GOLDEN PHAROS BERHAD
(152205-W)

Annual Report
2017

Laporan Tahunan 2017

لاڤورن تاهونن ٢٠١٧

Enhance • Unleash • Pursue • Strengthen

Enhance • Unleash • Pursue • Strengthen

In 2017, we embarked on a business Recovery Plan, under which we identified the issues both strategic and operational, both internal and external that afflicted our Group. We then identified the 4 strategic thrusts to address all these issues. The 3-year Business Recovery Plan contains numerous action plans to **ENHANCE** our core business, **UNLEASH** our dormant assets, **PURSUE** new revenue streams and **STRENGTHEN** human capital.

31st
Annual General Meeting

26th June 2018 (Tuesday)

11.00 a.m.

Gamelan 3, Primula Beach Hotel
Jalan Persinggahan
20400 Kuala Terengganu
Terengganu Darul Iman

Vision

- To become a premier natural resources organisation

Mission

- To improve our results
- To meet our customer expectation
- To maximise return to our shareholders
- To promote green and eco-friendly environment
- To provide workforce with rewarding employment
- To use our position as an integrated timber producer

Values

G Gemilang

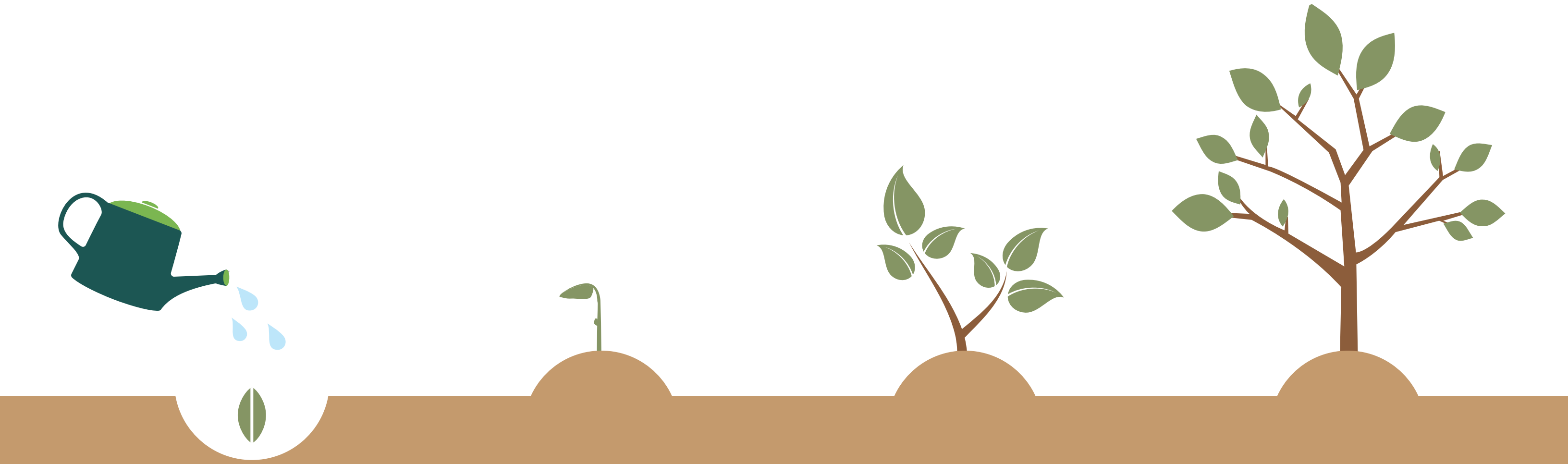
O Optimis

L Lestari

D Dedikasi

E Efektif

N Nekad



Contents




Milestones & Achievements

1980

- GPB took over the manufacturing of timber doors from Golden Pharos Wood Industries Sdn. Bhd.

1992

- May - Tempered glass plant set up at Telok Panglima Garang Industrial Site, producing 20,000 square metres of tempered glass per month.
- November - The second phase of glass production was implemented to supply architectural glass and shower screens for domestic buildings and the construction industry.

1996

- March - GPB became a fully integrated timber corporation with the acquisition of Permint Timber Corporation Sdn. Bhd.

2008

- Kumpulan Pengurusan Kayu-Kayan Trengganu Sdn.Bhd., timber management subsidiary, awarded the Forest Stewardship Council ("FSC®") endorsed certification.
- Two sawmilling subsidiaries, Pesaka Trengganu Berhad and Pesama Timber Corporation Sdn. Bhd. ("Pesama") are Chain-of-Custodian ("CoC") certified by third party certifiers accredited by the FSC®.

2012

- Golden Pharos Glass Sdn. Bhd. ("GP Glass") certified to ISO 14001:2004 International Standards.
- GP Glass awarded ISO 9001-2006.
- Pesama obtained FSC® endorsed certification for Cherul Forest Concession.

2014

- GPB entered into a Memorandum of Understanding with Malaysian Timber Industry Board ("MITB") and Pengusaha Kayu-Kayan & Perabot Bumiputera Malaysia ("PEKA").

2015

- GPB entered into a Memorandum of Understanding with Dongwha Malaysia Sdn. Bhd.
- Permint Plywood Sdn. Bhd. ("PPSB") entered into a Joint Venture Agreement with Cymao Plywood Sdn. Bhd. ("CPSB") to revive PPSB's facility with 60% holding of GP Dynamic Venture Sdn. Bhd. (GPDV - joint venture company) paid up capital.

2016

- PPSB entered into a Shareholders' Agreement with CPSB.
- PPSB subscribed to RM0.96 million (60%) of GPDV's paid up capital. GPDV's intended activities are in manufacturing and selling of veneer, plywood and decorative plywood, and wide range of timber based products.
- In June 2016, PPSB commenced the production of woodchips to maximise the value of the Group's wood waste.

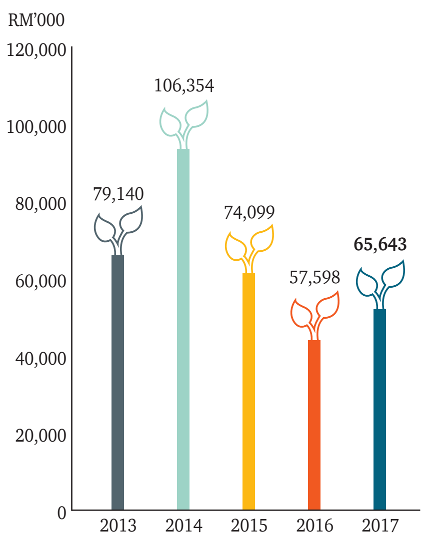
2017

- **Golden Pharos Glass Sdn. Bhd. awarded Company of The Year (Small Medium Enterprise) at Terengganu Incorporated Group Excellence Award 2017.**
- **Pesama Timber Corporation Sdn. Bhd. obtained Performance Award, Sawmill, Air Pollution Control at National Environment Day, State of Terengganu Level.**

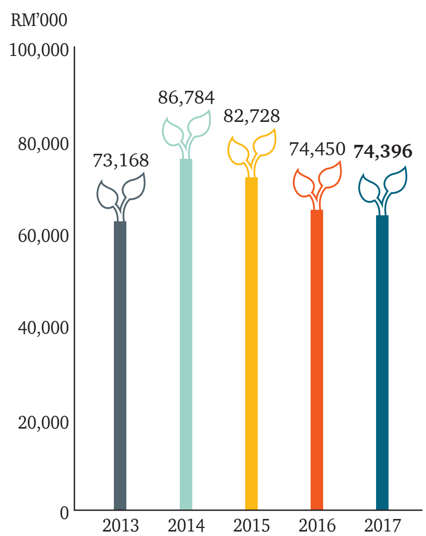
Financial Highlights

	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Revenue	79,140	106,354	74,099	57,598	65,643
(Loss)/Profit Before Tax	(1,855)	20,395	(3,555)	(6,356)	499
Shareholders' Equity	73,168	86,784	82,728	74,450	74,396
(Loss)/Earnings per Share (sen)	(1.90)	11.03	(1.88)	(4.13)	0.38
Net Tangible Assets per Share (RM)	0.56	0.66	0.62	0.55	0.55

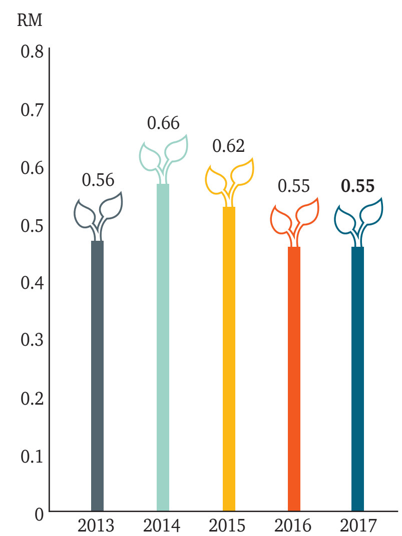
REVENUE



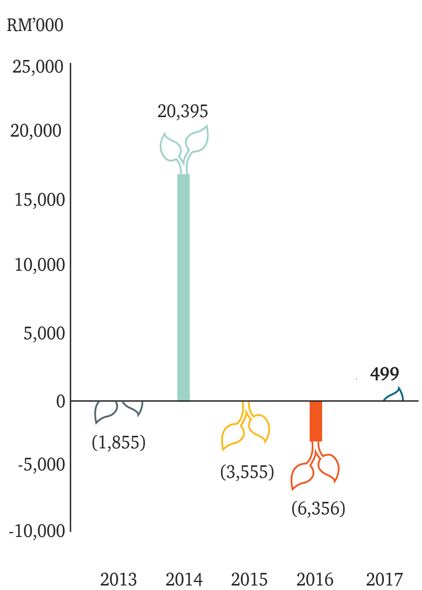
SHAREHOLDERS' EQUITY



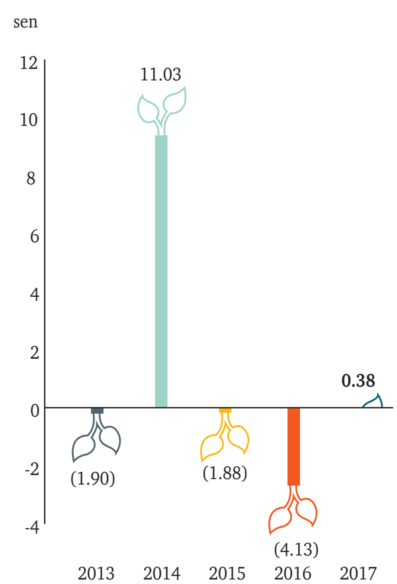
NET TANGIBLE ASSETS PER SHARE



(LOSS)/PROFIT BEFORE TAX



EARNINGS/(LOSS) PER SHARE (SEN)

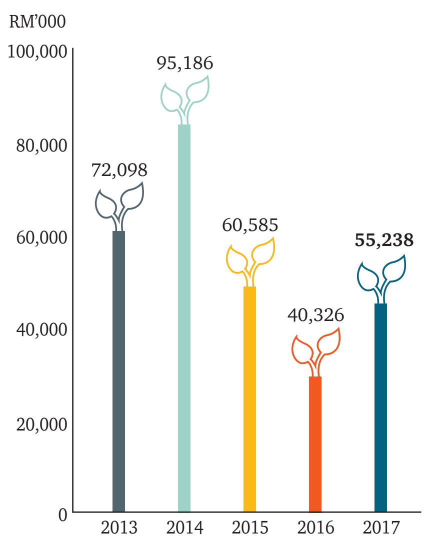


Financial Highlights - Segment Information

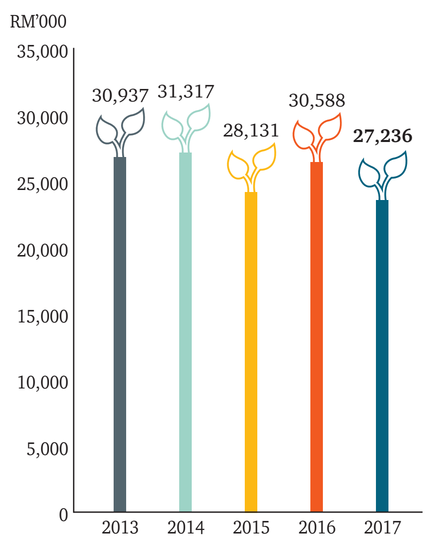
	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
HARVESTING & SAWMILLING					
Revenue	72,098	95,186	60,585	40,326	55,238
Profit/(Loss) before tax	1,385	22,322	(3,844)	(5,764)	7,509
Segment assets	119,216	121,179	109,129	101,996	101,101
MANUFACTURING					
Revenue	30,937	31,317	28,131	30,588	27,236
Profit before tax	511	379	71	989	77
Segment assets	23,182	22,303	22,656	20,910	20,397
OTHERS					
Revenue	6,474	19,955	8,332	4,414	4,203
Profit/(Loss) before tax	3,613	(1,955)	1,741	(877)	(2,586)
Segment assets	128,439	110,865	112,466	113,488	112,623

REVENUE

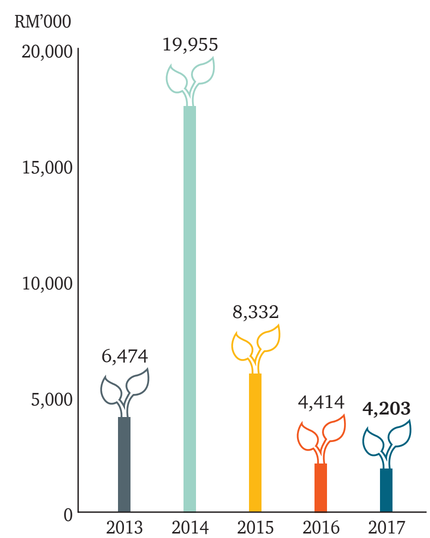
HARVESTING & SAWMILLING (RM'000)



MANUFACTURING (RM'000)

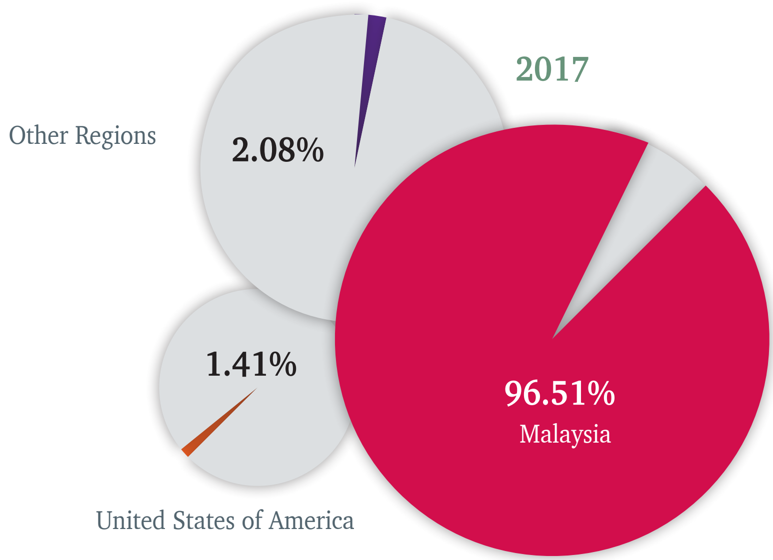


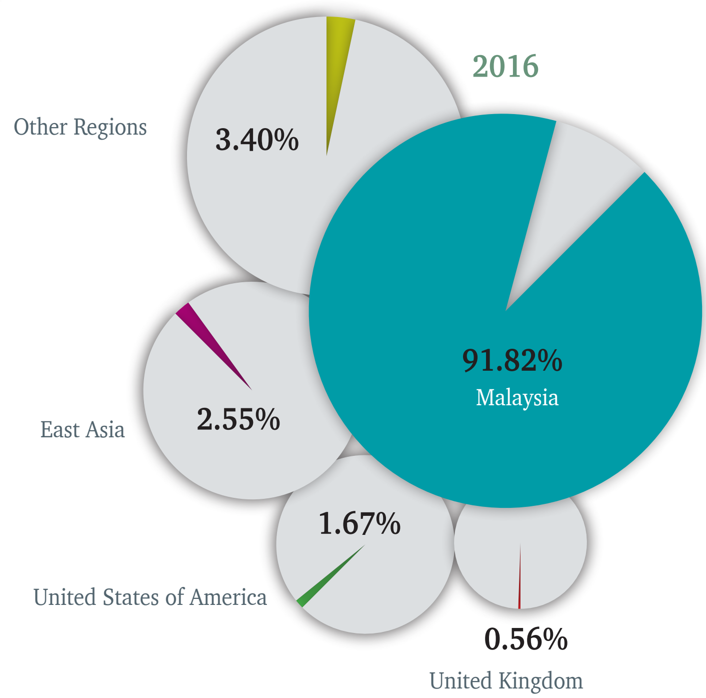
OTHERS (RM'000)



Financial Highlights - Sales by Region

REGION	2016	2017
Malaysia	91.82%	96.51%
United Kingdom	0.56%	-
United States of America	1.67%	1.41%
East Asia	2.55%	-
Other Regions	3.40%	2.08%
	100%	100%





Corporate Information

BOARD OF DIRECTORS

Dato' Haji Muhammad Pehimi bin Yusof *Non-Independent Non-Executive Chairman*	Haji Jusoh bin Ali *Independent Non-Executive Director*
Dato' Haji A. Rahman bin Yahya *Non-Indepedent Non-Executive Director*	Rosli bin Abd Rahman *Independent Non-Executive Director*
Dato' Sabri bin Mohd Noor *Non-Indepedent Non-Executive Director*	Haji Zainudin bin Abu Bakar *Independent Non-Executive Director*
Dato' Haji Mohamad Nor bin Ibrahim *Non-Indepedent Non-Executive Director*	

CHIEF EXECUTIVE OFFICER

Dato' Ahmad Nadzarudin
bin Abdul Razak

COMPANY SECRETARIES

Saliza binti Abdul Rahman
(LS 0008098)

Suraya binti Mohd Hairon
(LS 0007314)

REGISTERED OFFICE

Wisma TI, PT 3071
Chendering
21080 Kuala Terengganu
Terengganu Darul Iman
Tel : +609 617 7771
Fax : +609 617 7772

SHARE REGISTRAR

Tricor Investor & Issuing House
Services Sdn. Bhd.
Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur
Tel : +603 2783 9299
Fax : +603 2783 9222

AUDITORS

Ernst & Young
Level 23A, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur
Tel : +603 2087 7000
Fax : +603 2095 5332

PRINCIPAL BANKERS

Maybank Islamic Berhad
Bank Islam Malaysia Berhad

STOCK EXCHANGE LISTING

Main Market

Bursa Malaysia Securities Berhad

Chairman's Message

Assalamualaikum and salam sejahtera.

