

GOLDEN PHAROS BERHAD (Company No. 152205-W)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Current quarter 3 months ended		Cumulative quarter 12 months ended	
		31.12.2013 Unaudited RM'000	31.12.2012 Unaudited RM'000	31.12.2013 Unaudited RM'000	31.12.2012 Unaudited RM'000
Revenue		20,921	19,837	79,140	66,635
Cost of sales		<u>(18,206)</u>	<u>(17,412)</u>	<u>(66,076)</u>	<u>(53,194)</u>
Gross profit		2,715	2,425	13,064	13,441
Other operating income		504	235	1,093	1,006
Administrative expenses		(3,846)	(3,695)	(12,197)	(11,947)
Other operating expenses		<u>(590)</u>	<u>(395)</u>	<u>(2,106)</u>	<u>(1,761)</u>
Operating (loss)/profit		(1,217)	(1,430)	(146)	739
Finance costs		<u>(618)</u>	<u>(225)</u>	<u>(1,459)</u>	<u>(943)</u>
Loss before taxation	7	(1,835)	(1,655)	(1,605)	(204)
Income tax (expense)/benefit	8	<u>(222)</u>	<u>1,153</u>	<u>(747)</u>	<u>1,617</u>
(Loss)/profit for the period/year		<u>(2,057)</u>	<u>(502)</u>	<u>(2,352)</u>	<u>1,413</u>
Attributable to:					
Owners of the parent		<u>(2,057)</u>	<u>(502)</u>	<u>(2,352)</u>	<u>1,413</u>
(Loss)/earnings per share attributable to owners of the parent (sen per share):					
- Basic	9	(1.53)	(0.37)	(1.75)	1.05

These condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to these interim financial statements.

GOLDEN PHAROS BERHAD (Company No. 152205-W)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME (CONTINUED)**
FOR THE YEAR ENDED 31 DECEMBER 2013

	Current quarter 3 months ended		Cumulative quarter 12 months ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
(Loss)/profit for the period/year	<u>(2,057)</u>	<u>(502)</u>	<u>(2,352)</u>	<u>1,413</u>
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Net gain/(loss) on available-for-sale ("AFS") financial assets	<u>909</u>	<u>2</u>	<u>3,053</u>	<u>(427)</u>
Other comprehensive income/(loss) for the period/ year, net of tax	<u>909</u>	<u>2</u>	<u>3,053</u>	<u>(427)</u>
Total comprehensive (loss)/income for the period/year, attributable to:				
Owners of the parent	<u>(1,148)</u>	<u>(500)</u>	<u>701</u>	<u>986</u>

These condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to these interim financial statements.

GOLDEN PHAROS BERHAD (Company No. 152205-W)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	<u>Note</u>	31.12.2013 Unaudited RM'000	31.12.2012 Audited RM'000
Assets			
Non-current assets			
Property, plant and equipment	10	68,868	70,817
Goodwill	11	-	-
Investment securities	12	8,900	5,711
		<u>77,768</u>	<u>76,528</u>
Current assets			
Inventories		21,145	19,725
Trade and other receivables		23,332	22,542
Tax recoverable		1,616	3,567
Cash and bank balances	13	5,321	4,288
Assets classified as held for sale		-	7
		<u>51,414</u>	<u>50,129</u>
Total assets		<u>129,182</u>	<u>126,657</u>
Equity and liabilities			
Equity attributable to owners of the parents			
Share capital	14	67,273	67,273
Share premium	14	625	625
Retained earnings		25,977	28,329
Other reserves		(15,450)	(19,225)
Total equity		<u>78,425</u>	<u>77,002</u>
Non-current liabilities			
Retirement benefit obligations		5,120	4,986
Deferred tax liabilities		2,034	2,104
Borrowings	15	874	475
		<u>8,028</u>	<u>7,565</u>
Current liabilities			
Retirement benefit obligations		630	645
Borrowings	15	5,656	8,061
Tax payable		188	-
Trade and other payables		36,255	33,384
		<u>42,729</u>	<u>42,090</u>
Total liabilities		<u>50,757</u>	<u>49,655</u>
Total equity and liabilities		<u>129,182</u>	<u>126,657</u>
Net assets per share attributable to owners of the parent ("RM")		0.58	0.57

These condensed consolidated statement of financial position should be read in conjunction with the the audited financial statements for the year ended 31 December 2012 and accompanying explanatory notes attached to these interim financial statements.

