

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

	Note	Current quarter 3 months ended		Cumulative quarter 9 months ended	
		30.09.2019	30.09.2018	30.09.2019	30.09.2018
		Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
Revenue		13,753	18,844	44,809	52,524
Cost of sales		<u>(12,742)</u>	<u>(14,872)</u>	<u>(35,715)</u>	<u>(39,254)</u>
Gross profit		1,011	3,972	9,094	13,270
Other operating income		244	82	543	362
Administrative expenses		(3,819)	(3,147)	(10,796)	(10,562)
Other operating expenses		(340)	(443)	(1,132)	(1,330)
Share of result of associate		<u>287</u>	<u>-</u>	<u>326</u>	<u>-</u>
Operating (loss)/profit		(2,617)	464	(1,965)	1,740
Finance costs		<u>(83)</u>	<u>(31)</u>	<u>(173)</u>	<u>(85)</u>
(Loss)/profit before taxation	8	(2,700)	433	(2,138)	1,655
Income tax expense	9	<u>(723)</u>	<u>(6)</u>	<u>(1,185)</u>	<u>(872)</u>
(Loss)/profit for the period		<u>(3,423)</u>	<u>427</u>	<u>(3,323)</u>	<u>783</u>
(Loss)/profit for the period attributable to:					
Owners of the parent		(3,423)	429	(3,323)	784
Non-controlling interest		<u>-</u>	<u>(2)</u>	<u>-</u>	<u>(1)</u>
		<u>(3,423)</u>	<u>427</u>	<u>(3,323)</u>	<u>783</u>
(Loss)/earnings per share attributable to owners of the parent (sen per share)					
- Basic	10	<u>(2.52)</u>	<u>0.32</u>	<u>(2.45)</u>	<u>0.58</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 2018 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
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019 (CONTINUED)

	Current quarter		Cumulative quarter	
	3 months ended		9 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Note	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
(Loss)/profit for the period	(3,423)	427	(3,323)	783
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Net (loss)/gain on fair value changes of fair value through other comprehensive income ("FVTOCI") financial assets				
	(82)	58	70	(725)
Other comprehensive (loss)/income for the period, net of tax				
	(82)	58	70	(725)
Total comprehensive (loss)/income for the period, net of tax				
	(3,505)	485	(3,253)	58
Total comprehensive (loss)/income for the period, net of tax attributable to:				
Owners of the parent	(3,505)	487	(3,253)	59
Non-controlling interest	-	(2)	-	(1)
	(3,505)	485	(3,253)	58

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 2018 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 30 SEPTEMBER 2019

	Note	30.09.2019 Unaudited RM'000	31.12.2018 Unaudited RM'000 (restated)	01.01.2018 Unaudited RM'000 (restated)
Assets				
Non-current assets				
Property, plant and equipment	11	48,962	50,301	52,687
Investment properties		11,988	12,162	12,395
Goodwill	12	-	-	-
Investment in associates		2,508	2,217	1,918
Deferred tax assets		643	598	789
Investment securities	13	1,433	1,364	2,434
		<u>65,534</u>	<u>66,642</u>	<u>70,223</u>
Current assets				
Inventories		10,091	7,288	7,565
Trade and other receivables		17,576	17,186	20,019
Tax recoverable		354	654	2,121
Cash and bank balances	14	19,547	19,118	11,413
		<u>47,568</u>	<u>44,246</u>	<u>41,118</u>
Total assets		<u>113,102</u>	<u>110,888</u>	<u>111,341</u>
Equity and liabilities				
Equity				
Share capital	15	68,447	68,192	67,898
Retained earnings		22,167	27,227	27,467
Other reserves		(21,383)	(21,556)	(20,521)
Equity attributable to owners of the parent		<u>69,231</u>	<u>73,863</u>	<u>74,844</u>
Non-controlling interest		-	-	29
Total equity		<u>69,231</u>	<u>73,863</u>	<u>74,873</u>
Non-current liabilities				
Retirement benefit obligations		7,549	7,368	8,906
Borrowings	16	10,563	1,271	797
		<u>18,112</u>	<u>8,639</u>	<u>9,703</u>
Current liabilities				
Retirement benefit obligations		279	992	400
Borrowings	16	2,251	496	837
Trade and other payables		23,229	26,898	25,528
		<u>25,759</u>	<u>28,386</u>	<u>26,765</u>
Total liabilities		<u>43,871</u>	<u>37,025</u>	<u>36,468</u>
Total equity and liabilities		<u>113,102</u>	<u>110,888</u>	<u>111,341</u>
Net assets per share attributable to owners of the parent ("RM")		0.51	0.55	0.56

These condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2018 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 CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019**

		Attributable to owners of the parent								
		Non-distributable				Distributable				
		Equity, total	Share capital	Total retained earnings	Other reserves, total	Fair value reserve	Equity contribution from owners	Reserve arising from merger	Employee share option reserve	Non- controlling interest
Note		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	Opening balance at 1 January 2019									
	- As previously stated	75,641	68,192	29,005	(21,556)	(134)	1,262	(22,718)	34	-
	- Prior year adjustments	(1,778)	-	(1,778)	-	-	-	-	-	-
4	As at 1 January 2019, as restated	73,863	68,192	27,227	(21,556)	(134)	1,262	(22,718)	34	-
	Loss for the period	(3,323)	-	(3,323)	-	-	-	-	-	-
	Other comprehensive income									
	- Net gain on fair value changes of FVTOCI financial assets	70	-	-	70	70	-	-	-	-
	Total comprehensive (loss)/income	(3,253)	-	(3,323)	70	70	-	-	-	-
	<u>Transaction with owners</u>									
	- Grant of equity-settled share options to employees	358	255	-	103	-	-	-	103	-
	- Dividend	(1,737)	-	(1,737)	-	-	-	-	-	-
	Closing balance at 30 September 2019	69,231	68,447	22,167	(21,383)	(64)	1,262	(22,718)	137	-
	Opening balance at 1 January 2018									
	- As previously stated	74,425	67,898	27,019	(20,521)	935	1,262	(22,718)	-	29
	- Prior year adjustments	(537)	-	(537)	-	-	-	-	-	-
	- Effect of changes in accounting policies	985	-	985	-	-	-	-	-	-
4	As at 1 January 2018, as restated	74,873	67,898	27,467	(20,521)	935	1,262	(22,718)	-	29
	Profit for the period	783	-	784	-	-	-	-	-	(1)
	Other comprehensive loss									
	- Net loss on fair value changes of FVTOCI financial assets	(725)	-	-	(725)	(725)	-	-	-	-
	Total comprehensive income/(loss)	58	-	784	(725)	(725)	-	-	-	(1)
	Closing balance at 30 September 2018	74,931	67,898	28,251	(21,246)	210	1,262	(22,718)	-	28

These condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2018 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 CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

