

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 2017

	Note	Current quarter 3 months ended		Cumulative quarter 12 months ended	
		31.12.2017 Unaudited RM'000	31.12.2016 Unaudited RM'000	31.12.2017 Unaudited RM'000	31.12.2016 Unaudited RM'000
Revenue		24,337	16,143	65,643	57,598
Cost of sales		<u>(15,755)</u>	<u>(14,991)</u>	<u>(51,380)</u>	<u>(52,668)</u>
Gross profit		8,582	1,152	14,263	4,930
Other operating income		608	3,358	935	3,931
Administrative expenses		(3,783)	(3,851)	(12,938)	(13,353)
Other operating expenses		(483)	(578)	(2,058)	(2,170)
Share of result of associate		<u>511</u>	<u>518</u>	<u>511</u>	<u>518</u>
Operating profit/(loss)		5,435	599	713	(6,144)
Finance costs		<u>(62)</u>	<u>(2)</u>	<u>(215)</u>	<u>(212)</u>
Profit/(loss) before taxation	7	5,373	597	498	(6,356)
Income tax (expense)/benefit	8	<u>(1,081)</u>	<u>(546)</u>	<u>(392)</u>	<u>602</u>
Profit/(loss) for the period		<u>4,292</u>	<u>51</u>	<u>106</u>	<u>(5,754)</u>
Profit/(loss) for the period attributable to:					
Owners of the parent		4,417	253	515	(5,552)
Non-controlling interest		<u>(125)</u>	<u>(202)</u>	<u>(409)</u>	<u>(202)</u>
		<u>4,292</u>	<u>51</u>	<u>106</u>	<u>(5,754)</u>
Earnings/(loss) per share attributable to owners of the parent (sen per share)					
- Basic	9	<u>3.28</u>	<u>0.19</u>	<u>0.38</u>	<u>(4.13)</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 2016 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 2017 (CONTINUED)

	Current quarter		Cumulative quarter	
	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	Unaudited	Unaudited	Unaudited	Unaudited
Note	RM'000	RM'000	RM'000	RM'000
Profit/(loss) for the period	4,292	51	106	(5,754)
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Net loss on available-for-sale ("AFS") financial assets :				
- Loss on fair value changes	(140)	233	(570)	(48)
- Transfer to profit or loss upon disposal	-	(2,678)	-	(2,678)
Other comprehensive loss for the period, net of tax	(140)	(2,445)	(570)	(2,726)
Total comprehensive income/(loss) for the period, net of tax	4,152	(2,394)	(464)	(8,480)
Total comprehensive income/(loss) for the period, net of tax attributable to:				
Owners of the parent	4,277	(2,192)	(55)	(8,278)
Non-controlling interest	(125)	(202)	(409)	(202)
	4,152	(2,394)	(464)	(8,480)

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 2016 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 2017

	Note	31.12.2017 Unaudited RM'000	31.12.2016 Audited RM'000
Assets			
Non-current assets			
Property, plant and equipment	10	51,859	53,432
Investment properties		12,396	12,266
Goodwill	11	-	-
Investment in associates		2,198	1,687
Deferred tax assets		869	534
Investment securities	12	2,434	2,946
		<u>69,756</u>	<u>70,865</u>
Current assets			
Inventories		7,565	7,214
Trade and other receivables		19,951	18,863
Tax recoverable		2,041	3,594
Cash and bank balances	13	11,413	11,654
		<u>40,970</u>	<u>41,325</u>
Total assets		<u>110,726</u>	<u>112,190</u>
Equity and liabilities			
Equity			
Share capital	14	67,273	67,273
Share premium	14	625	625
Retained earnings		27,018	26,503
Other reserves		(20,521)	(19,951)
Equity attributable to owners of the parents		<u>74,395</u>	<u>74,450</u>
Non-controlling interest		29	438
Total equity		<u>74,424</u>	<u>74,888</u>
Non-current liabilities			
Retirement benefit obligations		9,226	8,927
Deferred tax liabilities		-	172
Borrowings	15	831	750
		<u>10,057</u>	<u>9,849</u>
Current liabilities			
Retirement benefit obligations		80	3
Borrowings	15	827	708
Trade and other payables		25,338	26,742
		<u>26,245</u>	<u>27,453</u>
Total liabilities		<u>36,302</u>	<u>37,302</u>
Total equity and liabilities		<u>110,726</u>	<u>112,190</u>
Net assets per share attributable to owners of the parent ("RM")		0.55	0.55

These condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 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 2017