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Attributable to owners of the parent							
	Non-distributable			Distributable				
	Equity, total RM'000	Share capital RM'000	Share premium RM'000	Total retained earnings RM'000	Other reserves, total RM'000	Fair value adjustment reserve RM'000	Equity contribution from shareholder RM'000	Reserve arising from merger RM'000
Opening balance at 1 January 2013	77,002	67,273	625	28,329	(19,225)	3,493	-	(22,718)
Loss for the year	(2,352)	-	-	(2,352)	-	-	-	-
Other comprehensive income								
- Fair value adjustment reserve	3,053	-	-	-	3,053	3,053	-	-
Total comprehensive income/(loss) for the year	701	-	-	(2,352)	3,053	3,053	-	-
Waiver of amount due to a shareholder	722	-	-	-	722	-	722	-
Total transaction with shareholders of the Company	722	-	-	-	722	-	722	-
Closing balance at 31 December 2013	78,425	67,273	625	25,977	(15,450)	6,546	722	(22,718)
Opening balance at 1 January 2012	76,016	67,273	625	26,916	(18,798)	3,920	-	(22,718)
Loss for the year	1,413	-	-	1,413	-	-	-	-
Other comprehensive income								
- Fair value adjustment reserve	(427)	-	-	-	(427)	(427)	-	-
Total comprehensive income/(loss) for the year	986	-	-	1,413	(427)	(427)	-	-
Closing balance at 31 December 2012	77,002	67,273	625	28,329	(19,225)	3,493	-	(22,718)

These condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and accompanying explanatory notes attached to these interim financial statements.

GOLDEN PHAROS BERHAD (Company No. 152205-W)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	12 months ended	
		31.12.2013 Unaudited RM'000	31.12.2012 Unaudited RM'000
Operating activities			
Loss before tax		(1,605)	(204)
<u>Adjustments for:</u>			
Interest income	7	(106)	(83)
Dividend income	7	(409)	(333)
Interest expenses	7	1,459	943
Gain on disposal of property, plant and equipment	7	(33)	(69)
Gain on disposal of assets classified as held for sale	7	(35)	-
Depreciation of property, plant and equipment	7	4,389	4,031
Property, plant and equipment written off	7	14	2
Impairment loss on trade and other receivables	7	562	232
Reversal of allowance for impairment of trade and other receivables	7	(31)	(109)
Inventories written off	7	-	187
Net unrealised foreign exchange gain	7	(15)	(214)
Provision for retirement benefits	7	655	631
Provision for short-term accumulating compensated absences	7	139	80
Total adjustments		<u>6,589</u>	<u>5,298</u>
Operating cash flows before changes in working capital		4,984	5,094
<u>Changes in working capital</u>			
Increase in inventories		(1,420)	(7,019)
Increase in trade and other receivables		(1,561)	(2,195)
Increase in trade and other payables		2,936	6,677
Total changes in working capital		<u>(45)</u>	<u>(2,537)</u>
Interest paid		(468)	(907)
Income taxes refund		1,307	254
Retirement benefits paid		(606)	(446)
		<u>233</u>	<u>(1,099)</u>
Net cash flows from operating activities		<u>5,172</u>	<u>1,458</u>
Investing activities			
Purchase of property, plant and equipment	10	(1,522)	(2,268)
Proceeds from disposal of property, plant and equipment	10	81	98
Proceeds from disposal of assets classified as held for sale		42	-
Dividend received		215	333
Interest received		106	83
Net cash flows used in investing activities		<u>(1,078)</u>	<u>(1,754)</u>