	Note	9 months ended	
		30.09.2019 Unaudited RM'000	30.09.2018 Unaudited RM'000
Operating activities			
Profit before tax		(2,138)	1,655
<u>Adjustments for:</u>			
Interest income	7	(226)	(112)
Dividend income	7	-	(67)
Interest expenses	7	173	85
Gain on disposal of property, plant and equipment	7	(10)	(15)
Depreciation of property, plant and equipment	7	2,573	2,888
Depreciation of investment properties	7	174	172
Property, plant and equipment written off	7	1	87
Reversal of allowance for impairment of trade and other receivables	7	-	(11)
Reversal of expected credit loss allowance	7	-	(15)
Grant equity-settled share options to employees	7	358	-
Share of results of an associate	7	(326)	
Provision for retirement benefits	7	557	795
(Reversal)/provision for short-term accumulating compensated absences	7	(56)	8
Total adjustments		<u>3,218</u>	<u>3,815</u>
Operating cash flows before changes in working capital		1,080	5,470
<u>Changes in working capital</u>			
Increase in inventory		(2,804)	(4,340)
(Increase)/decrease in trade and other receivables		(388)	978
(Decrease)/increase in trade and other payables		(3,599)	3,139
Total changes in working capital		<u>(6,791)</u>	<u>(223)</u>
Interest paid		(173)	(85)
Income taxes paid		(933)	(68)
Retirement benefits paid		(1,090)	(200)
Total changes in working capital		<u>(2,196)</u>	<u>(353)</u>
Net cash flows (used in)/from operating activities		<u>(7,907)</u>	<u>4,894</u>
Investing activities			
Purchase of property, plant and equipment	11	(1,033)	(797)
Proceeds from disposal of property, plant and equipment		57	25
Placement of deposit with licensed bank		(200)	-
Withdrawal of deposit with licensed bank		-	12
Interest received		226	67
Dividend paid		(1,737)	-
Dividend received		35	112
Net cash flows used in investing activities		<u>(2,652)</u>	<u>(581)</u>
Financing activities			
Drawdown from borrowings		9,408	407
Repayment of borrowings		(628)	(981)
Net cash flows from/(used in) financing activities		<u>8,780</u>	<u>(574)</u>
Net (decrease)/increase in cash and cash equivalents		(1,779)	3,739
Cash and cash equivalents at 1 January		18,078	10,361
Cash and cash equivalents at 30 September		<u>16,299</u>	<u>14,100</u>

These condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to these interim financial statements.

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019**

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 2018 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 2018, except for the adoption of the following new and amended MFRSs and IC Interpretation which are applicable to its financial statements and are relevant to its operations:-

On 1 January 2019, the Group adopted the following new and amended MFRSs and IC Interpretation mandatory for annual periods beginning on or after 1 January 2019:

Description	Effective for annual periods beginning on or after
MFRS 9 <i>Prepayment Features with Negative Compensation (Amendments to MFRS 9)</i>	1 January 2019
MFRS 16 <i>Leases</i>	1 January 2019
MFRS 128 <i>Long-term Interests in Associates and Joint Venture (Amendments to MFRS 128)</i>	1 January 2019
Annual Improvements to MFRS 2015 - 2017 Cycle	1 January 2019
- Amendments to MFRS 3 <i>Business Combinations: Previously held interest in a joint operation</i>	1 January 2019
- Amendments to MFRS 11 <i>Joint Arrangements: Previously held interest in a joint operation</i>	1 January 2019
- Amendments to MFRS 112 <i>Income Taxes: Income tax consequences of payments on financial instruments classified as equity</i>	1 January 2019
- Amendments to MFRS 123 <i>Borrowing Costs: Borrowing costs eligible for capitalisation</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019

The initial application of the abovementioned standards and interpretations did not have any material impact to the financial statements of the Group except as discussed in below:

MFRS 16 Leases

MFRS 16 will replaces MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Lease-Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019**

3. Significant accounting policies (continued)

MFRS 16 Leases (continued)

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. The application of this standard is not expected to have a significant impact on the Group's financial statements.

4. Reclassification and prior year adjustment

A. Reassessment of investment in associate.

The prior year adjustment are in respect of share of profit of associates and dividend income from investment in associates that were omitted in prior years. The adjustment of prior year adjustment are disclosed in Note 4 (i) to Note 4 (iii)

B. Prior year adjustments on the realisation of unrealised profit or loss

The prior year adjustment are in respect of realisation of inter-company transaction profit that were omitted in prior years. The adjustment of prior year adjustment are disclosed in Note 4 (i) to Note 4 (iii).

(i) Reconciliation adjustments to the consolidated statement of financial position as at 31 December 2018.