Dear Shareholders,

2017 was a turnaround year for your company. Finally, after several continuous years of losses, your company registered a profit of RM107,000.

DATO' HAJI MUHAMMAD PEHIMI BIN YUSOF
Chairman

I am sure that you are well aware that for the past 5 years your company has experienced one of its worst periods. Every year, the company's revenue declined continuously, from RM106 million (in 2014), to RM74 million (2015), and down to just RM58 million (2016). Our operations struggled and we lost money almost every year, from –RM0.2 million (in 2012), to –RM1.9 million (2013), to –RM3.6 million (2015) and worsened to –RM6.4 million (2016).

The situation looked dire. Your company was beset by a myriad of problems. Among them was declining yield of logs from our forest concession areas, delays in obtaining the relevant logging licenses, high operating cost at our sawmills, non-productive assets, lack of new revenue streams, and intense competitive rivalry in the industry.

In 2017, your Board of Directors installed a new CEO and mandated him to devise a Business Recovery Plan for your company. I am pleased to report that once put into motion, the Business Recovery Plan immediately yielded positive results.

The various recovery actions under the Business Recovery Plan enabled your company to eliminate all the accumulated losses of RM5.1 million from the first half of 2017 and registered a small profit of RM0.5 million for the whole of 2017.

Your company's 3-year Business Recovery Plan is only at the beginning phase. Various initiatives have been devised to tackle the host of problems assailing your company in the recent years. As these initiatives are rolled out, I envisage the performance to be even better. I look forward to a new era for Golden Pharos Berhad, an era of positive growth, rewarding employment and sustained profitability.

Our two forest concessions are the largest and the only forest in Peninsular Malaysia to have FSC® Certification. It is also the second natural forest in Malaysia to achieve this distinction.

Our sawntimbers are Chain-of-Custody ("CoC") certified by third party certifiers accredited by the FSC®.

The Group adopts specific policies to protect the high conservation values in the forests e.g. Chemerong Waterfalls which is situated in our concession area (the highest in Malaysia).

APPRECIATION

On behalf of the Board, I would like to express our deepest appreciation to our new CEO, Dato' Nadza Abdul, who has crafted the Business Recovery Plan that allowed your company to register profit. The Board will continue to guide and support the CEO as he leads the management team to implement the various recovery actions and bring your company on the path of sustained profitability.

Thank you to my fellow Board Members for their wisdom and input throughout the year. As always, I also convey our gratitude to our employees, customers, suppliers, bankers, government officials, partners, and you our shareholders, for being with us throughout the years.

I am positive that our performance will be significantly improved in the next several years, in line with the theme of our Business Recovery Plan - Enhance, Unleash, Pursue and Strengthen!

Thank you and wassalam.

DATO' HAJI MUHAMMAD PEHIMI BIN YUSOF
Chairman

CEO's Management Discussion and Analysis

DATO' AHMAD NADZARUDIN BIN ABDUL RAZAK
Chief Executive Officer

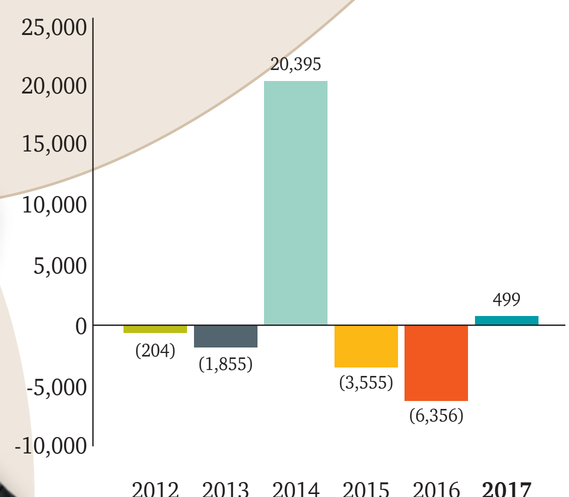
"If the variety of new action plans can be implemented successfully as envisaged, the outlook is positive for continued growth in revenue and profitability for 2018."

OBJECTIVE

In 2017, the Group's objective was to stop the financial losses constantly incurred in the previous years and to operate profitably.

Indeed, the Group successfully achieved this objective, marking 2017 as a watershed year for the Group. It became the turning point of the Group's financial fortune, successfully changing several years of business losses into a year of profit.

Profit/(Loss) Before Tax (RM'000)



BUSINESS RECOVERY PLAN

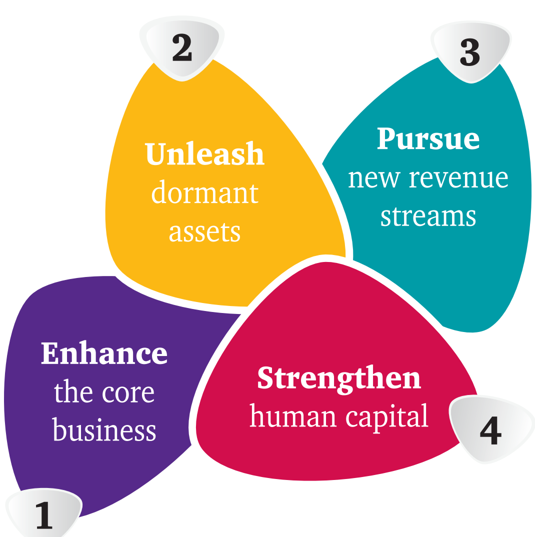
This pivoting from losses to profit is due to a carefully thought out Business Recovery Plan that the management has devised. Under the Group's 3-year Business Recovery Plan, a long list of issues hampering the Group has been identified. These issues include declining yield from our forests, reduced log production from our concession areas, failure to obtain logging licenses according to timeline, high sawmill operating costs, non-productive assets, derelict factory, lack of new revenue streams, constant cash constraints, low-intensity management culture, long outstanding intercompany loans, aging receivables, intense industry rivalry, and constantly changing CEOs.

STRATEGIES

Clearly, any effort to tackle the long litany of issues must be comprehensive, tactical, strategic, long term and robust. To solve as many of the identified list of weaknesses as possible, the Business Recovery Plan addresses these issues along four broad strategic thrusts.

Implemented in October 2017, the Business Recovery Plan immediately yielded the desired results. Most significant of this, is the key recovery action, where the Group embarked on a forward sales of standing trees before they are produced into logs. This key recovery action eliminated 9 months' worth of accumulated losses. After 3 quarterly losses, the Group finally registered a profitable 4th quarter. More importantly, the Group registered a profit after taxation of RM0.107 million for the whole year.

Management is confident that as more of the initiatives identified under the Business Recovery Plan are executed, more of the issues and problems afflicting the Group will be solved, and higher profitability levels will be attained.



2017 FINANCIAL RESULTS

	2017 RM'000	2016 RM'000	%
Income Statement			
Revenue	65,643	57,598	14.0%
Profit/(Loss) Before Tax	499	(6,356)	107.9%
Profit/(Loss) After Tax	107	(5,754)	101.9%
Net Profit/(Loss) Attributable to Shareholders	516	(5,552)	109.3%
Earnings/(Loss) Per Share (sen)	0.38	(4.13)	109.2%
Financial Position			
Shareholders' Equity	74,396	74,450	(0.1%)
Net Tangible Assets	73,636	74,526	(1.2%)
Net Assets per share (RM)	0.55	0.55	(0.0%)
Financial Indicators			
Current Ratio (times)	1.51	1.51	0.6%
Quick or Acid Test (times)	1.23	1.24	(0.8%)
Total Assets Turnover (times)	0.59	0.51	15.7%
Gearing Ratio	17%	18%	(5.6%)
Profit Margin on Sales	0.8%	(9.6%)	108.3%
Return on Total Assets	0.5%	(4.9%)	110.2%
Return on Equity	0.7%	(7.5%)	109.3%

Revenue
RM65.6 million

PBT
RM0.5 million

Shareholders' Equity
RM74.4 million

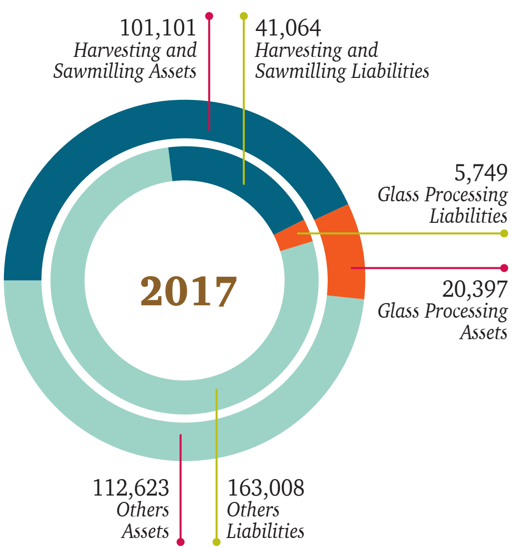
Earnings Per Share
0.38 sen

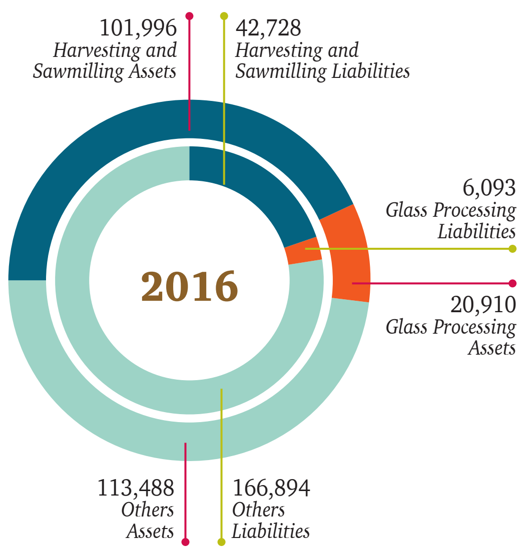
2017 FINANCIAL RESULTS (CONTINUED)

HARVESTING AND SAWMILLING

GLASS PROCESSING

OTHERS





FINANCIAL INDICATORS

In 2017, Group revenue increased by 14% to RM65.6 million from RM57.6 million the previous year. The main contributor for this revenue increase is better log production from the concession area which resulted in better sawntimber production at the Group's sawmills, translating into higher revenue.

Profitability was even healthier, improving 109% to a profit before taxation of RM0.5 million compared to a loss before taxation of RM6.4 million a year earlier. Earnings per share also improved dramatically, increasing 109% to 38 sen/share from a loss per share of RM4.13 a year earlier. The main contribution to increased profitability was from the key recovery action of forward sales of standing trees, which eliminated 9 months' worth of accumulated losses.

NON-FINANCIAL INDICATORS

Key Operational Performance Indicators	2017	2016	Variance
Logs produced (hoppus tonne)	23,843	17,499	36%
Sawntimber produced (tonne)	17,657	12,435	42%
Woodchips produced (metric tonne)	8,834	3,741	136%
Glass produced (square metre)	387,363	441,339	(12%)

Production metrics improved across the board for timber-based segment, attaining increased production for logs, sawntimber, and woodchips. This is attributable to the increased tonnage of logs extracted from the concession areas owing to timely issuance of logging license. However, for the glass segment, production declined due to the declining sales owing to declining demand from construction projects.

SIGNIFICANT CHANGES IN PERFORMANCE

The Group financial position in 2017 recorded significant positive changes compared to 2016 across all measures. Revenue, profit before taxation, profit after taxation, net profit attributable to shareholders and earnings per share all improved significantly enabling the Group to arrest its historical losses and close 2017 with a profit.

CAPITAL EXPENDITURE REQUIREMENT

The Group's cumulative capital expenditure in 2017 was RM3.39 million. Among notable assets acquired were motor vehicles, upgrading of the glass manufacturing facility and refurbishing of the plywood processing facility.

In terms of capital structure, the Group is appropriately capitalised. The capital structure consists of almost exclusively shareholders' funds and negligible borrowings. The Group has a very safe margin of indebtedness, with a gearing ratio of only 0.06 times.

In terms of capital resources, i.e. buildings, machinery, tools and equipment that the Group employs to produce our saleable goods, the Group has a robust and varied collection of capital goods used to generate income. Some of these assets are owned, some are rented, and some are outsourced from sub-contractors.

REVIEW OF OPERATING ACTIVITIES

Known Trends Impacting Group Operations

Weather: The rainy season towards the end of the year and the early parts of the year always impacts our logging operations adversely. Harvested logs cannot be hauled out to the logyard as the timber roads in the forest interiors are inundated with rain water. Log production thus decreases significantly during the wet season.

Second Rotation: The forest management units under the Group's concession, namely the Dungun Timber Complex and the Cherul Forest Concession are now in their second rotation of logging. Each rotation cycle lasts 25-30 years, and a widely acknowledged trend is that logging yields in the second cycle is about 15 hoppus tonne (hpt) per hectare, vs 20 hpt/ha in the first cycle.

Main Factors Affecting Operating Activities of Business Segment

DBKL Development Approval Freeze: In November 2017, the Dewan Bandaraya Kuala Lumpur froze approval for new applications to build shopping centres, offices, serviced apartments and luxury condominiums in the capital city following a directive from the Cabinet. These are the primary buildings that use our glass products. The freeze resulted in reduced demand for architectural glass from the capital city. Our Group mitigated this by pursuing sales from other geographic regions.

Entry of foreign glass producers: In April 2017, the first sheet of glass rolled out from the new glass factory belonging to Kibing Group Malaysia, a glass producer from China. The new float glass capacity allowed some of our glass purchasers to purchase their glass needs direct from the new producer.

Known Risks Affecting Operations

Use of foreigners: In 2017, our Group continued to employ foreign workers at our glass processing factory. Historically, the government has either increased the levy imposed on foreign workers, or reduced the quota of work permits issued to foreign workers. The risk pertaining to foreign workers levy materialised in 2017, when the government announced that the levy on foreign workers must now be borne by employers, instead of by workers previously.

Timeliness of Issuance of Logging License: The standard period required to process a logging license is 24 months. In 2017, three of the eight logging licenses took longer than 24 months to be issued. The delay in issuance of these licenses affected the actual tonnage of logs produced against the budgeted quantity. To mitigate this risk, management has re-structured its personnel so that a manager is specifically appointed to be in charge of license approvals.

Annual Allowable Cut ("AAC"): The Group can only harvest logs up to the annual quota given by the Jabatan Perhutanan Negeri Terengganu ("JPNT"), referred to as the AAC. The Group's AAC is 2,600 ha/year but this was temporarily cut to 1,500 ha/year in 2015, and again temporarily cut to 1,987 ha/year in 2017. There is always a risk that similar temporary cuts could be imposed again by the JPNT in the future.

BUSINESS SEGMENT REVIEW

Harvesting and Sawmilling

This segment recorded revenue of RM55.2 million, increased by 37% over the previous year's revenue. Profit before tax for this segment increased to RM7.5 million as compared to loss before tax of RM5.8 million in the preceding year. This favourable performance was contributed by higher sales achievement in sawntimber as a result of better logs extraction in 2017. The improved sawntimber average selling price, where it is the best ever in recent years, also contributed to the better result achieved. 2017, unlike 2015 or 2016, was a notable year for log harvesting because the Group was able to produce log for the entire twelve months, including some minimal quantity during the year-end rainy season.

Glass Processing

Our architectural glass business is a steady revenue contributor, but with thin profits as it operates in a very competitive environment. In 2017, revenue from this segment declined by 11% to RM27.2 million from RM30.6 million in 2016. As a result, profit before taxation reduced to RM0.08 million from RM0.99 million in the previous year. This was primarily due to the softer market environment and stiff competition in the glass industry. The entry of large players from China such as Xinyi Energy Smart Malaysia and Kibing Group Malaysia into the local Malaysian market further intensified competition in this segment.

OUTLOOK AND PROSPECTS

Possible Trend

The Malaysian economy is projected to grow by 5.5 - 6.0% in 2018. Domestic demand will continue to be the anchor of growth, underpinned by private sector activity. Against this generally favourable backdrop, management expects the Group's performance to continue to be stable in 2018.

The glass processing sector however, is anticipating a slowdown in demand in 2018, as construction projects continue to be deferred, on account of glut in certain type of buildings in the Malaysian market. The Group intends to mitigate this by exploring demand in foreign countries.

Prospects of New Business and Investments

One of the new revenue streams that the Group intends to pursue is the veneer and plywood business. To do this, the Group will re-vitalise its dormant plywood factory in Bandar Al-Muktafi Billah Shah. To ensure that the plan to revive the plywood factory is successful, the Group will incur further capital expenditure in 2018 to complete the refurbishment of the production line.

Another new business that the Group intends to pursue is the production of agarwood oil from agarwood (karas) trees from the Karas Plantation in Merchang, Terengganu. The demand for high quality agarwood oil from the Middle East has gained momentum in recent years.