	Attributable to owners of the parent								
	Non-distributable		Distributable	Non-distributable					Non-controlling interest RM'000
	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 a corporate shareholder RM'000	Reserve arising from merger RM'000	
Opening balance at 1 January 2017	74,888	67,273	625	26,503	(19,951)	1,505	1,262	(22,718)	438
Profit for the period	106	-	-	515	-	-	-	-	(409)
Other comprehensive income									
- Fair value adjustment reserve	(570)	-	-	-	(570)	(570)	-	-	-
Total comprehensive loss	(464)	-	-	515	(570)	(570)	-	-	(409)
Closing balance at 31 December 2017	74,424	67,273	625	27,018	(20,521)	935	1,262	(22,718)	29
Opening balance at 1 January 2016	82,728	67,273	625	32,055	(17,225)	4,231	1,262	(22,718)	-
Loss for the period	(5,754)	-	-	(5,552)	-	-	-	-	(202)
Other comprehensive loss									
- Fair value adjustment reserve	(2,726)	-	-	-	(2,726)	(2,726)	-	-	-
Total comprehensive loss	(8,480)	-	-	(5,552)	(2,726)	(2,726)	-	-	(202)
Transactions with owners									
Shares issued for acquisition of a subsidiary	640	-	-	-	-	-	-	-	640
Closing balance at 31 December 2016	74,888	67,273	625	26,503	(19,951)	1,505	1,262	(22,718)	438

These condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2016 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 2017

	Note	12 months ended	
		31.12.2017 Unaudited RM'000	31.12.2016 Unaudited RM'000
Operating activities			
Loss before tax		498	(6,356)
<u>Adjustments for:</u>			
Interest income	7	(165)	(292)
Dividend income	7	(133)	(271)
Interest expenses	7	215	212
Gain on disposal of property, plant and equipment	7	(26)	(79)
Gain on disposal of investment securities	7	-	(2,789)
Depreciation of property, plant and equipment	7	3,490	4,150
Depreciation of investment properties	7	233	225
Property, plant and equipment written off	7	1	-
Inventories written off	7	1	68
Impairment losses on investment securities	7	-	261
Impairment losses on trade and other receivables	7	8	300
Reversal of allowance for impairment of trade and other receivables	7	(192)	(19)
Net unrealised foreign exchange gain	7	(84)	(24)
Share of results of an associate	7	(511)	(518)
Provision for retirement benefits	7	993	906
Provision for short-term accumulating compensated absences	7	91	96
Total adjustments		3,921	2,226
Operating cash flows before changes in working capital		4,419	(4,130)
<u>Changes in working capital</u>			
(Increase)/decrease in inventory		(352)	540
Increase in trade and other receivables		(1,115)	(1,278)
Decrease in trade and other payables		(1,180)	(2,417)
Total changes in working capital		(2,647)	(3,155)
Interest paid		(216)	(169)
Income taxes refund		657	271
Retirement benefits paid		(617)	(521)
Total changes in working capital		(176)	(419)
Net cash flows from/(used in) operating activities		1,596	(7,704)
Investing activities			
Purchase of property, plant and equipment	10	(1,872)	(2,571)
Proceeds from disposal of property, plant and equipment		294	188
Proceeds from disposal of investment securities		-	3,559
Placement of deposit with licensed bank		(5)	(20)
Withdrawal of deposit with licensed bank		1,000	5,000
Additional investment in investment securities		(57)	-
Net cash outflow on acquisition of a subsidiary		-	(960)
Dividend received		133	239
Interest received		165	292
Net cash flows (used in)/from investing activities		(342)	5,727

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)**

	Note	12 months ended	
		31.12.2017 Unaudited RM'000	31.12.2016 Unaudited RM'000
Financing activities			
Proceeds from issuance of ordinary shares		-	1,600
Drawdown from borrowings		883	1,193
Repayment of borrowings		(1,384)	(2,685)
Net cash flows (used in)/from financing activities		(501)	108
Net increase/(decrease) in cash and cash equivalents		753	(1,869)
Cash and cash equivalents at 1 January		9,608	11,477
Cash and cash equivalents at 31 December		10,361	9,608

These condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2016 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 2017**

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 2016 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 2016, 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) (i) Adoption of standards

Effective for annual periods beginning on or after 1 January 2017

MFRS 107 Disclosures Initiatives (Amendments to MFRS 107)

MFRS 112 Recognition of Deferred Tax for Unrealised Losses
(Amendments to MFRS 112)

Effective for annual periods beginning on or after 1 January 2018

MFRS 2 Classification and Measurement of Share-based Payment
Transactions (Amendments to MFRS 2)

MFRS 15 Revenue from Contracts with Customers

MFRS 9 Financial Instruments

Effective for annual periods beginning on or after 1 July 2019

MFRS 16 Leases

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

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 the seasonal and cyclical factors such as rainy season.

