

# PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE YEAR ENDED 30 JUNE 2013

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### **PART A: EXPLANATORY NOTES PURSUANT TO FRS 134**

#### **1. Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The preparation of an interim financial report in conformity with FRS 134, Interim Financial Reporting, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

This interim financial report should be read in conjunction with the audited financial statements for the year ended 30 June 2012. It contains unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the year ended 30 June 2012. The condensed consolidated interim financial report and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Financial Reporting Standards (FRSs).

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted in the annual financial statements for the financial year ended 30 June 2012.

The statutory financial statements for the year ended 30 June 2012 are available from the Company's registered office.

#### **2. Auditors' Report on Preceding Annual Financial Statements**

The Group's audited financial statements for the financial year ended 30 June 2012 were reported on without any qualification.

#### **3. Segmental Information**

No segmental report was prepared as the Group is primarily engaged in manufacturing, extracting and trading of timber and timber related products with its principal place of business in Sabah, Malaysia.

#### **4. Unusual Items due to their Nature, Size or Incidence**

There were no unusual items as a result of their nature, size or incidence that had affected assets, liabilities, equity, net income or cash flows during the financial year.

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### 5. Changes in Estimates

There were no significant changes in estimates that have had a material effect in the current quarter results.

### 6. Seasonal or Cyclical Factors

The Group's performance was not subject to any material seasonal or cyclical factors except that the timber logs extraction operation could be affected to a certain extent by the prevailing weather conditions.

### 7. Dividends Paid

There were no dividends paid during the current quarter under review. No dividend has been proposed by the Directors for the quarter under review (corresponding period 30.06.2012: nil)

### 8. Carrying Amount of Revalued Assets

There were no valuations of property, plant and equipment during the current quarter.

### 9. Debts and Equity Securities

During the current quarter, there were no treasury shares bought back, cancelled or resold.

Listed below the number of treasury shares as at 30 June 2013:

|  | Number<br>Of Shares | Cost<br>(RM) |
|--|---------------------|--------------|
| Balance as at 01 July 2012               | 12,562,832          | 10,324,612   |
| Increase / (Decrease) in treasury shares | 0                   | 0            |
| Total treasury shares as at 30 June 2013 | 12,562,832          | 10,324,612   |

### 10. Changes in the Composition of the Group

There is no change in the composition of the Group for the current quarter.

### 11. Contingent Liabilities and Contingent Assets

#### a) Contingent liabilities

##### Legal Claim

On 30 December 2010, a wholly owned subsidiary of the Company, Maxland Sdn. Bhd. was served with a Writ of Summons by Timatch Sdn. Bhd. ("Plaintiff") claiming against the subsidiary for trespass and damages to raw water transmission pipeline and valve chamber which was used by the Plaintiff for the supply of raw water to its water treatment plant.

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On 16 February 2011, a judgment in default of appearance was issued by The High Court of Sabah and Sarawak at Sandakan that the subsidiary to pay the plaintiff damages to be assessed. On 7 June 2011, the subsidiary has submitted an appeal to the Court of Appeal of Malaysia for the aforementioned judgment to be set aside with costs. The appeal was dismissed by the Court of Appeal of Malaysia on 19 June 2012. On 16 July 2012, the subsidiary has submitted an application for leave to appeal to the Federal Court. On 30 October 2012, the Federal Court had granted the subsidiary the application for leave to appeal and the subsidiary is now awaiting for the hearing date to be fixed.

### Guarantees

The Company has provided the corporate guarantees to subsidiaries as securities for hire purchase and lease financing facilities amounting to RM80,000,000.00

## 12. Subsequent Events

There were no material events subsequent to the end of the current quarter.

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

## 13. Review of Performance

For the current quarter under review, the Group recorded revenue of RM43 million, 50% reduction in revenue when compared with the RM86 million in the corresponding quarter 30.06.2012. The Group also recorded a loss before tax of RM12.3 million compared to Loss before tax of RM2.5 million in the corresponding quarter 30.06.2012.