Dividend Policy

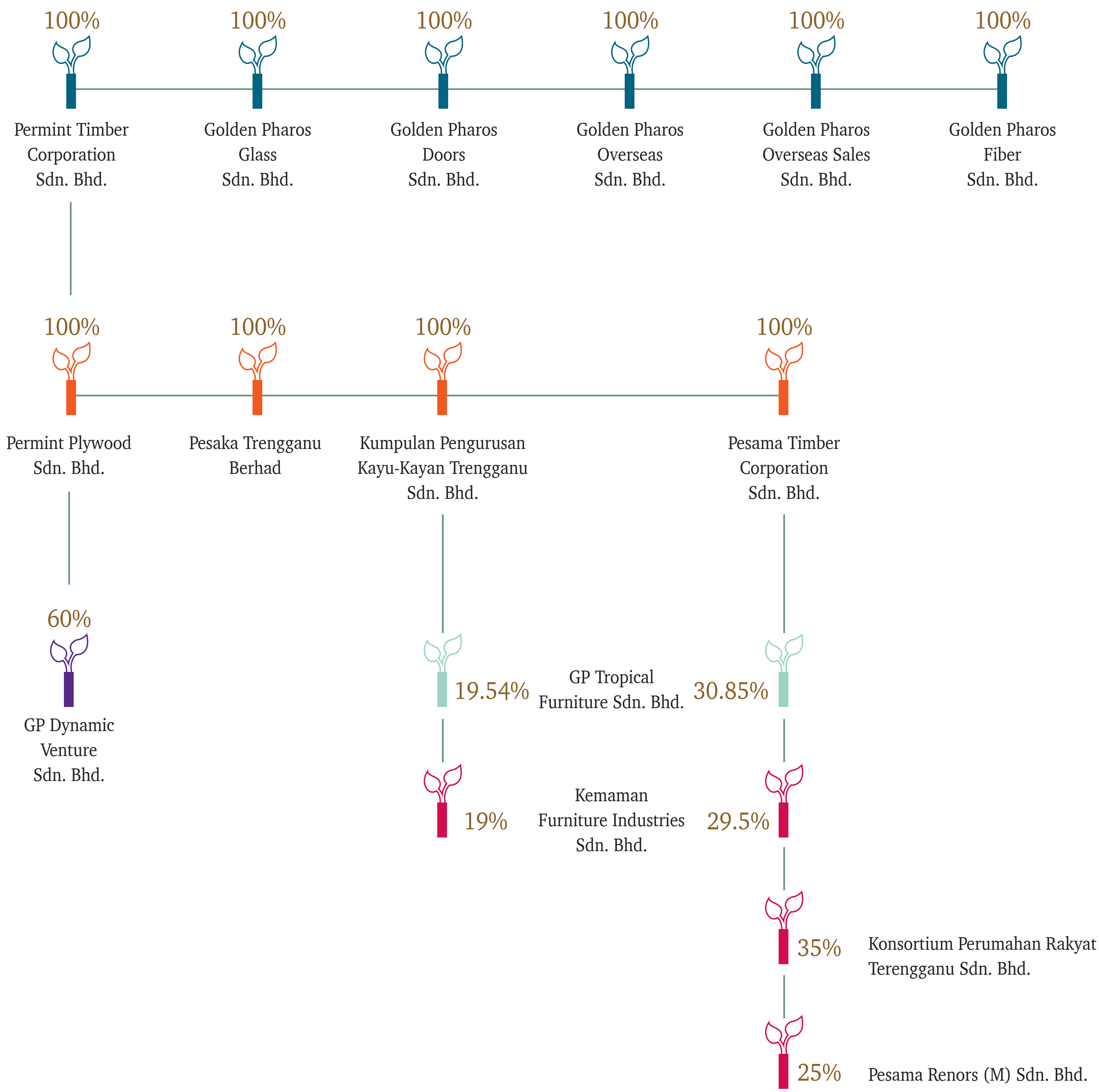
Although the Group for the first time in several recent years managed to register a small profit after tax of RM0.107 million in 2017, the business recovery is not yet strong enough to allow the Group to declare any dividends. As such, the Board of Directors is not recommending any dividends for the financial year ended 31 December 2017.

Our Business Recovery Plan will be in full force in 2018, with many new initiatives to be launched this year, especially those that relate to (1) Unleash dormant assets and (2) Pursue new revenue streams. If the variety of new action plans can be implemented successfully as envisaged, the outlook is positive for continued growth in revenue and profitability for 2018.

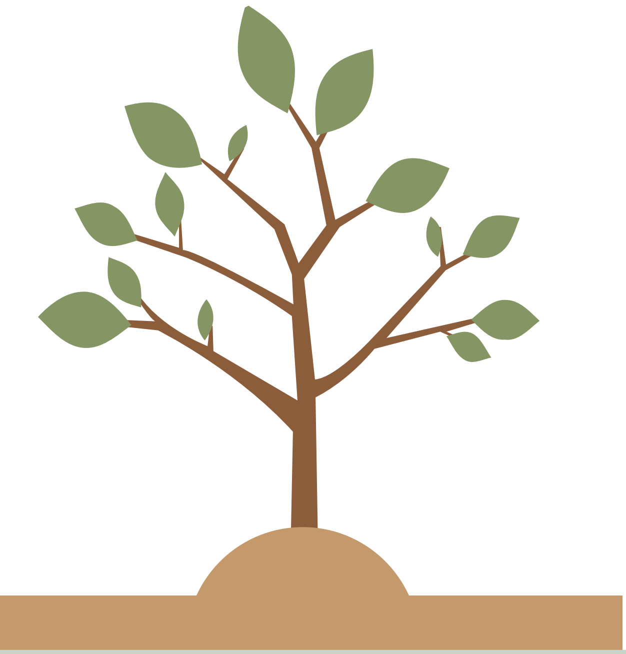
DATO' AHMAD NADZARUDIN BIN ABDUL RAZAK
Chief Executive Officer

Group Structure

GOLDEN PHAROS BERHAD (152205-W)



Environmental Statement



ENVIRONMENTAL POLICY

TIMBER ENVIRONMENT POLICY

Golden Pharos Group will collaborate with all relevant parties and organisations to ensure compliance towards the promotion of good forest management as stipulated under the Forest Stewardship Council ("FSC®") and the Malaysian Criteria and Indicators ("MC&I") for Forest Management Certification ("Natural Forest").

TIMBER SOURCING POLICY

Sourcing of timber is mainly from the Group's own certified forest. In circumstances where the Group had to source from alternative suppliers, the Group insists that the supplies are, where applicable, from certified forests. Timber supply is a very critical factor to the Group's expansion programmes and assured sources of supply, and the ability to process logs into top-quality finished products inexpensively. The Group has undertaken the species segregation initiative in line with the promotion of lesser known species for commercialisation which is encouraged by the Malaysian Government.

ENVIRONMENTAL MANAGEMENT

Kumpulan Pengurusan Kayu-Kayan Trengganu Sdn. Bhd. ("KPKKT"), the Group's timber management subsidiary, adopts the Selective Management System ("SMS") to manage the timber concession area in its role as logs supplier for the consumption of the Group. KPKKT is also responsible to develop and manage its concession in a sustainable manner in accordance with Sustainable Forest Management ("SFM") to ensure that the environment of the concession is well preserved.

In this context, KPKKT as a Forest Management Unit ("FMU") subscribes fully to the MC&I of which the above SMS was incorporated. KPKKT also cooperates with the State Forestry Department to ensure that best management practices in logging are being observed and maintained to meet the requirements of the Malaysian Timber Certification Scheme ("MTCS").

KPKKT has been awarded the FSC® certification endorsement since 21 April 2008, which was applicable for five years, by Scientific Certification Systems ("SCS"), a leader and pioneer in third-party auditing and certification of forest management operations around the world, using the SCS-FSC Interim Standard for Forest Management Certification in Malaysia Version 5.0 2014 for well-managed forests. This certification verifies that KPKKT's tropical forest of 108,900 hectares in Dungun Timber Complex ("DTC") are managed according to the rigorous international standards of the FSC® under a selective cutting approach that maintains continuous forest cover and species diversity.

The certification has been recertified for another five years until 20 October 2018. KPKKT's DTC concession area is the largest and the only forest in Peninsular Malaysia to have the FSC® certification, and only the second natural forest in Malaysia to achieve this distinction.

KPKKT is committed to adopt the National and International Convention on Biological Diversity in order to sustain the richness of flora and fauna in the concession area.

In addition, another subsidiary, Pesama Timber Corporation Sdn. Bhd. ("Pesama"), has successfully obtained the FSC® endorsed certification for its 20,243 hectares Cherul Forest Concession ("CFC") on 10 December 2012 as certified by SCS Global Services. The certification is valid for five years until 6 December 2022.

With the FSC® certification, the Group would be able to access an increasing number of markets and customers that demand environmentally friendly certified products domestically and abroad.

The environmental management system of a subsidiary, Golden Pharos Glass Sdn. Bhd. ("GP Glass"), for the manufacture of tempered, double glazed, laminated and ceramic printed safety glass has been assessed and registered against the provisions of ISO 14001: 2004 International Standard effective 23 February 2012, and remains valid until 10 July 2018.

Beautiful sceneries in our forest concessions that are part of the High Conservation Value Forest ("HCVF")

CHAIN OF CUSTODY CERTIFICATION

The Group's subsidiaries, Pesaka Trengganu Berhad ("Pesaka") and Pesama, have successfully obtained the Chain-of-Custody ("CoC") certification for the sawmills from a third-party certifier accredited by the FSC® since July 2008. With this certification, it means that the wood used in the sawmills come from well-managed forests, independently certified in accordance with the criteria and principles set by the FSC®.

This would also mean that Pesama and Pesaka are well placed to market their sawntimber and other wood based products in markets which insist on wood products to be sourced from sustainable and well managed forests.

HIGH CONSERVATION VALUE FOREST ("HCVF")

KPKKT adopts specific policies to protect the high conservation values in the forests. This includes scientific assessment of species, cultural assessment and conservation plans to protect species or cultural sites that are unique, rare, threatened or endangered. Some of the unique areas are as follows:

- KPKKT's concession area has various invaluable tree species, unique and preserved sites. A Chengal tree located in KPKKT's concession area has been listed in the Malaysia Book of Records as the largest Chengal tree in the world.

- Chemerong Waterfalls which is situated in the KPKKT's concession area is the highest in Malaysia. It thunders magnificently down a 305-metres slope and has the potential to be as a major tourist destination and recreational area.

- The Keruing Sarawak *(Dipterocarpus sarawakensis)*, which is also a rare and endangered species, has been found in the KPKKT's Forest Reserve and has been plotted as a protected area.

- KPKKT has also delineated some areas exceeding 1,000 metres above sea level as a Totally Protected Area which are not harvestable. These areas will provide natural habitat especially for a wildlife sanctuary.

SOCIAL IMPACT ASSESSMENT ("SIA")

Concerned with the well-being of the local communities, KPKKT and Pesama have been carrying out social impact assessment exercises since 2009 in the effort to identify the problems faced by the communities and to determine appropriate mitigation strategies to address them. The issues raised include river water quality, damage to crops by wildlife and road safety especially to school children. Specific mitigation measures were proposed and taken by KPKKT via regular consultation with the relevant authorities and local communities. As part of its continuous improvement process, KPKKT has taken the initiative to review and update the earlier impact assessment exercises annually.

Board of Directors' Profile

DATO' HAJI MUHAMMAD PEHIMI BIN YUSOF
Non-Independent Non-Executive Chairman

Age 55

Dato' Haji Muhammad Pehimi bin Yusof was appointed as the Chairman of Golden Pharos Berhad ("GPB") and Chairman of the Nomination & Remuneration Committee following his appointment as a Director on 1 July 2016.

He obtained a Degree in Agriculture Management from University Pertanian Malaysia and holds a Master of Art in Social Works from University Utara Malaysia. He has held significant positions in government agencies and NGOs and has served among others as the Board of Trustees member of Yayasan Islam Negeri Terengganu. He is currently the Jertih Assemblyman and State Exco for Agriculture, Agro-based Industry, Plantations and Commodities.

He is also the Chairman of Konsortium Perumahan Rakyat Terengganu Sdn. Bhd. and holds directorships in Desa Bina Industries Sdn. Bhd. and Jasa Bakti Sdn. Bhd.

Board of Directors' Profile (continued)

DATO' HAJI A. RAHMAN BIN YAHYA
Non-Independent Non-Executive Director

Age 59

Dato' Haji A. Rahman bin Yahya was appointed as a Director and a member of the Audit Committee of GPB on 22 February 2017.

He holds a Bachelor of Economics with Honours from Universiti Kebangsaan Malaysia and Advanced Diploma from the University of Wales College Newport, United Kingdom. Dato' Haji A. Rahman commenced his career with the Terengganu Economic Planning Unit in 1983 and later moved on to hold various significant positions in the Terengganu government agencies. He has served among others as the Deputy State Financial Officer, President of Kemaman Municipal Council, Deputy Director of Terengganu Economic Planning Unit and Comptroller of the Royal Household, Office of His Royal Highness the Sultan of Terengganu.

He has served in several organisations such as Tesdec Sdn. Bhd. as the Executive Director from 1998 to 2004 and Terengganu State Economic Development Corporation as the General Manager from 3 January 2016 to 4 September 2016. On 5 September 2016, he was appointed as the Deputy State Secretary (Development)/Director of Terengganu Economic Planning Unit and on 1 February 2017, was further promoted to his current position as the State Financial Officer. He is also a member of Lembaga Tabung Amanah Warisan Negeri Terengganu, the Terengganu Islamic Religious and Malay Customs Council, and sits on the Board of Terengganu Incorporated Sdn. Bhd. which is the main shareholder of GPB.

DATO' SABRI BIN MOHD NOOR
Non-Independent Non-Executive Director

Age 54

Dato' Sabri bin Mohd Noor was appointed to the Board of GPB on 28 August 2014. He holds a Diploma in Quantity Surveying from Federal Institute of Technology College.

He has served in various positions in associations including Setiu Anti-Drug House Commodities and members of Setiu Hospital Visitors Council. He is also the Chairman of Setiu Welfare Association and Chairman of Setiu Malay Contractors Association. He is currently the State Assemblyman of Langkap.

Board of Directors' Profile (continued)

DATO' HAJI MOHAMAD NOR BIN IBRAHIM
Non-Independent Non-Executive Director
Age 61

Dato' Haji Mohamad Nor bin Ibrahim was appointed to the Board of GPB on 28 August 2014. He holds a Bachelor of Economic (Hons) from University of Malaya.

He has served in various positions in the Terengganu State Civil Service as the District Officer of Setiu and Kemaman, President of Hulu Terengganu District Council and Director of Sports Council Terengganu. He retired from the Civil Service on 11 August 2016. His last post was as the Director of Lands and Mines.

HAJI JUSOH BIN ALI
Independent Non-Executive Director
Age 65

Haji Jusoh bin Ali was appointed to the Board of GPB on 7 April 2010. He holds a Diploma in Accountancy from University Technology MARA, a Fellow of the Association of Chartered Certified Accountants ("FCCA") United Kingdom and a member of the Malaysian Institute of Accountants ("MIA").

He was appointed as the Chairman of the Audit Committee on 25 May 2010 and is also a member of the Nomination & Remuneration Committee of the Board. He has served in various positions in the financial sector including Accounts Officer of Terengganu Foundation, Accountant of Central Terengganu Development Authority ("KETENGAH") and Accountant of Terengganu Public Works Department.

ROSLI BIN ABD RAHMAN
Independent Non-Executive Director

Age 53

Rosli bin Abd Rahman was appointed to the Board of GPB on 28 August 2014. He graduated with a Law Degree (Hons) from University Malaya. He is a member of the Audit Committee and the Nomination & Remuneration Committee of the Board.

He has been practicing in several legal firms before joining corporate institutions as Legal and Corporate Advisor as well as Company Secretary. He was previously a Legal Advisor to several companies. He is currently attached to messrs. Lachaman Lalchaland & Associates as a partner and also sits on the Board of YaPEIM Smart Venture Sdn. Bhd.

HAJI ZAINUDIN BIN ABU BAKAR
Independent Non-Executive Director

Age 50

Haji Zainudin bin Abu Bakar was appointed to the Board of GPB on 1 July 2016 and as a member of the Nomination & Remuneration Committee on 30 August 2016. He holds a Bachelor of Science (Major in Statistics and Minor in Economics) from Concordia University, Montreal, Canada.

Upon graduation, he began his career in Sumitomo Electronic as a Quality Assurance/Quality Control Executive before joining Public Bank Berhad as Assistant Branch Manager in 1993. He has also served in various positions in associations including Section Head for Yayasan Gerak Bakti Kebangsaan and Event Manager for Majlis Tindakan Pelancongan Negeri Terengganu. Currently he is the General Manager of Seri Ibai (M) Sdn. Bhd.

Notes:

(i) None of the Directors has any family relationship with any Director and/or major shareholder nor has any conflict interest with GPB.

(ii) None of the Directors has any convictions for any offences within the past 5 years nor has been imposed of any public sanction or penalty by any relevant regulatory bodies during the financial year ended 31 December 2017.

Chief Executive Officer's Profile

DATO' AHMAD NADZARUDIN BIN ABDUL RAZAK
Chief Executive Officer

Age 50

Qualification(s):

- Master of Business Administration, University of Warwick, England
- Bachelor of Business Administration (Finance), University of Houston, USA

Working Experiences:

- Before joining GPB on 13 September 2017, Dato' Nadza Abdul was the Group Managing Director at Panglima Group of Companies, a company involved in natural resources with presence in Malaysia, Laos and Indonesia.
- He has held a string of senior leadership positions in prominent Malaysian conglomerates and Government Link Corporations ("GLCs").
- He was the Head of Services Division at DRB-Hicom Berhad in charge of Puspakom and Alam Flora.
- Prior to that, he was the Chief Operating Officer of PosLaju National Courier, the General Manager of Corporate Planning at Pos Malaysia Berhad and the Head of Corporate Affairs at Prolink Development, a subsidiary of Renong Berhad.
- He started his career in Corporate Finance with Asian International Merchant Bankers Berhad.

Group Senior Management

DATO' AHMAD NADZARUDIN BIN ABDUL RAZAK
Chief Executive Officer

ZULKIFLI BIN OMAR
Head of Corporate Services & Business Development
Golden Pharos Berhad

SYUKRI BIN ALI
Head of Finance and Treasury
Golden Pharos Berhad

HAJI MUHAMAD BIN SULONG
Head of Internal Audit
Golden Pharos Berhad

WAN ZUHAIRIAH BINTI WAN ALI @ WAN DAMSEK
Head of Human Resource & Administration
Golden Pharos Berhad

SURAYA BINTI MOHD HAIRON
Head of Company Secretarial
Golden Pharos Berhad

LIM SING TIONG
Head of Subsidiary
Golden Pharos Glass Sdn. Bhd.

SUHAIRI BIN SULONG
Head of Subsidiary
Kumpulan Pengurusan Kayu-Kayan Trengganu Sdn. Bhd.

MOHD SHAMSOL BIN MOHD SHAFIE
Head of Subsidiary
Pesama Timber Corporation Sdn. Bhd.

HAJI WAN MOHD SHUHAIMI BIN WAN AZIZ
Head of Subsidiary
Permint Plywood Sdn. Bhd.

HILMI BIN AWANG
Head of Subsidiary
Pesaka Trengganu Berhad

Group Senior Management Profile

ZULKIFLI BIN OMAR
Head of Corporate Services & Business Development
Golden Pharos Berhad

Age 49

Qualification(s):

- Member of Malaysian Institute of Accountants
- Fellow of the Association of Chartered Certified Accountants ("ACCA")
- ACCA, Emile Woolf College of Accountancy & University of Northumbria at Newcastle, United Kingdom
- Diploma in Accountancy, Universiti Teknologi MARA

Working Experiences:

- More than 22 years of professional experience in the areas of audit, accounting, finance and business advisory. Before joining GPB in 2004, he worked for Arthur Andersen & Co as Assistant Manager for Eastern Region and Head of Finance and Administration at PTB Land Sdn. Bhd.
- His current position is Senior Manager of Corporate Services & Business Development.

