

PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE YEAR ENDED 30 JUNE 2019

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 2018. 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 2018. The condensed consolidated interim financial report and notes there on do not include all of the information required for a full set of financial statements prepared in accordance with Financial Reporting Standards (FRSs).

This financial statements of the Group and of the Company for the financial year ended 30 June 2018 are the first set of financial statements prepared in accordance with MFRS, including MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* and MFRS 141 *Agriculture*. The Group and the Company were required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. Adjustments required on transition, if any, has been made retrospective against opening retained earnings in accordance with MFRS 1 "First-time adoption of MFRS". Based on the assessment performed, transitional adjustments required in accordance with MFRS 1 upon transitioning to the MFRS Framework will not have any material impact on the Group's financial position, financial performance and cash flows. Subject to certain transition elections, the Group and the Company have consistently applied the same accounting policies in their opening MFRS Statements of Financial Position as at 1 July 2016, being the transition date, and throughout all years presented, as if these policies always been in effect.

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 2018.

Standard issued but not yet effective

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

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Effective for annual periods commencing on or after 1 January 2019

- MFRS 16 *Leases*
- Amendments to MFRS 112 (Annual Improvements to MFRSs Standard 2015-2017 Cycle)
- Amendments to MFRS 123 (Annual Improvements to MFRSs Standard 2015-2017 Cycle)

The statutory financial statements for the year ended 30 June 2018 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 2018 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 flow during the financial period except as stated below:

Temporary interruptions of logging operation

During the reporting quarter, the Group's operations were still affected by the temporary interruptions to facilitate the widely reported verifications conducted by authorities, which was led by the Special Task Force set up by the Sabah Chief Minister Department on the major timber companies in Sabah since July 2018.

Despite of the adverse effects from such temporary interruptions, the Group has complied with the authorities' requests as the operations are in accordance to the laws and practices under the Sabah Forest Enactment, 1968 and the approved Forest Management Plan No 3 for FMU 5 which was approved by Sabah Forestry Department ("SFD") with the input and participation of three (3) non-governmental organizations ("NGO") which subsequently formed the NGO council. The Group is in the midst of liaising with the relevant authorities for the finalization of the verifications and requesting for resumption of operation.

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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 30.06.2018: 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, the company did not issue any debts and equity securities.

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 30.06.2019 amounted to RM2,590,626.00.

12. Subsequent Events

There were no material subsequent events occurring after the reporting quarter.

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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 RM14 million, which is 67% lower compared to RM43 million recorded in the corresponding quarter of last financial year. The Group also recorded a loss before tax of RM88 million compared to a profit before tax of RM22 million in the corresponding quarter of last financial year.

The decrease in revenue and increase in losses were mainly due to the temporary interruptions of logging operations to facilitate the widely reported verification by the relevant authorities. In addition, the increase in losses was also due to the impairment on goodwill, provision for receivables, inventories written off and written back of deferred tax assets.

For the full year under review, the revenue dropped significantly to RM34 million (2018: RM173 million), the non-cash adjustment items comprising of the provision for impairment of goodwill, provision for receivables, inventories written off and write-back of deferred tax assets together with the depreciation charge for the year amounted to RM110 million. Additionally, the direct operation costs attributed to the temporary interruption during the year under review was estimated at RM24 million. The loss for the current financial year under review of RM144 million was mainly attributed to the non-cash items and also the costs attributed to temporary interruption which amounted to RM110 million and RM24 million respectively.

14. Variation of Result to immediate preceding quarter

For the current quarter under review, the Group posted revenue of RM14 million compared to RM4 million in the immediate preceding quarter. The loss before tax was RM88 million compared to a loss before tax of RM21 million in the immediate preceding quarter. The increase in losses from preceding quarter was mainly due to the impairment on goodwill, provision for receivables and written back of deferred tax assets.

15. Company's Prospects

As stated in previous report, PWI Group logging operations were temporarily interrupted by the widely reported verifications by authorities. We understand there were no major issues found from the verifications and that the authorities are in consultation with various Government Agencies, including the Attorney-General Sabah before finalising the reports of their findings. The Group is liaising with the relevant authorities and has requested for the resumption of log harvesting operations.

PWI 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 the Group.

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Furthermore, the temporary disruptions have significantly reduced the supply of logs to the market and the silver lining is that it has elevated the selling prices of round logs, plywood and sawn timber products which PWI is prepared to take advantage of once operations resumed.

The FMU 5 has gone through extensive consultations with various stakeholders including NGOs, community leaders, researchers and experts such as WWF (Malaysia) which were undertaken prior to the approval of our 3rd 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 the timber in our area in accordance with the approved 3rd FMP. All measures are well in place for sustainable forestry management.

