

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Current quarter 3 months ended		Cumulative quarter 12 months ended	
		31.12.2019 Unaudited RM'000	31.12.2018 Unaudited RM'000 (restated)	31.12.2019 Unaudited RM'000	31.12.2018 Unaudited RM'000 (restated)
Revenue		13,415	17,663	58,223	70,187
Cost of sales		<u>(13,935)</u>	<u>(16,576)</u>	<u>(49,651)</u>	<u>(55,830)</u>
Gross profit		(520)	1,087	8,572	14,357
Other operating income		372	418	915	746
Administrative expenses		(4,838)	(4,893)	(15,636)	(15,421)
Other operating expenses		(520)	(559)	(1,649)	(1,889)
Share of result of associate		<u>(179)</u>	<u>(100)</u>	<u>146</u>	<u>(100)</u>
Operating loss		(5,685)	(4,047)	(7,652)	(2,307)
Finance costs		<u>(177)</u>	<u>(56)</u>	<u>(350)</u>	<u>(141)</u>
Loss before tax	8	(5,862)	(4,103)	(8,002)	(2,448)
Income tax benefit/(expense)	9	<u>562</u>	<u>102</u>	<u>(623)</u>	<u>(593)</u>
Loss for the period, net of tax		<u>(5,300)</u>	<u>(4,001)</u>	<u>(8,625)</u>	<u>(3,041)</u>
Loss for the period attributable to:					
Owners of the parent		<u>(5,300)</u>	<u>(4,001)</u>	<u>(8,625)</u>	<u>(3,041)</u>
Loss per share attributable to owners of the parent (sen per share)					
- Basic	10	<u>(3.91)</u>	<u>(2.96)</u>	<u>(6.36)</u>	<u>(2.25)</u>
- Diluted	10	<u>(3.80)</u>	<u>(2.88)</u>	<u>(6.18)</u>	<u>(2.19)</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 YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Current quarter		Cumulative quarter	
	3 months ended		12 months ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Note	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
		(restated)		(restated)
Loss for the period, net of tax	(5,300)	(4,001)	(8,625)	(3,041)
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Net gain/(loss) on fair value changes of fair value through other comprehensive income ("FVTOCI") financial assets				
	778	(344)	848	(1,069)
Net gain on remeasurement of defined benefit obligations, net of tax				
	-	1,203	-	1,203
Other comprehensive (loss)/income for the period, net of tax				
	778	859	848	134
Total comprehensive loss for the period, net of tax				
	(4,522)	(3,142)	(7,777)	(2,907)
Total comprehensive loss for the period, net of tax attributable to:				
Owners of the parent	(4,522)	(3,142)	(7,777)	(2,907)

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 31 DECEMBER 2019

	Note	31.12.2019 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	48,512	50,301	52,687
Investment properties		11,926	12,162	12,395
Goodwill	12	-	-	-
Intangible assets		426	-	-
Investment in associates		3,894	3,748	3,848
Deferred tax assets		364	622	789
Investment securities	13	2,211	1,364	2,434
		<u>67,333</u>	<u>68,197</u>	<u>72,153</u>
Current assets				
Inventories		6,497	7,936	7,923
Trade and other receivables		10,570	12,194	13,268
Prepayment		4,897	4,304	5,226
Tax recoverable		1,820	1,745	2,121
Cash and bank balances	14	22,249	19,119	11,413
		<u>46,033</u>	<u>45,298</u>	<u>39,951</u>
Total assets		<u>113,366</u>	<u>113,495</u>	<u>112,104</u>
Equity and liabilities				
Equity				
Share capital	15	68,447	68,192	67,898
Retained earnings		15,749	26,111	27,949
Other reserves		(20,487)	(21,556)	(20,521)
Equity attributable to owners of the parent		<u>63,709</u>	<u>72,747</u>	<u>75,326</u>
Non-controlling interest		-	-	29
Total equity		<u>63,709</u>	<u>72,747</u>	<u>75,355</u>
Non-current liabilities				
Retirement benefit obligations		7,673	7,368	8,906
Borrowings	16	9,816	1,271	797
		<u>17,489</u>	<u>8,639</u>	<u>9,703</u>
Current liabilities				
Retirement benefit obligations		238	992	400
Borrowings	16	2,528	496	837
Trade and other payables		29,402	30,621	25,809
		<u>32,168</u>	<u>32,109</u>	<u>27,046</u>
Total liabilities		<u>49,657</u>	<u>40,748</u>	<u>36,749</u>
Total equity and liabilities		<u>113,366</u>	<u>113,495</u>	<u>112,104</u>
Net assets per share attributable to owners of the parent ("RM")		0.47	0.54	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 YEAR ENDED 31 DECEMBER 2019**