SYUKRI BIN ALI
Head of Finance and Treasury
Golden Pharos Berhad

Age 43

Qualification(s):

- Member of Malaysian Institute of Accountants
- Master of Business Administration, Universiti Kebangsaan Malaysia
- Bachelor of Accountancy (Hons), Universiti Teknologi MARA
- Diploma in Accountancy, Universiti Sultan Zainal Abidin

Working Experiences:

- Commenced his career in 1999 with Permint Plywood Sdn. Bhd where he held various positions and was assigned to a few companies within the GPB group.
- Presently, he is the Group Finance Manager of GPB and has been heading the finance department since 2015.

HAJI MUHAMAD BIN SULONG
Head of Internal Audit
Golden Pharos Berhad

Age 55

Qualification(s):

- Master of Business Administration, Universiti Kebangsaan Malaysia
- Bachelor of Business Administration, Universiti Kebangsaan Malaysia
- Diploma in Banking Studies, Universiti Teknologi MARA

Working Experiences:

- Joined GPB in June 2008 as Manager and Head of Internal Audit Department.
- Prior to joining the Company, he has extensive experience in Audit and Human Resources with Syarikat Takaful Malaysia Berhad and Employees Provident Fund ("EPF").
- He is currently the Head of Internal Audit of GPB.

WAN ZUHAIRIAH BINTI WAN ALI @ WAN DAMSEK
Head of Human Resource & Administration
Golden Pharos Berhad

Age 43

Qualification(s):

- Bachelor Degree of Human Resource Management (Hons.), Universiti Utara Malaysia
- Diploma in Personnel Management, Universiti Sultan Zainal Abidin

Working Experiences:

- Began her career with GPB in October 2006 as Senior Executive of Human Resource & Administration.
- Held the position as Assistant Manager Human Resource & Administration in January 2009, before being promoted to her current position as Human Resource & Administration Manager in January 2012.
- Has 15 years of experience in the field of human resources management and is a member of the panel which represents employers in the Industrial Court.

SURAYA BINTI MOHD HAIRON
Head of Company Secretarial
Golden Pharos Berhad

Age 43

Qualification(s):

- Professional stage of Institute of Chartered Secretaries & Administrators, UK
- Bachelor of Business Administration (Hons) Finance, Open University Malaysia
- Licensed by the Companies Commission of Malaysia

Working Experiences:

- Started her career with GPB in 2012 as Assistant Manager and also serves as Joint Company Secretaries for dormant companies under GPB Group. Prior to joining GPB, she worked as Assistant Tax Manager in S.T. Toh & Co. and was also a company secretary to several private limited companies. She has over 15 years of professional experience in taxation and accounting.
- In 2017, she was promoted to Manager and was appointed as Company Secretary of GPB and its Group of Companies.

LIM SING TIONG
Head of Subsidiary
Golden Pharos Glass Sdn. Bhd.

Age 59

Qualification(s):

- Fellow of the Association of Chartered Certified Accountants, United Kingdom
- Member of Malaysian Institute of Accountants
- Master of Business Administration, Central Queensland University, Australia

Working Experiences:

- Began his career with GPB in 1984 and has since held several significant positions within the GPB Group and has vast experiences in accounting, finance and management.
- He has held the position of General Manager within GPB Group before being promoted to his current position as Senior General Manager in 2009.

SUHAIRI BIN SULONG
Head of Subsidiary
Kumpulan Pengurusan Kayu-Kayan Trengganu Sdn. Bhd.

Age 46

Qualification(s):

- Member of the Malaysian Institute of Accountants
- Bachelor of Accountancy (Hons), Universiti Utara Malaysia

Working Experiences:

- Joined the GPB Group as Finance Manager in Pesama Timber Corporation Sdn. Bhd. and since held various key positions within the group. Before joining GPB Group, he was attached to a Public Accounting Firm, Arthur Andersen & Co. as senior auditor.
- He was later appointed to the position of General Manager of Corporate & Finance in 2012 and was reassigned as General Manager of Pesama Timber Corporation Sdn. Bhd. in 2015. He was subsequently nominated to be General Manager of KPKKT and was promoted as Senior General Manager in 2017.

MOHD SHAMSOL BIN MOHD SHAFIE
Head of Subsidiary
Pesama Timber Corporation Sdn. Bhd.

Age 46

Qualification(s):

- Master of Business Administration, Universiti Teknologi MARA
- Bachelor of Business Administration (Hons) Marketing, Universiti Teknologi MARA
- Diploma in Planting Industry and Management, Universiti Teknologi MARA

Working Experiences:

- More than 22 years of working experiences in the areas of marketing and sales in various private companies.
- Joined Golden Pharos Glass Sdn. Bhd. in 2001 as a Marketing & Sales Executive and held various posts within the Group. He was promoted as an Assistant General Manager of Pesaka Trengganu Berhad in 2006. Currently, he is the General Manager of Pesama Timber Corporation Sdn. Bhd.

Group Senior Management Profile (continued)

HAJI WAN MOHD SHUHAIMI BIN WAN AZIZ
Head of Subsidiary
Permint Plywood Sdn. Bhd.
Age 55

Qualification(s):

- Bachelor Degree in Forestry Science, Universiti Pertanian Malaysia
- Diploma in Wood Technology, Universiti Teknologi MARA

Working Experiences:

- Began his career with Kumpulan Pengurusan Kayu-Kayan Trengganu Sdn. Bhd. in 1993 as Assistant Manager Planning & Research and was subsequently promoted as Manager in 2008. In November 2008, he worked for Forest Plantation Development Sdn. Bhd. as the General Manager of Plantation Forest (Technical).
- He rejoined GPB in the same year as Assistant General Manager, Strategic and Process Improvement before assuming his current position as Deputy General Manager of Permint Plywood Sdn. Bhd.

HILMI BIN AWANG
Head of Subsidiary
Pesaka Trengganu Berhad
Age 50

Qualification(s):

- Diploma in Forestry, Universiti Pertanian Malaysia

Working Experiences:

- Started his career with Pesama Timber Corporation Sdn. Bhd. in July 1992 and has since held several significant positions within the GPB Group.
- He went on to be the Assistant General Manager of Pesama in 2010 before being appointed to his current position as an Acting General Manager of Pesaka. He has more than 24 years of experience in Marketing and Operations as well as Sales.

Notes:

(i) None of the Senior Management has any family relationship with each other or with any major shareholder nor has any conflict of interest with GPB.

(ii) None of the Senior Management has any convictions for any offences within the past 5 years.

Corporate Highlights

17 May 2017

25 May 2017


27 May 2017

7 June 2017


1 July 2017

17 May 2017

A subsidiary, Golden Pharos Glass Sdn. Bhd. won the "Company of the Year" award during Terengganu Incorporated Excellence Award 2017 ceremony.

25 May 2017

Golden Pharos Berhad 30th Annual General Meeting was held in Kuala Terengganu.

27 May 2017

Distribution of Bubur Lambuk during Ramadhan 1438 Hijrah.

7 June 2017

Payment of GPB Group's Zakat for the Financial Year ended 2016 to Majlis Agama Islam dan Adat Melayu Terengganu ("MAIDAM").

1 July 2017

GPB participated in the State Hari Raya celebration with YAB Menteri Besar Terengganu at Seberang Takir, Kuala Nerus.

Corporate Highlights (continued)


14 August 2017


31 August 2017

13 September 2017


11 October 2017


15 - 16 October 2017


29 October - 1 November 2017

14 August 2017

Trainings conducted.

31 August 2017

GPB participated in the Terengganu State Merdeka Day Parade.

13 September 2017

Dato' Nadza Abdul appointed as the new Chief Executive Officer of Golden Pharos Berhad.

11 October 2017

Strategic Business Plan Challenge held in Kuala Lumpur.

15 - 16 October 2017

Camping at Sg. Kelemin (in our concession) with the Chief Executive Officer.

29 October - 1 November 2017

FSC® audit at Cherul Forest Concession.

6 - 8 November 2017

11 December 2017

25 January 2018

1 December 2017

17 February 2018

6 - 8 November 2017

FSC® audit at Dungun Timber Complex.

1 December 2017

GPB participated in the Terengganu Maulidur Rasul Parade.

Preparing as-syura dishes at a subsidiary's compound.

11 December 2017

Trainings conducted.

25 January 2018

Friendly Bowling Match between GPB Group and the Terengganu State Forestry Department.

17 February 2018

Visited the largest Chengal tree in the world which is located in our concession area.

Corporate Highlights (continued)


7 March 2018


13 - 15 March 2018

24 - 26 March 2018

7 March 2018

MOU signing ceremony between GPB and Forest Research Institute of Malaysia ("FRIM") witnessed by YAB Menteri Besar of Terengganu.

13 - 15 March 2018

Industry related factory visits.

24 - 26 March 2018

Chemerong-Berembun-Lansir ("CBL") expedition in Hulu Dungun.

Achieving excellence not only in business but also as a responsible corporate citizen in the areas where we operate, has always been the prime focus of the Group.

ENVIRONMENT

Being an integrated timber manufacturer, the Group promotes logging best management practices and ensure strict compliance to the Forest Stewardship Council ("FSC®") and the Malaysian Criteria and Indicators ("MC&I") for Forest Management Certification ("Natural Forest").

The Environment Impact Assessment ("EIA"), Environmental Management Plan ("EMP") and Forest Management Plan ("FMP") has been put in place to monitor and improve environmental performance on a regular and continuous basis to ensure sustainability of the forest.

In 2013, the Group via a subsidiary has entered into a tripartite conservation agreement with Tesco Store (Malaysia) Sdn. Bhd.("Tesco") and Malaysian Timber Industry Board ("MTIB") to conserve, protect and manage a plot of land owned by the subsidiary by planting approximately 25,000 Karas trees as part of Tesco's Greener Earth programme.

Specific policies have also been adopted to protect high conservation values in the forest concession of the Group i.e. Gunung Mandi Angin (flora and fauna), Chemerong Waterfalls (highest in Malaysia), Rafflesia and Keruing Sarawak (rare and endangered species) and the largest Chengal tree in the world. The Group has also delineated some areas exceeding 1,000 metres above sea level as a Totally Protected Area which are not harvestable. These areas will provide natural habitat especially for a wildlife sanctuary.

The Group's two forest concessions, namely Dungun Timber Complex ("DTC") and Cherul Forest Concession ("CFC"), have been awarded the FSC® endorsed certification on 21 April 2008 and 10 December 2012 respectively for well-managed forests. The certification of DTC and CFC is valid until 20 October 2018 and 6 December 2022 respectively. This certification verifies that the Group's forests are managed according to the rigorous international standards of the FSC® and shows the commitment of the Group in promoting best logging practices for all its forest concession area.

COMMUNITY

The Group believes that the local community plays an important role in supporting the business activities of the Group and has sought to give back to the community where it operates through its initiatives in education and support of the underprivileged.

The Group, through its subsidiaries, has contributed to the local communities, organizations and various stakeholders and also participated in community services and activities within the vicinity of its operations throughout 2017.

MARKETPLACE

The Group promotes ethical and good governance in all areas of its business activities. The Group, through its wholly-owned subsidiaries, Kumpulan Pengurusan Kayu-Kayan Trengganu Sdn. Bhd. and Pesama Timber Corporation Sdn. Bhd., has obtained FSC® certification since April 2008 (which was recertified for another five years until 20 October 2018) and December 2012 (recertified for another five years until 6 December 2022) respectively.

In addition, the environmental and quality management system of a subsidiary, Golden Pharos Glass Sdn. Bhd., for its manufacturing and processing activities are certified under ISO 9001-2008 and ISO 14001:2004. The above certificates help the Group in staying competitive in the marketplace. It signals the marketplace that the Group is a responsible company.

WORKPLACE

The Group believes that human capital development is very important to ensure that the Group has the right and relevant skill sets and knowledge in ensuring business sustainability and growth. As such, the Group has conducted trainings with emphasis on quality and also sent employees for various external courses for the employees to improve their quality of work and workplace further.

The Group is committed to ensuring the safety and health of all our employees and customers, which is demonstrated by our endeavours to integrate Occupational Safety and Health ("OSH") practices into the business practices and strategy at all times. This transcends the Group's statutory duty to ensure full compliance with all relevant legislation as well as create and sustain a work culture and environment where safety and health are the priority.

The Group has conducted and sent its employees at various levels to a variety of training programmes during 2017 with the aim of promoting teamwork, acquiring skills in innovation, integrity, creativity and competitiveness, and also enhancing communication skills and better working spirit among employees.

Transparency

Corporate Governance Overview Statement

This statement describes how Golden Pharos Berhad ("GPB") has applied the practices and complied with the principles of the Malaysian Code on Corporate Governance ("MCCG") 2012 (and wherever possible the practices of MCCG 2017) during the financial year under review.

Principle A	Principle B	Principle C
Board Leadership & Effectiveness	**Effective Audit & Risk Management**	**Integrity in Corporate Reporting & Meaningful Relationship with Stakeholders**
• Roles of the Board, the Chairman & Chief Executive Officer and the Company Secretary • Board Composition • Board Independence • Tenure of Independent Directors • Board Diversity • Appointment of Directors • Re-election & Re-appointment of Directors • Performance Evaluation • Meetings and Time Commitment • Board Conduct, Board Charter and Code of Ethics • Directors' Training & Development • Leadership Succession • Remuneration	• Audit Committee • Risk Management and Internal Control Framework	• Communication with Stakeholders • Conduct of General Meetings

PRINCIPLE A: Board Leadership and Effectiveness

Roles of the Board

The Board's pivotal role is to lead and establish GPB Group's vision, strategic direction, key policies and framework, including the management of the succession planning process of the Group and the appointment of key senior management. In view thereof, the Board's roles and responsibilities include but are not limited to the following:

- Reviewing and approving the strategic business plans of the Group developed by Management in alignment with the approved risk appetite and taking into account the sustainability of the Group's businesses. This encompasses the annual budget, medium term aspirations, new investments/divestments as well as mergers and acquisitions.

- Overseeing the conduct of the business to ascertain its proper management including setting clear objectives and policies within which senior executives are to operate.

- Identifying and approving policies pertaining to the management of all risk categories including but not limited to credit, financial, market, liquidity, operational, legal and reputational risks.

- Reviewing the adequacy and the integrity of internal controls and management information systems, including systems for compliance with applicable laws, rules, regulations, directives and guidelines.

- Reviewing the leadership and succession planning of the Group with a view to ensuring the Group's continued ability to sustain and compete effectively in the market.

- Serving as the ultimate approving authority for all significant financial expenditure.

- Promoting sound corporate culture and overseeing the Group's adherence to high standards of conduct, ethics and corporate professional behaviour.

Roles of the Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive Officer remain separate and distinct. The Chairman of the Board is non-independent and non-executive. The Chairman plays an important leadership role within the Group and is responsible for:

- Setting the agenda for meetings of the Board that focus on strategic direction and performance.
- Maintaining on-going dialogue and relationship of trust with and between the Directors and Management.
- Ensuring clear and relevant information is provided to Directors in a timely manner.
- Ensuring sufficient time is allowed for the discussion of complex or critical issues.

The Board delegates the authority and responsibility for managing the everyday affairs of the Group to the Chief Executive Officer, and through him and subject to his oversight, to other Senior Management. The Board monitors the performance of the Chief Executive Officer on behalf of the shareholders.

Role of the Company Secretary

The Company Secretary reports directly to the Board and is the source of guidance and advice to the Directors on areas of corporate governance, relevant legislation, regulations and policies, besides ensuring compliance with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and other regulatory requirements.

The Company Secretary attends Board and Board Committees meetings and is responsible for the accuracy and adequacy of records of the proceedings of Board and Board Committees meetings and resolutions.

The Company Secretary also serves closed period notices to Directors and Senior Management for trading in the Company's shares and briefs the Board on the content and timing of sensitive or material announcements to Bursa Securities.

Board Composition

The Board is chaired by a Non-Independent Non-Executive Director and currently comprises seven (7) Directors, four (4) of whom are Non-Independent Non-Executive Directors, three (3) Independent Non-Executive Directors. The Board continues to achieve a balance of skills, knowledge, experience and perspective among its Directors. The profiles of the Directors are set out on pages 18 to 21 of this Annual Report.

The Directors collectively provide the necessary mix of knowledge, skills and experience in key areas. These include accountancy, finance, risk management, governance, economics, international relations, human resource, and information technology amongst others.

Changes to the composition of the Board during the financial year under review were as follows:

- Dato' Haji A. Rahman bin Yahya appointed on 22 February 2017.
- Dato' Haji Wan Nawawi bin Haji Wan Ismail resigned on 22 February 2017, having been on the Board for more than 2 years.

Board Independence

The Independent Non-Executive Directors bring with them a variety of relevant experience that enables them to exercise independent judgement and to participate objectively in the proceedings and decision-making processes of the Board.

Decision-making on key issues regarding the Company and its subsidiaries is deliberated by the Directors. Board decisions are made taking into account the views of the Independent Non-Executive Directors, which carry substantial weight.

They fulfil their roles in ensuring that strategies proposed by the Management are discussed and examined as well as ensuring that the interest of shareholders and stakeholders of the Company are safeguarded.

The Board also believes that each independent director has retained their independence throughout the tenure and had not in any circumstances formed any association with Management that might compromise their ability to exercise independent judgement which ultimately affects the interest of stakeholders.

Tenure of Independent Directors

The Company's Board Charter states that an Independent Non-Executive Director shall not serve more than a cumulative term of nine (9) years.

As at the date of this Statement, none of the Independent Directors has served more than nine (9) years on the Board. This is in line with the MCCG and the Company's Board Charter.

Board Diversity

The Board acknowledges the importance of Board diversity, including gender, ethnicity, age and business experience, to the effective functioning of the Board.

While it is important to promote such diversity, the normal selection criteria of a Director, based on effective blend of competencies, skills, extensive experience and knowledge in areas identified by the Board should remain a priority so as not to compromise on the effectiveness in carrying out the Board's functions and duties. Hence, the Board is committed to ensure that its composition not only reflects the diversity as recommended by MCCG, as best as it can, but also has the right mix of skills and balance to contribute to the achievement of the Group's goals.

The Board currently has no female Director and the Board is actively searching for an additional female Director.

