PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE PERIOD
31 DECEMBER 2019

PART A:
<u>EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134 : INTERIM FINANCIAL REPORTING</u>

A1. 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 2019. 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 2019. 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 2019 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 if 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 2019.

A2. Significant Accounting Policies

The significant accounting policies adopted by the Group in these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the financial year ended 30 June 2019 of the Group, except the adoption of the following new MFRSs, Amendments to MFRSs and Interpretations effective for the financial period beginning on or after 1 January 2020:

MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensations
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term Interests in Associates and Joint Venture
IC Interpretation 23	Uncertainty over Income Tax Treatments
Annual Improved to MFRSs 2015 – 2017 Cycle	

The adoption of the above MFRSs, Amendments to MFRSs and Interpretations did not have any material financial impact on these condensed consolidated financial statements.

The followings MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:

MFRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2020

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 101 and 108	Definition of Material
Amendments to MFRS 7, 9 and 139	Interest Rate Benchmark Reform

The following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group: (continue)

MFRSs, Interpretations and Amendments effective for a annual periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts

MFRSs, Interpretations and Amendments which effective for a date yet to be confirmed

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between Investors and its Associate or Joint Venture

The directors anticipate that the abovementioned MFRSs, Interpretations and Amendments will be adopted in the annual financial statements of the Group when they become effective and that the adoption of these MFRSs, Interpretations and Amendments will have no material impact on the financial statements of the Group in the period of initial application.

A3. 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.

A4. Items of Unusual Nature

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:

Interruptions of logging operation

During the reporting quarter, the Group's operations were still affected by the 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 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.

A5. Material Changes in Estimates

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

A6. Changes in Debts and Equity Securities

During the current quarter, the company did not issue any debts and equity securities.

A7. Dividend Paid

There were no dividend paid during the current quarter under review. No dividend has been proposed by the Directors for the quarter under review (corresponding period 31.12.2018 : Nil).

A8. 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.

A9. Valuation of Property, Plant and Equipment

There were no valuations of property, plant and equipment during the current quarter.

A10. Change in Contingent Liabilities or 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 31.12.2019 amounted to RM1,313,384.00.

A11. Material Events Subsequent to the Reporting Period

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

A12. Changes in the Composition of the Group

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

PART B:
ADDITIONAL INFORMATION AS REQUIRED BY LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD (PART A OF APPENDIX 9B)

B1. Review of Performance of the Group

(a) Comparison of the current quarter against the corresponding quarter

	Current year quarter 31.12.2019 RM'000	Preceding year corresponding quarter 31.12.2018 RM'000	Changes %
Revenue	4,448	3,473	28%
Operationg Loss	(11,101)	(18,212)	-39%
Non-operating income	2,914	367	694%
Loss before tax	(9,013)	(21,629)	-58%
Loss after tax	(9,013)	(18,503)	-51%
Loss attributable to owners of the parent	(9,013)	(18,503)	-51%

For the current quarter under review, the Group recorded revenue of RM4.4 million, which is 28% lower compared to RM3.5 million recorded in the corresponding quarter of last financial year. The Group also recorded a loss before tax of RM9 million, which is 58% lower compared to a loss before tax of RM21.6 million in the corresponding quarter of last financial year.

The decrease in revenue mainly due to decrease in sales of plywood during the quarter. The decrease in losses was mainly due to the increase in other income from gain on disposal of fixed assets by RM3.9 million during the current quarter and decrease in administration expenses by about RM2.4 million.

(b) Comparison of the current year to-date against the corresponding period

	Current year to date 31.12.2019 RM'000	Preceding year corresponding period 31.12.2018 RM'000	Changes %
Revenue	17,306	15,163	14%
Operationg Loss	(18,331)	(25,689)	-29%
Non-operating income	7,105	1,410	404%
Loss before tax	(15,248)	(40,907)	-63%
Loss after tax	(15,248)	(36,438)	-58%
Loss attributable to owners of the parent	(15,248)	(36,438)	-58%

For the current year to-date under review, the Group recorded revenue of RM17 million, which is 14% higher compared to RM15 million recorded in the corresponding period of last financial year. The Group also recorded a loss before tax of RM15 million, which is 63% lower compared to a loss before tax of RM41 million in the corresponding period of last financial year.

