

PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE YEAR ENDED 30 JUNE 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 company has adopted the Malaysian Financial Reporting Standard (MFRS) in this interim report.

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 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.

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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 30.06.2017: Nil).

8. Carrying Amount of Revalued Assets

Save for the valuation of Biological Assets, there were no other 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.

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Listed below the number of treasury shares as at 30 June 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)
Total treasury shares as at 30 June 2018	-	-

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 30.06.2018 amounted to RM5,168,104.00.

12. Subsequent Events

Subsequent events in relation to the Corporate Proposals are stated in Notes 21 (m) to 21 (o) 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 RM43 million, 27% decrease in revenue when compared with the RM59 million in the corresponding quarter 30.06.2017. The Group also recorded a profit before tax of RM22 million compared to a profit before tax of RM11,000 in the corresponding quarter 30.06.2017.

The decrease in sales revenue and increase in profit is due to decrease in production volume and increase in other income.

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	Quarter 30.06.2018 RM'000	Quarter 30.06.2017 RM'000
Revenue	42,992	59,204
Profit Before Tax	22,578	11
Profit After Tax	3,542	3,034
Profit Attributable to Ordinary Equity Holders of the Parent holders of the parent	3,542	3,059

14. Variation of Result to immediate preceding quarter

For the current quarter under review, the Group posted revenue of RM43 million compared to RM41 million in the immediate preceding quarter. The profit before tax was RM22 million compared to a profit before tax of RM5.4 million in the immediate preceding quarter.

15. Company's Prospects

The current quarter results were impacted by the ban on export of round logs from Sabah which commenced in June 2018. The Group had previously ramped up and accumulated export-grade logs which we were unable to export this quarter, resulting in demurrage and shipping costs which were beyond our expectations. To address this, we have channeled these logs into our plant for downstream products but there is a lag factor on conversion timing.

The Group's operations were also affected by some temporary interruptions in July to facilitate the widely reported verifications on major timber players conducted by authorities. As such, the supply of logs in the market have reduced and the silver lining is that this has elevated the selling prices of round logs, plywood and sawn timber products.

Despite such temporary interruptions, we have complied with the authorities' requests as our operations are in accordance to the laws and practices under the Sabah Forest Enactment, 1968. We are confident that our compliant position would eventually be reflected accordingly in the authorities' findings.

Extensive consultations with various stakeholders including NGOs, community leaders, researchers and experts such as WWF were undertaken prior to the approval of our Forest Management Plan (FMP) by the Sabah Forestry Department. In addition to this, an independent third party – Global Forestry Services – has also been appointed by the Sabah Forestry Department to monitor the harvesting of timber in our area in accordance with the approved FMP. All measures are well in place for sustainable forestry management.

We remain optimistic of future prospects and fully support the Chief Minister's initiatives to transform the timber industry. We see this as the right direction towards restructuring the timber industry in Sabah and developing downstream activities, which will in turn be positive for the economy of the state and for Priceworth.

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Outlook of timber prospects of Malaysia

The timber sector is a key contributor to Malaysia's economy. The total export of timber and timber-based products between January and November 2017 was recorded at RM21.4 billion. This was a 6.8% increase as compared to the same period of 2016. For the past 10 years, the annual export earnings of the timber industry were approximately RM20 billion to RM22 billion.

Manufacturers can expect higher returns this year as the economy within the Association of Southeast Asian Nations (ASEAN) region strengthens with healthy domestic demand and infrastructure spending. In order to ensure the sustainable growth of the timber industry, the government has taken numerous efforts.

(Source: "Timber Malaysia" Quarter 1 2018 Issue, Malaysian Timber Council)

In pursuit of CSR initiatives with more profound effects, Priceworth has identified the abandoned Mamut Copper Mine ("MCM") in Ranau close to FMU 5 and will be submitting a proposal to the Department of Natural Resource in Sabah to rehabilitate the hazardous environment in MCM. This includes rejuvenating metal polluted mine water and surrounding areas containing heavy mineral wastes into water bodies capable of supporting life and land capable of replanting trees for the benefit of the nearby population. MCM is also surrounded by protected nature reserves (Kinabalu Park, a World Heritage Site and Bukit Hampuan, a Class 1 Forest Reserve) and rehabilitation efforts would support a sustainable ecosystem which is in line with our mission of cultivating strong corporate responsibility towards the environment and in line with the State authority's desire in providing a better livelihood for the people in Ranau and Sabah in general.

For the financial year 2019, barring any unforeseen circumstances, the Board of Directors expect the Group's performance to 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 FMU5.