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE YEAR ENDED 31 DECEMBER 2017

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, rental of properties, marketing and trading of woodchips, 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.

	Harvesting, sawmilling and kiln drying RM'000	Manufacturing RM'000	Others RM'000	Consolidated RM'000
Results for 3 months ended 31 December 2017				
Operating revenue	17,311	6,666	360	24,337
Other operating income	495	110	3	608
Expenses	(12,130)	(6,531)	(1,422)	(20,083)
Share of result of associate	511	-	-	511
Profit/(loss) before taxation	6,187	245	(1,059)	5,373

**Results for 3 months ended
31 December 2016**

Operating revenue	7,821	8,092	230	16,143
Other operating income	3,215	11	132	3,358
Expenses	(10,883)	(7,425)	(1,114)	(19,422)
Share of result of associate	518	-	-	518
Profit/(loss) before taxation	671	678	(752)	597

	Harvesting, sawmilling and kiln drying RM'000	Manufacturing RM'000	Others RM'000	Consolidated RM'000
Results for 12 months ended 31 December 2017				
Operating revenue	37,330	27,236	1,077	65,643
Other operating income	581	269	85	935
Expenses	(35,187)	(26,459)	(4,945)	(66,591)
Share of result of associate	511	-	-	511
Profit/(loss) before taxation	3,235	1,046	(3,783)	498

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE YEAR ENDED 31 DECEMBER 2017

6. 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 2016				
Operating revenue	26,541	30,588	469	57,598
Other operating income	3,549	162	220	3,931
Expenses	(34,565)	(28,793)	(5,045)	(68,403)
Share of result of associate	518			518
(Loss)/profit before taxation	(3,957)	1,957	(4,356)	(6,356)

7. Profit/(loss) before taxation

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

	Current quarter 3 months ended		Cumulative quarter 12 months ended	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Interest income	(59)	(104)	(165)	(292)
Dividend income	(119)	(202)	(133)	(271)
Interest expenses	62	2	215	212
Depreciation of property, plant and equipment	850	1,200	3,490	4,150
Depreciation of investment properties	62	54	233	225
Loss/(gain) on disposal of property, plant and equipment	45	(5)	(26)	(79)
Gain on disposal of investment securities	-	(2,789)	-	(2,789)
Property, plant and equipment written off	-	-	1	-
Inventories written off	1	68	1	68
Impairment losses on trade and other receivables	8	300	8	300
Reversal of impairment losses on trade and other receivables	(192)	(19)	(192)	(19)
Impairment losses on investment securities	-	261	-	261
Net unrealised foreign exchange gain	(24)	(24)	(84)	(24)
Share of results of an associate	(511)	(518)	(511)	(518)
Provision for short-term accumulating compensated absences	103	103	91	96
Provision for retirement benefits	306	281	993	906

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE YEAR ENDED 31 DECEMBER 2017

8. Income tax expense/(benefit)

	Current quarter		Cumulative quarter	
	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Current income tax	804	92	823	150
Over provision of income tax in respect of previous years	(3)	(106)	(4)	(106)
Deferred income tax	664	423	132	(657)
(Over)/under provision of deferred tax in respect of previous years	(384)	137	(559)	11
	<u>1,081</u>	<u>546</u>	<u>392</u>	<u>(602)</u>
Effective tax rate	20.1%	91.5%	78.7%	9.5%

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 the taxation is arising out of profit making subsidiaries whereas the group profit before tax is minimal due to heavy losses incurred by certain other subsidiaries and also due to elimination of inter-company transactions. The tax provision was based on estimates made in the beginning of the financial year for tax purposes.

9. Earnings/(loss) per share

Basic earnings/(loss) per share amounts are calculated by dividing profit/(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	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
Earnings/(loss) net of tax attributable to owners of the parent used in the computation of earnings per share	(RM'000)	<u>4,417</u>	<u>253</u>	<u>515</u>	<u>(5,552)</u>
Weighted average number of ordinary shares in issue	(' 000)	<u>134,547</u>	<u>134,547</u>	<u>134,547</u>	<u>134,547</u>
Basic earnings/(loss) per share	(sen)	<u>3.28</u>	<u>0.19</u>	<u>0.38</u>	<u>(4.13)</u>

10. Property, plant and equipment

During the twelve-month period ended 31 December 2017, the Group has acquired property, plant and equipment at a cost of RM1,872,000 (31 December 2016: RM2,571,000). As at 31 December 2017, the total depreciation charged for the property, plant and equipment was RM3,490,000 (31 December 2016: RM4,150,000). 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 2017 (31 December 2016: RMNil). 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 RM268,000 during the twelve-months ended 31 December 2017 (31 December 2016 : RM109,000), resulting in a gain on disposal of RM26,000 (31 December 2016: RM79,000), recognised and included in other income in the statement of profit or loss and other comprehensive income.