GOLDEN PHAROS BERHAD (Company No. 152205-W)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	12 months ended	
		31.12.2013 Unaudited RM'000	31.12.2012 Unaudited RM'000
Financing activities			
Drawdowns from borrowings		6,470	7,582
Repayment of borrowings		(8,357)	(4,942)
Interest paid		(67)	(36)
Net cash flows (used in)/from financing activities		(1,954)	2,604
Net increase in cash and cash equivalents		2,140	2,308
Cash and cash equivalents at 1 January		845	(1,463)
Cash and cash equivalents at 31 December	13	2,985	845

These condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and accompanying explanatory notes attached to these interim financial statements.

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE YEAR ENDED 31 DECEMBER 2013**

1. Corporate information

Golden Pharos Berhad is a public limited liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad.

2. Basis of preparation

The condensed financial statements are unaudited and have been prepared in accordance with IAS 34, MFRS 134, *Interim Financial Reporting* and paragraph 9.22 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements. They should also be read in conjunction with the financial statements of the Group for the year ended 31 December 2012 and the accompanying notes attached to the unaudited condensed consolidated financial statements.

3. Significant accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2012, except for the adoption of the following new and revised MFRS, and Amendments (collectively referred to as "pronouncements") which are applicable to its financial statements and are relevant to its operations:-

(i) Adoption of standards

Effective for annual periods beginning on or after 1 January 2013

MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)

MFRS 10 Consolidated Financial Statements

MFRS 11 Joint Arrangements

MFRS 12 Disclosure of Interests in Other Entities

MFRS 13 Fair Value Measurement

MFRS 101 Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)

MFRS 119 Employee Benefits

MFRS 127 Separate Financial Statements (2011)

MFRS 128 Investments in Associates and Joint Ventures (2011)

MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)

Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards
(Annual Improvements 2009-2011 Cycle)

Amendments to MFRS 7 Financial Instruments: Disclosure - Offsetting Financial Assets and
Financial Liabilities

Amendments to MFRS 10 Consolidated Financial Statements: Transition Guidance

Amendments to MFRS 11 Joint Arrangements: Transition Guidance

Amendments to MFRS 12 Disclosure of Interests in Other Entities: Transition Guidance

Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)

Amendments to MFRS 116 Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)

Amendments to MFRS 132 Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)

Amendments to MFRS 134 Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)

The adoption of the above pronouncements does not have significant financial impact to the Group's consolidated financial statements of the current quarter.

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE YEAR ENDED 31 DECEMBER 2013**

3. Significant accounting policies (continued)

(ii) Standards issued but not yet effective

At the date of authorisation of these interim financial statements, the followings standards, Amendments and IC Interpretation were issued but not yet effective and have not been applied by the Group:

Description	Effective for annual periods beginning or after
Amendments to MFRS 132 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 136 Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139 Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014
MFRS 9 Financial Instruments	1 January 2015

The directors expect that the adoption of the above will have no material impact on the financial statements in the period of initial application.

4. Changes in estimates

There were no significant changes in estimates that have had a material effect in the current interim results.

5. Seasonality of operations

During the quarter under review, the Group's principal business operations were adversely affected by seasonal or cyclical factors such as rainy season and flood.

6. Segment information

The Group is organised into business units based on their products and services, and has three operating segments as follows:

- (i) Harvesting, sawmilling and kiln drying of timber.
- (ii) Manufacturing - manufacturing and trading of glass.
- (iii) Others - include investment holding, marketing and distribution agent and trading of wooden doors, none of which are of a sufficient size to be reported separately.

There has been no material change in total assets and no differences in the basis of segmentation or in the basis of measurement of segment profit or loss as compared to the last annual financial statements.