Sales volume of plywood decreased by 30% compared to corresponding quarter 30.06.2012. Sawn timber sales volume also was one third the volume sold in the corresponding quarter 30.06.2012. The decrease in sales volume was mainly due to the decrease in production volume as logs supplied from internal forest concessions and external suppliers decreased. This situation was further aggravated by adverse weather conditions. This has led to lower capacity utilization of about 33% compared to an average 47% in the corresponding quarter 30.06.2012 for Plywood production.

## 14. Variation of Result to immediate preceding quarter

For the current quarter under review, the Group posted revenue of RM43million compared to RM34 million in the preceding quarter. The loss before tax of RM12.3 million is lower than the loss before tax of RM19.7 million reported in the preceding quarter.

In the current quarter, the shortage of raw material coupled with the increase in raw material cost and under utilization of capacity compared to preceding quarter still persist.

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### 15. Company's Prospects

A prolonged uncertainty in Europe and Japan economies and a slowdown of China economic growth has resulted in lower demand for timber products like plywood and sawn timber. This had caused timber products selling price to remain low despite of the general shortage of timber supplies globally.

In order to improve the current low production level, the Group is also actively sourcing for more stable supply of raw materials by securing new timber concession. In addition, the Group is also actively developing the forest re-plantation area in order to secure long term stability of log supplies to the downstream timber processing plants.

For the financial year 2013/2014, barring any unforeseen circumstances and subject to improvements in global economic conditions, the Board of Directors will endeavour to turnaround the Group's performance and the Group will continue to assess its internal and external risks and implement strategies to control operating costs and explore new markets for its products.

### 16. Profit Forecast or Profit Guarantee

This is not applicable as no profit forecast and profit guarantee were given.

### 17. Additional disclosure-(Loss)/Profit before tax

|                                       | <b>Current<br/>Quarter<br/>30.06.2013<br/>RM'000</b> | <b>Cumulative<br/>Quarters Current<br/>Year To Date<br/>30.06.2013<br/>RM'000</b> |
|---------------------------------------|--|---|
| (Loss)/Profit before tax is           |  |   |
| Arrived at after charging/(crediting) |  |   |
| Other income                          | (7,822)  | (19,723)  |
| Interest expense                      | 8,128  | 20,116  |
| Amortization and depreciation         | 6,653  | 48,037  |
| Impairment Loss                       | 1,736  | 1,736   |

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### 18. Income Tax

Taxation comprises the following:-

|                   | Current<br>Quarter<br>30.06.2013<br>RM'000 | Cumulative<br>Quarters Current<br>Year To Date<br>30.06.2013<br>RM'000 |
|-------------------|--|--|
| Current taxation  | -  | -  |
| Deferred taxation | 4,679                                      | 4,255  |
|                   | <u>4,679</u>                               | <u>4,255</u>   |

The taxation is computed after taking into consideration the utilisation of unutilised tax losses and unabsorbed capital allowance from subsidiary companies.

### 19. Profit or Loss on Sales of Unquoted Investments or Properties

There were no sales of investments or properties during the current quarter and financial year to-date.

### 20. Quoted Securities

#### (a) Purchases and Disposals of Quoted Securities

There were no purchases and disposals of quoted securities for the current quarter and financial year to-date.

#### (b) Investments in quoted securities

There was no investment in quoted securities for the current quarter and financial year to-date.

### 21. Corporate Proposals

The Company had on 1 April 2013 announced the following corporate proposals:

(I) Proposed reduction of the par value of each existing ordinary share of RM0.50 each to RM0.10 each in Priceworth International Berhad (PIB) pursuant to section 64 of the Companies Act 1965

(II) Proposed amendment to the Memorandum of Association of PIB to facilitate the implementation of the proposed par value reduction;

(III) Proposed acquisition of the entire Issued and Paid-up ordinary shares of Beta Bumi Sdn Bhd by PIB; and

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(IV) Proposed issuance of unsecured redeemable convertible notes with an aggregate principal amount of up to RM50.0 million.

