

PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD 31 MARCH 2020

PART A: EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134 : INTERIM FINANCIAL REPORTING

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 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 2019.

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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
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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
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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.

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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:

1) Interruptions of logging operation

As stated in previous report, PWI and its subsidiaries' (the "Group") logging operations were affected by the widely reported verifications by authorities. Currently, the Group is operating in one of the Group's log suppliers' logging operations at Tongod District, Division of Sandakan.

However, the Group log harvesting operation had been temporary put on hold in conjunction with the Movement Control Order ("MCO") put in place by the Government since 18 March 2020 in order to control the spread of the Covid-19 Pandemic. Hence, there is no logs production during the period of MCO.

With the Government's announcement on 1 May 2020 implementing the Conditional Movement Control Order ("CMCO") commencing 4 May 2020 and a further announcement on 10 May 2020 to extend the Conditional Movement Control Order till 9 June 2020, the Group has partially resumed the logging operation on 9 May 2020 with the approval from the Sabah Forestry Department.

2) Written off of Deposit

The written off of deposit paid to Transkripsi Pintar Sdn Bhd of RM23 million upon the cancellation of the Sales and Purchase Agreement on 4 March 2020.

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.

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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 31.03.2019 : 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 31.03.2020 amounted to RM1,163,023.00.

A11. Material Events Subsequent to the Reporting Period

Private Placement

Kenanga IB had on behalf of PWI announced that the Board had on 20 June 2020 fixed the issue price for the first tranche of the placement of 150,000,000 Placement Shares at RM0.0135 each amounted to RM2,025,000.

A12. Changes in the Composition of the Group

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

A13. Related Party Transactions

There are no other significant related party transactions except for the followings:

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Name of related party	Type of Transactions	Transactions Value for the period ended		Balance Outstanding as at	
		31.03.2020	31.03.2019	31.03.2020	31.03.2019
		RM	RM	RM	RM
Green Edible Oil Sdn Bhd	Rental Income	22,500	22,500	15,000	-
Lim Nyuk Foh	Rental Expenses	42,300	-	42,300	-

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	Preceding year	Changes
	quarter	corresponding	
	31.03.2020	quarter 31.03.2019	
	RM'000	RM'000	%
Revenue	1,802	4,015	-55%
Operating Loss	(4,948)	(20,891)	-76%
Non-operating income	4,909	2,088	135%
Loss before tax	(28,557)	(21,343)	34%
Loss after tax	(28,557)	(17,141)	67%
Loss attributable to owners of the parent	(28,557)	(17,141)	67%

For the current quarter under review, the Group recorded revenue of RM1.8 million, which is 55% lower compared to RM4.0 million recorded in the corresponding quarter of last financial year. The Group also recorded a loss before tax of RM28.5 million, which is 34% higher compared to a loss before tax of RM21.3 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 increase in losses was mainly due to the impairment of deposit by RM23m during the current quarter.

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

	Current year to date 31.03.2020 RM'000	Preceding year corresponding period 31.03.2019 RM'000	Changes %
Revenue	19,108	19,178	0%
Operating Loss	(23,279)	(46,580)	-50%
Non-operating income	12,014	3,498	243%
Loss before tax	(43,805)	(62,250)	-30%
Loss after tax	(43,805)	(53,579)	-18%
Loss attributable to owners of the parent	(43,805)	(53,579)	-18%

For the current year to-date under review, the Group recorded revenue of RM19 million, which is the same if compared to the corresponding period of last financial year. The Group also recorded a loss before tax of RM43 million, which is 19% lower compared to a loss before tax of RM53 million in the corresponding period of last financial year.

The decrease in losses was mainly due to the increase in other income from gain on disposal of fixed assets by RM6.7 million during the current year to-date and decrease in administration expenses by about RM9.1 million.

B2. Comparison with Immediate Preceding Quarter's Results

	Current year quarter 31.03.2020 RM'000	Immediate preceding quarter 31.12.2019 RM'000	Changes %
Revenue	1,802	4,448	-59%
Operating Loss	(1,931)	(11,101)	-83%
Non-operating income	1,948	2,914	-33%
Loss before tax	(28,015)	(9,013)	211%
Loss after tax	(28,015)	(9,013)	211%
Loss attributable to owners of the parent	(28,015)	(9,013)	211%

For the current quarter under review, the Group posted revenue of RM1.8 million compared to RM4.4 million in the immediate preceding quarter. The loss before tax was RM28 million compared to a loss before tax of RM9 million in the immediate preceding quarter.

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The increase in losses from preceding quarter mainly due to the impairment of deposit amounted RM23 million in current quarter.

B3. Commentary on prospects

The global timber market is expected to be weak for the remaining of the year. The Covid-19 pandemic had impacted the global economy significantly, any sign recovery is still uncertain for the time being. Our Group's operation was temporary closed in compliance to the implementation of Movement Control Order ("MCO") by the government since 18 March 2020. With the Government's announcement on 1 May 2020 implementing the Conditional Movement Control Order ("CMCO") commencing 4 May 2020 and a further announcement on 10 May 2020 to extend the Conditional Movement Control Order till 9 June 2020, the Group has partially resumed the logging operation on 9 May 2020 with the approval from the Sabah Forestry Department ("SFD") after complied with the conditions imposed by the SFD. The Management had implemented some cost cutting measures in order to mitigate the impact of stop operation during the MCO period.

The Board remains cautious on the outlook of the Group in view of the Covid-19 pandemic and the uncertainty of the world's demand of timber products.

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 31.03.2020 RM'000	Cumulative Quarters Current Year To Date 31.03.2020 RM'000
Current taxation	-	-
	-	-

B6. Status of Corporate Proposals

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. ("TPSB"),

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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 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 to extract all commercial logs within FMU 5;

On 3 March 2020, the agreements entered above had been terminated. As the logs harvesting operation of the timber concession (FMU5) under TPSB has yet to be recommenced since July 2018, the Company is unable to raise the necessary funds to fulfil the payment terms as stated in the Agreement. Notwithstanding the Termination, the Group still have existing timber concessions of total 27,900 Hectares with trees planted at various stages and continues to explore other business opportunities.

B7. Borrowings

Long Term borrowings as at 31 March 2020:

	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 March 2020:

	Secured RM'000	Unsecured RM'000	Total RM'000
1) Term Finance	22,259	-	22,259
2) Hire Purchase Creditors	1,163	-	1,163
Total	23,422	-	23,422

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Total group borrowings as at 31 March 2020:

	Secured RM'000	Unsecured RM'000	Total RM'000
1) Term Finance	32,688	-	32,688
2) Hire Purchase Creditors	1,163	-	1,163
Total	33,851	-	33,851

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.

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	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
	31.03.2020 RM'000	31.03.2019 RM'000	31.03.2020 RM'000	31.03.2019 RM'000
Basic losses per share				
Net (Loss) (RM'000)	(28,557) [▼]	(17,141)	(43,805)	(53,579)
Weighted average number of ordinary shares in issue ('000)	4,094,923	4,094,923	4,094,923	3,753,679
Basic (Loss) per share (sen)	(0.70)	(0.42)	(1.07)	(1.43)
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 31.03.2020 RM'000	Cumulative Quarters Current Year To Date 31.03.2020 RM'000
Loss before tax is		
Arrived at after charging/(crediting)		
Other income	4,909	12,014
Interest expense	487	1,450
Amortization and depreciation	12,347	18,528
Impairment of deposit	23,000	23,000

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