

NWP HOLDINGS BERHAD (Company No: 199901020576 (495476-M))

(Incorporated in Malaysia)

NOTES TO INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MAY 2021

(The figures have not been audited)

1. SELECTED EXPLANATORY NOTES TO THE CONDENSED QUARTERLY REPORT

1.1 Basis of Preparation

The interim financial report is unaudited and NWP Holdings Berhad ("the Group") has prepared its financial report in compliance with the Malaysian Financial Reporting Standards ("MFRS") 134 - Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial period ended 28 February 2021 and the accompanying explanatory notes attached to the interim financial statements.

The accounting policies and methods of computations used in the preparation of this interim financial report are consistent with those adopted by the Group in the audited financial statements for the financial period ended 28 February 2021, except for the adoption of the new MFRS and revision and amendments to MFRS and IC Interpretations effective as of 1 April 2021 as issued by the Malaysian Accounting Standards Board.

These new MFRS and revision and amendments do not have any significant impact on the financial statements of the Group.

1.2 Qualification of Audit Report of Preceding Financial Statements.

There was no qualified report issued by the auditors in the financial statements of the Group for the financial period ended 28 February 2021.

1.3 Seasonal or Cyclical Factors.

The Group's businesses were not materially 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 in current period under review.

1.5 Material Changes in Estimates

There were no changes in estimates that have a material effect on the amounts reported for the current financial period under review.

1.6 Issuances and Repayment of Debt and Equity Securities

There were no issuances, cancellation, repurchase, resale or repayment of debt and/or equity securities, share buy-backs, share cancellations, share held as treasury shares and resale of treasury shares during the financial period under review, except as disclosed below:

- a) On 16 March 2021, a sealed order from the High Court of Malaya confirming on the Share Capital Reduction of RM92,000,000 has been lodged with the Registrar of Companies and is deemed completed.

1.6 Issuances and Repayment of Debt and Equity Securities (cont'd)

There were no issuances, cancellation, repurchase, resale or repayment of debt and/or equity securities, share buy-backs, share cancellations, share held as treasury shares and resale of treasury shares during the financial period under review, except as disclosed below: (cont'd)

- b) On 19 May 2021, the Company issued and allotted the first tranche of private placement of 25,888,700 new ordinary shares at RM0.1779 per share each to raise gross proceed of RM4,605,599.73.

1.7 Dividend Paid

There were no dividends paid in current period 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 2021

	Moulding & Timber RM'000	Investment & Others RM'000	Consolidated RM'000
Total revenue	942	67	1,009
Segment result - Loss for the period	830	1,851	2,681

3 months ended 31 May 2020

	Moulding & Timber RM'000	Investment & Others RM'000	Consolidated RM'000
Total revenue	548	-	548
Segment result - Loss for the period	897	68	965

b) Information about geographical segment

	Revenue	
	3 months ended 31.05.2021 RM'000	3 months ended 31.05.2020 RM'000
Malaysia	112	128
Asia Pacific	897	420
Total	1,009	548

1.9 Material Events Subsequent to the end of the Current Quarter

There were no material events subsequent to the end of the current period under review, except as disclosed below:

On 2 June 2021, the Company issued and allotted the final tranche of private placement of 25,888,700 new ordinary shares at RM0.1590 per share each to raise gross proceed of RM4,116,303.30.

1.10 Changes in the Composition of the Group

On 29 March 2021, a wholly owned subsidiary, known as NWP Aquatech Sdn Bhd was incorporated. The principal activity is to supply seafoods to overseas and local customers.

On 7 April 2021, a wholly owned subsidiary, known as CK Resources Holding Sdn Bhd was incorporated. The principal activity is property management.

1.11 Contingent Liabilities

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

1.12 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 a revenue of RM1.01 million for the current financial period ended 31 May 2021, an increase of RM0.47 million or 87%, as compared to RM0.54 million in the corresponding quarter ended 31 May 2020. The increase in revenue in the current financial period under review arises due to the implementation of Movement Control Order (MCO) from March to May last year by the Government of Malaysia, where the production and shipment of goods and raw materials had come to a halt or has been delayed. Furthermore, the Group has ventured into the trading of motorbikes and provision of after sales services in the current financial period under review, which opens a new stream of revenue to the Group.

The Group recorded a pre-tax loss of RM2.68 million, an increase of RM1.72 million or 179%, as compared to a pre-tax loss of RM0.96 million in the corresponding quarter ended 31 May 2021. The higher pre-tax loss in current period arises from the increase of working capital in terms of staff costs and administrative expenses, to support the diversification of the new businesses of the Group's future growth.

