

PRICEWORTH INTERNATIONAL BERHAD

(Company No: 399292-V)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE YEAR ENDED 30 JUNE 2020

PART A: **EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS**

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).

The 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, have 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. Change in 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. Auditors' Report on Preceding Annual Financial Statements

The Group's audited financial statements for the financial year ended 30 June 2019 was not qualified.

A4. 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.

A5. 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.

A6. Material Changes in Estimates

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

A7. Changes in Debts and Equity Securities

a) Private Placement

During the current quarter, there was Private Placement shares issued during the period.

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Listed below the number of shares issuance for the period ended 30 June 2020:

	Number of Ordinary Shares	Cost (RM)
Issued and paid up as at 01 July 2019	4,094,922,524	-
New issuance via Private Placement	150,000,000	2,025,000
Issued and paid up as at 30 June 2020	4,244,922,524	2,025,000

A8. Dividend Paid

No dividend was paid during the current quarter under review. No dividend has been proposed by the Directors for the quarter under review (corresponding period 30.06.2019 : Nil).

A9. 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.

A10. Valuation of Property, Plant and Equipment

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

A11. 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 30.06.2020 amounted to RM1,141,467.00.

A12. Material Events Subsequent to the Reporting Period

Private Placement

Kenanga Investment Bank Berhad had on behalf of PWI announced that the Board had on 28 July 2020 approved the fixing of issue price for the second batch of the placement of 50,000,000 Ordinary Shares at RM0.0243 each amounted to RM1,215,000 and on 11 August 2020 fixed the issue price for the third batch of the placement of 109,492,200 Placement Shares at RM0.03 each amounted to RM3,284,766.

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A13. Changes in the Composition of the Group

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

A14. Related Party Transactions

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

Name of related party	Type of Transactions	Transactions Value for the period ended		Balance Outstanding as at	
		30.06.2020	30.06.2019	30.06.2020	30.06.2019
		RM	RM	RM	RM
Green Edible Oil Sdn Bhd	Rental Income	22,500	22,500	7,500	-
Lim Nyuk Foh	Rental Expenses	42,300	-	39,900	-

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	Preceding year corresponding quarter	Changes
	30.06.2020	30.06.2019	
	RM'000	RM'000	%
Revenue	6,179	14,445	-57%
Operating Profit / (Loss)	114	(22,904)	-100%
Non-operating income	1,714	770	123%
Loss before tax	(20,495)	(88,295)	-77%
Loss after tax	(22,303)	(90,405)	-75%
Loss attributable to owners of the parent	(22,303)	(90,405)	-75%

For the current quarter under review, the Group recorded revenue of RM6.2 million, which is 57% lower compared to RM14.4 million recorded in the corresponding quarter of last financial year. The Group also recorded a loss before tax of RM20.5 million, which is 77% lower compared to a loss before tax of RM88.3 million in the corresponding quarter of last financial year.

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The decrease in revenue was mainly due to decrease in sales of plywood during the quarter. The decrease in losses was mainly due to the impairment on goodwill, provision for receivables and written back of deferred tax assets during the last financial year.

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

	Current year to date 30.06.2020 RM'000	Preceding year corresponding period 30.06.2019 RM'000	Changes %
Revenue	25,287	33,623	-25%
Operating Loss	(23,165)	(69,484)	-67%
Non-operating income	10,767	4,268	152%
Loss before tax	(67,261)	(150,545)	-55%
Loss after tax	(69,069)	(143,984)	-52%
Loss attributable to owners of the parent	(69,069)	(143,984)	-52%

For the current year to-date under review, the Group recorded revenue of RM25.2 million, which is lower if compared to the corresponding period of last financial year. The Group also recorded a loss before tax of RM67.2 million, which is 55% lower compared to a loss before tax of RM150.5 million in the corresponding period of last financial year.

The decrease in losses was mainly due to 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 amounted to RM110 million in the last financial year.