	2018 As previously stated RM'000	Note 4(A) RM'000	Note 4(B) RM'000	2018 As restated RM'000
Assets				
Non-current assets				
Property, plant and equipment	50,301			50,301
Investment properties	12,162			12,162
Goodwill	-			-
Investment in associates	2,548	(331)		2,217
Deferred tax assets	1,064		(466)	598
Investment securities	1,364			1,364
	<u>67,439</u>			<u>66,642</u>

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019**

4. Reclassification and prior year adjustment (continued)

(i) Reconciliation adjustments to the consolidated statement of financial position as at 31 December 2018.(continued)

	2018 As previously stated RM'000	Note 4(A) RM'000	Note 4(B) RM'000	2018 As restated RM'000
Current assets				
Inventories	7,326		(38)	7,288
Trade and other receivables	16,966		220	17,186
Tax recoverable	932		(278)	654
Cash and bank balances	18,812		306	19,118
	<u>44,036</u>			<u>44,246</u>
Total assets	<u>111,475</u>			<u>110,888</u>
Equity and liabilities				
Equity				
Share capital	68,192			68,192
Retained earnings	29,005	(331)	(1,447)	27,227
Other reserves	(21,556)			(21,556)
Total equity	<u>75,641</u>			<u>73,863</u>
Non-current liabilities				
Retirement benefit obligations	7,368			7,368
Borrowings	1,271			1,271
	<u>8,639</u>			<u>8,639</u>
Current liabilities				
Retirement benefit obligations	992			992
Borrowings	496			496
Trade and other payables	25,707		1,191	26,898
	<u>27,195</u>			<u>28,386</u>
Total liabilities	<u>35,834</u>			<u>37,025</u>
Total equity and liabilities	<u>111,475</u>			<u>110,888</u>

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019**

4. Reclassification and prior year adjustment (continued)

(ii) Reconciliation adjustments to the consolidated statement of financial position as at 1 January 2018.

	2018 As RM'000	Note 4(A) RM'000	Note 4(B) RM'000	2018 As restated RM'000
Assets				
Non-current assets				
Property, plant and equipment	52,687			52,687
Investment properties	12,395			12,395
Goodwill	-			-
Investment in associates	2,198	(280)		1,918
Deferred tax assets	789			789
Investment securities	2,434			2,434
	<u>70,503</u>			<u>70,223</u>
Current assets				
Inventories	7,565			7,565
Trade and other receivables	20,019			20,019
Tax recoverable	2,121			2,121
Cash and bank balances	11,413			11,413
	<u>41,118</u>			<u>41,118</u>
Total assets	<u>111,621</u>			<u>111,341</u>
Equity and liabilities				
Equity				
Share capital	67,898			67,898
Retained earnings	* 28,004	(280)	(257)	27,467
Other reserves	(20,521)			(20,521)
Equity attributable to owners of the parent	<u>75,381</u>			<u>74,844</u>
Non-controlling interest	29			29
	<u>75,410</u>			<u>74,873</u>
Non-current liabilities				
Retirement benefit obligations	8,906			8,906
Borrowings	797			797
	<u>9,703</u>			<u>9,703</u>
Current liabilities				
Retirement benefit obligations	400			400
Borrowings	837			837
Trade and other payables	25,271		257	25,528
	<u>26,508</u>			<u>26,765</u>
Total liabilities	<u>36,211</u>			<u>36,468</u>
Total equity and liabilities	<u>111,621</u>			<u>111,341</u>

* Included in this amount was the effect of adoption of MFRS 9 which become effective on 1 January 2018 amounting to RM985,000.

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019**

4. Reclassification and prior year adjustment (continued)

(iii) Reconciliation adjustment to the consolidated statement of changes in equity for the financial year ended 31 December 2018 and 1 January 2018.

	2018	1.1.2018
	RM'000	RM'000
Decrease in investment in associates	(331)	(280)
Decrease in deferred tax asset	(466)	-
Decrease in inventories	(38)	-
Decrease in tax recoverable	(278)	-
Increase in trade and other payables	(665)	(257)
Decrease in retained earnings	<u>(1,778)</u>	<u>(537)</u>

5. Changes in estimates

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

6. Seasonality of operations

During the quarter under review, the Group's principal business operations were not affected by the seasonal and cyclical factors.