Appointment of New Directors

The Company's Constitution permits the Board to appoint a person to be a Director of the Company at any time, either to fill a casual vacancy or as an addition to the existing Directors, not exceeding nine (9). The policies and procedures for new appointments are as follows:

Policies

a. The Nomination and Remuneration Committee ("NRC") will establish the minimum requirements on the skills and core competencies of a Director based on the annual review of the required mix of skills, experience and core competencies within the Board as well as to ascertain the 'fit and proper' criteria for each Director.

b. When assessing a person for nomination to the Board, the qualifications and skills to be considered by the NRC shall include, but are not limited to:

   - Whether or not the person qualifies as a Director who is 'independent' under applicable laws and regulations, including applicable provisions of the MMLR of Bursa Securities, and whether the person is qualified under applicable laws and regulations to serve as a Director of the Company.
   - Whether or not the person meets the 'fit and proper' criteria under applicable laws and regulations.
   - Whether or not the person is willing to serve as a Director and to commit the time necessary to perform the duties as a Director.
   - The contribution that the person can make to the Board and to the overall desired Board composition, taking into account the person's business experience, education and such other factors as the Board may consider relevant.
   - The character and integrity of the person.

c. The NRC may identify Director candidate(s) using executive search firms and/ or via recommendation from other Directors.

Procedures

a. The NRC will perform a preliminary assessment of potential candidates based on referrals from executive search firms or other Directors.

b. NRC will assess the suitability in terms of technical expertise, experience and the behavioural and culture fit with the Board in addition to ascertain the candidates' interest, availability and terms of appointment and will be tabled at the NRC for further discussion and deliberation on whether candidates are suitable to be recommended to the Board for appointment.

c. The Board will deliberate on the recommended candidate(s) and, if deemed appropriate appoint the candidate.

d. Upon appointment of the candidate, a letter of appointment will be signed off by the Chairman of the Company and issued to the candidate(s).

Director Induction

a. Newly appointed Board members would attend the Company's Induction Programme which includes Mandatory Accreditation Programme as required by MMLR.

b. The new Board members are fully briefed on the terms of their appointment, duties and responsibilities, as well as on the nature, operations and current issues of the Company.

c. The NRC will review the induction processes on a periodic basis to ensure that all pertinent information is provided to Directors, and that adequate time had been given for Directors to familiarise themselves with the Company, its Board and operations.

Re-election and Re-appointment of Directors

A candidate who is appointed as Director of the Company must seek re-election by shareholders at the next Annual General Meeting (AGM). The Constitution of the Company further provides for the rotation of Directors whereby one third or more of the Directors are to retire at every AGM of the Company and that all Directors must retire at least once in three (3) years and shall be eligible for re-election.

Directors who are due for re-election at the forthcoming AGM, who have given their written consent to be re-appointed, are as set out in the Notice of the AGM.

Directors who are due for re-election/re-appointment are also subject to the following policies and procedures:

Policies

a. Retirement of Directors by rotation will follow the requirements stipulated in the constitution of the Company.

b. Tenure of Directorship will follow the requirements stipulated in the MCCG 2017.

Procedures

a. The NRC will assess the performance and contribution of each Director to the Board and Board Committees based on the results of the annual Board Assessments and individual Directors' self and peer assessment.

b. The NRC will consider the current Directors in the same manner as other candidates, taking into consideration the Director's performance during his or her term, including consideration of the following factors:

   - Compliance with governing legislation, regulations or guidelines, particularly conflict of interest, confidentiality, fit and proper criteria, and duty of care provisions.
   - Whether or not an independent director still qualifies as 'independent' under applicable laws and regulations, including applicable provisions of the MMLR of Bursa Securities.

c. Based on the assessment results, the NRC will recommend the Directors seeking re-appointment/re-election to the Board, who will then recommend to the shareholders for approval at the AGM.

Performance Evaluation

As the Board is ultimately responsible for the oversight of the Management, the Board has, through the NRC, annually reviewed the Management on overall performance, compliance and governance of the Group. As a result, the Board and Board Committees have been evaluated based on the expectation of their duties in a manner which should create and continue to build sustainable value for shareholders and in accordance with duties and obligations imposed upon them under the law and guidelines issued by the regulatory authorities.

The Board observes the recommendation by the MCCG 2017 in ensuring that the independent Directors bring independent and objective judgement to the Board deliberations. Accordingly, the Board assisted by the NRC the independent Directors on an annual basis. In addition, the independent Directors affirm their independence annually to the Board.

The Board with the assistance of the NRC also assesses the effectiveness of the Board as a whole and the Board Committees, and the contribution of each individual Director, including Independent Directors, and of each individual member of the Audit Committee on an annual basis. All assessments and evaluations carried out by the NRC in discharging its duties in accordance with the criteria and procedures set out in the Board Charter were also properly documented.

The assessment of individual Directors considered the contribution and performance of Directors as regards to their experience, competencies, integrity and commitment, and integrity in meeting the requirements of the Group.

The results of the Boards Assessments exercise will be presented to the NRC and Board to enable the Board to identify and put in place actions to address areas for improvement.

Meetings and Time Commitment

The calendar of meetings of the Board and Board Committees is drawn up and distributed to the Board in the quarter preceding the beginning of the new calendar year. This is to enable the members of the Board to meet the time commitment for the meetings.

In addition to the above, all Directors of the Company have complied with the MMLR of Bursa Securities of not holding more than five (5) directorships in listed issuers at any given time. This is to ensure the Directors do not have competing time commitments that may impair their ability to discharge their responsibilities effectively.

The Board meets a minimum of five (5) times per year, wherein Board papers and reports are circulated to the Directors not later than five (5) days preceding each meeting to allow the Directors sufficient time to review and peruse the Board papers and reports from the Management or if deemed necessary to seek independent professional advice at the Group's expense. Additional Board meetings are convened whenever necessary. The Senior Management of the subsidiaries is invited to attend Board meetings to provide presentations and detailed explanations on matters to be tabled.

At Board meetings, the Chairman encourages constructive and healthy debates, and Directors are free to express their views. Any Director who has a direct or deemed interest in a material transaction or material arrangement shall be excused from the Board meeting where the material transaction or material arrangement is being deliberated by the Board. Decisions of the Board are made unanimously or by consensus with dissenting views raised by any Director being recorded in the Minutes of meetings.

The Directors' commitment to carry out their duties and responsibilities is affirmed by their attendance at the Board meetings held during the financial year ended 31 December 2017 (FY17) as set out below. Seven (7) Board meetings were held during FY17.

	No. of Board Meetings		
Name of Directors	**Held During Tenure in Office**	**Attendance**	**%**
Dato' Haji Muhammad Pehimi bin Yusof *(Chairman)*	7	7	100
Dato' Sabri bin Mohd Noor	7	4	57
Dato' Haji Mohamad Nor bin Ibrahim	7	5	71
Haji Jusoh bin Ali	7	7	100
Rosli bin Abd Rahman	7	7	100
Haji Zainudin bin Abu Bakar	7	7	100
Dato' Haji A. Rahman bin Yahya *(Appointed w.e.f 22/2/2017)*	6	4	67
Dato' Haji Wan Nawawi bin Haji Wan Ismail *(Resigned w.e.f 22/2/2017)*	1	0	0

Board Committees

The Board delegates certain responsibilities to the Board Committees. The Committees that assist the Board are as follows:

a. Nomination and Remuneration Committee

b. Audit Committee

The criteria for membership are based on a Director's skills and experience, as well as their ability to add value to the Board Committee.

The Chief Executive Officer and other Senior Management are invited to attend relevant Board Committee meetings.

a. Nomination and Remuneration Committee (NRC)

The Committee comprises four (4) members, majority are Independent Non-Executive Directors and is chaired by Dato' Haji Muhammad Pehimi bin Yusof. The Committee is responsible for:

- Regularly reviewing the overall composition of the Board, in terms of the appropriate size, skills, experience, qualification and diversity in terms of gender, ethnicity and age, as well as the balance between Executive Directors, Non-Executive Directors and Independent Directors.
- Recommending the appointment of Directors to the Board and Committees of the Board as well as annually reviewing the mix of skills, experience and competencies that Non-Executive and Executive Directors should bring to the Board.
- Assessing the performance and effectiveness of individuals and collective members of the Board and Board Committees of the Company and its subsidiaries.
- Recommending to the Board a formal and transparent procedure for developing the remuneration policy for Directors, key management personnel, the Chief Internal Auditor and staff for the approval of the Board. The Committee shall ensure that compensation is competitive and consistent with the Group's culture, objectives and strategy and reflects the responsibility and commitment which goes with Board membership and key management personnel.

The Committee met six (6) times during Financial Year 2017:

	No. of Board Meetings		
Name of Directors	**Held During Tenure in Office**	**Attendance**	**%**
Dato' Haji Muhammad Pehimi bin Yusof *(Chairman)*	6	6	100
Haji Jusoh bin Ali	6	6	100
Rosli bin Abd Rahman	6	6	100
Haji Zainudin bin Abu Bakar	6	6	100

b. Audit Committee (AC)

The summary of activities of the AC is disclosed on pages 47 and 49 of this Annual Report.

Board Conduct

The Board commits itself and its Directors to ethical business and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members. Accordingly, all Directors shall apply ethical principles and standards of behaviour as set out in the Code of Ethics of the Group and other applicable governance documentation approved by the Board setting out standards of ethical conduct and behaviour.

The Directors shall declare any conflict of interest they have in material transactions or material arrangements with the Company and shall not be present when the matter is being deliberated at the Board and/or Board Committees meeting.

The Directors shall devote sufficient time to prepare for and attend Board and Board Committees meetings, and maintain a sound understanding of business of the Company as well as relevant market and regulatory developments. This includes a commitment to on-going education.

The Directors shall also ensure that their appointment(s) in other companies are not in conflict with the Company's business and do not affect the discharge of their duties as Directors of the Company.

Board Charter

During the Financial Year, the Board reviewed and realigned a number of existing governance policies and documents within the GPB Board Charter. The GPB Board Charter supports good standards of corporate governance, through the collation and regular review of a number of key matters, including:

- The division of responsibilities between the Chairman and CEO; and
- The respective roles, responsibilities and authorities of the Board, its Committees and Management

The GPB Board Charter is provided to each Director and the Board reviews its Charter periodically subject to changes in regulations and best practices. The Board recently reviewed and revised its Board Charter on 28 February 2018.

Code of Conduct/Ethics

The Board has adopted a Code of Ethics for Directors ("Code") which is incorporated in the Board Charter. The Code was formulated to enhance the standard of corporate governance and promote ethical conduct of the Directors. The Code of Ethics provides a clear direction on conducting business, interacting with community, government and business partners, and general workplace behaviour.

It also includes guidance on disclosure of conflict of interests, maintaining confidentiality and disclosure of information, good practices, internal controls and the duty to report where there is a breach of Code of Ethics.

The Board of Directors also is guided by a high standard of ethical conduct in accordance with the Code of Ethics for Company Directors as established by the Companies Commission of Malaysia.

Directors' Training & Development

The Board recognises the importance of ensuring that Directors are continuously being developed to acquire or enhance the requisite knowledge and skills to discharge their duties effectively.

All new Directors appointed to the Board attend a formal induction programme to familiarise themselves with the Group's strategy and aspiration, understanding of the line of businesses and corporate functions, key financial highlights, audit, compliance and risk management. The programme is conducted by the Chief Executive Officer as well as Senior Management, and is organised by the Human Resources Department.

As required by the listing requirements of Bursa Securities, all Directors have successfully completed the Mandatory Accreditation Programme ("MAP") within the stipulated timeframe of four months from their respective date of appointment. Apart from the MAP, all Directors appointed to the Board, have also attended other relevant training programmes, talks, seminars, dialogue sessions and focus group sessions organised by regulatory authorities and professional bodies to further enhance their business acumen and professionalism in discharging their duties to the Group.

The Directors of the Company attended the following training programmes, talks, seminars, dialogue sessions and focus group sessions during the FY17:

Directors Training for FY17	
Name of Directors	**Courses/ Training Programmes attended**
Dato' Haji Muhammad Pehimi bin Yusof	National Tax Conference 2017
Dato' Haji A. Rahman bin Yahya	Mandatory Accreditation Programme
Dato' Sabri bin Mohd Noor	National Tax Conference 2017
Dato' Haji Mohamad Nor bin Ibrahim	National Tax Conference 2017
Haji Jusoh bin Ali	• Seminar on Implementing a Risk Management and Internal Control Framework based on MCCG 2017 • SSM Corporate Tea Talk
Rosli bin Abd Rahman	Seminar on Implementing a Risk management and Internal Control Framework based on MCCG 2017
Haji Zainudin bin Abu Bakar	National Tax Conference 2017

Succession Planning

The Board, via its Committee i.e. Nomination & Remuneration Committee (NRC), reviews and approves the appropriate framework and plans to ensure the Board comprises directors with the skills and experience relevant to the Company's strategic direction and objectives.

Apart from that, NRC provides guidance, reviews and approves the development plan of those in pivotal Senior Management positions, understands the pool of future leaders as well as reviews the philosophy of the Company.

Remuneration

The Board believes in a competitive and transparent remuneration framework that supports the Directors' and Senior Management's responsibilities and fiduciary duties in managing the Group to achieve its long term objectives and enhance stakeholders' value.

One of the principle authorities of the Board delegated to the NRC is to review, deliberate and recommend to the Board a remuneration policy for Directors and Senior Management guided by the Group Human Resource policy, market norms and industry practice.

The Directors are being paid Directors' fees, Board Committee allowance, other allowances, directors & officers insurance coverage and out-patient medical claims.

Directors' and Officers' Liability Insurance

Directors and Officers are indemnified under Directors and Officers Liability Insurance against any liability incurred by them in the discharge of their duties while holding office as Directors and Officers of the Company. The Directors and Officers shall not be indemnified where there is any negligence, fraud, breach of duty or breach of trust proven against them.

Aggregate Remuneration of the Directors

The details on the aggregate remuneration of the Directors of the Company [comprising remuneration received and/or receivable from the Company during Financial Year 2017] including Directors who resigned are, as follows:

Board Member	Fees RM	Salaries, Bonus & Other Emoluments RM	Benefits in-kind RM	Total RM
Dato' Haji Muhammad Pehimi bin Yusof *(Appointed w.e.f 01/07/2016)*	15,000	148,400	-	163,400
Dato' Haji A. Rahman bin Yahya *(Appointed w.e.f 22/02/2017)*	-	15,461	-	15,461
Dato' Sabri bin Mohd Noor	25,000	14,000	-	39,000
Dato' Haji Mohamad Nor bin Ibrahim	25,000	16,000	-	41,000
Haji Jusoh bin Ali	25,000	30,800	-	55,800
Rosli bin Abd Rahman	25,000	27,800	-	52,800
Haji Zainudin bin Abu Bakar *(Appointed w.e.f 01/07/2016)*	12,500	20,800	-	33,300
Dato' Sri Haji Abdul Rahman bin Bakar *(Resigned w.e.f 01/07/2016)*	15,000	-	-	15,000
Dato' Haji Osman bin Muda *(Resigned w.e.f 01/07/2016)*	12,500	-	-	12,500
Dato' Haji Wan Nawawi bin Haji Wan Ismail *(Resigned w.e.f 22/02/2017)*	25,000	4,639	-	29,639
			TOTAL	**457,900**

The number of Directors whose remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
Directors Remuneration	**Executive Directors**	**Non-Executive Directors**
Less than RM50,000	-	4
RM50,000 to RM100,000	-	2
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	-	1
RM200,001 and above	-	-

PRINCIPLE B – Effective Audit and Risk Management

I - AUDIT COMMITTEE

Effective and Independent Audit Committee ("AC")

- The Chairman of the AC is not the Chairman of the Board.

  The Chairman of the AC is an independent director, who is not the Chairman of the Board.

- Cooling-off Period for a Former Audit Partner to be appointed as AC Member.

  The AC has a 2-year cooling-off period policy for a candidate whom is a former audit partner before being appointed as a member of the AC as recommended by the Practice Note 8.2 of the MCCG.

  However, the said policy currently does not apply to the AC given none of the AC nor Board members is a former audit partner as at the date of this CG Statement.

- Policies and Procedures for Assessment of Suitability, Objectivity and Independence of External Auditors

  The AC maintains a transparent and professional relationship with the external auditors of the Company. The external auditors fill an essential role by enhancing the reliability of the Company's Annual Audited Financial Statements and giving assurance to stakeholders of the reliability of the Annual Audited Financial Statements. The external auditors have an obligation to bring any significant defects in the Company's system of control and compliance to the attention of the Management; and if necessary, to the AC and the Board.

  The AC is empowered by the Board to review any matters concerning the appointment and re-appointment, resignations or dismissals of external auditors and review and evaluate factors relating to the independence of the external auditors. The terms of engagement for services provided by the external auditors are reviewed by the AC prior to submission to the Board for approval. Feedback based on the assessment areas is obtained from the AC, the internal auditor and senior management and the Head of Departments.

  The AC undertakes an annual assessment of the suitability and independence of the external auditors in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants ("MIA"). Under this policy, only non-audit services which are able to provide clear efficiencies and value-added benefits to the Group and do not impede the external auditors' audit works will be accepted by the AC.

  On the other hand, the AC also seeks written assurance from the external auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the MIA. The external auditors provide such declaration in their annual audit plan presented to the AC prior to the commencement of audit for a particular financial year.

- AC Composition

  The AC comprises of two Independent Non-Executive and one Non-Independent Non-Executive Directors of the Board. This is not in line with Practice Note 8.4 of the MCCG whereby the AC should comprise solely of Independent Directors. Notwithstanding that, the Board is of the view that the AC is able to assist the Board in reviewing and scrutinising the information in terms of accuracy, adequacy and completeness for disclosure to ensure reliability and compliance with applicable financial reporting standards. The company will take steps to comply with this recommended practice, going forward.

  Accordingly, the Board has deferred the implementation of recommendation of the MCCG under Practice Note 8.4 to the following year.

- Continuous Professional Development

  All members of the AC are financially literate and possess financial background or knowledge as well as necessary experience. The Chairman of the AC, Tuan Haji Jusoh Ali, is a member of MIA and also a fellow of Association of Chartered Certified Accountants, United Kingdom.

II - RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The AC provides recommendation to the Board concerning the group's Risk profile. The Board delegates the authority to the AC which encompasses risk management strategy within the group including compliance to the group's Risk management Framework. The Board has overall responsibility for the Company's internal control system. Through the AC, the Board reviews the adequacy and integrity of the internal control systems including risk management and recommends improvement, if any.

The Statement on Risk management and Internal Control is set out in pages 45 to 46 in this Annual Report which provides an overview of the state of internal control and risk management practices within the group.

Related Party Transaction (RPT)

Reviewed related party transactions as disclosed in the financial statements and the adequacy of Golden Pharos Group's procedures in identifying, monitoring, reporting and reviewing related party transactions.

