

PERMAJU INDUSTRIES BERHAD
(INCORPORATED IN MALAYSIA) Company No. 379057-V

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTER 31ST DECEMBER 2019

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter 31.12.2019 RM'000 Unaudited	Preceding Year Quarter 31.12.2018 RM'000 *	Current Year To-Date 31.12.2019 RM'000 Unaudited	Preceding Year To-Date 31.12.2018 RM'000 *
Revenue		18,552	N/A	37,362	N/A
Cost of sales		(16,423)	N/A	(33,784)	N/A
Gross profit		<u>2,129</u>	<u>-</u>	<u>3,578</u>	<u>N/A</u>
Other income		330	N/A	500	N/A
Selling and marketing expenses		(1,176)	N/A	(2,014)	N/A
Administrative expenses		(2,126)	N/A	(3,610)	N/A
Operating loss		<u>(843)</u>	<u>N/A</u>	<u>(1,546)</u>	<u>N/A</u>
Finance costs		(36)	N/A	(65)	N/A
Loss before tax		<u>(879)</u>	<u>N/A</u>	<u>(1,611)</u>	<u>N/A</u>
Income tax expense	18	20	N/A	40	N/A
Loss for the period	19	<u>(859)</u>	<u>N/A</u>	<u>(1,571)</u>	<u>N/A</u>
Other comprehensive loss for the period, net of tax		-	-	-	-
Total comprehensive loss for the period		<u>(859)</u>	<u>N/A</u>	<u>(1,571)</u>	<u>N/A</u>
Loss attributed to					
- Owners of the company		(762)	N/A	(1,357)	N/A
- Non-controlling interests		(97)	N/A	(214)	N/A
		<u>(859)</u>	<u>N/A</u>	<u>(1,571)</u>	<u>N/A</u>
Total comprehensive loss attributed to					
- Owners of the company		(762)	N/A	(1,357)	N/A
- Non-controlling interests		(97)	N/A	(214)	N/A
		<u>(859)</u>	<u>N/A</u>	<u>(1,571)</u>	<u>N/A</u>
Basic loss per share attributable to owners of the Company :					
Basic loss per share for the period (sen)	26	(0.41)	N/A	(0.72)	N/A

* There are no comparative figures disclosed for the current quarter and the cumulative period-to-date results following the change in the financial year end from 31 December to 30 June.

PERMAJU INDUSTRIES BERHAD
(INCORPORATED IN MALAYSIA) Company No. 379057-V

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2019

	Note	As at 31.12.2019 RM'000 (Unaudited)	As at 30.06.2019 RM'000 (Audited)
Non - current assets			
Property, plant and equipment		54,621	55,521
Land held for property development		63,727	63,727
Investment properties		-	3,423
Biological assets		6,274	6,093
Deferred tax assets		1,879	1,879
		<u>126,501</u>	<u>130,643</u>
Current assets			
Property development costs		42,531	42,531
Inventories		24,589	27,543
Trade and other receivables		5,683	7,114
Other current asset		-	165
Income tax refundable		103	103
Cash and bank balances		589	794
		<u>73,495</u>	<u>78,250</u>
TOTAL ASSETS		<u>199,996</u>	<u>208,893</u>
EQUITY AND LIABILITIES			
Current liabilities			
Loans and borrowings	22	2,027	3,395
Trade and other payables		60,150	66,068
Income tax payable		6	6
		<u>62,183</u>	<u>69,469</u>
Net current assets		<u>11,312</u>	<u>8,781</u>
Non - current liabilities			
Deferred tax liabilities		7,402	7,442
		<u>7,402</u>	<u>7,442</u>
Total liabilities		<u>69,585</u>	<u>76,911</u>
Net assets		<u>130,411</u>	<u>131,982</u>
Equity attributable to owners of the Company			
Treasury shares	7	228,310	228,310
Merger deficit		(3,280)	(3,280)
Revaluation reserve		4,594	(16,217)
Accumulated losses		21,552	21,552
		<u>(134,129)</u>	<u>(111,961)</u>
		117,047	118,404
Non-controlling interest		13,364	13,578
Total equity		<u>130,411</u>	<u>131,982</u>
TOTAL EQUITY AND LIABILITIES		<u>199,996</u>	<u>208,893</u>
Net asset per share - RM		0.70	0.70

PERMAJU INDUSTRIES BERHAD
(INCORPORATED IN MALAYSIA) Company No. 379057-V

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 31ST DECEMBER 2019
(The figures have not been audited)