Note	Attributable to owners of the parent								
	Non-distributable		Distributable		Non-distributable				Non-controlling interest RM'000
	Equity, total RM'000	Share capital RM'000	Total retained earnings RM'000	Other reserves, total RM'000	Fair value reserve RM'000	Equity contribution from owners RM'000	Reserve arising from merger RM'000	Employee share option reserve RM'000	
Opening balance at 1 January 2019, as restated	72,747	68,192	26,111	(21,556)	(134)	1,262	(22,718)	34	
Loss for the period	(8,625)	-	(8,625)	-	-	-	-	-	-
Other comprehensive income									
- Net gain on fair value changes of FVTOCI financial assets	848	-	-	848	848	-	-	-	-
Total comprehensive (loss)/income	(7,777)	-	(8,625)	848	848	-	-	-	-
Transaction with owners									
- Issuance of ordinary share: Exercise of ESGs	255	255	-	-	-	-	-	-	-
- Share-based payment under the LTIP- Grant of ESOS	221	-	-	221	-	-	-	221	-
- Dividend	(1,737)	-	(1,737)	-	-	-	-	-	-
Total transaction with owners	(1,261)	255	(1,737)	221	-	-	-	221	-
Closing balance at 31 December 2019	63,709	68,447	15,749	(20,487)	714	1,262	(22,718)	34	-
Opening balance at 1 January 2018, as previously stated	74,357	67,898	26,951	(20,521)	935	1,262	(22,718)	-	29
- Prior year adjustments	998	-	998	-	-	-	-	-	-
As at 1 January 2018, as restated	75,355	67,898	27,949	(20,521)	935	1,262	(22,718)	-	29
Profit for the period	(3,041)	-	(3,041)	-	-	-	-	-	-
Other comprehensive loss									
- Net loss on fair value changes of FVTOCI financial assets	(1,069)	-	-	(1,069)	(1,069)	-	-	-	-
- Net gain on remeasurement on defined benefit obligations	1,203	-	1,203	-	-	-	-	-	-
Total comprehensive income/(loss)	(2,907)	-	(1,838)	(1,069)	(1,069)	-	-	-	-
Transaction with owners									
- Issuance of ordinary share: Exercise of ESGs	294	294	-	-	-	-	-	-	-
- Share-based payment under the LTIP- Grant of ESOS	34	-	-	34	-	-	-	34	-
- Acquisition of non-controlling interest	(29)	-	-	-	-	-	-	-	(29)
Total transaction with owners	299	294	-	34	-	-	-	34	(29)
Closing balance at 31 December 2018	72,747	68,192	26,111	(21,556)	(134)	1,262	(22,718)	34	-

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 YEAR ENDED 31 DECEMBER 2019