B2. Comparison with Immediate Preceding Quarter's Results

	Current year quarter 30.06.2020 RM'000	Immediate preceding quarter 31.03.2020 RM'000	Changes %
Revenue	6,179	1,802	243%
Operating Profit / (Loss)	114	(4,947)	-102%
Non-operating income	1,714	1,948	-12%
Loss before tax	(20,495)	(31,032)	-34%
Loss after tax	(22,303)	(31,519)	-29%
Loss attributable to owners of the parent	(22,303)	(31,519)	-29%

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For the current quarter under review, the Group posted revenue of RM6.1 million compared to RM1.8 million in the immediate preceding quarter. The loss before tax was RM20.5 million compared to a loss before tax of RM31.0 million in the immediate preceding quarter. The decrease in losses from preceding quarter mainly due to the impairment of deposit amounted RM23 million in the immediate preceding quarter.

B3. Commentary on prospects

The global timber market is expected to be uncertain for the coming financial year. The Covid-19 pandemic had impacted the global economy significantly, any sign of 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 cost cutting measures in order to mitigate the impact of stop operation during the MCO period and the weak global economy.

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 especially plywood.

B4. Profit Forecast or Profit Guarantee

This is not applicable as there is no profit forecast nor profit guarantee were given.

B5. Income Tax Expense

Taxation comprises the following:-

	Current Quarter Year To Date 30.06.2020 RM'000	Cumulative Quarters Current Year To Date 30.06.2020 RM'000
Current taxation	(8)	(8)
Deferred taxation	(1,800)	(1,800)
	<u>(1,808)</u>	<u>(1,808)</u>

B6. Status of Corporate Proposals

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There are no corporate proposals announced as at the date of this report.

B7. Status of Utilisation of Proceeds Raised From Corporate Proposal

(a) Utilisation of Proceeds from Private Placement

The fund utilization of the Private Placement are stated below :

	Proceeds from Issuance of shares as at 30.06.2020	Date	RM
1	1st Tranche	24.06.2020	2,025,000
			2,025,000
	Utilisations up to 30.06.2020	Proposed (RM)	Actual (RM)
1	Repayment of bank borrowings	10,000,000	-
2	Infrastructure cost for logging and working capital	10,358,000	1,967,000
3	Estimated expenses	117,000	58,000
	Total proceeds	20,475,000	2,025,000
	Balance not yet utilise		-

B8. Borrowings

Long Term borrowings as at 30 June 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 30 June 2020:

	Secured RM'000	Unsecured RM'000	Total RM'000
1) Term Finance	22,343	-	22,343
2) Hire Purchase Creditors	1,141	-	1,141
Total	23,484	-	23,484

Total group borrowings as at 30 June 2020:

	Secured RM'000	Unsecured RM'000	Total RM'000
1) Term Finance	32,772	-	32,772
2) Hire Purchase Creditors	1,141	-	1,141
Total	33,913	-	33,913

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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.

B9. Material Litigation

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

B10. 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		Cumulative Quarter	
	3 months ended		12 months ended	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
Basic losses per share				
Net (Loss) (RM'000)	(22,303)	(90,405)	(69,069)	(143,984)
Weighted average number of ordinary shares in issue ('000)	4,144,923	4,094,923	4,107,423	3,838,990
Basic (Loss) per share (sen)	(0.54)	(2.21)	(1.68)	(3.75)
Diluted earning per share (sen)	N/A	N/A	N/A	N/A

B11. Derivative Financial Instruments

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

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B12. (Loss) / Profit before Tax

	Current Quarter Year To Date 30.06.2020 RM'000	Cumulative Quarters Current Year To Date 30.06.2020 RM'000
Loss before tax is		
Arrived at after charging/(crediting)		
Other income	1,714	10,767
Interest expense	5,040	6,490
Amortization and depreciation	4,666	23,194
Impairment of deposit	-	23,000
Impairment loss on property, plant and equipment	11,691	11,691
Impairment loss on intangible assets	3,000	3,000

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