Pursuant to the Proposals, the necessary applications to Bursa Malaysia have been submitted. Currently, the Company is in the midst of finalising the submission documents to the other relevant authorities.

### 22. Retained Earnings

|  | As at<br>30.06.2013<br>RM'000 |   | As at<br>30.06.2012<br>RM'000 |
|--|-------------------------------|---|-------------------------------|
| Total retained earnings of the Group;                      |                               |   |                               |
| -Realised  | 143,562                       |   | 197,681                       |
| -Unrealised  | (6,447)                       | - | (9,006)                       |
|  | 137,115                       |   | 188,675                       |
| Less: Consolidation adjustments                            | (61,358)                      | - | (57,358)                      |
| Total Group retained earnings as per Consolidated accounts | 75,757                        | - | 131,317                       |

The disclosure of realized and unrealized profits above is solely for compliance with the directive issued by Bursa Malaysia Securities Berhad.

### 23. Borrowings

Long Term borrowings as at 30 June 2013:

|                            | Secured<br>RM'000 | Unsecured<br>RM'000 | Total<br>RM'000 |
|----------------------------|-------------------|---------------------|-----------------|
| 1) Term Finance            | 147,094           | -                   | 147,094         |
| 2) Hire Purchase Creditors | 24,917            | -                   | 24,917          |
|                            | 172,011           | -                   | 172,011         |

Short Term borrowings as at 30 June 2013:

|                            | Secured<br>RM'000 | Unsecured<br>RM'000 | Total<br>RM'000 |
|----------------------------|-------------------|---------------------|-----------------|
| 1) Term Finance            | -                 | -                   | -               |
| 2) Hire Purchase Creditors | 8,120             | -                   | 8,120           |
|                            | 8,120             | -                   | 8,120           |

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Total group borrowings as at 30 June 2013:

|                            | Secured<br>RM'000 | Unsecured<br>RM'000 | Total<br>RM'000 |
|----------------------------|-------------------|---------------------|-----------------|
| 1) Term Finance            | 147,094           | -                   | 147,094         |
| 2) Hire Purchase Creditors | 33,037            | -                   | 33,037          |
|                            | <u>180,131</u>    | <u>-</u>            | <u>180,131</u>  |

All the borrowings of the Group are secured.

The Term Finance of the Company is secured by way of a debenture over all fixed and floating assets of the Group, and of a third party. Included in Term Finance is also a loan secure by a first party deed of assignment assigning to the lender all its harvesting rights of the planted timber in favour of the lender.

### 24. Off Balance Sheet Financial Instruments

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

### 25. Material Litigation

Except as disclosed under note on contingent liabilities, the Company has not engaged in any material litigation, claims or arbitration either as plaintiff or defendant for the current quarter.

### 26. Dividend Declared

There was no dividend declared for the financial quarter under review.

### 27. Earnings / (Loss) Per Share

#### (a) Basic

Basic earnings per share amounts are calculated by dividing the net profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the year, excluding treasury shares held by the Company.

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| Individual Quarter<br>3 months ended |            | Cumulative Quarters<br>12 months ended |            |
|--------------------------------------|------------|--|------------|
| 30.06.2013                           | 30.06.2012 | 30.06.2013                             | 30.06.2012 |

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### Basic earnings per share

|  |         |         |          |         |
|--|---------|---------|----------|---------|
| Net profit / (loss) (RM'000)                               | (7,461) | 766     | (55,560) | 1,545   |
| Weighted average number of ordinary shares in issue ('000) | 173,712 | 173,712 | 173,712  | 173,712 |
| Basic earnings/(loss) per share (sen)                      | (4.30)  | 0.42    | (31.98)  | 0.89    |

### (b) Diluted

The effect on the basic earnings per share for the current financial year arising from the assumed conversion of the warrants is anti-dilutive. Accordingly, the diluted earnings per share for the current year is presented as equaled to the basic earnings per share.