	Note	12 months ended	
		31.12.2019 Unaudited RM'000	31.12.2018 Unaudited RM'000 (restated)
Operating activities			
Profit before tax		(8,002)	(2,448)
<u>Adjustments for:</u>			
Interest income	7	(425)	(366)
Dividend income	7	(35)	(67)
Interest expenses	7	350	141
Gain on disposal of property, plant and equipment	7	(10)	(43)
Depreciation of property, plant and equipment	7	3,470	3,566
Depreciation of investment properties	7	233	233
Property, plant and equipment written off	7	1	87
Reversal of allowance for impairment of trade and other receivables	7	(20)	(5)
Inventories written off	7	57	-
Share based payment under the LTIP			
- Exercise of ESGS	7	255	294
- Grant of ESOS	7	221	34
Share of results of an associate	7	(146)	100
Provision for retirement benefits obligations	7	803	1,109
Provision for short-term accumulating compensated absences	7	94	94
Total adjustments		<u>4,848</u>	<u>5,177</u>
Operating cash flows before changes in working capital		(3,154)	2,729
<u>Changes in working capital</u>			
Decrease/(increase) in inventory		1,382	(13)
(Increase)/decrease in trade and other receivables		437	1,717
(Decrease)/increase in trade and other payables		(404)	4,603
Total changes in working capital		<u>1,415</u>	<u>6,307</u>
Interest paid		(319)	(133)
Income taxes paid		(1,354)	(377)
Retirement benefit obligations paid		(1,254)	(514)
Total changes in working capital		<u>(2,927)</u>	<u>(1,024)</u>
Net cash flows (used in)/from operating activities		<u>(4,666)</u>	<u>8,012</u>
Investing activities			
Purchase of property, plant and equipment	11	(1,262)	(998)
Proceeds from disposal of property, plant and equipment		57	190
Placement of deposit with licensed bank		(200)	-
Withdrawal of deposit with licensed bank		-	12
Net cash outflow on acquisition of a subsidiary		-	(29)
Interest received		394	366
Dividend paid		(1,737)	-
Dividend received		35	67
Net cash flows used in investing activities		<u>(2,713)</u>	<u>(392)</u>
Financing activities			
Drawdown from borrowings		9,545	1,435
Repayment of borrowings		(592)	(1,337)
Net cash flows from financing activities		<u>8,953</u>	<u>98</u>
Net increase in cash and cash equivalents		1,574	7,718
Cash and cash equivalents at 1 January		18,079	10,361
Cash and cash equivalents at 31 December		<u>19,653</u>	<u>18,079</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 YEAR ENDED 31 DECEMBER 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 YEAR ENDED 31 DECEMBER 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.

The application of this standard did not have 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 (v)

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 (v).

C. Prior year adjustment on revenue

The prior year adjustment are in respect of over-recognition on revenue in prior years. The adjustment of prior year adjustment are disclosed in Note 4 (i) to Note 4 (v).

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE YEAR ENDED 31 DECEMBER 2019**

4. Reclassification and prior year adjustment(continued)

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

	2018				2018
	As				
	previously	Note 4(A)	Note 4(B)	Note 4(C)	As restated
	stated	RM'000	RM'000	RM'000	RM'000
	RM'000				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	1,200			3,748
Deferred tax assets	1,064		(442)		622
Investment securities	1,364				1,364
	<u>67,439</u>				<u>68,197</u>
Current assets					
Inventories	7,326		-	610	7,936
Trade and other receivables	12,662		-	(468)	12,194
Prepayment	4,304				4,304
Tax recoverable	932		(80)	893	1,745
Cash and bank balances	18,812		307		19,119
	<u>44,036</u>				<u>45,298</u>
Total assets	<u>111,475</u>				<u>113,495</u>
Equity and liabilities					
Equity					
Share capital	68,192				68,192
Retained earnings	29,005	1,200	(1,194)	(2,900)	26,111
Other reserves	(21,556)				(21,556)
Total equity	<u>75,641</u>				<u>72,747</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		1,195	3,719	30,621
	<u>27,195</u>				<u>32,109</u>
Total liabilities	<u>35,834</u>				<u>40,748</u>
Total equity and liabilities	<u>111,475</u>				<u>113,495</u>

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE YEAR ENDED 31 DECEMBER 2019**