Note	----- Attributable to Owners of the Company -----									
	Equity Total RM'000	Equity attributable to owners of the parent, Total RM'000	----- Non-Distributable -----					Distributable		
Share Capital RM'000			Share Premium RM'000	Treasury Shares RM'000	Merger Reserve / (Deficit) RM'000	Revaluation Reserves RM'000	Capital Redemption Reserve RM'000	Retained Earnings RM'000		
As at 1st July 2019	131,982	118,404	228,310	-	(3,280)	(16,217)	21,552	-	(111,961)	13,578
Derecognition of merger deficit on disposal of subsidiary	-	-	-	-	-	20,811	-	-	(20,811)	-
Total comprehensive loss for the period	(1,571)	(1,357)	-	-	-	-	-	-	(1,357)	(214)
As at 31st December 2019	<u>130,411</u>	<u>117,047</u>	<u>228,310</u>	<u>-</u>	<u>(3,280)</u>	<u>4,594</u>	<u>21,552</u>	<u>-</u>	<u>(134,129)</u>	<u>13,364</u>
As at 1st July 2018*	N/A	N/A	N/A	-	N/A	N/A	N/A	-	N/A	N/A
Total comprehensive loss for the period	N/A	N/A	N/A	-	N/A	N/A	N/A	-	N/A	N/A
As at 31st December 2018*	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>-</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>-</u>	<u>N/A</u>	<u>N/A</u>

* There are no comparative figures disclosed for the current quarter and the cumulative period-to-date results following the change in the financial year end from 31 December to 30 June.

PERMAJU INDUSTRIES BERHAD
(INCORPORATED IN MALAYSIA) Company No. 379057-V

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL QUARTER ENDED 31ST DECEMBER 2019

	Current Year To-Date 31.12.2019 RM'000 Unaudited	Preceding Year To-Date 31.12.2018 RM'000 *
Operating activities		
Loss before tax	(1,611)	N/A
Adjustments for :		
Interest income	(8)	N/A
Finance costs	65	N/A
Depreciation of property, plant and equipment	235	N/A
Loss on disposal of investment property	3,423	N/A
Net gain on disposal of property, plant and equipment	(80)	N/A
Loss on disposal of property, plant and equipment	108	N/A
Operating cash flows before changes in working capital	<u>2,132</u>	<u>N/A</u>
Decrease in inventories	2,954	N/A
Decrease in trade and other receivables	1,731	N/A
Decrease in other current assets	165	N/A
Decrease in trade and other payables	<u>(5,918)</u>	<u>N/A</u>
Cash flows from operations	1,064	N/A
Interest received	8	N/A
Interest paid	(65)	N/A
Tax paid	<u>(100)</u>	<u>N/A</u>
Net cash flows from operating activities	<u>907</u>	<u>N/A</u>
Investing activities		
Proceeds from disposal of property, plant and equipment	275	N/A
Purchase of property, plant and equipment	<u>(19)</u>	<u>N/A</u>
Net cash flows from investing activities	<u>256</u>	<u>N/A</u>
Financing activities		
Repayment of loans and borrowings	(1,389)	N/A
Repayment of obligations under finance leases	-	N/A
Net cash flows used in financing activities	<u>(1,389)</u>	<u>N/A</u>
Net decrease in cash and cash equivalents	(226)	N/A
Cash and cash equivalents at beginning of financial period	(1,741)	N/A
Cash and cash equivalents at end of financial period	<u>(1,967)</u>	<u>N/A</u>
Cash and cash equivalents at the end of the financial period comprise the following :		
	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000
Cash and bank balances	60	N/A
Deposits pledged	<u>529</u>	<u>N/A</u>
	589	N/A
Bank overdraft	<u>(2,027)</u>	<u>N/A</u>
	(1,438)	N/A
Less: Deposits pledged	<u>(529)</u>	<u>N/A</u>
	<u>(1,967)</u>	<u>N/A</u>

* There are no comparative figures disclosed for the current quarter and the cumulative period-to-date results following the change in the financial year end from 31 December to 30 June.

PERMAJU INDUSTRIES BERHAD
(Incorporated in Malaysia) Company No. 379057-V

**INTERIM REPORT FOR THE FINANCIAL QUARTER
ENDED 31ST DECEMBER 2019**

*NOTES TO THE UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
ENDED 31ST DECEMBER 2019*

PART A – EXPLANATORY NOTES PURSUANT TO FRS 134

1. BASIS OF PREPARATION

The interim financial statements of the Group are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 30th June 2019. 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 year ended 30th June 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Group for the financial period ended 31st December 2019 are prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”) Framework. The date of transition to the MFRS Framework was on 1 January 2017.