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE YEAR ENDED 31 DECEMBER 2013

6. Segment information (continued)

	Harvesting, sawmilling and kiln drying RM'000	Manufacturing RM'000	Others RM'000	Consolidated RM'000
Results for 3 months ended 31 December 2013				
Operating revenue	12,116	8,777	28	20,921
Other operating income	432	58	14	504
Expenses	(12,836)	(8,375)	(2,049)	(23,260)
(Loss)/profit before taxation	(288)	460	(2,007)	(1,835)

**Results for 3 months ended
31 December 2012**

Operating revenue	11,696	8,122	19	19,837
Other operating income	189	64	(18)	235
Expenses	(12,358)	(7,855)	(1,514)	(21,727)
(Loss)/profit before taxation	(473)	331	(1,513)	(1,655)

	Harvesting, sawmilling and kiln drying RM'000	Manufacturing RM'000	Others RM'000	Consolidated RM'000
Results for 12 months ended 31 December 2013				
Operating revenue	47,970	30,937	233	79,140
Other operating income	880	95	118	1,093
Expenses	(46,391)	(29,552)	(5,895)	(81,838)
Profit/(loss) before taxation	2,459	1,480	(5,544)	(1,605)

**Results for 12 months ended
31 December 2012**

Operating revenue	36,155	30,400	80	66,635
Other operating income	535	259	212	1,006
Expenses	(32,879)	(29,357)	(5,609)	(67,845)
Profit/(loss) before taxation	3,811	1,302	(5,317)	(204)

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE YEAR ENDED 31 DECEMBER 2013

7. Loss before taxation

Included in the loss before taxation are the following items:

	Current quarter		Cumulative quarter	
	3 months ended		12 months ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Interest income	(68)	(46)	(106)	(83)
Dividend income	(86)	(84)	(409)	(333)
Interest expenses	618	225	1,459	943
Depreciation of property, plant and equipment	1,291	1,143	4,389	4,031
Gain on disposal of property, plant and equipment	(47)	(45)	(33)	(69)
Gain on disposal of assets classified as held for sale	-	-	(35)	-
Property, plant and equipment written off	6	1	14	2
Impairment loss on trade and other receivables	530	232	562	232
Inventories written off	-	187	-	187
Reversal of allowance for impairment of trade and other receivables	(19)	(78)	(31)	(109)
Net unrealised foreign exchange gain	(7)	(233)	(15)	(214)
Provision for short-term accumulating compensated absences	157	98	139	80
Provision for retirement benefits	182	158	655	631

8. Income tax expense/(benefit)

	Current quarter		Cumulative quarter	
	3 months ended		12 months ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Current income tax	272	122	761	338
Under/(over) provision of income tax in respect of previous years	59	(11)	55	(182)
Deferred income tax	(263)	(785)	(261)	149
Under/(over) provision of deferred tax in respect of previous years	154	(479)	192	(1,922)
	222	(1,153)	747	(1,617)
Effective tax rate	-12.1%	69.7%	-46.5%	792.6%

Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. For the current financial year under review, the Group's effective tax rate was higher than the statutory tax rate due to certain expenses which were not deductible for tax purposes and due to the fact the taxation is arising out of profit making subsidiaries.

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE YEAR ENDED 31 DECEMBER 2013

9. (Loss)/earnings per share

Basic (loss)/earnings per share amounts are calculated by dividing (loss)/profit for the period/year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period/year.

		Current quarter		Cumulative quarter	
		3 months ended		12 months ended	
		31.12.2013	31.12.2012	31.12.2013	31.12.2012
(Loss)/profit net of tax attributable to owners of the parent used in the computation of earnings per share	(RM'000)	(2,057)	(502)	(2,352)	1,413
Weighted average number of ordinary shares in issue	(' 000)	134,547	134,547	134,547	134,547
Basic (loss)/earnings per share	(sen)	(1.53)	(0.37)	(1.75)	1.05

10. Property, plant and equipment

During the twelve-month period ended 31 December 2013, the Group has acquired property, plant and equipment at a cost of RM1,522,000 (31 December 2012: RM2,268,000). As at 31 December 2013, the total depreciation charged for the property, plant and equipment was RM4,389,000 (31 December 2012: RM4,031,000). Property, plant and equipment with a carrying amount of RM14,000 were written off by the Group during the twelve-month period ended 31 December 2013 (31 December 2012: RM2,000) which has been included in other operating expenses in the statement of profit or loss and other comprehensive income.

