

# PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2017

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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 2016. 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 2016. 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 2016.

On 19 November 2011, the MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS") framework. The MFRS framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141 Agriculture and/or IC Interpretation 15 *Agreements for the Construction of Real Estate*, including its parent, significant investor and venturer (herein called "Transitioning Entities"). Transitioning Entities will be allowed to defer adoption of the new MFRS framework for an additional Six (6) years. Consequently, adoption of the MFRS framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

The Group and the Company fall within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS framework in their first MFRS financial statements for the financial year ending 30 June 2019. In presenting their first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

# PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2017

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The Group and the Company have not adopted the following standards and interpretations that have been issued but not yet effective:

### **Effective for annual periods commencing on or after 1 January 2016**

- Amendments to FRSs contained in the document entitled "Annual Improvements to FRSs 2012 – 2014 Cycle"
- Investment Entities: Applying the Consolidation Exemption (Amendments to FRS 10, FRS 12 and FRS 128)
- Accounting for Acquisitions of Interest in Joint Operations (Amendments to FRS 11)
- Regulatory Deferral Accounts (FRS 14)
- Disclosure Initiative (Amendments to FRS 101)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to FRS 116 and FRS 138)
- Equity Method in Separate Financial Statements (Amendments to FRS 127)

### **Effective for annual periods commencing on or after 1 January 2017**

- Disclosure Initiative (Amendments to FRS 107)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to FRS 112)

### **Effective for annual periods commencing on or after 1 January 2018**

- Classification and Measurement of Share-based Payment Transaction (Amendments to FRS 2)
- Financial Instruments (FRS 9)

The statutory financial statements for the year ended 30 June 2016 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 2016 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.

# PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2017

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### 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.

### 5. Changes in Estimates

There were no significant changes in estimates that have had a material effect on 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 31.03.2016: 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

#### a) Treasury Shares

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 2017:

	Number Of Shares	Cost (RM)
Balance as at 01 July 2016	12,562,832	10,324,612
Increase / (Decrease) in treasury shares	0	0
Total treasury shares as at 31 March 2017	12,562,832	10,324,612

# PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2017

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

There was no changes in the composition of the Group during the quarter.

### 11. Contingent Liabilities and Contingent Assets

#### Guarantees

The Company has provided corporate guarantees to subsidiaries as securities for hire purchase and lease financing facilities amounting to RM30,000,000.00. The balance of these facilities outstanding at 31.03.2017 amounted to RM12,197,889.00.

### 12. Subsequent Events

There were no material events subsequent to the end of the current quarter except as stated in the Note 21 (j) to (m) on the corporate proposals.

## **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 RM44 million, 76% increase in revenue when compared with the RM25 million in the corresponding quarter 31.03.2016. The Group also recorded a profit before tax of RM0.4 million compared to a loss before tax of RM0.18 million in the corresponding quarter 31.03.2016.

The increased in sales revenue and profits is due to increase in production volume.

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

For the current quarter under review, the Group posted revenue of RM44 million compared to RM38 million in the immediate preceding quarter. The profit before tax is RM0.4 million compared to a profit before tax of RM0.9 million in the immediate preceding quarter.

The increased in sales revenue is due to increase in production volume.

# PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2017

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

The outlook for Malaysian timber industry remains stable with stable selling price in Japan and China as well as other Asian countries. The outlook for timber demand from Japan and China, who are major purchasers of plywood and round logs respectively is promising with growth from various positive factors and a stabilizing economy.

However, during the financial period ended 31 March 2017, the Group is still facing shortage of raw materials. In order to increase the production level, the Group is actively sourcing for a more sustainable supply of raw materials beside actively developing forest re-plantation areas.

In this regards, the Group has made significant progress in this area and had announced on 21 October 2016, the Proposed Acquisition of FMU 5 comprising of 101,161 hectares in the State of Sabah which has been granted permission to plant, rehabilitate and harvest forests under the principles of sustainable forest management and environmental conservation for economic, environmental and social purposes.