4. Reclassification and prior year adjustment(continued)

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

	01.01.2018				01.01.2018
	As				As restated
	previously	Note 4(A)	Note 4(B)	Note 4(C)	RM'000
	stated	RM'000	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	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	1,650			3,848
Deferred tax assets	789				789
Investment securities	2,434				2,434
	<u>70,503</u>				<u>72,153</u>
Current assets					
Inventories	7,565			358	7,923
Trade and other receivables	13,740			(472)	13,268
Prepayment	5,226				5,226
Tax recoverable	2,121				2,121
Cash and bank balances	11,413				11,413
	<u>40,065</u>				<u>39,951</u>
Total assets	<u>110,568</u>				<u>112,104</u>
Equity and liabilities					
Equity					
Share capital	67,898				67,898
Retained earnings	26,951	1,650	(538)	(114)	27,949
Other reserves	(20,521)				(20,521)
Equity attributable to owners of the parent	<u>74,328</u>				<u>75,326</u>
Non-controlling interest	29				29
	<u>74,357</u>				<u>75,355</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			538	25,809
	<u>26,508</u>				<u>27,046</u>
Total liabilities	<u>36,211</u>				<u>36,749</u>
Total equity and liabilities	<u>110,568</u>				<u>112,104</u>

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE YEAR ENDED 31 DECEMBER 2019**

4. Reclassification and prior year adjustment(continued)

(iii) Reconciliation adjustment to the consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2018.

	31.12.2018				31.12.2018
	As previously stated RM'000	Note 4(A) RM'000	Note 4(B) RM'000	Note 4(C) RM'000	As restated RM'000
Revenue	74,118			(3,931)	70,187
Cost of sales	(56,031)		(51)	252	(55,830)
Gross profit	<u>18,087</u>				<u>14,357</u>
Other operating income	746		-		746
Administrative expenses	(15,423)		2		(15,421)
Other operating expenses	(1,804)		(85)		(1,889)
Share of result of associate	350	(450)			(100)
Operating profit/(loss)	<u>1,956</u>				<u>(2,307)</u>
Finance costs	(141)				(141)
(Loss)/profit before taxation	<u>1,815</u>				<u>(2,448)</u>
Income tax expense	(1,302)		(184)	893	(593)
Profit/(loss) for the period	<u>513</u>				<u>(3,041)</u>
Other comprehensive income:					
Net gain/(loss) on fair value changes of fair value through comprehensive income ("FVTOCI") financial assets	(1,069)				(1,069)
Net gain on remeasurement of defined benefit obligations	1,541		(338)		1,203
Other comprehensive (loss)/income for the period, net of tax	<u>472</u>				<u>134</u>
Total comprehensive (loss)/income for for the period, net of tax	<u>985</u>				<u>(2,907)</u>

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE YEAR ENDED 31 DECEMBER 2019**

4. Reclassification and prior year adjustment(continued)

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

The above changes affected retained earnings as follows:

	31.12.2018	1.1.2018
	RM'000	RM'000
Decrease in investment in associates	1,200	1,650
Decrease in deferred tax assets	(442)	-
Increase in inventories	610	358
Decrease in trade and other receivables	(468)	(472)
Decrease in tax recoverable	813	-
Increase in trade and other payables	(4,914)	(538)
Increase in cash and bank balances	307	-
Decrease in retained earnings	<u>(2,894)</u>	<u>998</u>

(v) Reconciliation adjustment to the consolidated statement of cash flows for the financial year ended 31 December 2018.

	31.12.2018				31.12.2018
	As				As restated
	previously	Note 4(A)	Note 4(B)	Note 4(C)	RM'000
	stated	RM'000	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before tax	1,815	(450)	(346)	(3,467)	(2,448)
Share of results of an associate	(350)	450			100
<u>Changes in working capital:</u>					
Decrease/(increase) in inventories	239			(252)	(13)
Decrease in trade and other receivables	583			212	795
Increase in trade and other payables	442		441	3,719	4,602
Other operating activities	<u>4,976</u>				<u>4,976</u>
Net cash generating from operating activities	7,705				8,012
Net cash used in investing activities	(392)				(392)
Net cash generating from financing activities	<u>98</u>				<u>98</u>
Net increase in cash and cash equivalent	7,411				7,718
Cash and cash equivalent at 1 January	<u>10,361</u>				<u>10,361</u>
Cash and cash equivalent at 31 December	<u>17,772</u>				<u>18,079</u>

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE YEAR ENDED 31 DECEMBER 2019

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 adversely affected by the seasonal and cyclical factors such as rainy season.