7. 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, kiln drying of timber and sales of logs and right to log.
- (ii) Manufacturing - manufacturing and trading of glass, veneer and woodchips.
- (iii) Others - including investment holding, rental of properties, none of which are of a sufficient size to be reported separately.

	Harvesting, sawmilling and kiln drying RM'000	Manufacturing RM'000	Others RM'000	Consolidated RM'000
Results for 3 months ended 30 September 2019				
Operating revenue	9,366	4,380	7	13,753
Other operating income	204	35	5	244
Expenses	(10,369)	(5,131)	(1,484)	(16,984)
Share of profit of associate	287	-	-	287
Profit/(loss) before taxation	<u>(512)</u>	<u>(716)</u>	<u>(1,472)</u>	<u>(2,700)</u>
Results for 3 months ended 30 September 2018				
Operating revenue	12,789	6,048	7	18,844
Other operating income	39	41	2	82
Expenses	(11,717)	(5,903)	(873)	(18,493)
Profit/(loss) before taxation	<u>1,111</u>	<u>186</u>	<u>(864)</u>	<u>433</u>

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019**

7. Segment information (continued)

	Harvesting, sawmilling and kiln drying RM'000	Manufacturing RM'000	Others RM'000	Consolidated RM'000
Results for 9 months ended 30 September 2019				
Operating revenue	29,461	15,329	19	44,809
Other operating income	392	132	19	543
Expenses	(28,889)	(15,704)	(3,223)	(47,816)
Share of profit of associate	326	-	-	326
Profit/(loss) before taxation	1,290	(243)	(3,185)	(2,138)
Results for 9 months ended 30 September 2018				
Operating revenue	34,196	18,309	19	52,524
Other operating income	145	121	96	362
Expenses	(30,260)	(18,149)	(2,822)	(51,231)
Profit/(loss) before taxation	4,081	281	(2,707)	1,655

8. (Loss)/profit before taxation

Included in the (loss)/profit before taxation are the following items:

	Current quarter 3 months ended		Cumulative quarter 9 months ended	
	30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
Interest income	(25)	(45)	(226)	(112)
Dividend income	35	(14)	-	(67)
Interest expenses	83	31	173	85
Depreciation of property, plant and equipment	785	971	2,573	2,888
Depreciation of investment properties	58	57	174	172
Gain on disposal of property, plant and equipment	(9)	(15)	(10)	(15)
Property, plant and equipment written off	1	2	1	87
Reversal of allowance for impairment of trade and other receivables	-	(11)	-	(11)
Provision/(reversal) of expected credit loss allowance	-	20	-	(15)
Grant equity-settled share options to employees	258	-	358	-
Share of results of an associate	(326)	-	(326)	-
Provision/(reversal) for short-term accumulating compensated absences	34	6	(56)	8
Provision for retirement benefits	166	265	557	795

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

9. Income tax expense

	Current quarter 3 months ended		Cumulative quarter 9 months ended	
	30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
Current income tax	428	17	1,036	1,170
Under/(over) provision of income tax in respect of previous years	114	(132)	114	(132)
Deferred income tax	(335)	121	(508)	(162)
Over provision of deferred tax in respect of previous years	516	-	543	(4)
	<u>723</u>	<u>6</u>	<u>1,185</u>	<u>872</u>
Effective tax rate	26.8%	1.4%	55.4%	52.7%

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 period under review, the Group's effective tax rate was higher than statutory tax rate due to certain expenses which were not deductible for tax purposes and due to the fact that the taxation is arising out of profit making subsidiaries whereas the group profit before tax is minimal due to heavy losses incurred by certain subsidiaries and also due to elimination of inter-company transaction.