In addition, the Group had on 17 May 2017 announced that the Sabah Forestry Department has approved the commencement of operations in 2017 for Compartment 57 and Compartment 58 within the FMU 5. Apart from this, other Conditions Precedent as stipulated in the Sale & Purchase Agreement for the acquisition of FMU 5 has yet to be fulfilled at this juncture.

With the proposed acquisition of FMU 5 and given the knowledge, capacity and competency that the Group has acquired and built up over the years, and the on-going financial restructuring schemes, the Group is confident to achieve optimum production cost efficiency which translate to maximize profits. As such, the Group is of the view that its near future prospect is good.

For the financial year 2017/2018, barring any unforeseen circumstances, the Board of Directors expect to improve the Group's performance and the Group will continue to assess its internal and external risks and implement strategies to secure sustainable raw material supply, 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.

# PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2017

### 17. Additional disclosure Profit before tax

	<b>Current Quarter 31.03.2017 RM'000</b>	<b>Cumulative Quarters Current Year To Date 31.03.2017 RM'000</b>
Profit before tax is		
Arrived at after charging/(crediting)		
Other income	(367)	(2,334)
Interest expense	3,330	11,413
Amortization and depreciation	7,394	23,494

### 18. Income Tax

Taxation comprises the following:-

	<b>Current Quarter 31.03.2017 RM'000</b>	<b>Cumulative Quarters Current Year To Date 31.03.2017 RM'000</b>
Current taxation	-	-
Deferred taxation	(36)	(264)
	(36)	(264)

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 period to-date.

# PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2017

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### (b) Investments in quoted securities

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

### 21. Corporate Proposals

- (a) The company has on 8 October 2016 and 19 October 2016 approved and announced the corporate proposals as follows:-
- (i) GSR Pte. Ltd., the wholly own subsidiary of the Company, entered into a Sale and Purchase Agreement ("SPA") with Transkripsi Pintar Sdn. Bhd. (Transkripsi) dated 19 October 2016, for the acquisition of the entire issued and paid up share capital of Rumpunan Capaian Sdn. Bhd. (Rumpun) for a purchase consideration of RM260,000,000 upon such terms and conditions as stipulated in the SPA;
  - (ii) Rumpun is the holding company of Anika Desiran Sdn Bhd which has been awarded a 100-year concession on 10 September 1997 to carry out harvesting, forest management and rehabilitation, and industrial tree planting under the principles of sustainable forest management and environmental conservation for economic, environmental and social purposed within the forest reserve area comprising 101,161 hectares in Trus Madi, Sabah known as Forest Management Unit 5 ("FMU");
  - (iii) Concurrently with the execution of SPA, Sinora Sdn. Bhd. (Sinora), the wholly owned subsidiary of the Company, would also enter into a Log Extraction and Timber Sale Agreement with Anika Desiran Sdn. Bhd. (Anika), 99.99% owned subsidiary of Rumpun, to allow Sinora (by way of an irrevocable power of attorney in favour of Sinora) to extract all commercial logs within the forest reserve area; identified in the coupe permits as Compartment 57 (733.6 hectares) and Compartment 58 (1,026.2 hectares) within the ITP area with a combined area of 1,759.8 hectares and such other areas covered under any other new coupe permits issued for other compartments within Licensed Area from the date of the relevant coupe permits;
  - (iv) A proposed private placement of up to 64,203,342 new PIB shares representating 10% of the existing issued and paid up share capital of the Company to third party investors at an issue price to be determined;
  - (v) A proposed special issue of up to 141,247,353 new PIB shares to independent third party investor(s);
  - (vi) A proposed renounceable two-call rights issue of up to 1,694,968,244 new PIB Shares (2 Rights Shares for every 1 existing PIB shares held) together with a bonus issue of up to 847,484,122 new PIB bonus shares (1 Bonus Share for every Rights Shares);

# PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2017

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- (vii) The proposed increase in authorized share capital of the Company from RM200,000,000 comprising of 2,000,000,000 shares to RM350,000,000 comprising of 3,500,000,000 shares;
  - (viii) The proposed amendment to the Memorandum of Association of the Company;
  - (ix) The proposed acquisition of Sinora by GSR at net book value ("Proposed Acquisition of Sinora"); and
  - (x) The proposed listing GSR on the Singapore Exchange Securities Trading Limited (SGX) upon completion of the Proposed Listing.
- (b) On 25 October 2016 the company received the approval from Bursa Securities for the listing and quotation of up to 64,203,342 new ordinary shares of RM0.10 each to be issued pursuant to the Proposed Private Placement.
- (c) On 1 December 2016 the company has fully settled the earnest deposit amounting to RM10,000,000 pursuant to the SPA entered into on 19 October 2016 as stated in Note 21 (a) (i) above.
- (d) The first (1<sup>st</sup>) Tranche of the Proposed Private Placement for 44,000,000 new PIB shares have been completed following the listing of shares on the Main Market of Bursa Malaysia Securities on 29 December 2016 as stated in Note 21 (a) (iv) above.
- (e) On 18 January 2017, the Parties have entered into a supplement letter in respect of the SPA dated 19 October 2016 ("Supplement Letter") to mutually agree to extend the condition precedent Fulfilment Period as outlined in the SPA until 31 March 2017.
- The extension was agreed upon between the Parties to allow the fulfilment of the conditions as stated in the SPA.
- Save for the extension of the CP Fulfilment Period above, all other terms and conditions of the SPA remain unchanged as stated in Note 21 (a) (i) above.
- (f) On 23 January 2017, the second (2<sup>nd</sup>) and final Tranche of the Private Placement has been completed following the listing of and quotation for the 20,203,342 Placement Shares in the Main Market of Bursa Malaysia Securities Berhad as stated in Note 21 (a) (iv) above.
- (g) In view of the coming into force of the new Act on 31 January 2017, all shares are now converted into no par value regime and the concept of authorised share capital is no longer applicable. In view thereof, the Proposed Increase in Authorised Share Capital and the Proposed Amendment are no longer required.
- (h) On 7 March 2017, the Company had entered into the Subscription Agreement for the proposed issuance and allotment of up to 215,639,880 new PWI Shares (provided the total new PWI Shares to be subscribed by the Subscribers shall not exceed 30% of the existing voting shares of our Company).



# PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2017

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Pursuant to the Subscription Agreement, the new PWI Shares to be issued under the Proposed Special Issue had been increased from 141,247,353 new PWI Shares as announced on 19 October 2016, to up to 215,639,880 new PWI Shares. In this respect, the number of PWI Shares to be issued pursuant to the Proposed Right Issue as announced on 19 October 2016, will be adjusted accordingly.

- (i) On 31 March 2017, the Parties have entered into second supplemental in respect of the SPA dated 19 October 2016 to mutually agree to extend the CP Fulfilment Period as outlined in the SPA until 30 June 2017.
- (j) On 6 April 2017, the Company submitted an application to Bursa Securities seeking its approval for an extension of time for the submission of the draft circulars (including listing applications, where relevant) in respect of the Proposed Acquisition, Proposed Special Issue and Proposed Rights Issue pursuant to Paragraph 9.33(1)(a) of the Listing Requirements.
- (k) On 5 May 2017, the Company announced that Bursa Securities has vide its letter dated 4 May 2017 approved the listing of and quotation of up to 215,639,880 new PWI Shares to be issued pursuant to the Proposed Special Issue.
- (l) On 5 May 2017, Bursa Securities had, vide its letter dated 4 May 2017 also, resolved to grant the Company the following:
  - (i) An extension of time until 15 June 2017 to submit the draft circular in relation to the Proposed Acquisition and Proposed Rights Issue.
- (m) On 17 May 2017, the Company was informed by Transkripsi Pintar Sdn Bhd that the Sabah Forestry Department has approved for Anika Desiran Sdn Bhd to commence operations in 2017 for Compartment 57 and Compartment 58 within FMU 5.

In relation thereto, the parties to the SPA agree that the condition precedent in relation to the Coupe Permits as stipulated in the SPA is deemed fulfilled.

In addition, the parties to the Log Extraction and Timber Sale Agreement agree that "Coupe Permits" referred to in the Log Extraction and Timber Sale Agreement should include the relevant approval(s) given by the Director of Sabah Forestry Department and therefore the Approval falls within the meaning of "Coupe Permit" as referred therein.