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 31 December 2019				
Operating revenue	8,013	5,324	78	13,415
Other operating income	283	45	44	372
Expenses	(10,250)	(7,823)	(1,397)	(19,470)
Share of result of associate	(179)	-	-	(179)
Loss before tax	(2,133)	(2,454)	(1,275)	(5,862)
Results for 3 months ended 31 December 2018				
Operating revenue	11,745	5,911	7	17,663
Other operating income	304	41	73	418
Expenses	(13,714)	(6,284)	(2,086)	(22,084)
Share of result of associate	(100)	-	-	(100)
Loss before tax	(1,765)	(332)	(2,006)	(4,103)
Results for 12 months ended 31 December 2019				
Operating revenue	37,474	20,650	99	58,223
Other operating income	675	177	63	915
Expenses	(39,139)	(23,527)	(4,620)	(67,286)
Share of result of associate	146	-	-	146
Loss before tax	(844)	(2,700)	(4,458)	(8,002)

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7. Segment information (continued)

	Harvesting, sawmilling and kiln drying RM'000	Manufacturing RM'000	Others RM'000	Consolidated RM'000
Results for 12 months ended 31 December 2018				
Operating revenue	45,941	24,220	26	70,187
Other operating income	415	162	169	746
Expenses	(43,940)	(24,433)	(4,908)	(73,281)
Share of result of associate	(100)	-	-	(100)
Profit/(loss) before tax	2,316	(51)	(4,713)	(2,448)

8. Loss before tax

Included in the loss before taxation are the following items:

	Current quarter 3 months ended		Cumulative quarter 12 months ended	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Interest income	(199)	(254)	(425)	(366)
Dividend income	(35)	-	(35)	(67)
Interest expenses	177	56	350	141
Gain on disposal of property, plant and equipment	-	(28)	(10)	(43)
Depreciation of property, plant and equipment	897	678	3,470	3,566
Depreciation of investment properties	59	61	233	233
Property, plant and equipment written off	-	-	1	87
Reversal of allowance for impairment of trade and other receivables	(20)	6	(20)	(5)
Inventories written off	57	-	57	-
Share based payment under the LTIP				
- Exercise of ESGS	-	294	255	294
- Grant of ESOS	118	34	221	34
Share of results of an associate	180	100	(146)	100
Provision for retirement benefits	246	314	803	1,109
Provision for short-term accumulating compensated absences	150	86	94	94

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9. Income tax expense

	Current quarter		Cumulative quarter	
	3 months ended		12 months ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Current income tax	(876)	(194)	159	799
Under/(over) provision of income tax in respect of previous years	-	17	114	(115)
Deferred income tax	864	245	356	83
(Over)/under provision of deferred tax in respect of previous years	(550)	(170)	(6)	(174)
	<u>(562)</u>	<u>(102)</u>	<u>623</u>	<u>593</u>
Effective tax rate	9.6%	-2.5%	7.8%	24.2%

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 lower than statutory tax rate due to deferred tax assets recognised from current year business losses mitigated by utilisation of unabsorbed business losses and unabsorbed capital allowances by certain subsidiaries.

10. Loss per share

Basic loss per share amounts are calculated by dividing loss 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		Cumulative quarter	
		3 months ended		12 months ended	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
Loss net of tax attributable to owners of the parent used in the computation of earnings per share	(RM'000)	<u>(5,300)</u>	<u>(4,001)</u>	<u>(8,625)</u>	<u>(3,041)</u>
No of ordinary shares					
- In issue	(' 000)	135,645	135,135	135,645	135,135
- Effect of dilution: share options	(' 000)	3,998	3,998	3,998	3,998
		<u>139,643</u>	<u>139,133</u>	<u>139,643</u>	<u>139,133</u>
Loss per share :					
- Basic	(sen)	<u>(3.91)</u>	<u>(2.96)</u>	<u>(6.36)</u>	<u>(2.25)</u>
- Diluted	(sen)	<u>(3.80)</u>	<u>(2.88)</u>	<u>(6.18)</u>	<u>(2.19)</u>