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE YEAR ENDED 31 DECEMBER 2017**

11. Goodwill

	Goodwill RM'000
Cost:	
At 1 January 2016/31 December 2016/31 December 2017	<u>613</u>
Accumulated impairment:	
At 1 January 2016/31 December 2016/31 December 2017	<u>(613)</u>
Net carrying amount:	
At 1 January 2016/31 December 2016/31 December 2017	<u>-</u>

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 (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 2017				
Available-for-sale financial assets				
Equity shares	2,434	2,434	-	-
31 December 2016				
Available-for-sale financial assets				
Equity shares	2,946	2,946	-	-

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.

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE YEAR ENDED 31 DECEMBER 2017

13. Cash and bank balances

Cash and bank balances comprised the following amounts:

	31.12.2017	31.12.2016
	RM'000	RM'000
Cash at banks and in hand	9,616	9,183
Deposits in licensed banks	1,797	2,471
	<u>11,413</u>	<u>11,654</u>
Less:		
Deposits in licensed banks	(1,052)	(2,046)
Total cash and cash equivalents	<u>10,361</u>	<u>9,608</u>

14. Share capital and share premium

There were no issuances, cancellation, repurchases, resale and repayments of debts and equity securities for the financial period ended 31 December 2017.

15. Borrowings

	31.12.2017	31.12.2016
	RM'000	RM'000
Current		
Secured	827	708
Non-current		
Secured	831	750
Total borrowings	<u>1,658</u>	<u>1,458</u>

16. Dividend

There was no dividend declared by the Company during the financial period ended 31 December 2017 (31 December 2016: RMNil).

17. Commitments

	31.12.2017	31.12.2016
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Plant and machinery	1,547	-
Motor vehicles	690	-
Approved but not contracted for:		
Plant and machinery	1,842	3,389
Motor vehicles	-	690
	<u>4,079</u>	<u>4,079</u>

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017 and 31 December 2016 as well as the balances with the related parties as at 31 December 2017 and 31 December 2016:

		Loans	Expenses	Interest	Amounts
		from related	paid by	on loans	owed to
		parties	related	from related	related
		parties	parties	parties	parties
		RM'000	RM'000	RM'000	RM'000
Entities with significant influence over the Group:					
Holding company					
Terengganu Incorporated Sdn. Bhd. ("TISB")	31.12.2017	1,000	68	-	15,267
	31.12.2016	-	3	42	14,199
A corporate shareholder					
Lembaga Tabung Amanah Warisan	31.12.2017	-	-	-	640
Negeri Terengganu ("LTAWNT")	31.12.2016	-	-	-	640

19. Events after the reporting period

There were no material events after reporting period during the current quarter.

**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 2017**

20. Performance review

(a) Current Quarter vs Corresponding Quarter of Previous Period (4Q17 vs 4Q16)

The Group's revenue for the quarter under review was RM24.34 million, 51% higher than RM16.14 million reported in the previous year's corresponding quarter. In terms of profitability, the Group recorded a profit before taxation of RM5.37 million as compared to a profit before taxation of RM0.60 million in the previous year's corresponding quarter. The significant improvement in the Group's result was contributed by harvesting, sawmilling and kiln-drying segment.

Harvesting, sawmilling and kiln drying segment

During the quarter under review, the harvesting, sawmilling and kiln-drying segment reported profit before taxation of RM6.19 million as compared to RM0.67 million in the previous year's corresponding quarter. The significant improvement in profit was in line with the increase in revenue of 121% as a result of logs sales proceed amounting to RM5.68 million from the concession of the Group's timber management subsidiary.

Internal logs extraction increased to 3,609 hoppus tonne in the current quarter from 1,348 hoppus tonne in the previous year's corresponding quarter.

Manufacturing segment

During the quarter under review, the manufacturing segment which is represented by the glass division of the Group reported a profit before taxation of RM0.25 million, a decrease of 64% from RM0.68 million recorded in the previous year's corresponding quarter. The decline in profit was in line with the decrease in the segment's revenue by 18% during the quarter under review, mainly due to softer market environment and stiff competition in glass industry.

