of Audit Report of Preceding Financial Statements.

The auditors' report on the financial statements for the financial year ended 31 August 2018 was an unqualified opinion.

1.5 Seasonal or Cyclical Factors.

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

1.6 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 in current quarter under review.

1.7 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.

1.8 Issuances and Repayment of Debt and Equity Securities

There were no issuance of shares or debentures in current quarter under review.

1.9 Dividend Paid

There were no dividends paid in current quarter under review.

1.10 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 30 November 2018

	Moulding & Timber RM'000	Investment & Others RM'000	Total RM'000
Total Revenue	1,835	-	1,835
Segment Result	(952)	(176)	(1,128)
Loss for the period			(1,128)

b) Information about geographical segment

	Revenue	
	01/09/18 to 30/11/18 RM'000	01/09/17 to 30/11/17 RM'000
Malaysia	187	348
Asia Pacific	1,648	2,209
Total	1,835	2,557

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 RM1.84 million for the quarter ended 30 November 2018 as compared to RM2.56 million for the corresponding quarter ended 30 November 2017. The decrease in the Group's revenue for current quarter under review was mainly attributable to shortage of logs supply. The Group made a pre-tax loss of RM1.13 million for current quarter, compared to a pre-tax loss of RM1.01 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 RM1.84 million against RM1.24 million in the preceding quarter. The Group posted a pre-tax loss of RM1.13 million compared with preceding quarter pre-tax loss of RM15.03 million. The revenue for current quarter under review was relatively consistent with preceding quarter. The higher pre-tax loss in preceding quarter was mainly attributable to impairment loss on trade and other receivables (RM12.03 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 continuously explore new raw material sources to ensure consistent supply at economic prices.

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 disposal of unquoted investment and property 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

- a) On 7 November 2016, the Board announced that a Turnkey Construction Agreement (“TCA”) has been entered into between Listari Marina (MM2H) Sdn Bhd (“LMSB”) and NWP Builder Sdn Bhd (“NWPBu”), a wholly owned subsidiary of the Company for a total contract sum of RM22 million 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.

Despite sufficient time was given to LMSB to hand over the project site to NWPBu in order for NWPBu to perform its role as Turnkey Contractor, LMSB has continuously failed, neglected and/or unfulfilled its obligation.

Due to alleged failure and breach of TCA by LMSB, NWPBu is seeking refund of Advance (RM6.5 million) made under TCA. NWPBu had served a sealed Writ of Summons together with Statement of Claim both dated 5 November 2018, through its solicitors, Messrs. Weng Seng & Co, on LMSB. This event was announced to Bursa on 7 November 2018.

On 18 December 2018, the Board announced that NWPBu had received Statement of Deference and Counter-Claim from LMSB. The Company has given instruction to its solicitor to in no uncertain terms to enforce NWPBu’s right to the fullest extent claiming the refund of Advance and also vigorously defend the said Counter-Claim.

- b) On 14 October 2016, the Board announced that a wholly owned subsidiary of the Company, 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, NWPBu had via a letter informed Dato’ Ismail that the Company will terminate the SSA due to non-fulfillment of conditions precedent by Dato’ Ismail. The event was subsequently announced to Bursa on 16 April 2018.

Due to Dato’ Ismail failed to return and refund the Sum Paid (RM4.1 million) made under the SSA to NWPBu, NWPBu had served a sealed Writ of Summons together with Statement of Claim both dated 20 August 2018, through its solicitors, Messrs. Weng Seng & Co, on Dato’ Ismail. The civil suit has been withdrawn to go for arbitration, as announced to Bursa on 23 October 2018.

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

Details of material litigation are set out in 2.8.

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 30/11/18	Preceding Year Qtr 30/11/17	Current Year 30/11/18	Preceding Year 30/11/17
a) Basic earnings per share				
Net loss for the period (RM'000) after tax attributable to equity holder of the parent.	(1,128)	(1,009)	(1,128)	(1,009)
Number of ordinary shares issued ('000)	392,253	361,020	392,253	361,020
Basic loss per share (sen)	(0.29)	(0.28)	(0.29)	(0.28)
b) Diluted earnings per share	N/A	N/A	N/A	N/A

The earnings per share are calculated based on number ordinary shares stated above.

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