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11. Property, plant and equipment

During the twelve-month period ended 31 December 2019, the Group has acquired property, plant and equipment at a cost of RM1,162,000 (31 December 2018: RM998,000). As at 31 December 2019, the total depreciation charged for the property, plant and equipment was RM3,469,000 (31 December 2018: RM3,566,000). Property, plant and equipment with a carrying amount of RM1,000 were written off by the Group during the twelve-month period ended 31 December 2019 (31 December 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 twelve-month period ended 31 December 2019 (31 December 2018: RM147,000), resulting in a gain on disposal of RM10,000 (31 December 2018: RM43,000), 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 2018/31 December 2019	<u>613</u>
Accumulated impairment:	
At 1 January 2018/31 December 2018/31 December 2019	<u>(613)</u>
Net carrying amount:	
At 1 January 2018/31 December 2018/31 December 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
31 December 2019				
FVTOCI				
Equity shares	<u>2,211</u>	<u>2,211</u>	-	-
31 December 2018				
FVTOCI				
Equity shares	<u>1,364</u>	<u>1,364</u>	-	-

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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:

	31.12.2019	31.12.2018
	RM'000	RM'000
Cash at banks and in hand	10,633	9,008
Deposits in licensed banks	11,616	10,111
	<u>22,249</u>	<u>19,119</u>
Less:		
Bank overdraft	(1,356)	-
Deposits in licensed banks	(1,240)	(1,040)
Total cash and cash equivalents	<u>19,653</u>	<u>18,079</u>

15. Share capital

During the financial period ended 31 December 2019, the Company issued 1,019,975 ordinary shares at no cost pursuant to the Company's Executive Share Grant Scheme ("ESGS") 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
Issuance of shares arising from exercise of ESGS	255
At 31 December 2019	<u>68,447</u>

16. Borrowings

	31.12.2019	31.12.2018
	RM'000	RM'000
Current		
Secured	2,528	496
Non-current		
Secured	9,816	1,271
Total borrowings	<u>12,344</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

	31.12.2019	31.12.2018
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Plant and machinery	764	4,700
Motor vehicles	200	-
Approved but not contracted for:		
Plant and machinery	286	1,050
Motor vehicles	-	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 twelve-month periods ended 31 December 2019 and 31 December 2018 as well as the balances with the related parties as at 31 December 2019 and 31 December 2018:

		Expenses	Amount	Amounts
		paid by	owed by	owed to
		Secretarial	related	related
		fee	parties	parties
		RM'000	RM'000	RM'000
		RM'000	RM'000	RM'000
Entities with significant influence over the Group:				
Holding company				
Terengganu Incorporated Sdn. Bhd.	31.12.2019	3	28	24
("TISB")	31.12.2018	5	1	-
				12,127
				15,273
A corporate shareholder				
Lembaga Tabung Amanah Warisan	31.12.2019	-	-	640
Negeri Terengganu ("LTAWNT")	31.12.2018	-	-	640

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20. Performance review

(a) Current Quarter vs Corresponding Quarter of Previous Period (4Q2019 vs 4Q2018)

The Group registered a revenue of RM13.42 million for the current quarter ended 31 December 2019 (4Q2019), declined by 24% from RM17.66 million reported in the previous year's corresponding quarter (4Q2018). Accordingly, the Group recorded a loss before tax of RM5.86 million as compared to a RM4.10 million loss before tax in 4Q2018.

Harvesting, sawmilling and kiln drying segment

During the quarter under review, the segment reported a loss before tax of RM2.13 million, an increase of 21% against RM1.77 million loss before tax in 4Q2018. Operationally, the harvesting operations were adversely affected by the monsoon season during the quarter under review, which resulted in lower logs extracted.

As compared against previous year's quarter performance, there was the reduction in sales of sawn timber from 6,516 tonne in 4Q2018 to 3,372 tonne in the current quarter, due to lower logs extracted and delivered to the sawmills.

Manufacturing segment

The manufacturing segment which is the manufacturing activities of glass, veneer and woodchip of the Group, reported a reduction in revenue by 10% in 4Q2019 as compared with revenue in 4Q2018. As a result, the segment posted an increase in loss before tax to RM2.45 million in 4Q2019.