The Group has also disposed of assets with a carrying amount of RM48,000 during the twelve months ended 31 December 2013 (31 December 2012: RM29,000), resulting in a gain on disposal of RM33,000 (31 December 2012: RM69,000), recognised and included in operating expenses in the statement of profit or loss and other comprehensive income.

11. Goodwill

	Goodwill
	RM'000
Cost:	
At 1 January 2012/31 December 2012/31 December 2013	<u>185</u>
Accumulated impairment:	
At 1 January 2012/31 December 2012/31 December 2013	<u>(185)</u>
Net carrying amount:	
At 1 January 2012/31 December 2012/31 December 2013	<u>-</u>

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE YEAR ENDED 31 DECEMBER 2013**

12. Fair value hierarchy

The Group uses the following hierarchy for determining the fair value of all financial instruments carried at fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs that are based on observable market data, either directly or indirectly

Level 3 - Inputs that are not based on observable market data

As at the reporting date, the Group held the following financial assets that are measured at fair value:

	Total	Level 1	Level 2	Level 3
	RM'000	RM'000	RM'000	RM'000
31 December 2013				
Available-for-sale financial assets				
Equity shares	8,900	8,900	-	-
31 December 2012				
Available-for-sale financial assets				
Equity shares	5,711	5,711	-	-

No transfer between any levels of the fair value hierarchy took place during the current interim period/year and the comparative period/year. There were also no changes in the purpose of any financial assets that subsequently resulted in a different classification of that assets.

The Group does not hold credit enhancements or collateral to mitigate credit risk. The carrying amount of financial assets therefore represents the potential credit risk.

13. Cash and bank balances

Cash and bank balances comprised the following amounts:

	31.12.2013	31.12.2012
	RM'000	RM'000
Cash at banks and in hand	4,035	2,629
Short term deposits	1,286	1,659
	<u>5,321</u>	<u>4,288</u>
Bank overdrafts	(2,336)	(3,443)
Total cash and bank balances	<u>2,985</u>	<u>845</u>

14. Share capital and share premium

There were no issuances, cancellation, repurchases, resale and repayments of debts and equity securities for the financial year ended 31 December 2013.

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE YEAR ENDED 31 DECEMBER 2013

15. Borrowings

	31.12.2013	31.12.2012
	RM'000	RM'000
Current		
Secured	5,656	2,288
Unsecured	-	5,773
	<u>5,656</u>	<u>8,061</u>
Non-current		
Secured	874	475
Total borrowings	<u>6,530</u>	<u>8,536</u>

16. Dividend

There was no dividend declared by the Company during the financial year ended 31 December 2013 (31 December 2012: RM Nil).

17. Commitments

	31.12.2013	31.12.2012
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Plant and machinery	901	-
Motor vehicles	1,011	-
Approved but not contracted for:		
Plant and machinery	2,285	1,030
Motor vehicles	1,913	900
	<u>6,110</u>	<u>1,930</u>

18. Related party transactions

The following table provides information on the transactions which have been entered into with related parties during the twelve-month periods ended 31 December 2013 and 31 December 2012 as well as the balances with the related parties as at 31 December 2013 and 31 December 2012:

		Loans	Interest	Amounts
		from related	on loans	owed to
		parties	from related	related
		RM'000	parties	parties
			RM'000	RM'000
Entities with significant influence over the Group:				
Holding company				
Terengganu Incorporated Sdn. Bhd.	31.12.2013	-	379	14,006
("TISB")	31.12.2012	-	485	13,626
A corporate shareholder				
Lembaga Tabung Amanah Warisan	31.12.2013	-	(722) *	7,000
Negeri Terengganu ("LTAWNT")	31.12.2012	4,000	59	7,059

* The interest on loan from LTAWNT has been waived in December 2013.