Other segment

Other segment for the Group has recorded an increase in loss before taxation by 41% in the quarter under review as a result of the increase in the segment's administrative expenses.

(b) Current period-to-date vs Previous Period-to-date (FY2017 vs FY2016)

For the financial year of 2017, the Group's revenue has increased by 14% to RM65.64 million as compared to RM57.60 million reported in the same period last year. In terms of profitability, the Group recorded profit before taxation of RM0.50 million as compared to a loss before taxation of RM6.36 million in the previous year's corresponding period. The positive result of the Group was mainly contributed by the favourable performance of the harvesting, sawmilling and kiln-drying segment.

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20. Performance review (continued)

(b) Current period-to-date vs Previous Period-to-date (FY2017 vs FY2016) (continued)

Harvesting, sawmilling and kiln drying segment

In the current year, the segment reported a profit before taxation of RM3.24 million, a substantial increase of 182% from the previous financial year's loss before taxation. As a result, the segment's operating revenue has increased significantly from RM26.54 million to RM37.33 million in the current year. This favourable performance was contributed by higher sales achievement in sawn timber as a result of better logs extraction during the year under review.

Manufacturing segment

During the year under review, the manufacturing segment recorded a profit before taxation of RM1.05 million, representing a decrease of 46% from RM1.96 million reported in the previous financial year. The decrease in the profit before taxation was in line with softer market environment and stiff competition in glass industry.

Other segment

Other segment for the Group recorded a decrease of 13% in loss before taxation from RM4.36 million to RM3.78 million in the current financial year. The improved result in the year under review was contributed by the processing and selling of woodchips and savings in the segment's operating expenses.

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

	Current quarter 31.12.2017 RM'000	Immediate preceding quarter 30.09.2017 RM'000
Revenue	<u>24,337</u>	<u>17,372</u>
Profit before taxation	<u>5,373</u>	<u>224</u>

The Group's result improved significantly in the current quarter with profit before taxation of RM5.37 million as compared to a profit before taxation of RM0.22 million reported in the immediate preceding quarter. The revenue also improved by 40% in the current quarter.

The major contribution for the better result was from the harvesting, sawmilling and kiln drying segment with the improvement in revenue by 61%. The segment reported a profit before taxation of RM6.19 million as compared to a profit before taxation of RM0.72 million in the immediate preceding quarter. The improvement was mainly contributed by the key recovery actions taken of selling logs to external parties.

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

Similarly, the manufacturing segment's profit before tax improved by 10% to RM0.25 million in the current quarter as compared to RM0.13 million in the immediate preceding quarter. The result was in line with the increase in revenue from RM6.42 million to RM6.67 million in the quarter under review, which is due to encouraging supply to local projects.

The loss before taxation for other segment in the current quarter increased by 69% as compared to RM0.63 million reported in the immediate preceding quarter. The increase in loss in the quarter under review was contributed by the increase in operating expenses of the segment.

22. Commentary on prospect

Harvesting, sawmilling and kiln drying of timber

Internal logs extraction and mid-stream activities are expected to be 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 regulations by the Forestry Department due to the stringent compliances, higher fuel cost, transportation cost and other operational costs.

However, with the continuous key recovery actions taken during the non-productive period, the segment is expected to achieve positive result in 1st Quarter 2018.

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 reduction and longer credit terms.

With the consistent glass production and stable demands, the segment is expected to further contribute positively to the Group result in 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.

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 period ended 31 December 2017 (31 December 2016: RMNil).

25. Risks and policies of derivatives

The Group did not enter into any derivative during the financial period ended 31 December 2017 or the previous financial year ended 31 December 2016.

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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 2017 and 31 December 2016.

27. Breakdown of realised and unrealised losses

The breakdown of the retained earnings of the Group as at 31 December 2017 and 31 December 2016 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 31.12.2017 RM'000	Previous financial year ended 31.12.2016 RM'000
Total accumulated losses of the Company and its subsidiaries		
- Realised	(209,378)	(214,146)
- Unrealised	785	325
	<u>(208,593)</u>	<u>(213,821)</u>
Total accumulated losses from associates		
- Realised	(9,547)	(10,058)
	<u>(218,140)</u>	<u>(223,879)</u>
Less: Consolidation adjustments	<u>(245,158)</u>	<u>(250,382)</u>
Total Group's retained earnings as per financial statements	<u>27,018</u>	<u>26,503</u>

28. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2016 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 28 February 2018.

By order of the Board

Dato' Ahmad Nadzarudin bin Abdul Razak
Chief Executive Officer