The increase in revenue mainly due to increase in sales of plywood during the period. The decrease in losses was mainly due to the increase in other income from gain on disposal of fixed assets by RM6.2 million during the current year to-date and decrease in administration expenses by about RM10 million.

B2. Comparison with Immediate Preceding Quarter's Results

	Current year quarter 31.12.2019 RM'000	Immediate preceding quarter 31.12.2018 RM'000	Changes %
Revenue	4,448	12,858	-65%
Operationg Loss	(11,101)	(7,230)	54%
Non-operating income	2,914	4,191	-30%
Loss before tax	(9,013)	(6,235)	45%
Loss after tax	(9,013)	(6,235)	45%
Loss attributable to owners of the parent	(9,013)	(6,235)	45%

For the current quarter under review, the Group posted revenue of RM4.4 million compared to RM12.9 million in the immediate preceding quarter. The loss before tax was RM9 million compared to a loss before tax of RM6.2 million in the immediate preceding quarter. The increase in losses from preceding quarter was mainly due to the decrease in revenue compared to the current quarter.

B3. Prospects for the Next Financial Year

As stated in previous report, PWI Group logging operations were 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.

On 24 Jan 2020, PWI had signed a MOU with Hui Yang China Malaysia Sdn. Bhd. ("HYCMSB") which represents an opportunity for PWI to collaborate with and leverage on HYCMSB's expertise in products innovation and market exploration for its plywood and sawn timber manufacturing operations, whereas HYCMSB is prepared to provide the support for the products innovation and global market consultancy to PWI. PWI's production team is currently working with the relevant personnel from HYCMSB in exploring new timber products as well as sourcing of raw materials from other countries.

B4. Profit Forecast or Profit Guarantee

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

B5. Income Tax Expense

Taxation comprises the following:-

	Current Quarter Year To Date 31.12.2019 RM'000	Cumulative Quarters Current Year To Date 31.12.2019 RM'000
Current taxation	-	-
	-	-

B6. Status of Corporate Proposals

21.1 Proposed Acquisition

(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 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 inTrus 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 to extract all commercial logs within FMU 5;

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.

(b) On 29 November 2019, the parties have mutually agreed that the whole of the Balance Consideration or such balance thereof shall be paid and settled in full by 29 February 2020

B7. Borrowings

Long Term borrowings as at 31 December 2019:

	Secured RM'000	Unsecured RM'000	Total RM'000
1) Term Finance	10,429	-	10,429
2) Hire Purchase Creditors	-	-	-
Total	**10,429**	**-**	**10,429**

Short Term borrowings as at 31 December 2019:

	Secured RM'000	Unsecured RM'000	Total RM'000
1) Term Finance	22,259	-	22,259
2) Hire Purchase Creditors	1,331	-	1,331
Total	**23,590**	**-**	**23,590**

Total group borrowings as at 31 December 2019:

	Secured RM'000	Unsecured RM'000	Total RM'000
1) Term Finance	32,688	-	32,688
2) Hire Purchase Creditors	1,331	-	1,331
Total	**34,019**	**-**	**34,019**

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.

B8. Material Litigation

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

B9. Dividends

There was no dividend declared for the financial quarter under review

B10. Auditors' Report

The Group's audited financial statements for the financial year ended 30 June 2019 were reported on without any qualification.

B11. Earnings / (Loss) Per Share

(a) Basic

Basic earnings per share amounts are calculated by dividing the net profit / (loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period, excluding treasury shares held by the Company.

	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Basic losses per share				
Net (Loss) (RM'000)	(9,013)	(18,503)	(15,248)	(36,438)
Weighted average number of ordinary shares in issue ('000)	4,094,923	4,094,923	4,094,923	3,583,057
Basic (Loss) per share (sen)	(0.22)	(0.45)	(0.37)	(1.02)
Diluted earning per share (sen)	N/A	N/A	N/A	N/A

B12. Derivative Financial Instruments

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

B13. (Loss) / Profit before Tax

	Current Quarter Year To Date 31.12.2019 RM'000	Cumulative Quarters Current Year To Date 31.12.2019 RM'000
Loss before tax is Arrived at after charging/(crediting)		
Other income	2,914	7,105
Interest expense	454	963
Amortization and depreciation	6,056	12,237

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

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