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING
REQUIREMENT: CHAPTER 9, APPENDIX 9B, PART A
FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2013

19. Events after the reporting period

Subsequent to the period end, the Group's timber management subsidiary, Kumpulan Pengurusan Kayu-Kayan Trengganu Sdn. Bhd. ("**KPKKT**") opened a tender to extract logs from 6 compartments covering 2,076 hectares in its concession area. The successful applicants that have been selected on 28 January 2014 had paid 30% tender deposit of RM8.19 million out of total logs sales proceeds of RM27.29 million. The balance has to be paid within 30 days of the issuance of the approval letter. The 6 compartments were part of 2,553 hectares land area from KPKKT's concession that was awarded to the Group's corporate shareholder, Lembaga Tabung Amanah Warisan Negeri Terengganu ("**LTAWNT**") by the Terengganu State Land Office for mining purposes. In return, KPKKT was given the right to extract and sell the logs therein. The Group recognised the revenue from the logs sales proceeds in 2014 financial statements.

20. Performance review

(a) Current Quarter vs Corresponding Quarter of Previous Period (4Q13 vs 4Q12)

The Group registered revenue of RM20.92 million in the current quarter, an increase of 5% from RM19.84 million reported in the previous year's corresponding quarter. In terms of profitability, the Group recorded a loss before taxation of RM1.84 million as compared to a loss before taxation of RM1.66 million in the previous year's corresponding quarter.

Harvesting, sawmilling and kiln drying segment

The harvesting, sawmilling and kiln-drying segment recorded a loss before taxation of RM0.29 million in the current quarter, an improvement of 38% as compared to loss before taxation RM0.47 million reported in the previous period's corresponding quarter.

(i) Operating revenue

The segment's operating revenue increased by 4% to RM12.12 million in the current quarter as compared to RM11.70 million reported in the previous year's corresponding quarter. Slight increase in revenue was contributed by the sales of timber to the third parties, despite of reduction in sawntimber sales during the quarter.

(ii) Other operating income

There was an increase in segment's operating income by 129% mainly due to the income on post-felling forest inventory development received from Forestry Department amounting to RM0.20 million.

(iii) Expenses

The slight increase in segment's expenses in the current quarter was in line with the improved sales as compared to previous year's corresponding quarter.

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20. Performance review (continued)

(a) Current Quarter vs Corresponding Quarter of Previous Period (4Q13 vs 4Q12) (continued)

Manufacturing segment

During the quarter under review, the manufacturing segment recorded a profit before taxation of RM0.46 million, an increased by 39% from RM0.33 million recorded in the previous year's corresponding quarter.

(i) Operating revenue

Despite the sluggish export market in the glass division in the current quarter, the overall segment's operating revenue has improved by 8% or RM 0.66 million from RM8.12 million reported in the previous year's corresponding quarter as the volume of sales increased from 145,653 units to 146,830 units.

(ii) Other operating income

Other operating income in current quarter were stable at RM0.06 million, representing mainly on gain on disposal of property, plant and equipment and gain on foreign exchange amounting to RM0.03 million and RM0.03 million respectively.

(iii) Expenses

Segment's expenses recorded an increase by 7% from RM7.86 million to RM8.38 million which was mainly due to the increase in manufacturing costs by 7% primarily for raw material cost.

Others segment

This segment registered a loss before taxation of RM2.01 million, increased by 33% as compared to loss before taxation of RM1.51 million reported in the previous year's corresponding quarter. The increase in loss is mainly due to high in finance cost incurred during the quarter under review.

(b) Current Period-to-date vs Previous Period-to-date (FY2013 vs FY2012)

For the financial year under review, the Group registered a loss before taxation of RM1.61 million, 705% higher than RM0.20 million reported in the previous financial year ended 31 December 2012. In contrast, the Group's revenue for the year improved by 19% to RM79.14 million from RM66.64 million achieved in the previous year. The higher revenue arose from harvesting, sawmilling and kiln-drying segment.

