

# PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2014

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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 2013. 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 2013. 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 2013.

The statutory financial statements for the year ended 30 June 2013 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 2013 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 period.

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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 31.03.2013: 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 31 March 2014:

	Number Of Shares	Cost (RM)
Balance as at 01 July 2013	12,562,832	10,324,612
Increase / (Decrease) in treasury shares	0	0
Total treasury shares as at 31 March 2014	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 except for the completion of the acquisition of Beta Bumi Sdn Bhd as stated in Note 21 below.

### 11. Contingent Liabilities and Contingent Assets

#### a) Contingent liabilities

##### Legal Claim

(I) 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

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valve chamber which was used by the Plaintiff for the supply of raw water to its water treatment plant.

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 of Malaysia had granted the subsidiary the application for leave to appeal. After the appeal was heard on 25 February 2014 before the Federal Court, the Court reserved their judgement to a date to be fixed.

(II) PIB has on 17 December 2013 been served with a Writ of Summons and Statement of Claim dated 12 December 2013 ("the Suit") from the Plaintiff, one Capital Investment Agency, purportedly providing financial advisory and consultancy services and having its business address at Chislehurst Business Centre, 1 Bromley Lane, Chislehurst, Kent BR& 6LH, United Kingdom.

The Plaintiff's alleged claim in the Suit against the Company is for alleged outstanding commission in the sum of USD4,988,338 together with interests and costs purportedly pursuant to a Mandate Agreement dated 12 November 2010 for supposedly arranging a term loan offer of USD167,527,946 for the Company.

The alleged sum claim by the Plaintiff represented 7.4% of the net assets of the PIB Group as at 30 June 2013.

PIB does not anticipate any losses from the Suit as it regards the Mandate Agreement to be uncertain, null and void, and unenforceable. In any event, the term loan offer did not materialized.

PIB had engaged the legal firm of Messrs P.K. Lim & Co. as its advocates and solicitors to dispute and defend the claim/Suit and, if deemed fit, to consider a counterclaim for any losses and legal costs against the Plaintiff. The Suit is undergoing the normal court processes before it can be fixed for hearing or trial.

### Guarantees

The Company has provided the corporate guarantees to subsidiaries as securities for hire purchase and lease financing facilities amounting to RM30,000,000.00.

## **12. Subsequent Events**

There were no material events subsequent to the end of the current quarter other than as disclosed in Note 21 (1) (iv) and 21 (4).

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### **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 RM37 million, 6% increase in revenue when compared with the RM34 million in the corresponding quarter 31.03.2013. The Group also recorded a loss before tax of RM 1.2 million compared to a loss before tax of RM19.7 million in the corresponding quarter 31.03.2013.

The losses were reduced as compared to the corresponding quarter 31.03.2013 due to the increase in average selling price for plywood by 16%, contributed to a certain extent by more favourable exchange rate whereby the USD increased by 7% from RM3.06/USD in the corresponding quarter 31.03.2013 to RM3.28/USD in the current quarter. The raw material cost for plywood also decreased by 4% as mainly smaller logs were produced during the quarter.

#### **14. Variation of Result to immediate preceding quarter**

For the current quarter under review, the Group posted revenue of RM37 million compared to RM50 million in the preceding quarter. The loss before tax is RM 1.2 million compared to the loss before tax of RM6.4 million in the immediate preceding quarter.

In the current quarter, the shortage of raw material and under utilization of production capacity compared to preceding quarter still persist as January was the monsoon raining season and February was Lunar New Year festival season with less working days.

#### **15. Company's Prospects**

The outlook for Malaysian timber industry remains stable with the improving economic outlook in Japan and US. The outlook for timber demand from Japan, a major plywood consumer is promising with growth from various positive factors and stabilising economy.

However, in order to increase the production level, the Group is actively sourcing for more stable supply of raw materials. In addition, the Group is also actively developing the forest re-plantation area in order to secure long term stability of supplies to the downstream timber processing plants.

For the financial year 2013/2014, barring any unforeseen circumstances, the Board of Directors will endeavour to improve 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.

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### 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 Quarter 31.03.2014 RM'000</b>	<b>Cumulative Quarters Current Year To Date 31.03.2014 RM'000</b>
(Loss)/Profit before tax is Arrived at after charging/(crediting)		
Other income	(10,671)	(13,658)
Interest expense	4,306	10,375
Amortization and depreciation	9,128	29,238

### 18. Income Tax

Taxation comprises the following:-

	<b>Current Quarter 31.03.2014 RM'000</b>	<b>Cumulative Quarters Current Year To Date 31.03.2014 RM'000</b>
Current taxation	-	-
Deferred taxation	(230)	(36)
	(230)	(36)

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.

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### 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

(1) 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

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

(2) PIB have obtained the sealed order of the High Court of Malaya dated 7 January 2014 sanctioning the Par Value reduction and this has been lodged with the Companies Commission of Malaysia on 15 January 2014.

(3) All the conditions precedent in relation to the Proposed Acquisition of Beta Bumi Sdn Bhd by PIB as set out in the SSA have been fulfilled, procured and/or obtain, as the case may be, by PIB and the Vendors. As such, the Proposed Acquisition has been completed in accordance to the SSA following the listing and quotation of 65,714,285 PIB shares with effect from 24 January 2014.

(4) All the conditions precedent in relation to Proposed issuance of unsecured redeemable convertible notes have been fulfilled. Subsequently, the Company has issued the Tranche 1 of RCN amounting to RM10 million as at 20.05.2014 of which RM8.0 million was issued in March 2014 and RM2.0 million was issued in April 2014.

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### 22. Retained Earnings

	As at 31.03.2014 RM'000	As at 30.06.2013 RM'000
Total retained earnings of the Group;		
-Realised	117,802	140,648
-Unrealised	5,691	1,738
	123,493	142,386
Less: Consolidation adjustments	(62,827)	(68,010)
Total Group retained earnings as per Consolidated accounts	60,666	74,376

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 31 March 2014:

	Secured RM'000	Unsecured RM'000	Total RM'000
1) Term Finance	145,854	-	145,854
2) Hire Purchase Creditors	16,258	-	16,258
	162,112	-	162,112

Short Term borrowings as at 31 March 2014:

	Secured RM'000	Unsecured RM'000	Total RM'000
1) Term Finance	753	-	753
2) Hire Purchase Creditors	6,709	-	6,709
	7,462	-	7,462

Total group borrowings as at 31 March 2014:

	Secured RM'000	Unsecured RM'000	Total RM'000
1) Term Finance	146,607	-	146,607
2) Hire Purchase Creditors	22,967	-	22,967
	169,574	-	169,574

All the borrowings of the Group are secured.

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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 period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period, excluding treasury shares held by the Company.

	Individual Quarter 3 months ended		Cumulative Quarters 9 months ended	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
<b>Basic earnings per share</b>				
Net profit / (loss) (RM'000)	(1,565)	(20,477)	(13,710)	(48,098)
Weighted average number of ordinary shares in issue ('000)	194,606	173,712	194,606	173,712
Basic earnings/(loss) per share (sen)	(0.80)	(11.79)	(7.04)	(27.69)

#### (b) Diluted

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