In view of the Approval and as agreed by parties to the Log Extraction and Timber Sale Agreement, SSB, a wholly owned subsidiary of PWI will immediately commence operations for the operations for the extraction and removal of all commercial logs and/or merchantable timber from Compartment 57 and Compartment 58 within FMU 5 pursuant to the Log Extraction and Timber Sale Agreement.

# PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2017

### 22. Retained Earnings

	As at 31.03.2017 RM'000	As at 30.06.2016 RM'000
Total retained earnings of the Group;		
-Realised	97,012	89,438
-Unrealised	5,188	9,617
	102,200	99,055
Less: Consolidation adjustments	(31,536)	(30,036)
Total Group retained earnings as per Consolidated accounts	70,664	69,019

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 2017:

	Secured RM'000	Unsecured RM'000	Total RM'000
1) Term Finance	13,609	-	13,609
2) Hire Purchase Creditors	7,347	-	7,347
	20,956	-	20,956

Short Term borrowings as at 31 March 2017:

	Secured RM'000	Unsecured RM'000	Total RM'000
1) Term Finance	136,313	-	136,313
2) Hire Purchase Creditors	4,850	-	4,850
	141,163	-	141,163

Total group borrowings as at 31 March 2017:

	Secured RM'000	Unsecured RM'000	Total RM'000
1) Term Finance	149,922	-	149,922
2) Hire Purchase Creditors	12,197	-	12,197
	162,119	-	162,119

# PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2017

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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.

On 22 August 2016, the Company received an offer by United Overseas Bank (Malaysia) Berhad (UOB) for revolving credit amounting to RM80,000,000 for the purpose of part finance the repayment of existing loan with Bank Kerjasama Rakyat Malaysia Berhad (Bank Rakyat) to facilitate the merger of all its assets pursuant to the proposed listing of its wholly owned subsidiary on the Singapore Stock Exchange as mentioned in the Note above. The securities of the said facility are as follows:

- (i) A third party first legal charge over the assets of the subsidiary of the Company for RM80,000,000 is to be created over leasehold lands held under Title Nos. CL075365794, CL075203726, CL075365785, CL075170277, CL075364948, CL075170286, CL075170268 and CL075170062 at Mile 3.4, Jalan Ulu Sibuga, Kuala Seguntor, Sandakan, Sabah (Property 1);
- (ii) A third party first legal charge over the assets of the subsidiary of the Company for RM80,000,000 is to be created over vacant lands held under Title Nos. CL075376153 and CL075472338, at Mile 6.5, Batu Sapi, Sandakan, Sabah (Property 2); and
- (iii) An assignment of the leasing proceeds from banking facilities granted by another financial institution(s) upon completion of the financing for which a Deed of Assignment of Leasing Proceeds and Power of Attorney are to be executed. All leasing proceeds are to be credited to such account prescribed by UOB from time to time.

Prior to the disbursement of the revolving credit, the Company has to fulfill the following conditional precedents:

- (i) Completion of all legal/ security documentation and UOB's receipt from the Company of an irrevocable undertaking to proceed with and complete the rights issue which will raise a sum of not less than RM80,000,000 (excluding working capital and listing expenses) for settlement of loans;
- (ii) An Irrevocable Letter of Instruction (ILI) from the Company to UOB immediately, upon the receipt of the Rights Proceeds in the Rights Proceeds Account, to utilise an amount of not less than RM80,000,000 to set off the outstanding payable to UOB under the revolving credit facility;
- (iii) An ILI from the Company to the appointed Share Registrars having charge of the Rights Issue Proceeds to open and maintain with UOB an account (Rights Proceeds Account) for which the entire Rights Proceeds are to be deposited;
- (iv) An ILI from the Company and the Director of the Company, namely, Lim Nyuk Foh, being the major shareholder of the Company (Relevant Shareholder) to

# PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2017

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UOB to utilise the funds channelled into the following escrow accounts maintained with UOB for which the following sums are to be deposited for the following purposes:

- escrow account by the Relevant Shareholder – a sum equivalent to the aggregate subscription price for 34% of the Rights Issue to be deposited by the Relevant Shareholder for his subscription of up to 34% of Rights Issue to be raised. The subscription is to be remitted to the Rights Proceeds Account; and
  - escrow account by the Company – a sum of not less than RM20,000,000 to be deposited by the Company for payment to Bank Rakyat being partial payment of the redemption sum of approximately RM100,000,000 to redeem Property 1 and Property 2 which are currently charged to Bank Rakyat.
- (v) An Irrevocable Letter of Undertaking from the substantial shareholders of the Company to subscribe in full for their respective entitlements under the Rights Issue (not less than 34%) whilst the open portion of the rights shares (amounting to 66%) will be fully underwritten by RHB Investment Bank Berhad. Such substantial shareholders and RHB Investment Bank shall irrevocably undertake to remit the subscription monies under the Rights Issue to the Rights Proceeds Account;

Prior to the disbursement of the revolving credit, the Company has to fulfill the following conditional precedents:

- (vi) An underwriting arrangement (upon terms acceptable to UOB) with financial institution(s) acceptable to UOB pertaining to the open portion of the Rights Share shall have been put in place;
- (vii) Approval from the shareholders of the Company, governmental, regulatory and other 3<sup>rd</sup> parties (if any) have been obtained in relation to the Rights Issue exercise and the Rights Proceeds Account have been opened with UOB.
- (viii) The confirmation satisfactory from the Company to UOB that the following have been fully placed out and/or subscribed:
- the Private Placement of 64,204,340 new shares of the Company (Placement Shares) to be issued is equivalent to 10% of the current share capital of the Company;
  - the Special Issue of 141,247,353 new shares of the Company (Special Issue Shares) to be issued equivalent to 20% of the enlarged share capital of the Company.
- (ix) A professional valuation of Property 1 and Property 2 is to be carried out by panel valuer of UOB and the terms and conditions stated in the valuation report are acceptable to UOB. If the total current market value of Property 1 and

# PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2017

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Property 2 be less than RM76,000,000, the banking facility may be revised and the limit thereof be reduced at the sole discretion of UOB;

- (x) Receipt of the redemption statement and undertaking from Bank Rakyat (upon terms acceptable to UOB) and if the redemption sum stated is more than the revolving credit facility, evidence acceptable to UOB that the shortfall have been paid to Bank Rakyat or be deposited by the Company with UOB in the escrow account in paragraph (iv) above for payment to Bank Rakyat; and
- (xi) Receipt of the letter of subordination executed by the Directors and shareholders of the Company which UOB may be specified (Person(s)) in respect of subordination of all the loans and advances granted by the Person(s) to the Company to the loans and advances granted by UOB, together with resolution passed.

Nevertheless, the Company should also comply with the terms and conditions governing drawdown of revolving credit facility, as follows:

- (i) Compliance with conditional precedents above;
- (ii) All security/legal documentation have been duly executed;
- (iii) Accuracy as to all representations and warranties in all material respects;
- (iv) Certified true copies of all relevant constitutive documents and corporate entities required to provide any security for the revolving credit facility (Security Parties), where applicable;
- (v) Certified true copies of the resolutions of the Board of Directors of the Company and the Security Parties, where applicable;
- (vi) The payment in full of all fees, expenses and other amounts payable including all fees and expenses incurred/ to be incurred by UOB;
- (vii) No event of default and potential event of default; and
- (viii) Other conditions or documentation as may reasonably be required by UOB.

### **24. Off Balance Sheet Financial Instruments**

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

### **25. Material Litigation**

There was no material litigation for the financial period under review.

# PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2017

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### 26. Dividend Declared

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

### 27. Earnings Per Share

#### (a) Basic

Basic earnings per share amounts are calculated by dividing the net profit 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	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
<b>Basic earnings per share</b>				
Net profit / (loss) (RM'000)	992	(62)	1,644	1,105
Weighted average number of ordinary shares in issue ('000)	718,800	626,263	680,886	553,660
Basic earnings per share (sen)	0.14	(0.01)	0.24	0.20
Diluted earnings per share (sen)	N/A	N/A	N/A	N/A