The Group has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 January 2017 and throughout all comparable interim periods presented as if these policies had always been in effect. Comparative information in these interim financial statements have been restated to give effect to these changes and the financial impact on the transition from FRS in Malaysia to MFS as disclosed as follows:

Biological assets

Prior to adoption of MFRS 141, biological assets are measured at cost less accumulated impairment losses. With the adoption of MFRS 141, the biological assets are measured at fair value less cost to sell. Any changes in fair value less cost to sell of the biological assets are recognized in profit or loss.

The carrying amount of the biological assets as at 31 December 2016 and 2017 had been stated at fair value less cost to sell as the new carrying amounts were lower than the recoverable amounts when impairment assessments were performed. Therefore, there was no adjustment to be made to restate the biological assets of the Group upon adoption of MFRS 141.

MFRS 9: Financial Instruments

MFRS 9 replaces FRS 139: Financial Instruments: Recognition and Measurement bringing together three aspects of the accounting for financial instruments: (a) classification and measurement; (b) impairment; and (c) hedge accounting. MFRS 9 replaces the “incurred loss” model in MFRS 139 with an “expected credit loss” model. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. The adoption of this new MFRS 9 have not resulted in any significant impact on the financial statement of the Group.

MFRS 15: Revenue from Contracts with Customers

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. Depending on whether certain criteria are met, revenue is recognised over time, in a manner that depicts the Group's performance; or at a point in time, when control of the goods or services is transferred to the customers. The adoption of this new MFRS 15 have not resulted in any material impact on the financial statements of the Group.

3. AUDIT REPORT

The audit report of the Group's annual financial statements for the year ended 30th June 2019 was not subject to any qualification.

4. SEASONAL OR CYCLICAL FACTORS OF INTERIM OPERATIONS

The Group's business operations for the period ended 31st December 2019 have not been materially affected by seasonal or cyclical factors.

5. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the financial quarter ended 31st December 2019.

6. EFFECTS OF CHANGES IN ESTIMATES

There were no changes in estimates that have a material effect in the financial quarter ended 31st December 2019.

7. CHANGES IN DEBTS AND EQUITY SECURITIES

During the current quarter ended 31st December 2019, there were no issuances, cancellations, repurchases, resale and repayments of debts and equity securities. The total number of shares bought back and held as treasury shares as at 31st December 2019 was 8,672,500 shares. The shares bought back are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

8. DIVIDEND PAYMENT

There was no dividend paid for the current quarter and financial period ended 31st December 2019.

9. CARRYING AMOUNT OF REVALUED ASSETS

The Group has revalued its leasehold land during the financial year 2017 based on valuations carried out by an independent professional valuer on an open market value basis during that financial year.

10. SUBSEQUENT EVENTS

There were no material events subsequent to the interim financial report under review as at the date of this announcement.

11. OPERATING SEGMENTS

The Group has four reportable segments, namely automotive, timber, property development and others which involved in Group-level corporate services, treasury functions and investments in marketable securities, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately.

(a) Information about reportable segments

	For the period ended 31.12.2019					
	Automotive	Timber	Property Development	Others	Adjustments and elimination	Total
	31.12.19 RM'000	31.12.19 RM'000	31.12.19 RM'000	31.12.19 RM'000	31.12.19 RM'000	31.12.19 RM'000
External revenue	36,794	-	568	-	-	37,362
Inter segment revenue	-	-	-	-	-	-
Segment loss	(640)	(350)	(713)	92	40	(1,571)
Segment assets	11,013	34,995	83,388	106,470	(35,870)	199,996
Segment liabilities	39,074	33,227	81,971	5,157	(89,844)	69,585

12. CHANGES IN COMPOSITION OF THE GROUP

As announced on 20 December 2019, the Company had completed the disposal of 100% equity interest held in Fook Ngiap Sawmill Sdn. Bhd., a wholly own subsidiary of Permaju Industries Berhad.

Save as disclosed, there were no changes in the composition of the Group for the current quarter under review.

13. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no changes in contingent liabilities or contingent assets of the Group since the last statement of financial position as at 31st December 2019.

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

14. REVIEW OF PERFORMANCE

The Group's revenue for the current quarter of RM18.55 million is made up of revenue from the Automotive Division of RM 18.55 million.

The Group registered a pre-tax loss of RM0.88 million for the current quarter.