The segment's loss position was related to the lukewarm construction projects which affected the glass demand. Meanwhile, the revenue generated from veneer operation was minimal due to low running capacity.

Other segment

Other segment which refers to the investment holding and rental of properties activity of the Group, has recorded higher revenue in the current quarter mainly contributed by the new rental income for the Group's subsidiary. As the segment's expenses reduced by 33%, the loss before taxation for the segment has reduced accordingly.

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

For the financial year ended 31 December 2019 (FY2019), the Group's revenue declined by 17% to RM58.22 million from RM70.19 million as restated revenue reported in the previous year's corresponding period (FY2018). As a result, the Group registered a loss before tax of RM8.00 million in FY2019 as compared to a restated loss before tax of RM2.45 million in FY2018.

The unfavourable results for the Group during the FY2019 was attributed by the weak performance of all the Group's operating segments, which showed losses before tax.

Harvesting, sawmilling and kiln drying segment

Significant reduction in logs extraction has resulted to the loss performance of the segment. During the current year, there was 23,522 hoppus tonne of logs extracted, as compared with 32,823 hoppus tonne logs extracted in the previous year. As a result, the sawn timber sales declined by 25% from 22,646 tonne in FY2018 to 16,960 tonne in the current year. The major cause to the reduction was due to non-performing contractor to commence their logging activity on schedule.

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20. Performance review (continued)

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

Harvesting, sawmilling and kiln drying segment (continued)

This situation has led to the segment's loss before tax of RM0.84 million, an adverse performance against profit before tax of RM2.32 million registered in FY2018 with revenue dropped from RM45.94 million in FY2018 to RM37.47 million in FY2019.

Manufacturing segment

The manufacturing segment reported a loss before tax of RM2.70 million, as compared with a loss before tax of RM0.05 million reported in FY2018. The increase in loss was in line with the adverse revenue performance of the segment, a reduction by 17%.

The glass operation was still affected by the non-recoverability of construction sectors since FY2018, led to the postponements of the glass order. Meanwhile, the revenue generated from veneer operation was minimal due to low running capacity.

Other segment

Other segment recorded a decrease in loss before tax to RM4.46 million in FY2019 from RM4.71 million reported in FY2018 due to the decrease in segment's expenses by 6%.

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

	Current quarter 31.12.2019 RM'000	Immediate preceding quarter 30.9.2019 RM'000
Revenue	13,415	13,753
Loss before tax	(5,862)	(2,700)

The Group reported loss before tax of RM5.86 million in the current quarter (4Q2019), an increase of RM3.16 million from RM2.70 million loss before tax recorded in the preceding quarter. The increase in Group's loss before tax was due to the decline performance in harvesting, sawmilling and kiln drying and manufacturing segment of the Group.

The harvesting, sawmilling and kiln-drying segment reported a decrease in revenue by 14% from RM9.37 million in Third Quarter 2019 (3Q2019) to RM8.01 million in the current quarter. Accordingly, the segment's loss before tax increased to RM1.68 million from RM0.51 million in 3Q2019. The main reason for the decline was due to lower logs extraction as a result of raining season in 4Q2019.

The manufacturing segment's loss before tax has also increased to RM2.45 million in the current quarter as compared to RM0.72 million in the immediate preceding quarter due to weak performance of veneer operation.

While other segment reported a slight improvement whereby the loss before tax reduced by 13% from RM1.47 million reported in the immediate preceding quarter. The reduction in loss in the quarter under review was contributed from higher revenue and saving in segment's administrative expenses.

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22. 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.

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 first quarter of the year 2020.

23. Changes in material litigation

There was no material litigation against the Group.

24. Dividend payable

Please refer to Note 17 for details.

25. Risks and policies of derivatives

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

26. 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 31 December 2019 and 31 December 2018.

27. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2018 was not qualified.

28. 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 28 February 2020.

By order of the Board

Dato' Ahmad Nadzarudin bin Abdul Razak
Chief Executive Officer