PRINCIPLE C – Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

I - COMMUNICATION WITH STAKEHOLDERS

Ensure Timely and High Quality Disclosure

- Effective, Transparent and Regular Communication with its Stakeholders

  The Group recognises the importance of prompt and timely dissemination of information to shareholders and investors, in order for these stakeholders to be able to make informed investment decisions. Towards this, the Company's website incorporates an announcement section which provides all relevant information on the Company and is accessible by the public. This announcement section enhances the investor relations function by including all announcements made, annual reports as well as the quarterly reports.

  The Board ensures that shareholders are provided with a balanced and meaningful evaluation of the Company's financial performance, its current position and future prospects, through the issuance of the Annual Audited Financial Statements and quarterly financial reports, as well as corporate announcements on significant developments affecting the Company in accordance with the Listing Requirements.

  In ensuring equal and fair access to information by the investing public, various channels of communications are made quarterly announcements on financial results to Bursa Securities, relevant announcements and circulars, when necessary via Bursa LINK in a timely manner as required under the Listing Requirements, the Annual and Extraordinary General Meetings and through the Company's website at www.goldenpharos.com from which shareholders and prospective investors can access corporate information, annual reports, press releases, financial information and Company announcements.

II - CONDUCT OF GENERAL MEETINGS

Strengthen Relationship between the Company and Shareholders

- Encourage Shareholder Participation at General Meetings

  The Company recognises the importance of maintaining transparency and accountability to its shareholders. The Board believes that they are not only accountable to shareholders but also responsible for managing a successful and productive relationship with the Company's stakeholders. In this regard, the Board will ensure that all the Company's shareholders and stakeholders are treated equitably and the rights of all investors, including minority shareholders, are protected.

  The Company dispatched its Notice of AGM to shareholders at least twenty one days before the AGM in 2017, under the Act and Listing Requirements. This is not in line with the Practice Note 12.1 of the new MCCG 2017. Accordingly, the Board has deferred the implementation of recommendation of the MCCG under Practice Note 12.1 to this year whereby the Company shall only give Notice of AGM with period of at least twenty eight days to shareholders before the forthcoming 31st AGM.

  The Board believes the current practice would still allow the shareholders to make necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney together with the Notice of AGM, which provides information to shareholders with regard to, among others, details of the AGM, their entitlement to attend the AGM, the right to appoint proxy and also qualification of proxy. The Company allows a member to appoint a proxy who may but need not be a member of the Company. If the proxy is not a member of the Company, he or she need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.

Where special business items appear in the Notice of the AGM, a full explanation is provided to shareholders on the effect of the proposed resolution emanating from the special business item. The AGM is the principal opportunity for the Board to meet shareholders and for the Chairman to provide an overview of the Company's progress and receive questions from shareholders.

- Effective Communication and Proactive Engagements

All the Directors shall endeavour to present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company the 31st AGM. The proceedings of the AGM will include the Chairman's briefing on the Company's overall performance for FY2017, the presentation of the external auditors' unqualified report to the shareholders, and a Q&A session during which the Chairman will invite shareholders to raise questions pertaining to the Company's financial statements and other items for adoption at the meeting, before putting a resolution to vote.

The Directors, CEO and external auditors will be in attendance to respond to the shareholders' queries.

- Facilitate Greater Shareholder Participation at General Meetings

Under Paragraph 8.29A(1) of the Listing Requirements, a PLC must, among others, ensure that any resolution set out in the notice of any general meeting, is voted by poll. For this purpose, the share registrar will be appointed as the Poll Administrator and an independent scrutineer will be appointed to validate the votes cast at the 31st AGM.

In view thereof, the Board will consider leveraging technology to facilitate electronic poll voting and remote shareholder participation in the coming general meetings, to more fairly reflect shareholders' views and to ensure accurate and efficient outcomes of the voting process.

At the commencement of all general meetings, the Chairman will inform the shareholders of their rights to a poll voting. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairman will declare the number of proxy votes received, both for and against each separate resolution where appropriate. The outcome of a general meeting will be announced to Bursa on the same meeting day.

Statement of Directors' Responsibility in respect of the Audited Financial Statements

The Board is required by the Companies Act 2016 to prepare financial statements for each financial year which give a true and fair view of the Group and its state of affairs, results and cash flows, at the end of the financial year.

Following discussions with the statutory external auditors, the Directors consider if the appropriate accounting policies are consistently applied and supported by reasonable as well as prudent judgements and estimates, and that all accounting standards which they consider applicable have been followed during the preparation of the financial statements.

The Board of Directors is responsible for ensuring that the Group keeps accounting records which are disclosed with reasonable accuracy, and for ensuring that the financial statements comply with the Companies Act 2016.

The Board and Board Committees have the general responsibility for taking such steps to safeguard the assets of the Group.

Statement on Compliance with the Requirements of Bursa Securities In Relation to Application of Principles of MCCG 2017 Pursuant to Paragraph 15.25 of the MMLR

The Board has reviewed, deliberated and approved this Corporate Governance Overview Statement and is pleased to report to its shareholders that to the best of its knowledge, the Company has complied with and shall remain committed to continuously apply the Principles laid down in the MCCG 2017.

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board of Directors dated 28 February 2018.

Statement on Risk Management and Internal Control

The Board of Directors ("Board") acknowledges the importance of a sound system of internal control to safeguard shareholders' investments and the Group's assets.

Set out below is the Board's statement about the state of risk management and internal control of the Group during the year. The statement accords with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("SRMIC"), as referred to in Practice Note 9 - Risk Management and Internal Control, Corporate Governance and Sustainability Statement of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

Board Responsibilities

The Board affirms its overall responsibility for maintaining sound internal control systems, and for reviewing the adequacy and integrity of those systems. The system of internal control covers risk management, financial, operational and compliance controls.

In view of the limitations that are inherent in any system of internal control, it is imperative to note that the systems are designed to mitigate rather than eliminate the risk of failure to achieve business objectives. Accordingly, the system can only provide reasonable, but not absolute, assurance against material misstatement, loss or fraud.

The Board has received assurance from the Chief Executive Officer ("CEO") and the Group Finance Manager that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

Risk Management

The Board subscribes to the fact that an effective risk management practice is a critical component of a sound system of risk management and internal control. Accordingly, the Board confirms that there is in place a formal and an on-going process to identify, evaluate and manage significant risks faced by the Group that may impede the achievement of Group's objectives throughout the year and that a review on the adequacy and effectiveness of the risk management and internal control system has been undertaken.

The Group Risk Management Steering Committee ("GRMSC"), represented by divisional heads at head office, co-ordinates the implementation of the risk management process throughout the Group. The GRMSC had meetings to discuss Business Risk Scorecards, which outlines principal risks identified and relevant controls put in place, prepared by the working committee of each subsidiary company. The risk scorecards are consolidated and reported to the Audit Committee and the Board for review and endorsement.

Risk assessments are also carried out before committing resources to new projects and initiatives, identifying its impact on current operations and business objectives, which are reported in proposal papers to approving management and/or board committees.

Other Key Elements of Internal Control

The Board is committed to ensure that a proper control structure and environment is maintained within the Group in order to achieve a sound system of internal control. The Board has the following elements in place:

- There is in place a clearly defined responsibility and authority of Board Committees. These committees report back to the Board with their recommendation for review and/or approval by the Board.

- The Group has an organisation structure that clearly defined lines of responsibility and delegation of authority to ensure proper identification of accountability and segregation of duties.

- Operating policies and procedures, which incorporate regulatory and internal requirements, are prescribed in the Standard Operating Procedures and circulars. The documents are updated as and when necessary to meet the continually changing operational needs.

- The Board meets quarterly to review the Group's operational and financial performance against approved budget, approve quarterly report to the Bursa Securities and deliberate on issues that require the Board approval. In addition, the Board is also updated on the changes in business environment that may adversely affect business performance and relevant actions taken.

- To review the Group's performance against budget, to solve business issues including internal control matters and to undertake risk management, the CEO conducts regular meetings as follows:

    1. Weekly with the Heads of Department at group level.
    2. Monthly with all heads of timber companies.
    3. Monthly with all heads of subsidiaries.
    4. Quarterly with the board of directors of all subsidiaries.
    5. Quarterly with the President of the holding company.

- Annual budget is deliberated thoroughly between the management at head office and the business unit level before tabling it to the Board for review, consideration and approval.

- The Audit Committee, with the assistance of the Internal Audit Department provides an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system and advises management on areas that require improvement. The Internal audit unit also reviews the extent to which its recommendations have been accepted and implemented by the management.

- Internal audit reports are tabled at the Audit Committee meetings, who in turn reports to the Board its assessments and recommendations. Internal control deficiencies and issues highlighted are addressed by the management appropriately.

Reporting to Shareholders/Stakeholders

External stakeholder relations and communication is given a high priority in view of the types of risks faced by the Group. Specifically, sustainability issues require appropriate engagement with NGOs and other interested parties. The Group being a state government linked company necessitates an effective external communications strategy to ensure the reputation of the Group is protected.

The Group has established processes and procedures to ensure the Quarterly and Annual Accounts, which covers the Group's performance, are submitted to Bursa Securities for release to shareholders and stakeholders, on a timely basis. All Quarterly Results are reviewed and approved by the Main Board prior to announcement.

The Annual Reports of the Company that include the annual audited financial statements together with the auditors' and directors' reports are issued to the shareholders within the stipulated time prescribed under the MMLR of Bursa Securities.

Review of the Statement by External Auditors

As required by Paragraph 15.23 of the MMLR of Bursa Securities, the external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report for the year ended 2017. Their limited assurance review was performed in accordance with the Recommended Practice Guide (RPG) 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group. Based on their review, nothing has come to their attention that cause them to believe that the Statement on Risk Management and Internal Control to be included in the annual report is inconsistent with their understanding of the process the Board of Directors has adopted in the review of the adequacy and effectiveness of the risk management and internal control systems of the Group.

Conclusion

The system of risk management and internal control described in this statement is considered by the Board to be adequate within the context of the business environment throughout the Group's businesses. The Board continues to take appropriate initiatives to enhance the internal control system to ensure that it remains relevant over time in the continually evolving business environment.

This statement is made in accordance with the resolution of the Board of Directors dated 28 February 2018.

Audit Committee Report

Members and Meetings

The Audit Committee comprises of two Independent Non-Executive and one Non-Independent Non-Executive Directors of the Board. The Committee had five (5) meetings during the financial year. Details of the members and the attendance of the meetings are as follows:

	No. of Meetings Attended		
Name of Directors	Held During Tenure in Office	Attendance	%
Haji Jusoh bin Ali *Chairman (Independent Non-Executive)*	5	5	100
Dato' Haji A. Rahman bin Yahya *(Non-Independent Non-Executive)*	4	2	50
Rosli bin Abd Rahman *(Independent Non-Executive)*	5	5	100

The External Auditor was invited to attend the meeting when the annual financial statement was being tabled. The Internal Audit Head, the Chief Executive Officer and the Group Finance Manager were in attendance at the meetings to table the internal audit reports and to present the performance results of the Company and the Group.

Other members of senior management of the Group attended some of these meetings upon invitation by the Chairman of the Committee.

Summary of Activities

During the period, the Audit Committee carried out its duties as set out in the terms of reference. Other main issues discussed by the Audit Committee were as follows:

i. Reviewed the Annual Audit Plan for the year 2017 to ensure adequate scope and coverage over the activities of the Group.

ii. Reviewed a total of Seven (7) internal audit reports presented by the Internal Audit Department on findings and recommendations with regards to system and control weaknesses noted in the course of their audit and management's response thereto and ensuring material findings are adequately addressed by management.

iii. Reviewed the quarterly results of the Group and made recommendations to the Board for approval.

iv. Reviewed any related party transactions and conflict of interest situation that arose within the Group.

i. Evaluated the performance of the external auditors and made recommendations to the Board on their appointment, scope of work and audit fees.

INTERNAL AUDIT FUNCTIONS

The Group has its own Internal Audit Department, which carries out the internal audit function and assists the Audit Committee in ensuring compliance with the established policies and procedures, monitoring significant risks, highlighting on areas that need improvement and reviews to the extent that its recommendations in addressing the internal control issues are implemented. The Internal Auditors report directly to the Audit Committee and assist the Board of Directors in monitoring significant exposures to risks and contribute to the improvement of internal control system.

The role of the Internal Audit Department is to provide the Committee with independent and objective reports on the state of the internal control of the various operating subsidiaries within the Group and the extent of compliance of the operating subsidiaries with the established policies and procedures. The scope of the Internal Audit covers the audits of all operating subsidiaries. The Internal Audit carries out audit assignments based on an audit plan that is reviewed and approved by the Audit Committee.

The Group in-house internal audit function is carried out by the Group Internal Audit Department which is headed by the Head of Internal Audit, En. Muhamad bin Sulong. It is independent from the activities or operation of other operating units within the Group and reports directly to the AC.

The Group practices risk-based approach auditing and monitoring of controls. The monitoring process also forms the basis for continually improving the risk management process in the Group's overall goals.

During the year under review, the Internal Audit Department carried out audit assignments on various operating subsidiaries of the Group. Audit reports were issued to the Audit Committee and the respective companies incorporating findings and recommendations with regard to the system and control weaknesses noted during the course of the audit and management's responses on the audit findings. The Internal Audit Department also followed up on implementation and disposition of all findings and recommendations.

During the year, all the internal audit activities were performed in-house and the total cost incurred was RM167,080 comprising of manpower, training, travelling and accommodation.

The Audit Committee Report was made in accordance with the resolution of the Board of Directors duly passed on 28 February 2018.

TERMS OF REFERENCE OF AUDIT COMMITTEE

MEMBERSHIP

1. The AC shall be appointed by the Board of Directors from among their number and shall comprise of not less than three (3) members which fulfils the following requirements:
   i. all the AC members must be Non-Executive Directors, with a majority of them being Independent Directors; and
   ii. all the AC members should be financially literate;
   iii. at least one (1) member:
      a. must be a member of the Malaysian Institute of Acountants (MIA); or
      b. if he is not a member of MIA, he must have at least three (3) years' working experience and:
         - he must have passed the examinations specified in Prt I of the 1st Schedule of the Accountants Act, 1967; or
         - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.
         - fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").
   iv. No alternate Director shall be appointed as member of the AC.
   v. Former key audit partner may be appointed as a member of the AC, but must observe a cooling-off period of at least two (2) years prior to his appointment.
2. The chairman of the AC shall be appointed by the Board from among their Independent Directors who must not be the Chairman of the Board.
3. The terms of office and performance of the Committee and each of its members must be reviewed by the Board of Directors at least once every 3 years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.
4. In the event of any vacancy in the Committee resulting in the non-compliance of the listing requirement of the Bursa Securities pertaining to composition of audit committee, the Board of Directors shall within three months of that event fill the vacancy.

MEETINGS

1. **Frequency**
   a. Meetings shall be held not less than four times a year.
   b. Upon the request of the external auditor, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the external auditor believes should be brought to the attention of the Directors or shareholders.
2. **Quorum**
   a. A quorum shall consist of a majority of Independent Directors.
3. **Secretary**
   a. The Company Secretary shall be the Secretary of the Committee or in his absence, another person authorised by the Chairman of the Committee.
4. **Attendance**
   a. The Chief Executive Officer, the Head of Internal Audit, the Group Finance Manager, and the representative of the external auditor shall normally attend meetings.
   b. Other Directors and employees may attend any particular meeting only at the Committee's invitation, specific to the relevant meeting.
   c. At least once a year, the Committee shall meet with the external auditors without any executive Board members present.
5. **Reporting Procedure**
   a. The minutes of each meeting shall be circulated to all members of the Board together with the Board meeting papers.
6. **Meeting Procedure**

   The Committee shall regulate its own procedure, in particular:

   a. the calling of meetings;
   b. the notice to be given of such meetings;
   c. the voting and proceedings of such meetings;
   d. the keeping of minutes; and
   e. the custody, production and inspection of such minutes.

7. **Circular Resolution**

   a. Circular Resolutions signed by all the members shall be valid and effective as if it had been passed at a meeting of the Committee.

RIGHTS

The Committee in performing its duties shall in accordance with a procedure to be determined by the Board of Directors:

a. have authority to investigate any matter within its terms of reference;
b. have the resources which are required to perform its duties;
c. have full and unrestricted access to any information pertaining to the Company;
d. have direct communication channels with the external auditor and person(s) carrying out the internal audit function or activity;
e. be able to obtain independent professional or other advice; and
f. be able to convene meetings with external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

FUNCTIONS

The Committee shall, amongst others, discharge the following functions:

1. To review with the external auditor:

   a. the audit plan;
   b. his evaluation of the system of internal controls;
   c. his audit report; and
   d. his management letter and management's response;

2. To review:

   a. the assistance given by the Company's employees to the external auditor;
   b. the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:

      (i) the going concern assumption;
      (ii) changes in or implementation of major accounting policy changes;
      (iii) significant and unusual events; and
      (iv) compliance with accounting standards and other legal requirements.

   c. any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions or management integrity.
   d. the Statement of Corporate Governance prior to the approval by the Board of Directors.

3. In respect of the appointment of external auditors:

   a. to review whether there is reason (supported by grounds) to believe that the external auditors is not suitable for reappointment;
   b. to consider the nomination of a person or persons as external auditors and the audit fee;
   c. to consider any questions of resignation or dismissal of external auditors.

4. In respect of the internal audit function:

   a. to review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
   b. to review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
   c. to review any appraisal or assessment of the performance of members of the internal audit function;
   d. to approve any appointment or termination of senior staff members of the internal audit function;
   e. to inform itself of any resignation of internal audit staff member and provide the resigning staff member an opportunity to submit his reasons for resigning.
   f. the internal audit function must be independent of the activities it audits; the internal audit activity should be free from interference in determining the scope of internal audit, performing work, and communicating results; and
   g. the internal audit function reports directly to the Audit Committee.

5. To promptly report such matter to the Bursa Securities if the Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements.