16. Profit Forecast or Profit Guarantee

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

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17. Additional disclosure Profit before tax

	Current Quarter Year To Date 30.06.2018 RM'000	Cumulative Quarters Current Year To Date 30.06.2018 RM'000
Profit before tax is		
Arrived at after charging/(crediting)		
Fair value gain on valuation	(25,427)	(25,427)
Gain on disposal of property, plant & equipment	(3,007)	(3,090)
Miscellaneous income	(216)	(1,729)
Interest expense	1,580	10,889

18. Income Tax

Taxation comprises the following:-

	Current Quarter Year To Date 30.06.2018 RM'000	Cumulative Quarters Current Year To Date 30.06.2018 RM'000
Current taxation	-	-
Deferred taxation	(19,036)	(19,172)
	(19,036)	(19,172)

The deferred taxation comprised of reversal of Deferred Tax Assets of RM9.7 million and additional Deferred Tax Liabilities of RM9.3 million which are non-operational nature.

The deferred tax expense represents the deferred tax movement of the subsidiary companies. Reversal of deferred tax assets resulted by the utilisation of tax losses and capital allowances brought forward from prior years. The deferred tax liabilities was resulted by the temporary differences on the qualifying assets.

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

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-yearconcession 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
 - (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

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- (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.

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- (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

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- (ii) Listing of up to 1,023,730,631 Bonus Shares to be issued pursuant to the Proposed Rights Issue.

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.
- (m) On 18 June 2018, the Parties have entered into an eighth supplemental letter dated 18 June 2018 in respect of the SPA dated 19 October 2016 to mutually agree the following:
- (i) the Unconditional Date shall be 22 May 2018 pursuant to the SPA together with the Supplement Letters and Agreement; and
 - (ii) to extend the Extended Option Period outlined in the SPA until 31 July 2018.

Save for the above, all terms and conditions of the SPA remain unchanged.

- (n) On 9 August 2018, the Company announced that as at the date of the closing of acceptance, excess application and payment for the Rights Issue at 5.00pm. On 6 August 2018 (“Closing Date”), PWI had received valid acceptances and excess applications for 2,568,635,101 Right Shares, representing an over-subscription of 521,173,839 Right Shares or approximately 25.45% over the total numbers of Right Shares available for subscription under the Rights Issue.

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Details of the valid acceptances and excess applications received as at the Closing Date are set out as follows:

	No. of Right Shares	% of total Right Shares available for subscription
Acceptances	1,997,549,825	97.56
Excess applications	571,085,276	27.89
Total acceptances and excess applications	2,568,635,101	125.45
Total Right Shares available for subscription	2,047,461,262	100.00
Over-subscription	521,173,839	25.45

The Right Shares together with the Bonus Shares are expected to be listed and quoted on the Main Market of Bursa Securities on 20 August 2018.

- (o) On 20 August 2018, the company announced that 2,047,461,262 Rights Shares together with 1,023,730,631 Bonus Shares were listed and quoted on the main market of Bursa Securities on 20 August 2018, marking the completion of the Rights Issue.

22. Status of Utilisation of Proceeds Raised From Rights Issue

(a) Utilisation of Proceeds from Rights Issue

On 20 August 2018, the company had completed its Rights Issue following the listing and quotation of 2,047,461,262 Rights Shares together with 1,023,730,631 Bonus Shares on the Main Market of Bursa Malaysia Securities Berhad.

The Rights Issue has raised total proceeds of RM102,373,062 and the fund utilization are stated below :

Purpose	Proposed Utilisation RM'000	Actual Utilisation (Up to 30/08) RM'000	Intended Timeframe for Utilisation
Repayment of the Term Loan	80,000	80,000	-
Professional Fee	5,000	300	Within 1 month
Working Capital for the FMU 5	17,373	4,700	Within 3 months
Total	102,373	85,000	

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23. Retained Earnings

	As at 30.06.2018 RM'000	As at 30.06.2017 RM'000
Total retained earnings of the Group;		
- Realised	124,464	96,460
- Unrealised	(11,610)	7,466
	112,854	103,926
Less : Consolidation adjustments	(33,139)	(30,742)
Total Group retained earnings as per Consolidated accounts	79,715	73,184

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

24. Borrowings

Long Term borrowings as at 30 June 2018:

	Secured RM'000	Unsecured RM'000	Total RM'000
1) Term Finance	82,015	-	82,015
2) Hire Purchase Creditors	2,156	-	2,156
Total	84,171	-	84,171

Short Term borrowings as at 30 June 2018:

	Secured RM'000	Unsecured RM'000	Total RM'000
1) Term Finance	30,818	-	30,818
2) Hire Purchase Creditors	3,011	-	3,011
Total	33,829	-	33,829

Total group borrowings as at 30 June 2018:

	Secured RM'000	Unsecured RM'000	Total RM'000
1) Term Finance	112,833	-	112,833
2) Hire Purchase Creditors	5,167	-	5,167
Total	118,000	-	118,000

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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 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.

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		12 months ended	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
Basic earnings per share				
Net Profit / (Loss) (RM'000)	3,542	3,059	13,841	4,703
Weighted average number of ordinary shares in issue ('000)	1,026,803	790,680	981,636	708,335
Basic earning per share (sen)	0.34	0.39	1.41	0.66
Diluted earning per share (sen)	N/A	N/A	N/A	N/A