10. (Loss)/earnings per share

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

		Current quarter 3 months ended		Cumulative quarter 9 months ended	
		30.09.2019	30.09.2018	30.09.2019	30.09.2018
(Loss)/earnings net of tax attributable to owners of the parent used in the computation of earnings per share	(RM'000)	<u>(3,423)</u>	<u>429</u>	<u>(3,323)</u>	<u>784</u>
Weighted average number of ordinary shares in issue	(' 000)	<u>135,645</u>	<u>134,547</u>	<u>135,645</u>	<u>134,547</u>
Basic (loss)/earnings per share	(sen)	<u>(2.52)</u>	<u>0.32</u>	<u>(2.45)</u>	<u>0.58</u>

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11. Property, plant and equipment

During the nine-month period ended 30 September 2019, the Group has acquired property, plant and equipment at a cost of RM1,033,000 (30 September 2018: RM797,000). As at 30 September 2019, the total depreciation charged for the property, plant and equipment was RM2,573,000 (30 September 2018: RM2,888,000). Property, plant and equipment with a carrying amount of RM1,000 were written off by the Group during the nine-month period ended 30 September 2019 (30 September 2018: RM87,000). This has been included in other operating expenses in the statement of profit and loss and other comprehensive income.

The Group has also disposed of assets with a carrying amount of RM47,000 during the nine-month period ended 30 September 2019 (30 September 2018: RM10,000), resulting in a gain on disposal of RM10,000 (30 September 2018: RM15,000), recognised and included in other income in the statement of profit or loss and other comprehensive income.

12. Goodwill

	Goodwill RM'000
Cost:	
At 1 January 2018/31 December 2018/30 September 2019	<u>613</u>
Accumulated impairment:	
At 1 January 2018/31 December 2018/30 September 2019	<u>(613)</u>
Net carrying amount:	
At 1 January 2018/31 December 2018/30 September 2019	<u>-</u>

13. 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 (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
30 September 2019				
Fair value through other comprehensive income financial assets				
Equity shares	1,433	1,433	-	-
31 December 2018				
Fair value through other comprehensive income financial assets				
Equity shares	1,364	1,364	-	-

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13. Fair value hierarchy (continued)

No transfer between any levels of the fair value hierarchy took place during the current interim period and the comparative period. 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.

14. Cash and bank balances

Cash and bank balances comprised the following amounts:

	30.09.2019	31.12.2018
	RM'000	RM'000
Cash at banks and in hand	1,930	9,007
Deposits in licensed banks	17,617	10,111
	<u>19,547</u>	<u>19,118</u>
Less:		
Bank overdraft	(2,008)	-
Deposits in licensed banks	(1,240)	(1,040)
Total cash and cash equivalents	<u>16,299</u>	<u>18,078</u>

15. Share capital

During the financial period ended 30 September 2019, the Company issued 1,019,975 ordinary shares at no cost pursuant to the Company's Executive Share Grant Scheme at exercise price of RM0.25 per ordinary share.

	Group and Company
	RM '000
Issued and fully paid:	
Ordinary shares	
At 1 January 2019	68,192
Exercise of employee share option	255
At 30 September 2019	<u>68,447</u>

16. Borrowings

	30.09.2019	31.12.2018
	RM'000	RM'000
Current		
Secured	2,251	496
Non-current		
Secured	10,563	1,271
Total borrowings	<u>12,814</u>	<u>1,767</u>

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17. Dividend declared

A single tier first and final dividend of 1.27 sen per ordinary share in respect of the financial year ended 31 December 2018 has been approved by the Shareholders at the 32nd Annual General Meeting and be paid on 19 July 2019 to depositors registered in the records of Depositors on 5 July 2019 at 4.00 p.m.