6. To carry out such other functions as may be agreed to by the Committee and the Board of Directors.

List of Properties

	Properties	Description	Land Area (sq. metre)	Tenure of land	Age of building	Net Book value 31/12/2017 (RM)
1	Lot 6720 & 6721, Jalan Perak Telok Panglima Garang State of Selangor	Industrial land	12,141	99 years leasehold expiring on 11.6.2086	27 years	7,293,133
2	P. T. No. 105 H.S. (D) 4961 Mukim Ulu Paka, District of Dungun State of Terengganu	Plywood mill	219,850	60 years leasehold expiring on 14.7.2042	35 years	7,903,290
3	Lot No. 1431, 1432 and 1433 Bandar Al-Muktafi Billah Shah District of Dungun State of Terengganu	3 units hostel	2,359	99 years leasehold expiring on 15.4.2096	35 years	266,695
4	Lot No. 3164 Mukim of Batu Burok District of Kuala Terengganu State of Terengganu	3.5 storey office building	130	Freehold	24 years	897,400
5	P. T. No. 109 H.S. (D) 569 Mukim Ulu Paka District of Dungun State of Terengganu	Vacant industrial land	48,980	60 years leasehold expiring on 24.2.2058	-	1,459,626
6	Lot No. 2049 Mukim Ulu Paka District of Dungun State of Terengganu	Vacant industrial land	138,000	60 years leasehold expiring on 17.6.2060	-	3,554,546
7	Lot No. 2050 Mukim Ulu Paka District of Dungun State of Terengganu	Vacant industrial land	48,420	60 years leasehold expiring on 17.6.2060	-	1,246,667
8	Lot No. 2051 Mukim Ulu Paka District of Dungun State of Terengganu	Vacant industrial land	17,840	60 years leasehold expiring on 17.6.2060	-	458,484
9	Lot No. 7348 Mukim Jerangau District of Dungun State of Terengganu	Sawmill	145,682	30 years leasehold expiring on 4.3.2038	37 years	5,041,883

List of Properties (continued)

	Properties	Description	Land Area (sq. metre)	Tenure of land	Age of building	Net Book value 31/12/2017 (RM)
10	Lot No. 16388 & 16389 Mukim Kuala Paka District of Dungun State of Terengganu	Vacant industrial land	23,518	30 years leasehold expiring on 15.10.2037	-	535,713
11	Lot No. 743 Mukim Telok Kalong District of Kemaman State of Terengganu	Vacant industrial land	25,231	60 years leasehold expiring on 25.4.2029	-	927,274
12	P. T. 6401 Mukim Jerangau District of Dungun State of Terengganu	1 unit single storey office	7,834	60 years leasehold expiring on 24.9.2054	23 years	539,193
13	Lot No. 12556 Mukim of Chukai District of Kemaman State of Terengganu	Sawmill and timber downstream processing	35,728	50 years leasehold expiring on 15.10.2045	42 years	6,785,679
14	Lot No. 9803 Mukim of Chukai District of Kemaman State of Terengganu	Sawmill and timber downstream processing	31,126	60 years leasehold expiring on 22.2.2053	42 years	3,863,962
15	Lot No. S22-33 Perumahan Jalan Kenari 44110 Lembah Beringin State of Selangor	1 unit single storey terrace house	133	Freehold	-	19,000
16	Lot No. S22-44 Perumahan Jalan Kenari 44110 Lembah Beringin State of Selangor	1 unit single storey terrace house	133	Freehold	-	19,000
17	Lot No. PT 60056 Mukim of Banggol District of Kemaman State of Terengganu	Vacant industrial land	198,290	60 years leasehold expiring on 21.2.2071	-	12,268,559

* The last revaluation carried out by the Group was in 2011.

Directors' Report and Audited Financial Statements 31 December 2017

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

Principal activities

The principal activities of the Company are investment holding and provision of management services to the subsidiaries.

The principal activities of the subsidiaries are manufacturing and trading of glass, investment holding, sawmiling, moulding, producing finger joint and furniture and kiln drying, harvesting and sustainable forest management, and rental of buildings, plant and machinery and selling of logs.

Other information relating to the subsidiaries are disclosed in Note 17 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit/(loss) net of tax	107	(426)
Profit/(loss) attributable to:		
Owners of the parent	516	(426)
Non-controlling interest	(409)	-
	107	(426)

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividends

No dividends were paid or declared since the end of the previous financial year. The directors do not recommend the payment of any dividend in respect of the current financial year.

Directors

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Dato' Haji Muhammad Pehimi bin Yusof
Haji Jusoh bin Ali
Dato' Sabri bin Mohd Noor
Dato' Haji Mohamad Nor bin Ibrahim
Rosli bin Abd Rahman
Haji Zainudin bin Abu Bakar
Dato' Haji A. Rahman bin Yahya (Appointed on 22 February 2017)
Dato' Haji Wan Nawawi bin Haji Wan Ismail (Resigned on 22 February 2017)

Directors (continued)

The names of the directors of the Company's subsidiaries since the beginning of the financial year to the date of this report (not including those directors listed above) are:

Golden Pharos Doors Sdn. Bhd.

Suhairi bin Sulong	
Syukri bin Ali	
Dato' Ahmad Nadzarudin bin Abdul Razak	(appointed on 30 November 2017)

Golden Pharos Glass Sdn. Bhd.

Haji Wan Abdul Hakim bin Wan Mokhtar	
Datuk Haji Mohd Ariffin bin Abdullah	
Zulkifli bin Ali	(appointed on 18 September 2017)
Haji Fahami bin Haji Zakaria	(appointed on 18 September 2017)
Dato' Ahmad Nadzarudin bin Abdul Razak	(appointed on 30 November 2017)
Dato' Haji A. Rahim bin Jusoh	(resigned on 3 January 2017)
Mohd Adawi @ Ton Mohd Ali bin Ton Omar	(resigned on 16 May 2017)
Haji Mohd Zahari bin Md. Azahar	(resigned on 18 September 2017)

Golden Pharos Overseas Sales Sdn. Bhd.

Suhairi bin Sulong	
Zulkifli bin Omar	
Dato' Ahmad Nadzarudin bin Abdul Razak	(appointed on 30 November 2017)

Golden Pharos Overseas Sdn. Bhd.

Suhairi bin Sulong	
Zulkifli bin Omar	
Dato' Ahmad Nadzarudin bin Abdul Razak	(appointed on 30 November 2017)

Permint Timber Corporation Sdn. Bhd.

Suhairi bin Sulong	
Zulkifli bin Omar	
Dato' Ahmad Nadzarudin bin Abdul Razak	(appointed on 30 November 2017)

Golden Pharos Fiber Sdn. Bhd.

Suhairi bin Sulong	
Zulkifli bin Omar	
Dato' Ahmad Nadzarudin bin Abdul Razak	(appointed on 30 November 2017)

Directors (continued)

Pesama Timber Corporation Sdn. Bhd.

Ir. Rosli bin Othman	
Rosli bin Ahmad	
Ahmad Fikry bin Ibrahim	
Mohd Zubir bin Wahid	
Haji Johan bin Ibrahim	(appointed on 18 September 2017)
Dato' Ahmad Nadzarudin bin Abdul Razak	(appointed on 30 November 2017)
Mohd Adawi @ Ton Mohd Ali bin Ton Omar	(resigned on 16 May 2017)

Pesaka Trengganu Berhad

Yusof bin Awang Hitam	
Wan Fauzai bin Wan Mustaffa	
Dato' Haji W. Mohd bin W. Ibrahim	
W Ismail Sahaimi bin W Omar	(appointed on 18 September 2017)
Dato' Ahmad Nadzarudin bin Abdul Razak	(appointed on 30 November 2017)
Mohd Adawi @ Ton Mohd Ali bin Ton Omar	(resigned on 16 May 2017)

Permint Plywood Sdn. Bhd.

Suhairi bin Sulong	
Zulkifli bin Omar	
Dato' Ahmad Nadzarudin bin Abdul Razak	(appointed on 30 November 2017)

Kumpulan Pengurusan Kayu-Kayan Trengganu Sdn. Bhd.

Dato' Haji Rozi bin Mamat	
Dato' Haji Mohd Akil bin Haji Mat	
Mohd Maliki bin Ali	
Dato' Haji Ahmad Fadzil bin Abdul Majid	
Dato' Ahmad Nadzarudin bin Abdul Razak	(appointed on 30 November 2017)
Mohd Adawi @ Ton Mohd Ali bin Ton Omar	(resigned on 16 May 2017)

GP Tropical Furniture Sdn. Bhd.

Suhairi bin Sulong	
Zulkifli bin Omar	
Dato' Ahmad Nadzarudin bin Abdul Razak	(appointed on 30 November 2017)

GP Dynamic Venture Sdn. Bhd.

Zulkifli bin Omar	
Syukri bin Ali	
Lin Tsai Rong	
Lin Kai Hsuan	
Dato' Ahmad Nadzarudin bin Abdul Razak	(appointed on 30 November 2017)
Mohd Adawi @ Ton Mohd Ali bin Ton Omar	(resigned on 16 May 2017)

Holding company

The holding company is Terengganu Incorporated Sdn. Bhd., a company incorporated in Malaysia.

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown below) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

The directors' benefits are as follows:

	Group RM'000	**Company RM'000**
Salaries and other emoluments	824	278
Fees	284	180
Defined contribution plan	2	-
	1,110	458

Directors' interests

According to the register of directors' shareholdings, none of the directors who held office at the end of the financial year, had any interest in shares in the Company or its related corporations during the financial year.

Other statutory information

(a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

 (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts; and

 (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

 (i) it necessary to write off any bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent; and

 (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

Other statutory information (continued)

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Auditors' remuneration is as follows:

	Group RM'000	Company RM'000
Ernst & Young	170	60

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young for the financial year ended 31 December 2017.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 April 2018.

Dato' Haji Muhammad Pehimi bin Yusof

Haji Jusoh bin Ali

Statement by Directors

Pursuant to Section 251 (2) of the Companies Act 2016

We, Dato' Haji Muhammad Pehimi bin Yusof and Haji Jusoh bin Ali, being two of the directors of Golden Pharos Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 63 to 130 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 April 2018.

Dato' Haji Muhammad Pehimi bin Yusof

Haji Jusoh bin Ali

Statutory Declaration

Pursuant to Section 251 (1) (b) of the Companies Act 2016

I, Syukri bin Ali, being the officer primarily responsible for the financial management of Golden Pharos Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 63 to 130 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
the abovenamed Syukri bin Ali at Kuala Terengganu
in the state of Terengganu Darul Iman
on 25 April 2018.

Syukri bin Ali
MIA 23519
I/C No.: 750701-11-5007

Before me,

Independent Auditors' Report

to the members of Golden Pharos Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Golden Pharos Berhad., which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 63 to 130.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Revenue

We draw your attention to summary of significant accounting policies in Note 2.21 and the disclosure of revenue in Note 4 to the financial statements.

For the financial year ended 31 December 2017, the Group recorded revenue of approximately RM65,643,000 mainly derived from its harvesting, sawmilling, kiln drying of timber and sales of right to log and glass manufacturing segments. We identified revenue as an area of audit focus because of the significance of the amount of the revenue to the Group's financial statements at the reporting date. Further, we also assessed the risk of material misstatement in respect of revenue recognition to be higher as the key performance indicators for the key management personnel are measured based on the financial performance (where revenue is the key determinant of the overall financial performance) of the Group. Specifically, we focused our audit efforts to determine the possibility of overstatement of revenue.

Independent Auditors' Report
to the members of Golden Pharos Berhad (continued)
(Incorporated in Malaysia)

Key audit matters (continued)

Revenue (continued)

In addressing the matter above, we have amongst others performed the following audit procedures (continued):

(i) Tested the Group's internal controls over timing and amount of revenue recognised.

(ii) Inspected the terms of sales documentation to determine the point of transfer of significant risk and rewards.

(iii) Inspected documents which evidenced the delivery of goods to customers.

(iv) Focused on testing the recording of sales transactions close to the year end, including credit notes issued after year end, to establish whether the transactions were recorded in the correct accounting period.

Impairment of investments in subsidiaries

We draw your attention to summary of significant accounting policies in Note 2.10, significant accounting judgements and estimates in Note 3.2(f) and the disclosure of investments in subsidiaries in Note 17 to the financial statements.

As at 31 December 2017, the carrying amount of investments in subsidiaries of the Company stood at approximately RM44,955,000 of which, RM35,428,000 relates to investment in Permint Timber Corporation Sdn. Bhd. ("Permint"). In prior financial years, the Company recognised impairment loss in Permint of approximately RM32,143,000.

MFRS 136: *Impairment of Assets* ("MFRS 136") requires entities to assess at each reporting date whether there is any indication that an impairment loss may no longer exist or may have decreased. If there is any such indication, the entity has to recalculate the recoverable amount of the asset. Due to the expected increase in the volume of logs harvested and the commencement of a new production stream, the Company determined the recoverable amount of the investment so that the reversal can be quantified, if any using the value-in-use method.

We focused on this area because of the significance of the carrying amount of the investment in subsidiaries which represents 79% of the total assets of the Company at the reporting date. Further, the impairment testing relies on value-in-use estimates based on projected cash flows which involve significant management judgement and assumptions that are affected by expected future market and economic conditions.

In addressing the matter above, we have amongst others performed the following audit procedures:

(i) Obtained an understanding of the Company's policies and procedures to identify indication of impairment of investment in subsidiaries, evaluating the assumptions and methodologies used by the Company in performing the impairment assessment.

(ii) Evaluated the reasonableness of the basis of preparing the projected cash flows against the subsidiaries' most recent financial performance and historical evidence supporting the underlying assumptions.

(iii) With the support of valuation specialist, we assessed the appropriateness of the other key assumptions, such as the weighted-average cost of capital discount rates assigned to the CGUs, as well as the long-term growth rate, by comparing against internal information, and external economic and market data.

In addressing the matter above, we have amongst others performed the following audit procedures (continued):

(iv) Performed sensitivity analysis on the key inputs to impairment models, to understand the impact that reasonable alternative assumptions would have on the overall carrying value.

(v) Assessed the adequacy of the Company's disclosures within the financial statements about those assumptions to which the outcome of the impairment test is most sensitive.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises of the directors' report and Statement on Risk Management and Internal Control but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the remaining parts of the annual report which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditors' Report
to the members of Golden Pharos Berhad (continued)
(Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (continued):

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Sandra Segaran a/l Muniandy@Krishnan
02882/01/2019 J
Chartered Accountant

Kuala Terengganu, Terengganu Darul Iman, Malaysia
25 April 2018

Statements of Profit or Loss and Other Comprehensive Income

for the financial year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Revenue	4	**65,643**	57,598	**2,837**	3,759
Cost of sales		**(51,380)**	(52,668)	**-**	-
Gross profit		**14,263**	4,930	**2,837**	3,759
Other items of income					
Interest income	5	**166**	292	**-**	-
Dividend income from investment securities	6	**133**	271	**-**	-
Other income	7	**650**	3,368	**25**	28
Other items of expense					
Selling and distribution expenses		**(1,810)**	(1,828)	**-**	-
Administrative expenses		**(12,950)**	(13,353)	**(3,297)**	(3,527)
Finance costs	8	**(216)**	(212)	**(15)**	(63)
Other expenses		**(248)**	(342)	**-**	-
Share of results of an associate		**511**	518	**-**	-
Profit/(loss) before tax	9	**499**	(6,356)	**(450)**	197
Income tax (expenses)/benefit	12	**(392)**	602	**24**	(24)
Profit/(loss) net of tax		**107**	(5,754)	**(426)**	173
Profit/(loss) attributable to:					
Owners of the parent		**516**	(5,552)	**(426)**	173
Non-controlling interest		**(409)**	(202)	**-**	-
		107	(5,754)	**(426)**	173

Statements of Profit or Loss and Other Comprehensive Income (continued)
for the financial year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Other comprehensive income:					
Items that will be reclassified subsequently to profit or loss:					
Net loss on available-for-sale financial assets:					
- Loss on fair value changes		**(570)**	(48)	**-**	-
- Transfer to profit or loss upon disposal		**-**	(2,678)	**-**	-
Other comprehensive loss, net of tax		**(570)**	(2,726)	**-**	-
Total comprehensive (loss)/income for the year		**(463)**	(8,480)	**(426)**	173
Total comprehensive (loss)/income attributable to:					
Owners of the parent		**(54)**	(8,278)	**(426)**	173
Non-controlling interest		**(409)**	(202)	**-**	-
		(463)	(8,480)	**(426)**	173
Profit/(loss) per share attributable to owners of the parent (sen per share)					
Basic and Diluted	13	**0.38**	(4.13)		

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Statements of Financial Position
as at 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Assets					
Non-current assets					
Property, plant and equipment	14	**52,687**	53,432	**514**	631
Investment properties	15	**12,395**	12,266	**7,293**	7,431
Goodwill	16	**-**	-	**-**	-
Investments in subsidiaries	17	**-**	-	**44,955**	44,955
Investments in associates	18	**2,198**	1,687	**-**	-
Deferred tax assets	19	**789**	534	**-**	-
Investment securities	20	**2,434**	2,946	**-**	-
		70,503	70,865	**52,762**	53,017
Current assets					
Inventories	21	**7,565**	7,214	**-**	-
Trade and other receivables	22	**13,808**	13,684	**4,001**	3,845
Prepayments		**5,226**	5,179	**2**	2
Tax recoverable		**2,121**	3,594	**-**	-
Cash and bank balances	23	**11,413**	11,654	**88**	19
		40,133	41,325	**4,091**	3,866
Total assets		**110,636**	112,190	**56,853**	56,883
Equity and liabilities					
Current liabilities					
Retirement benefit obligations	25	**400**	3	**-**	-
Borrowings	24	**837**	708	**106**	91
Trade and other payables	26	**25,256**	26,742	**30,069**	29,628
Tax payable		**15**	-	**-**	-
		26,508	27,453	**30,175**	29,719
Net current assets/(liabilities)		**13,625**	13,872	**(26,084)**	(25,853)

Statements of Financial Position (continued)
as at 31 December 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current liabilities					
Retirement benefit obligations	25	**8,906**	8,927	**566**	496
Deferred tax liabilities	19	**-**	172	**-**	24
Borrowings	24	**797**	750	**145**	251
		9,703	9,849	**711**	771
Total liabilities		**36,211**	37,302	**30,886**	30,490
Net assets		**74,425**	74,888	**25,967**	26,393
Equity attributable to owners of the parent					
Share capital	27	**67,898**	67,898	**67,898**	67,898
Retained earnings/(accumulated losses)		**27,019**	26,503	**(42,898)**	(42,472)
Other reserves	28	**(20,521)**	(19,951)	**967**	967
Equity attributable to owners of the parent		**74,396**	74,450	**25,967**	26,393
Non-controlling interest		**29**	438	**-**	-
Total equity		**74,425**	74,888	**25,967**	26,393
Total equity and liabilities		**110,636**	112,190	**56,853**	56,883