In addition to assessing its internal and external risks and control operating costs, the Group has put in place a plan towards resumption of the log harvesting operations and sustainable growth prospects by teaming up with a strategic partner namely, Yayasan Sabah via their investment vehicle Innoprise Corporation Sdn. Bhd. The Group is optimistic that the plan will yield positively in the near future.

16. Profit Forecast or Profit Guarantee

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

17. Additional disclosure Loss before tax

	Current Quarter Year To Date 30.06.2019 RM'000	Cumulative Quarters Current Year To Date 30.06.2019 RM'000
Loss before tax is		
Arrived at after charging/(crediting)		
Other income	(770)	(4,268)
Interest expense	5,496	8,406
Amortization and depreciation	8,155	27,538
Impairment of receivables	50,066	50,066
Impairment of goodwill	15,363	15,363
Impairment of inventory	7,984	19,479

18. Income Tax

Taxation comprises the following:-

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	Current Quarter Year To Date 30.06.2019 RM'000	Cumulative Quarters Current Year To Date 30.06.2019 RM'000
Current taxation	-	-
Deferred taxation	(2,110)	6,561
	(2,110)	6,561

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

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

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

20. Quoted Securities

(a) Purchases and Disposals of Quoted Securities

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

(b) Investments in quoted securities

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

21. Corporate Proposals

21.1 Multiple Proposals

(a) Proposed Acquisition

(b) Proposed Acquisition of Sinora Sdn Bhd and

(c) Proposed Listing

(a) The company has on 8 October 2016 and 19 October 2016 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

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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 purpose within the forest reserve area comprising 101,161 hectares in Trus Madi, Sabah known as Forest Management Unit 5 (“FMU”). JPHS, an independent professional valuer, had on 1st January 2018 performed a valuation of the timber and planting rights of the FMU 5 and reported the valuation of RM432 million (as compared to the purchase consideration of RM260 million as mentioned in the 21.1(a) above);

- (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 to extract all commercial logs within FMU 5;
 - (iv) The proposed acquisition of Sinora by GSR at net book value (“Proposed Acquisition of Sinora”); and
 - (v) The proposed listing of GSR on the Singapore Exchange Securities Trading Limited (SGX) upon completion of the Proposed Listing.
- (b) On 21 May 2019 in respect of the SPA dated 19 October 2016 to mutually agree to amend Clause 4.1(e)(1) and Clause 4.1(e)(2) of the Agreement and to revise the time and manner of payment of the Balance Consideration payable for the Sale Shares as follows:-
- (i) the Purchaser shall pay the sum of Ringgit Malaysia Three Million (RM3,000,000.00) only (“Part Payment”) to the Vendor as part-payment towards the Balance Consideration on or before 2 July 2019 (“hereinafter referred to as the “Part-Payment Due Date”); and
 - (ii) On 3 July 2019 the parties have mutually agreed to an extension of time and for the purchaser to pay the part payment on or before 31 July 2019.
- (c) On 23 August 2019, the parties have mutually agreed that the whole of the Balance Consideration or such balance thereof shall henceforth be paid and settled in full by the Purchaser to the Vendor, on or before 30 November 2019 and that the sale and purchase of the Sale Shares be completed simultaneously in accordance with the provisions of Clause 9.3 of the Agreement;

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22. Retained Earnings

	As at 30.06.2019 RM'000	As at 30.06.2018 RM'000
Total retained earnings of the Group;		
- Realised	(314,713)	134,622
- Unrealised	(17,132)	(29,788)
	(331,845)	104,834
Less : Consolidation adjustments	187,861	(26,165)
Total Group retained earnings as per Consolidated accounts	(143,984)	78,669

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 30June2019:

	Secured RM'000	Unsecured RM'000	Total RM'000
1) Term Finance	14,089	-	14,089
2) Hire Purchase Creditors	816	-	816
Total	14,905	-	14,905

Short Term borrowings as at 30June 2019:

	Secured RM'000	Unsecured RM'000	Total RM'000
1) Term Finance	23,680	-	23,680
2) Hire Purchase Creditors	1,774	-	1,774
Total	25,454	-	25,454

Total group borrowings as at 30June 2019:

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	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
1) Term Finance	37,769	-	37,769
2) Hire Purchase Creditors	2,590	-	2,590
Total	40,359	-	40,359

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.

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 quarter under review.

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.

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	Individual Quarter		Cumulative Quarter	
	12 months ended		12 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Basic earnings per share				
Net Profit / (Loss) (RM'000)	(90,450)	3,542	(143,984)	13,841
Weighted average number of ordinary shares in issue ('000)	4,094,923	1,021,262	3,838,990	981,636
Basic earning / (Loss) per share (sen)	(2.21)	0.34	(3.75)	1.41
Diluted earning per share (sen)	N/A	N/A	N/A	N/A