18. Commitments

	30.09.2019	31.12.2018
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Plant and machinery	708	4,700
Motor vehicles	-	-
Approved but not contracted for:		
Plant and machinery	342	1,050
Motor vehicles	200	200
	<u>1,250</u>	<u>5,950</u>

19. Related party transactions

The following table provides information on the transactions which have been entered into with related parties during the nine-month periods ended 30 September 2019 and 31 December 2018 as well as the balances with the related parties as at 30 September 2019 and 31 December 2018:

		Secretarial Secretarial fee	Expenses paid by related parties	Amounts owed to related parties
		RM'000	RM'000	RM'000
Entities with significant influence over the Group:				
Holding company				
Terengganu Incorporated Sdn. Bhd. ("TISB")	30.06.2019 31.12.2018	- 5	18 1	15,292 15,274
A corporate shareholder				
Lembaga Tabung Amanah Warisan Negeri Terengganu ("LTAWNT")	30.06.2019 31.12.2018	- -	- -	640 640

20. Events after the reporting period

Long-term Incentive Plan

- a) On 30 August 2019, under the LTIP, the Group has offered Employee Share Option Scheme ("ESOS") to the directors of the Company and its subsidiaries. The total number of ESOS offered was 725,000 units and the exercise price was at RM0.18 sen per share. The ESOS will be vested upon acceptance of the offer by the directors, which shall be no later than 30 days from the date of offer, 30 August 2019 (provided that the relevant vesting conditions are fulfilled on the date of acceptance of the offer)
- b) On 04 November 2019, under the LTIP, the Group has offered Employee Share Option Scheme ("ESOS") to the directors of the Company and its subsidiaries. The total number of ESOS offered was 400,000 units and the exercise price was at RM0.16 sen per share. The ESOS will be vested upon acceptance of the offer by the directors, which shall be no later than 30 days from the date of offer, 04 November 2019 (provided that the relevant vesting conditions are fulfilled on the date of acceptance of the offer)

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21. Performance review

(a) Current Quarter vs Corresponding Quarter of Previous Period (3Q2019 vs 3Q2018)

The Group's revenue for the current quarter was RM13.75 million, 27% lower than RM18.84 million reported in the previous year's corresponding quarter. Consequently, the Group recorded a loss before taxation of RM2.70 million as compared to a profit before taxation of RM0.43 million recorded in 3Q2018.

The Group result in 3Q2019 was mainly affected by the adverse performance of the Group's harvesting, sawmilling and kiln drying segment.

Harvesting, sawmilling and kiln drying segment

During the quarter under review, the segment reported a loss before taxation of RM0.50 million as compared to a profit before taxation of RM1.11 million in the previous year's corresponding quarter. The result was in line with the reduction in segment's revenue by 27% to RM9.37 million in 3Q2019 as compared with RM12.79 million reported in 3Q2018.

This unfavourable performance was driven by the reduced quantity of sawn timber sold during the quarter. A total of 4,788 tonne of sawn timber were sold during the quarter under review as compared to 6,137 tonne sold in the same period in the previous year.

Manufacturing segment

The manufacturing segment which is the manufacturing activities of glass, veneer and woodchip of the Group, reported an adverse performance with a loss before taxation of RM0.72 million in the quarter under review as compared to a profit before taxation of RM0.19 million in 3Q2018.

The segment's loss position was in line with the drop in revenue by 28% in 3Q2019, primarily related to the lukewarm construction projects which affected the glass demand.

Other segment

Other segment which refers to the investment holding and rental of properties activity of the Group, has recorded marginal revenue from its rental. Meanwhile, the segment's loss before taxation increased from RM0.86 million in 3Q2018 to RM1.47 million in 3Q2019 due to increase in certain administrative expenses incurred by the segment during the quarter under review.

(b) Current Period-to-date vs Previous Period-to-date (FY2019 vs FY2018)

For the nine-month period ended 30 September 2019 (9M2019), the Group registered a loss before taxation of RM2.14 million as compared to a profit before taxation of RM1.66 million reported in the previous year's corresponding period (9M2018). The Group's revenue declined by 15% from RM52.52million reported in 9M2018 to RM44.81 million in the period under review.