Harvesting, sawmilling and kiln drying segment

The slowdown in the global economic growth has effected the prices of timber based product in 2013. As a result, the segment's profit before taxation has decreased by RM1.35 million or 35% from RM3.81 million to RM2.46 million in the year under review. The significant decrease in sawn timber selling price has severely affected the segment's result for the financial year.

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20. Performance review (continued)

(b) Current Period-to-date vs Previous Period-to-date (FY2013 vs FY2012) (continued)

Harvesting, sawmilling and kiln drying segment

(i) Operating revenue

In the current year, the segment's operating revenue has increased to RM47.97 million from RM36.16 million reported in the previous year, representing an increase of 33%, as a result of improved sawn timber sales volume by 50% and sales of timber to the third parties.

The increase in sawn timber sales volume was in line with the improved internal logs extraction and delivery by 18% in the current year under review.

(ii) Other operating income

Other operating income in the current year under review has increased by 64%, mainly due to higher dividend received for investment securities and interest income on fixed deposit. In addition, the income on post-felling forest inventory development received from the Forestry Department has also contributed to the increase.

(iii) Expenses

Overall expenses for the segment have increased substantially to RM46.39 million as compared to RM32.88 million in the previous financial year's mainly due to the increase in forestry costs by 66%.

The increase in the segment's expenses was in line with current year's logs extraction and sawn timber production. The internal logs extraction has increased to 42,466 hoppus tonned from 35,890 hoppus tonned in the previous year. The production volume of sawn timber has also increased from 24,418 tonne in the previous year to 34,256 tonne in the current year under review.

Manufacturing segment

During the year, the manufacturing segment's profit before taxation has improved by 14% from RM1.30 million to RM1.48 million. Increase in profitability was in line with increase in operating revenue.

(i) Operating revenue

The segment's operating revenue has slightly increased by 2% to RM30.94 million from RM30.40 million in the previous year. Domestic market for the glass segment has improved drastically despite of the massive reduction in export sales during the year.

(ii) Other operating income

Other operating income recorded a decrease of 62% from RM0.26 million in the previous year mainly due to lower gain on foreign exchange of RM0.15 million as a result of lower export sales in the current year.

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20. Performance review (continued)

(b) Current Period-to-date vs Previous Period-to-date (FY2013 vs FY2012) (continued)

Manufacturing segment (continued)

(iii) Expenses

No significant changes in the segment's expenses during the year as the main expenses, manufacturing cost has slightly decreased in line with reduction in production volume by 7%.

Others segment

The loss before taxation in the current year has increased by RM0.22 million to RM5.54 million as compared to RM5.32 million in the previous financial year mainly due to increase in finance cost 65%.

21. Material change in performance of operating segments of current quarter compared with immediate preceding quarter

	Current quarter 31.12.2013 RM'000	Immediate preceding quarter 30.09.2013 RM'000
Revenue	<u>20,921</u>	<u>18,649</u>
Loss before taxation	<u>(1,835)</u>	<u>(843)</u>

The Group has recorded a loss before taxation of RM1.83 million as compared to RM0.84 million reported in the immediate preceding quarter which was mainly due to the unfavourable performance in harvesting, sawmilling and kiln drying segment and other segment during the current quarter.

Harvesting, sawmilling and kiln drying segment

The segment has recorded a loss before taxation of RM0.29 million in the current quarter as compared to RM0.009 million in the immediate preceding quarter.

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21. Material change in performance of operating segments of current quarter compared with immediate preceding quarter (continued)

Harvesting, sawmilling and kiln drying segment (continued)

(i) Operating revenue

The operating revenue of RM12.12 million, was 10% higher than the immediate preceding quarter of RM10.99 million. The increase in operating revenue was contributed by the sales of timber to third parties which outweighed the decline in sales of sawn timber of 2%.

(ii) Other operating income

Other operating income has increased drastically as compared to the immediate preceding quarter of RM0.39 million which mainly arose from dividend received from investment securities and income from post-inventory forest development process of RM0.89 million and RM0.20 million respectively.