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

The Group recorded a revenue of RM1.01 million for the current financial period ended 31 May 2021, a decrease of RM0.48 million or 32%, as compared to RM1.49 million in the preceding quarter. The decrease in revenue arises due to the delay of supply and shipment of information technology solution by the supplier.

The Group recorded a pre-tax loss of RM2.68 million, a decrease of RM0.84 million or 24%, as compared to the preceding quarter with a pre-tax loss of RM3.52 million. The higher pre-tax loss arises mainly from the impairment of property, plant & equipment, impairment of receivables and inventories written down.

2.3 Prospect for the Next Quarter

In view to the prevailing Covid-19 pandemic which has affected the country, the Management has implemented proper safety protocols to minimise any possible disruptions to the operations of the Group. Furthermore, the Group will continue to manage its cost and production efficiently.

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 as no profit guarantee were provided.

2.5 Taxation

No taxation was provided for the period as the subsidiaries of the Group have 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/or properties during the period under review.

2.7 Purchases or Disposal of Quoted Securities

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

2.8 Status of Corporate Proposals

- a) On 1 March 2021, the Company has proposed to undertake a private placement of up to 51,777,400 new ordinary shares ("Placement Shares"), representing the remaining number of Private Placement Shares that the Company can issue pursuant to the 20% General Mandate obtained from the Company's shareholders.

On 16 March 2021, Bursa Securities had approved on the proposal.

On 7 May 2021, the Board has fixed the issue price for the first tranche of private placement of 25,888,700 new ordinary shares at RM0.1779 each.

On 19 May 2021, the Board has issued and allotted the first tranche of 25,888,700 new ordinary shares at RM0.1779 per share which raised a total cash of RM4,605,600.

The status of utilization of proceeds raised from the abovementioned Placement Shares were as follows:

Details of Utilization	Estimated ⁽¹⁾ Proceeds from and Proposed Utilization of Private Placement	Actual ⁽²⁾ Proceeds from and Proposed Utilization of Private Placement (First Tranche)	Estimated Timeframe of Utilization after completion	Utilization as at 31 May 2021
	RM'000	RM'000		RM'000
Trading of motorbikes and provision of after sales services operations	2,000	800	Within 12 months	150
Future business expansion and/or investment	5,000	3,000	Within 12 months	2,509
Working capital	3,950	748	Within 12 months	361
Expenses in relation to the Proposed Private Placement	130	58	Immediately	58
Total	11,080	4,606		3,078

Note (1): The estimated proceeds from and proposed utilization of Private Placement is based on an indicative price of RM0.214.

Note (2): The actual proceeds are based on actual payment received from 25,888,700 Placement Shares for First Tranche.

2.8 Status of Corporate Proposals (cont'd)

- b) On 1 April 2021, the Board announced that NWP Access Sdn Bhd, a wholly-owned subsidiary of the Company has entered into a Memorandum of Understanding (“MOU”) with Yayasan Keusahawanan Social (YKS”), appointing YKS as an agent to promote its motorbikes and to deal with potential buyers, who are in the B40 category and/or individuals who are negatively affected by the Covid-19 pandemic. The MOU is valid and shall remain in effect for a period of one (1) year.
- c) On 1 April 2021, the Board announced that NWP Access Sdn Bhd, a wholly-owned subsidiary of the Company has entered into a Merchant Service Agreement with IOU Pay (Asia) Sdn Bhd (formerly known as iSentric Wireless Sdn Bhd) (“IOU Pay”). IOU Pay provides the payment option services known as “Buy Now, Pay Later”, which allows the customers to purchase goods and/or services (bike repair and/or maintenance) without having to pay the full amount immediately, but rather on an instalment basis, without interest to the customers. This would ease the burden of customers from having to pay the lump sum costs/fees immediately, and therefore is viewed as an added advantage of NWPA in this competitive market.
- d) On 1 April 2021, the Board announced that NWP Access Sdn Bhd, a wholly-owned subsidiary of the Company has entered into a Memorandum of Understanding (“MOU”) with MBP Solutions Sdn Bhd (“MBP Solutions”), a wholly owned subsidiary of TFP Solutions Berhad, on the transaction/engagement relating to the OneCALL services, mobile fin-tech services, micro-lending services and micro-insurance.
- e) On 1 April 2021, the Board announced that NWP Access Sdn Bhd, a wholly-owned subsidiary of the Company has entered into a Supply of Goods and Services Agreement with Blackbixon2go Sdn Bhd (“the Buyer”), to sell motorbikes and provide services for the maintenance of motorbikes to the Buyer for a period of three (3) years.
- f) On 8 April 2021, the Board announced that CK Resources Holding Sdn. Bhd, a wholly-owned subsidiary of the Company has been appointed as Sales & Marketing Consultant for One Stonor Project by Nautical Frontier Sdn Bhd.