Harvesting, sawmilling and kiln drying segment

In the current period, the segment reported the decline in revenue by 14% from RM34.20 million reported in the 9M2018. As a result, the segment's profit before taxation reduced to RM1.29 million from RM4.08 million in 9M2018.

The delay in commencement of logs extraction activities by the appointed contractors has resulted in lower logs supply to the mills in the current period. For record, a total of 21,355 hoppus tonne logs were extracted during the 9M2019 as compared with 29,458 hoppus tonne logs extracted during the same period in the previous year.

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21. Performance review

(b) Current Period-to-date vs Previous Period-to-date (FY2019 vs FY2018)

Manufacturing segment

The manufacturing segment reported a loss before taxation of RM0.24 million, as compared with a profit before taxation of RM0.28 million reported in 9M2018. The decrease in profitability was in line with the reduction in segment's revenue by 16%.

The glass operation was still affected by the non-recoverability of construction sectors since early 2018, led to the postponements of the glass order. Meanwhile, the veneer operation has just started in 3Q2018 and the revenue generated was minimal due to low running capacity.

Other segment

Other segment recorded an increase in loss before taxation to RM3.18 million from RM2.71 million reported in 9M2018 due to the increase in segment's expenses by 14%.

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

	Current quarter 30.09.2019 RM'000	Immediate preceding quarter 30.06.2019 RM'000
Revenue	13,753	15,403
Profit before taxation	(2,700)	258

The Group's revenue for the quarter under review was RM13.75 million, decreased by 11% from RM15.40 million revenue reported in the Second Quarter 2019 ("2Q2019"). Accordingly, the Group's profit before taxation declined to a loss before taxation of RM2.70 million in the quarter under review.

The harvesting, sawmilling and kiln-drying segment reported loss before taxation of RM0.51 million as compared to profit before taxation of RM1.03 million in the 2Q2019. The segment's revenue was at RM9.37 million, 10% lower than the immediate preceding quarter of RM10.43 million which was related to the lower logs extracted and processed at the sawmills.

The manufacturing segment also reported an adverse performance with a loss before taxation of RM0.72 million in the quarter under review as compared to a profit before taxation of RM0.15 million in the immediate preceding quarter. The reduction in profitability was contributed by the decrease in segment's revenue by 12% due to slowdown in glass demand from construction projects as well as the slight increase in segment's expenses by 6%.

Other segment reported an increase in loss before taxation by 60% from RM0.92 million reported in the immediate preceding quarter. The adverse performance in the quarter under review was contributed by the increase in certain administrative expenses.

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23. Commentary on prospect

Harvesting, sawmilling and kiln drying of timber

Internal logs extraction and mid-stream activities are going to be adversely affected by the coming monsoon season in the harvesting operational area. Overall, harvesting activity will continue to face challenges such as ability to achieve optimum extraction yield per hectare, new stringent regulations by the Forestry Department which need to be complied, and increase in operational cost.

With the key recovery actions and initiatives taken by the management, the segment is expected to contribute significant profits in the next quarter as to eliminate the losses incurred by the Group in 9M2019.

Manufacturing

The market environment and construction projects situation will continue to cause greater challenge to the glass segment of the Group. Competition remains very stiff especially in the local market as the customers demand price reduction and longer credit terms. It is expected that the glass performance and other manufacturing activities of the Group will still not recover in the next quarter.

24. Changes in material litigation

There was no material litigation against the Group.

25. Dividend payable

Please refer to Note 17 for details.

26. Risks and policies of derivatives

The Group did not enter into any derivative during the financial period ended 30 September 2019 or the previous financial year ended 31 December 2018.

27. Disclosure of losses/gains 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 30 September 2019 and 31 December 2018.

28. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2018 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 26 November 2019.

By order of the Board

Dato' Ahmad Nadzarudin bin Abdul Razak
Chief Executive Officer