

# PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2018

---

### **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 2017. 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 2017. 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 2017.

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 venture (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.

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

# PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2018

---

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 2017 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 2017 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.

### 5. Changes in Estimates

There were no significant changes in estimates that have had a material effect on the current quarter's 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 31.03.2017: Nil).

# PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2018

### 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 treasury shares bought back, cancelled or resold.

Listed below the number of treasury shares as at 31 March 2018:

	Number of Shares	Cost (RM)
Balance as at 01 July 2017	12,562,832	10,324,612
Increase / (Decrease) in treasury shares	(12,562,832)	(10,324,612)
<b>Total treasury shares as at 31 March 2018</b>	-	-

### 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 31.03.2018 amounted to RM6,313,912.00.

### 12. Subsequent Events

On 23 April 2018, the Board of Directors of PWI announced that its wholly-owned subsidiary, Sinora Sdn Bhd (“Sinora”) had on 21 April 2018 entered into a Memorandum of Understanding (“MOU”) with Foshan Zhengsen Woodworking Co., Ltd (“Foshan” or Purchaser”) in respect of the intended supply of the container flooring (“Products”) by Sinora to Foshan.

Pursuant to the MOU, a definitive Supply Agreement to document the sale, purchase and supply of the Products shall be executed by Sinora and Foshan within 6 months from the the date of the MOU and shall include the following key terms:

# PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2018

1.	Products	Container flooring
2.	Sale Price	RMB 3,200 per cubic metre of Products
3.	Agreed Quantity	60,000 cubic metres per annum averaging approximately 5,000 cubic metres of Products per month with the first supply commencing within two (2) months after the full disbursement of the Advance Payment in accordance to the MOU.
4.	Term	5 years commencing from the execution of the definitive Supply Agreement
5.	Advance Payment	Foshan will provide an advance payment in the sum of RMB 4,000,000 to Sinora for the purpose of designing, engineering, procurement, construction, installation, testing and commissioning of a production line to manufacture the Products.

Other subsequent events in relation to Corporate Proposals are stated in Notes 21 (o) to 21 (q) below.

### **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 RM41 million, 5% decrease in revenue when compared with the RM43 million in the corresponding quarter 31.03.2017. The Group also recorded a profit before tax of RM5.5 million compared to a profit before tax of RM0.36 million in the corresponding quarter 31.03.2017.

The decrease in sales revenue is due to decrease in production volume and slight increase in profit before tax is due to increase in selling price.

	<b>Current Quarter 31.03.2018 RM'000</b>	<b>Corresponding Quarter 31.03.2017 RM'000</b>
Revenue	41,080	43,557
Profit Before Tax	5,430	361
Profit After Tax	5,518	325
Profit / (Loss) Attributable to Ordinary Equity Holders of the Parent holders of the parent	5,518	325

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

For the current quarter under review, the Group posted revenue of RM41 million compared to RM48 million in the immediate preceding quarter. The profit before tax was RM5.5 million compared to a profit before tax of RM3.9 million in the immediate preceding quarter.

# PRICWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2018

---

### 15. Company's Prospects

As mentioned previously, the site preparatory works at FMU 5 were substantially completed in September 2017 but unfortunately the unusual adverse weather conditions and the festive season towards end of the year had badly affected the production volume of the Group.

Now that the weather conditions had improved, PWI is bullish on the future outlook. We envisage that FMU5 will be able to provide a sustainable supply of logs for the foreseeable future. Thus, the principal business segment of logs trading, sawmill operations and plywood manufacturing will be further enhanced with our margins improving beyond the breakeven level which we have been experiencing for the past few years.

PWI estimates that the harvest from FMU5 will contribute approximately 70% of the annual log supply for its downstream timber manufacturing business for the next ten (10) years from commencement of the logging activities and the Proposed Rights Issue will facilitate our Group to immediately deploy our resources to reap financial benefits from the readily available harvestable timber within FMU5 pursuant to the Log Extraction and Timber Sale Agreement.

PWI believes that with the adoption of Sustainable Forest Management by the Sabah Forestry Department, the Proposed Acquisition will further provide us with competitive advantage in terms of barrier to entry due to the strict requirements by the Sabah Forestry Department for a concessionaire to have all the necessary capacities and capabilities which requires significant investment and experience in order to own a forest management unit concession.

On 20 April 2018, Sinora Sdn Bhd (a wholly-owned subsidiary of PWI) had signed a Memorandum of Understanding (MOU) to supply Container Flooring totalling RM600 million over a five year period averaging RM120 million per annum to Chinese manufacturer Foshan Zhengsen Woodworking Co. which has been made possible due to the supply of timber from FMU 5.

Overall, 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. (*Source: Malaysian Timber Council's (MTC) seminar 2017, themed "Global Timber Outlook and Export Opportunities for Malaysian Timber Products and Furniture"*)

For the financial year 2018, barring any unforeseen circumstances, the Board of Directors expect the Group's performance will improve. While the Group will continue to assess its internal and external risks and implement strategies to increase production yield from FMU5 and control operating costs, the Group's will explore the opportunities to venture into the

production of high quality engineered wood products to achieve optimal returns from its newly acquired FMU5.

# PRICWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2018

### 16. Profit Forecast or Profit Guarantee

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

### 17. Additional disclosure Profit before tax

	<b>Current Quarter Year To Date 31.03.2018 RM'000</b>	<b>Cumulative Quarters Current Year To Date 31.03.2018 RM'000</b>
Profit before tax is		
Arrived at after charging/(crediting)		
Other income	(667)	(1,596)
Interest expense	2,016	9,309
Amortization and depreciation	5,253	18,496

### 18. Income Tax

Taxation comprises the following:-

	<b>Current Quarter Year To Date 31.03.2018 RM'000</b>	<b>Cumulative Quarters Current Year To Date 31.03.2017 RM'000</b>
Current taxation	-	-
Deferred taxation	88	(136)
	88	(136)

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.

# PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2018

---

### 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

#### 21.1 Multiple Proposals

##### (a) Proposed Acquisition

##### (b) Proposed Rights Issue

##### (c) Proposed Acquisition of Sinora Sdn Bhd and

##### (d) Proposed Listing

- (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 owned subsidiary of the Company, entered into a Sale and Purchase Agreement (“SPA”) with Transkripsi Pintar Sdn. Bhd. (Transkripsi), for the acquisition of the entire issued and paid up share capital of Rumpun 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 purposes 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
  - (iv) A proposed renounceable two-call rights issue of up to 1,694,968,244 new PWI Shares (2 Rights Shares for every 1 existing PWI shares held) together with a bonus issue of up to 847,484,122 new PWI bonus shares (1 Bonus Share for every Rights Shares);
  - (v) The proposed acquisition of Sinora by GSR at net book value (“Proposed Acquisition of Sinora”); and

# PRICWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2018

---

- (vi) The proposed listing of GSR on the Singapore Exchange Securities Trading Limited (SGX) upon completion of the Proposed Listing.
- (b) On 17 May 2017, the Company was informed by the Transkripsi Pintar Sdn Bhd that the Sabah Forestry Department has given approval for Anika Desiran Sdn Bhd to commence operations in 2017 for Compartment 57 and Compartment 58 within FMU 5.
- (c) On 3 July 2017, a listing application in relation to the Proposed Acquisition and Proposed Rights Issue has been submitted to Bursa Malaysia Securities Berhad. This has been withdrawn on 3 October 2017 in view of the withdrawal of the valuation report dated 25 May 2017. An updated listing application will be submitted to Bursa at least one month from the submission of the updated valuation report.
- (d) On 30 November 2017, GSR a wholly owned subsidiary of PWI entered into a supplemental agreement with the Vendor to vary the terms of the SPA ("Supplement Agreement") as announced on 19 October 2016 ("Variation"). The details of the Variation are set out below:
- (i) The Parties have mutually agree to extend the CP Fulfillment Period until 28 February 2018 with an automatic extension to 31 March 2018.

(ii) The Payment Schedule of the Proposed Acquisition has been modified as follows:-

As per the SPA	Variation
RM10,000,000 ("Balance Deposit") shall be payable to the Vendor within 7 days from the date upon which SPA becomes unconditional.	RM5,000,000 shall be payable by 8 December 2017 and RM5,000,000 shall be payable by 15 December 2017.
New Term	RM3,000,000 shall be paid by 31 January 2018 ("Advance Payment"). The Advance Payment shall form part of the Consideration or the Discounted Consideration (as defined herein), as case may be.

(iii) Cash Option

In consideration of the Purchaser agreeing to modify the payment schedule for the Balance Deposit and to make the Advance Payment, the Vendor has agreed to grant to the Purchaser an option to complete the Proposed Acquisition in cash and at the revised Consideration of RM230,000,000 ("Discounted Consideration") representing a discount of RM30,000,000 to the Consideration ("Cash Option") on certain terms and conditions.



# PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2018

---

- (e) On 20 December 2017, the valuation report of the timber harvesting and planting rights based on the SFMLA within the FMU 5 with the date of valuation as at 4 September 2017 (“Valuation Report”) has been submitted to Bursa Malaysia Securities.
- (f) On 6 March 2018, the company announced that with the abolition of the par value under the Companies Act, 2016 (“Act”), the Proposed Rights Issue as stated in Note 21 (a) (vi) above will be revised to a renounceable one-call rights issue of 2,047,461,262 new PWI Shares together with 1,023,730,631 Bonus Shares, at an issue price of RM0.05 per Rights Share payable in full on application in cash as opposed to the previous two-call rights issue of RM0.10 where a second call of RM0.05 shall be capitalized from the Company’s share premium account and capital redemption reserve. All other terms of the Proposed Rights Issue remain the same (“Proposed Revised Rights Issue”).
- (g) On 21 March 2018, the company announced that GSR a wholly owned subsidiary of PWI, was informed by the Vendor that the Sabah Forestry Department had on 15 March 2018, issued new Coupe Permits for Anika Desiran Sdn Bhd to commence operations in 2018 on two (2) additional compartments within FMU 5 comprising Compartment 63 and Compartment 64A.
- (h) On 23 March 2018, the listing application in relation to the Proposed Acquisition and Proposed Rights Issue has been submitted to Bursa Malaysia Securities Berhad.
- (i) On 29 March 2018, the Parties have entered into a fifth supplemental letter dated 29 March 2018 in respect of the SPA dated 19 October 2016 (“Fifth Supplement Letter”) to mutually agree on the following:
- (i) The CP Fulfillment Period shall be extended until 15 May 2018;
  - (ii) The Option Period shall correspondingly be extended until 15 May 2018 (“Extended Option Period”);
  - (iii) Subject to the exercise by the Purchaser of the Cash Option within the Extended Option Period, the Discounted Consideration shall be revised to the sum RM235,000,000 only (hereinafter referred to as the “Revised Discounted Consideration”), which represents a discount of RM25,000,000 only to the Consideration payable for Consideration Shares;
  - (iv) The Completion Amount shall take into account of the Revised Discounted Consideration and be varied accordingly.
- (j) On 3 May 2018, the company announced that Bursa Securities had, vide its letter dated 2 May 2018, resolved to approve the following:
- (i) Listing of up to 2,047,461,262 Rights Shares to be issued pursuant to the Proposed Rights Issue; and
  - (ii) Listing of up to 1,023,730,631 Bonus Shares to be issued pursuant to the Proposed Rights Issue.

# PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2018

The approval granted by Bursa Securities for the listing and quotation of the Rights Shares and Bonus Shares is subject to the following conditions:

- (i) PWI and RHB Investment Bank must fully comply with the relevant provisions under the Main Market Listing Requirements of Bursa Securities (“Listing Requirement”) at all times pertaining to the implementation of the Proposed Rights Issue;
  - (ii) PWI and RHB Investment Bank to inform Bursa Securities upon the completion of the Proposed Rights Issue;
  - (iii) PWI to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities approval once the Proposed Rights Issue is completed;
  - (iv) PWI to furnish Bursa Securities with a certified true copy of the resolution passed by shareholders at extraordinary general meeting for the Proposed Rights Issue; and
  - (v) PWI and RHB Investment Bank are required to make the relevant announcements pursuant to Paragraph 6.35(2)(a) & (b) and 6.35(4) of the Listing Requirements.
- (k) On 4 May 2018, the Parties have entered into a sixth supplemental letter dated 4 May 2018 in respect of the SPA dated 19 October 2016 to mutually agree to extend the CP Fulfillment Period outlined in the SPA until 22 May 2018.
- (l) On 15 May 2018, the Parties have entered into a seventh supplemental letter dated 15 May 2018 in respect of the SPA dated 19 October 2016 to mutually agree to extend the Extended Option Period outlined in the SPA until 22 May 2018.

### 23. Retained Earnings

	As at 31.03.2018 RM'000	As at 31.03.2017 RM'000
Total retained earnings of the Group;		
- Realised	101,961	96,460
- Unrealised	1,607	7,466
	103,568	103,926
Less : Consolidation adjustments	(27,394)	(30,742)
<b>Total Group retained earnings as per Consolidated accounts</b>	<b>76,174</b>	<b>73,184</b>

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

# PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2018

### 24. Borrowings

Long Term borrowings as at 31 March 2018:

	<b>Secured</b>	<b>Unsecured</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
1) Term Finance	82,334	-	82,334
2) Hire Purchase Creditors	2,373	-	2,373
<b>Total</b>	<b>84,707</b>	<b>-</b>	<b>84,707</b>

Short Term borrowings as at 31 March 2018:

	<b>Secured</b>	<b>Unsecured</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
1) Term Finance	33,319	-	33,319
2) Hire Purchase Creditors	3,941	-	3,941
<b>Total</b>	<b>37,260</b>	<b>-</b>	<b>37,260</b>

Total group borrowings as at 31 March 2018:

	<b>Secured</b>	<b>Unsecured</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
1) Term Finance	115,653	-	115,653
2) Hire Purchase Creditors	6,314	-	6,314
<b>Total</b>	<b>121,967</b>	<b>-</b>	<b>121,967</b>

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 soft loan under Maxland Sdn Bhd secured by a first party deed of assignment assigning to the lender all its harvesting rights of the planted timber in favour of the lender.

### 25. Off Balance Sheet Financial Instruments

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

### 26. Material Litigation

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

### 27. Dividend Declared

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

# PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2018

### 28. 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		Cumulative Quarter	
	3 months ended		9 months ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
<b>Basic earnings per share</b>				
Net Profit (RM'000)	5,518	325	10,299	1,644
Weighted average number of ordinary shares in issue ('000)	1,021,262	718,800	966,580	680,886
Basic earning per share (sen)	0.54	0.05	1.07	0.24
Diluted earning per share (sen)	N/A	N/A	N/A	N/A