2.9 Borrowings and Debt Securities

The Group’s borrowings as at 31 May 2021 are as follow:

	Short term (RM’ 000)	Long Term (RM’ 000)	Total (RM’000)
Obligation under finance lease	35	43	78

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 interim financial report.

2.11 Related Party Transactions

This relates to interest accrued to a company in which a director has a financial interest in it.

2.12 Material Litigation

a) NWP Builder Sdn Bhd -vs- Listari Marina

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”) 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 provided 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 a refund of advances (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, to LMSB. This event was announced to Bursa on 7 November 2018.

On 18 December 2018, the Board announced that NWPBu had received Statement of Defense 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 advances and also vigorously defend the said Counter-Claim.

On 18 September 2019, judgment was entered against LMSB ordering that the TCA is terminated by LMSB, LMSB to pay RM6.5 million to NWPBu within 14 days from date of Order, LMSB to pay to NWPBu interest at rate of 5% p.a. on the sum of RM6.5 million from 27 March 2018 to full settlement, costs in the sum of RM5,000-00 and LMSB’s counter-claim is struck off.

On 25 October 2019, LMSB filed an application at the Kuala Lumpur High Court applying to set aside the judgment entered on 18 September 2019. The matter is now fixed for further hearing on 3 August 2020.

On 3 August 2020, by a consent order was entered at the Kuala Lumpur High Court, in relation to the original Judgment dated 18 September 2019 entered against the Defendant be amended as follows:-

- (1) LMSB to serve NWPBu with a notice of arbitration relating to the counter-claim on or before 10 August 2020;
- (2) A stay of execution in relation to the original Judgment, inter alia, the sum of RM6.5 awarded to NWPBu and termination of the Turnkey Construction Agreement under the original Judgment including winding-up proceeding until disposal of the arbitration;
- (3) NWPBu is given the liberty to apply for security to be provided during the arbitration;
- (4) Costs in cause at the arbitration; and
- (5) In the event LMSB failed to provide the notice as stated under the condition in Paragraph (1) above, then the original Judgment will automatically be reinstated.

On 7 August 2020, LMSB served the Notice of Arbitration to NWPBu. The claim contained in the said Notice of Arbitration is essentially LMSB counter-claim on the said KL High Court suit. LMSB is claiming against NWPBu for a sum of RM15,632,784.88 being alleged damages and losses suffered by LMSB due to LMSB allegation that NWPBu’s failure, refusal and/or neglect to commence and perform the work pursuant to the Turnkey Contract and Supplementary Agreement.

On 16 March 2021, Dato’ Sri Gopal Sri Ram was appointed as the sole Arbitrator by the Director of AIAC.

The arbitration process is still on-going.

2.13 Material Litigation (cont'd)

b) NWP Builder Sdn Bhd -vs- Ismail Bin Hassan

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 USD1,500,000.

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 has commenced arbitration proceeding against Dato’ Ismail at AIAC to recover the Sum Paid.

On 23 March 2021, the Company withdrawn the arbitration proceedings with liberty to file afresh.

c) Kuala Lumpur Sessions Court Summons

On 8 February 2021, the Company was charged by Suruhanjaya Syarikat Malaysia) for failure to obtain its oval at AGM for the director’s fees paid for the financial year ended 31 August 2017 and 31 August 2018.

On 8 February 2021, the Company pleaded not guilty to the above charges.

On 20 April 2021, the Company informed the court of the Company intention to raise preliminary objection on the charges and for a hearing date to be fixed. The hearing of the Company's preliminary objection to the charges is still pending before the court for hearing.

On 4 August 2021, the Session Court Judge has fixed 2 September 2021 for the next mention.

2.13 Dividend

No dividend has been recommended during the period under review.

2.14 Loss per Share

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Current Period 01.03.2021 to 31.05.2021	Corresponding Period 01.03.2020 to 31.05.2020	Current Period 01.03.2021 to 31.05.2021	Corresponding Period 01.03.2020 to 31.05.2020
a) Basic loss per share				
Net loss for the period (RM'000) after tax attributable to equity holder of the parent.	(2,681)	(965)	(2,681)	N/A
Weighted average number of ordinary shares issued ('000)	444,616	430,349	444,616	N/A
Basic loss per share (sen)	(0.60)	(0.22)	(0.60)	N/A
b) Diluted loss per share	N/A	N/A	N/A	N/A

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

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