There is no comparison preceding year corresponding period comparison due to the change in the financial year end from 31 December to 30 June.

15. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

The Group's current quarter revenue of RM18.55 million against the preceding quarter revenue of RM18.81 million, was mainly due to increase in revenue derived only from Automotive Division. The Group's loss before taxation for the current quarter of RM0.88 million was mainly attributed to the loss before taxation of Automobile Division of RM0.64 million and loss before taxation of Property Development Division of RM0.71 million. Comparatively, in the preceding quarter the loss before taxation of RM0.73 million was mainly attributed to the loss before taxation of Automobile Division of RM0.16 million and loss before taxation of Property Development Division of RM0.34 million.

In the Automotive Division for current quarter, the vehicles sales increased as compared to the previous quarter. While for Property Development Division no of residential unit was sold during current quarter compared to 1 unit in previous quarter.

16. BUSINESS PROSPECTS

Malaysia Automotive Association (MAA) is of the view that total industry volume (TIV) forecast will be 607,000 units for year 2020, increase by 0.5% from actual unit sold in 2019. MAA has taken several economic and environmental factors into their forecast such as weaker Ringgit, moderation in consumers' spending and inflationary pressure, rising in cost of living, stringent hire purchase lending rules and introduction of new models with latest designs, additional specifications and competitive price can sustain buying interest.*

The property sector is expected to remain challenging due to weak demand and oversupply market.

In addition to the above, the rights issue (refer to Note 21) is expected to provide additional working capital which will be positive for the Group operations moving forward. Barring any unforeseen circumstances, the Board expect the results of the Group to be satisfactory.

*MAA Market Review for 2019 and Outlook for 2020

17. PROFIT FORECAST OR PROFIT GUARANTEE

This is not applicable to the financial quarter under review.

18. INCOME TAX EXPENSE / BENEFIT

	Current Year Quarter 31.12.2019 RM'000	Cumulative Year To Date 31.12.19 RM'000
Deferred tax	(20)	(40)
	<u>(20)</u>	<u>(40)</u>

19. LOSS FOR THE PERIOD

Loss for the period is arrived at after charging/(crediting):

	Current Year Quarter 31.12.19 RM'000	Cumulative Year To Date 31.12.19 RM'000
Finance costs	36	65
Depreciation and amortization	95	246
Impairment for and write off of Receivables	93	(164)
Gain on disposal of property, plant and equipment	(80)	(80)
Loss on disposal of property, plant and equipment	108	108

20. SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

There were no sales of unquoted investments and properties for the financial quarter under review.

21. CORPORATE PROPOSALS

At the Extraordinary General Meeting held on 29 June 2018, the shareholders of the Company have approved the Proposed renounceable rights issue of up to 936,309,855 new Irredeemable Convertible Preference Shares in Permaju (“ICPS”) (“Rights ICPS”) at an issue price of RM0.05 per Rights ICPS together with up to 93,630,985 free detachable Warrants (“Warrants”) on the basis of 10 Rights ICPS together with 1 free Warrant for every 2 existing ordinary shares in Permaju held by the entitled shareholders of Permaju (“Proposed Rights Issue of ICPS with Warrants”) and the Proposed Settlement of debt owing to Tan Sri Datuk Chai Kin Kong and Dato’ Chua Tiong Moon in the aggregate sum of RM22,248,918 to be fully satisfied via the issuance of 444,978,360 ICPS (“Settlement ICPS”) at an issue price of RM0.05 per Settlement ICPS (“Proposed Settlement”).

On 8 October 2018, the Company had submitted an application to Bursa Securities to seek an extension of time to implement and complete this exercise. On 12 October 2018, Bursa Securities approved the extension of time of 6 months from 15 November 2018 up to 15 May 2019.

On 2 May 2019, the Company had submitted a second application to Bursa Securities to seek an extension of time to implement and complete this exercise. On 16 May 2019, Bursa Securities approved a further extension of 6 months till 15 November 2019.

On 29 October 2019, a third application was submitted to Bursa Securities to seek a further extension of time up to 6 months from 15 November 2019 to 14 May 2020 for the Company to implement and complete the proposals.

22. LOANS AND BORROWINGS

	As at 31.12.2019 RM'000	As at 30.06.2019 RM'000
Current		
- Bank overdraft	2,027	2,006
- Obligation under finance leases	-	-
- Bank loans	-	1,389
	<u>2,027</u>	<u>3,395</u>

The borrowings are secured.

23. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments as at the date of this announcement.

24. CHANGES IN MATERIAL LITIGATION

There were no material changes in the following litigation where:

David Shen I-Tan, practicing under Arkitek Konsult Sabah (“Claimant”), had on 22nd November 2013 initiated an arbitration proceeding against a subsidiary, Hardie Development Sdn Bhd (Hardie), for wrongful termination of its services as an architect. The Claimant is claiming for fees with interest as well as loss of income, amounting to RM11,400,000.00 (“Breach of Contract Arbitration”).

The Claimant had also initiated an arbitration proceeding against Permaju for tortious conduct by Permaju in inducing Hardie to breach a contract of services against the Claimant. The Claimant is claiming against Permaju for damages comprising of (a) RM2,590,724.04, being the outstanding professional fees allegedly due to the Claimant and (b) RM9,841,702.83 together with interest and cost for loss of income for balance of work prematurely terminated (“Permaju Arbitration”).

In respect of both the above-mentioned arbitration proceedings, the parties have agreed that the issue of liability for the Breach of Contract Arbitration will be determined first before the Permaju Arbitration. In this respect, no award will be made in relation to the Breach of Contract Arbitration on the quantum payable to either the Claimant or the Respondent at this stage. In the event that Hardie is successful in respect of the Breach of Contract Arbitration, then the Permaju Arbitration will come to an end.

On 21st May 2018, Hardie’s solicitors have informed Hardie that the arbitrator has given a partial award on the Breach of Contract Arbitration (“Partial Award”) and held that Hardie had wrongfully terminated the Claimant’s for its services and has awarded costs in the cause in the

final award to the Claimant. Hardie's solicitors have confirmed that there has been no award made by the arbitrator in respect of the quantum of damages payable to the Claimant in relation to the Breach of Contract Arbitration. Hardie's solicitors also confirmed that there are no directions from the arbitrator in respect of the Permaju Arbitration.

Hardie's solicitors are of the view that there are reasonable chances of the Partial Award being set aside since there are errors of law in issues of jurisdiction. Hardie's solicitors have filed an application to set aside the Partial Award at the Kota Kinabalu High Court and have written to the High Court for the Grounds of Decision.

Pursuant to the directions given at the case management on 28 June 2019, the Tribunal had directed parties to submit submissions incorporating previous submissions on the issue of illegality with answers to clarification questions posed by the Tribunal. On 1st August 2019, Hardie's solicitors have filed the necessary information to the Tribunal.

On 7 October 2019, the Arbitrator issued Partial Award No. 2 which found that the architect's services had not been voided by illegality and he had been, wrongfully terminated. The Company is appealing against this decision and the company's solicitors had filed the necessary application to set aside the Partial Award and the case management is fixed on 2 January 2020.

Hearing of the Final Award on the issue of damages claimed by David Shen I-Tan and the counterclaim by Hardie Development Sdn Bhd as well as the claim by David Shen I-Tan that Permaju had induced Hardie to breach its contract with David Shen I-Tan is fixed for Hearing from 13 July 2020 to 16 July 2020.

The Company's solicitors are of the view that the chance of a successful defence by the Group is strong.

25. DIVIDEND PAYABLE

No interim ordinary dividend has been declared for the financial period ended 31st December 2019 (30th June 2019 : Nil)

26. LOSS PER ORDINARY SHARE

Basic loss per share is calculated by dividing the net loss for the period by the weighted average number of ordinary shares in issue during the period.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.12.2019	Preceding Year Quarter 31.12.2018	Current Year Quarter 31.12.2019	Preceding Year Quarter 31.12.2018
Net loss for the period (RM'000)	(762)	N/A	(1,357)	N/A
Weighted average number of ordinary shares in issue ('000)	187,262	N/A	187,262	N/A
Basic loss per share (sen)	<u>(0.41)</u>	<u>N/A</u>	<u>(0.72)</u>	<u>N/A</u>

The basic loss per share is not subject to dilution as there is no dilutive effect of any potential ordinary shares.

27. REALISED AND UNREALISED LOSSES DISCLOSURE

	As at 31.12.2019 RM'000	As at 30.06.2019 RM'000
Total retained accumulated losses of Permaju Industries Berhad and its subsidiaries :		
- Realised	(127,103)	(104,935)
- Unrealised	<u>(7,026)</u>	<u>(7,026)</u>
Total group accumulated losses as per consolidated accounts	<u><u>(134,129)</u></u>	<u><u>(111,961)</u></u>

28. AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 February 2020.