(iii) Expenses

The expenses increased to RM12.84 million from RM11.04 million reported in the immediate preceding quarter mainly due to the increase in selling cost by 139% and marketing expenses by 11%. The increase in expenses is in line with the increase in segment's operating revenue during the current quarter.

Manufacturing segment

The manufacturing segment recorded a profit before taxation of RM0.46 million in the current quarter as compared to a profit before taxation of RM0.43 million in the immediate preceding quarter, representing an increase of 7%.

(i) Operating revenue

The segment's operating revenue for the current quarter has increased by 16% from RM7.60 million in the immediate preceding quarter to RM8.78 million in the current quarter as a result of improved sales volume of glasses by 16%.

(ii) Other operating income

Other operating income showed a significant increase by RM0.05 million in the current quarter due to the interest income from fixed deposit of RM0.027 million and gain on disposal of property, plant and equipment amounting to RM0.028 million.

(iii) Expenses

Expenses increased by 17% from RM7.19 million in the immediate preceding quarter to RM8.38 million in the current quarter mainly due to the increase in manufacturing cost. In addition, the production volume of glass has improved by 5% from 94,880 units in the immediate preceding quarter to 100,059 units.

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21. Material change in performance of operating segments of current quarter compared with immediate preceding quarter (continued)

Others segment

This segment registered a loss before taxation of RM2.01 million, increased by 60% from loss before taxation of RM1.26 million. The increase in loss before taxation was due to the increase in finance cost and depreciation cost by RM0.28 million and RM0.26 million respectively.

22. Commentary on prospect

Harvesting, sawmilling and kiln drying of timber

Internal logs extraction and mid-stream activities are expected to further improve in the coming quarters as the weather conditions improves. However, harvesting activity will continue to face challenges such as reduction in annual coupe, ability to achieve optimum extraction yield per hectare, new and stringent regulations by the Forestry Department, higher fuel cost, transportation cost and other operational costs.

The sawmilling and kiln-drying segment will continue to face challenges in the next quarter downturn of export demand and over supply that could affect the selling price of the sawn timber. The demand is expected to recover in the second quarter 2014 onwards.

Manufacturing

Price volatility and availability of raw materials will cause greater challenge to the Group. Competition remains very stiff especially in the local market as the customers demand price cutting and high quality products.

With the continuous supply for the current projects secured from the government and local projects, the segment is thus, expected to achieve marginal profit for the next quarter.

The Board will continue to intensify its effort to improve efficiency, productivity and profitability of the Group for the current financial year.

Barring any unforeseen circumstances, the Board is optimistic that the operational performance of the Group in the financial year 2014 will continue to show improvement with better logging operations, increased efficiency in manufacturing and enhanced management processes.

23. Changes in material litigation

There was no material litigation against the Group.

24. Dividend payable

There was no dividend paid by the Company during the financial year ended 31 December 2013 (31 December 2012: RM Nil).

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25. Risks and policies of derivatives

The Group did not enter into any derivative during the financial year ended 31 December 2013 or the previous financial year ended 31 December 2012.

26 Disclosure of gains/losses arising from fair value changes of financial liabilities

The Group did not have any financial liabilities measured at fair value through profit or loss as at 31 December 2013 and 31 December 2012.

27. Breakdown of realised and unrealised losses

The breakdown of the retained earnings of the Group as at 31 December 2013 and 31 December 2012 into realised and unrealised losses is presented in accordance with the directives issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and 20 December 2010, prepared in accordance with *Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses* in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Current quarter ended 31.12.2013 RM'000	Previous financial year ended 31.12.2012 RM'000
Total accumulated losses of the Company and its subsidiaries		
- Realised	(29,286)	(26,699)
- Unrealised	(2,034)	(2,271)
	<u>(31,320)</u>	<u>(28,970)</u>
Less: Consolidation adjustments	57,297	57,299
Total Group's retained earnings as per financial statements	<u>25,977</u>	<u>28,329</u>

28. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2012 was not qualified.

29. Authorised for issue

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 19 February 2014.

By order of the Board

Dato' Haji Zakaria bin Awang
Chief Executive Officer