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Statements of Changes in Equity

for the financial year ended 31 December 2017

		Attributable to owners of the parent							
			Non-distributable	Distributable	Non-distributable				
	Note	Equity, total RM'000	Share capital RM'000 (Note 27)	Retained earnings RM'000	Other reserves, total RM'000	Equity contribution from owners RM'000	Fair Value adjustment reserve RM'000	Reserve arising from merger RM'000	Non-controlling interest RM'000
Group									
Opening balance at 1 January 2017		74,888	67,898	26,503	(19,951)	1,262	1,505	(22,718)	438
Profit/(loss) for the year		107	-	516	-	-	-	-	(409)
Other comprehensive loss									
- Net loss on available-for-sale financial assets	28	(570)	-	-	(570)	-	(570)	-	-
Total comprehensive (loss)/income		(463)	-	516	(570)	-	(570)	-	(409)
Closing balance at 31 December 2017		74,425	67,898	27,019	(20,521)	1,262	935	(22,718)	29
Opening balance at 1 January 2016		82,728	67,898	32,055	(17,225)	1,262	4,231	(22,718)	-
Loss for the year		(5,754)	-	(5,552)	-	-	-	-	(202)
Other comprehensive loss									
- Net loss on available-for-sale financial assets	28	(2,726)	-	-	(2,726)	-	(2,726)	-	-
Total comprehensive loss		(8,480)	-	(5,552)	(2,726)	-	(2,726)	-	-
Transaction with owners									
Shares issued for acquisition of a subsidiary		640	-	-	-	-	-	-	640
Closing balance at 31 December 2016		74,888	67,898	26,503	(19,951)	1,262	1,505	(22,718)	438

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Statements of Changes in Equity (continued)
for the financial year ended 31 December 2017

	← Non-distributable →				
	Equity, total RM'000	Share capital RM'000 (Note 27)	Accumulated losses RM'000	Other reserve RM'000	Equity contribution from owners RM'000
Company					
Opening balance at 1 January 2017	**26,393**	**67,898**	**(42,472)**	**967**	**967**
Total comprehensive loss	**(426)**	**-**	**(426)**	**-**	**-**
Closing balance at 31 December 2017	**25,967**	**67,898**	**(42,898)**	**967**	**967**
Opening balance at 1 January 2016	26,220	67,898	(42,645)	967	967
Total comprehensive income	173	-	173	-	-
Closing balance at 31 December 2016	26,393	67,898	(42,472)	967	967

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Statements of Cash Flows

for the financial year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Operating activities					
Profit/(loss) before tax		**499**	(6,356)	**(450)**	197
Adjustments for:					
Dividend income:					
- Investments in subsidiaries	4	**-**	-	**(336)**	(1,257)
- Investment securities	6	**(133)**	(271)	**-**	-
Profit income from Al-Mudharabah	7	**(44)**	(51)	**(10)**	(22)
Finance costs	8	**216**	212	**15**	63
Depreciation of property, plant and equipment	9	**3,505**	4,150	**129**	144
Depreciation of investment properties	9	**233**	225	**138**	146
Inventories written off	9	**1**	68	**-**	-
(Gain)/loss on disposal of property, plant and equipment	9	**(27)**	(79)	**-**	6
Property, plant and equipment written off	9	**1**	-	**-**	-
Gain on disposal of investment securities	7	**-**	(2,789)	**-**	-
Impairment losses on investment securities	9	**-**	261	**-**	-
Impairment losses on trade and other receivables	9	**9**	300	**141**	-
Reversal of impairment losses on trade and other receivables	7	**(207)**	(19)	**(9)**	-
Impairment losses on investment in subsidiaries	9	**-**	-	**-**	66
Profit sharing and interest income	5	**(166)**	(292)	**-**	-
Net unrealised foreign exchange gain	7	**-**	(24)	**-**	-
Share of results of an associate		**(511)**	(518)	**-**	-
Provision for retirement benefit obligations	10	**993**	906	**70**	65
Provision for short-term accumulating compensated absences	10	**91**	96	**7**	12
Total adjustments		**3,961**	2,175	**145**	(777)
Operating cash flows before changes in working capital		**4,460**	(4,181)	**(305)**	(580)
Changes in working capital:					
(Increase)/decrease in inventories		**(352)**	540	**-**	-
Increase in trade and other receivables		**(311)**	(404)	**(938)**	(205)
(Increase)/decrease in prepayments		**(47)**	(874)	**-**	1
(Decrease)/increase in trade and other payables		**(1,181)**	(2,417)	**434**	(84)
Total changes in working capital		**(1,891)**	(3,155)	**(504)**	(288)

Statements of Cash Flows (continued)
for the financial year ended 31 December 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from/(used in) operations		2,569	(7,336)	(809)	(868)
Profit received from Al-Mudharabah		44	51	10	22
Finance costs		(114)	(26)	-	-
Income taxes refunded		1,258	370	-	-
Income taxes paid		(601)	(99)	-	-
Retirement benefits obligations paid	24	(617)	(521)	-	-
Net cash flows from/(used in) operating activities		2,539	(7,561)	(799)	(846)
Investing activities					
Purchase of property, plant and equipment	14	(2,713)	(2,571)	(12)	(37)
Proceeds from disposal of property, plant and equipment		294	188	-	9
Proceeds from disposal of investment securities		-	3,559	-	-
Placement of deposits with licensed banks		(6)	(20)	-	-
Withdrawal of deposits with licensed banks		1,000	5,000	-	-
Addition in investment securities		(57)	-	-	-
Net cash outflow on acquisition of a subsidiary		-	(960)	-	-
Dividend received:					
- Investment securities		133	239	-	-
- Investments in subsidiaries		-	-	986	753
Profit sharing and interest received		166	292	-	-
Net cash flows (used in)/from investing activities		(1,183)	5,727	974	725
Financing activities					
Proceeds from issuance of ordinary shares		-	1,600	-	-
Drawdown from borrowings		883	1,193	-	-
Repayment of borrowings		(740)	(1,336)	-	-
Repayment of obligations under finance leases		(644)	(1,349)	(91)	(83)
Cost of fund and interest paid		(102)	(143)	(15)	(21)
Net cash flows used in financing activities		(603)	(35)	(106)	(104)
Net increase/(decrease) in cash and cash equivalents		753	(1,869)	69	(225)
Cash and cash equivalents at 1 January		9,608	11,477	19	244
Cash and cash equivalents at 31 December	23	10,361	9,608	88	19

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Notes to the Financial Statements

for the financial year ended 31 December 2017

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Wisma TI, PT 3071, Chendering, 21080 Kuala Terengganu, Terengganu Darul Iman.

The principal place of business of the Company is located at 66-2, Taman Sri Intan, Jalan Sultan Omar, 20300 Kuala Terengganu, Terengganu Darul Iman.

The holding company is Terengganu Incorporated Sdn. Bhd., a company incorporated in Malaysia.

The principal activities of the Company are investment holding and provision of management services to the subsidiaries. The principal activities of the subsidiaries are manufacturing and trading of glass, investment holding, sawmiling, moulding, producing finger joint and furniture and kiln drying, harvesting and sustainable forest management, and rental of buildings, plant and machinery and selling of logs.

There have been no significant changes in the nature of the principal activities during the financial year.

Other information relating to the subsidiaries are disclosed in Note 17 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

On 15 September 2016, the Companies Act 2016 ("New Act") was enacted and it replaces the Companies Act 1965 in Malaysia with the New Act with effect from 31 January 2017. The key changes of the New Act are disclosed in Note 2.27.

The financial statements of the Group and of the Company are prepared under the historical cost convention except as disclosed in the summary of significant accounting policies.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2017, the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2017:

Description	Effective for annual periods beginning or after
MFRS 107 *Disclosure Initiative (Amendments to MFRS 107)*	1 January 2017
MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to MFRS 112*	1 January 2017
Annual Improvements to MFRS Standards 2014 - 2016 Cycle - Amendments to MFRS 12 *Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in MFRS 12*	1 January 2017

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

MFRS 107 *Disclosure Initiative (Amendments to MFRS 107)*

The amendments to MFRS 107 *Statement of Cash Flows* require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of these amendments, entities are not required to provide comparative information for preceding periods. Apart from the additional disclosures in Note 24, the application of these amendments has had no impact on the Group and on the Company.

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

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The application of these amendments has had no impact on the Group and on the Company as the Group and the Company have already assessed the sufficiency of future taxable profits in a way that is consistent with these amendments.

Amendments to MFRS 12 *Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in MFRS 12*

The amendments clarify that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal company that is classified) as held for sale. The application of these amendments has had no effect on the Group as none of the Group's interest in these entities are classified, or included in a disposal company that is classified, as held for sale.

2.3 Standards and interpretations issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning or after
MFRS 2 *Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)*	1 January 2018
MFRS 9 *Financial Instruments*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
MFRS 140 *Transfer of Investment Property (Amendments to MFRS 140)*	1 January 2018
Annual Improvements to MFRS Standards 2014 - 2016 Cycle	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
MFRS 9 *Prepayment Features with Negative Compensation (Amendments to MFRS 9)*	1 January 2019
MFRS 16 *Leases*	1 January 2019
MFRS 128 *Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)*	1 January 2019
Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
MFRS 119 *Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019

2. Summary of significant accounting policies (continued)

2.3 Standards and interpretations issued but not yet effective (continued)

Description	Effective for annual periods beginning or after
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

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

The amendments to MFRS 2 address three main areas:

(a) The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;

(b) The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and

(c) Accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply. The directors of the Company do not anticipate that the application of the amendments will have a significant impact on the Group's and on the Company's financial statements as the Group and the Company do not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

MFRS 9 ***Financial Instruments***

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. During 2017, the Group has performed a detailed impact assessment of all three aspects of MFRS 9. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group adopts MFRS 9.

Based on the analysis of the Group's financial assets and liabilities as at 31 December 2017 on the basis of facts and circumstances that exist at that date, the directors of the Company have assessed the impact of MFRS 9 to the Group's financial statements as follows:

(i) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of MFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale ("AFS") with gains and losses recorded in other comprehensive income ("OCI") will, instead be measured at fair value through profit or loss, which will increase volatility in recorded profit or loss. The AFS reserve of RM935,000 related to those securities, which is currently presented in OCI will be reclassified to retained earnings.

The equity shares in non-listed companies are intended to be held for the foreseeable future. No impairment losses were recognised in profit or loss during prior periods for these investments. The Group will apply the option to present fair value changes in OCI, and therefore, the application of MFRS 9 will not have a significant impact.

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

2. Summary of significant accounting policies (continued)

2.3 Standards and interpretations issued but not yet effective (continued)

MFRS 9 *Financial Instruments (continued)*

(ii) Impairment

The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The directors have assessed the impact of MFRS 9 in accordance with simplified approach and determined that there is no significant impact to the Group's financial statements.

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 *Revenue* , MFRS 111 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group plans to adopt the new standard on the required effective date using the full retrospective method. The directors have assessed the effects of applying the new standard on the Group's financial statements and have identified the areas that will be affected but do not anticipate the application of MFRS 15 to have a significant impact on the Group's financial statements.

MFRS 140 *Transfers of Investment Property (Amendments to MFRS 140)*

The amendments clarify that when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of change in use.

Entities can apply these amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Earlier application of the amendments is permitted and must be disclosed. The Group will apply these amendments when they become effective. However, since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements.

2. Summary of significant accounting policies (continued)

2.3 Standards and interpretations issued but not yet effective (continued)

Annual Improvements to MFRS Standards 2014 – 2016 Cycle

The Annual Improvements to MFRS Standards 2014 - 2016 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group's and the Company's financial statements.

Standards	Descriptions
MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters*	This amendment is not applicable to the Group as the Group is not a first-time adopter of MFRS.
MFRS 128 *Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment- by-investment choice*	The amendments clarify that: - an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition, on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. - if an entity, that is not itself an investment entity, has an interest in associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at a later date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. Earlier application of these amendments are permitted and must be disclosed. These amendments are not applicable to the Group as the Group is not a venture capital organisation and the Group does not have any associate or joint venture that is an investment entity.

2. Summary of significant accounting policies (continued)

2.3 Standards and interpretations issued but not yet effective (continued)

IC Interpretation 22 *Foreign Currency Transactions and Advance*

The interpretation clarifies that, in determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability, the date of transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration.

Entities may apply the amendments either retrospectively or prospectively. Specific transition provisions apply to prospective application. Early application is permitted and must be disclosed. The application of these amendments are not expected to have a significant impact on the Group's and on the Company's financial statements.

MFRS 9 *Prepayment Features with Negative Compensation (Amendments to MFRS 9)*

Under MFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to MFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments must be applied retrospectively. Earlier application is permitted. These amendments are not expected to have a significant impact on the Group's and on the Company's financial statements.

MFRS 16 *Leases*

MFRS 16 will replace 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.

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. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The application of this standard is not expected to have a significant impact on the Group's and on the Company's financial statements.

2. Summary of significant accounting policies (continued)

2.3 Standards and interpretations issued but not yet effective (continued)

MFRS 128 *Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)*

The amendments clarify that an entity applies MFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). In applying MFRS 9, an entity does not account for any losses of the associate, or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying MFRS 128 *Investments in Associates and Joint Ventures*.

Entities must apply the amendments retrospectively, with certain exceptions. Early application of the amendments is permitted and must be disclosed. As the amendments eliminate ambiguity in the wording of the standard, the directors of the Company do not expect the amendments to have any impact on the Group's and on the Company's financial statements.

Annual Improvements to MFRS Standards 2015 – 2017 Cycle

The Annual Improvements to MFRS Standards 2015 - 2017 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group's and on the Company's financial statements.

Standards	Descriptions
MFRS 3 *Business Combinations – Previously held interests in a joint operation*	The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation. An entity applies these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.
MFRS 112 *Income Taxes – Income tax consequences of payments on financial instruments classified as equity*	The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. An entity applies these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When an entity first applies these amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.
MFRS 11 *Joint Arrangements - Previously held interests in a joint operation*	A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitues a business as defined in MFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. An entity applies these amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

2. Summary of significant accounting policies (continued)

2.3 Standards and interpretations issued but not yet effective (continued)

Annual Improvements to MFRS Standards 2015 – 2017 Cycle (continued)

Standards	Descriptions
MFRS 123 *Borrowing Costs – Borrowing costs eligible for capitalisation*	The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies these amendments to borrowing costs incurred on or after the beginning of the annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

MFRS 119 ***Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)***

The amendments require entities to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement, which occurs during the reporting period. The amendments also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements.

The amendments should be applied prospectively to plan amendments, curtailments or settlements that occur on or after 1 January 2019, with earlier application permitted. These amendments will not have a significant impact on the Group's and the Company's financial statements.

IC Interpretation 23 ***Uncertainty over Income Tax Treatments***

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of MFRS 112 and does not apply to taxes or levies outside the scope of MFRS 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the estimation of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Group and the Company will apply the interpretation from its effective date. Since the Group and the Company do not operates in a complex multinational tax environment, applying the interpretation may not affect its consolidated financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the interpretation on a timely basis.

2. Summary of significant accounting policies (continued)

2.3 Standards and interpretations issued but not yet effective (continued)

MFRS 17 *Insurance Contracts*

MFRS 17 will replace MFRS 4 *Insurance Contracts*. MFRS 17 applies to all types of insurance contracts (i.e life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The overall objective of MFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in MFRS 4, which are largely based on grandfathering previous local accounting policies, MFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of MFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach); and
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

MFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies MFRS 9 and MFRS 15 on or before the date it first applies MFRS 17. This standard is not applicable to the Group.

Amendments to MFRS 10 and MFRS 128: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and
- gains and losses resulting from transactions involving the sale or contribution of assets to an associate or a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by the Malaysian Accounting Standards Board. Earlier application is permitted. These amendments are not expected to have any impact on the Group.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation (continued)

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Company, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement* ("MFRS 139") either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation (continued)

Business combinations (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. The accounting policy for goodwill is set out in Note 2.7.

2.5 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.6 Investments in associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

On acquisition of an investment in associate, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

An associate is equity accounted for from the date on which the investee becomes an associate.

Under the equity method, on initial recognition the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate after the date of acquisition. When the Group's share of losses in an associate equal or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group applies MFRS 139 *Financial Instruments : Recognition and Measurement* ("MFRS 139") to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 *Impairment of Assets* ("MFRS 136") as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

In the Company's separate financial statements, investments in associates are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2. Summary of significant accounting policies (continued)

2.7 Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated. Work-in progress is also not depreciated as this asset is not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets, at the following annual rates and useful life:

Leasehold land	50 - 60 years
Buildings	2% - 5%
Plant and machinery	5% - 20%
Furniture, fittings and equipment	5% - 20%
Motor vehicles	10% - 20%
Infrastructure	4% - 20%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year- end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2. Summary of significant accounting policies (continued)

2.9 Investment properties

Investment properties are initially measured at cost, including transaction costs. Investment properties are measured using cost model. Thus, subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.8 up to the date of change in use.

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss, unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.11 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial asset at fair value through profit or loss, held-to-maturity, loans and receivables and available-for-sale financial assets.

The Group and the Company have classified their financial assets as loans and receivables and available-for-sale financial assets.

2. Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

(a) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(b) Available-for-sale financial assets

Available-for-sale are financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale financial assets are recognised in profit or loss when the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

Investments in quoted securities are designated as available-for-sale financial assets.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e the date that the Group and the Company commit to purchase or sell the asset.

2. Summary of significant accounting policies (continued)

2.12 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

2. Summary of significant accounting policies (continued)

2.13 Cash and cash equivalents

Cash and short-term deposits in the statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdraft.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials and consumable materials: purchase costs on a first-in first-out basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.16 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* ("MFRS 139"), are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

The Group and the Company have classified their financial liabilities as other financial liabilities.

The Group's and the Company's other financial liabilities include trade and other payables and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

2. Summary of significant accounting policies (continued)

2.16 Financial liabilities (continued)

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.17 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.18 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.19 Employee benefits

(a) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-cumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2. Summary of significant accounting policies (continued)

2.19 Employee benefits (continued)

(c) Defined benefit plans

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognised as a separate asset at fair value when and only when reimbursement is virtually certain.

(d) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either to terminate the employment of current employees according to the detailed plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting date are discounted to present value.

2. Summary of significant accounting policies (continued)

2.20 Leases

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful lives of the assets. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the assets are depreciated over the shorter of the estimated useful lives and the lease terms.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.21 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(c) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(d) Management fees

Management fees are recognised when services are rendered.

(e) Interest income

Interest income is recognised using the effective interest method.

2. Summary of significant accounting policies (continued)

2.22 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. **Summary of significant accounting policies (continued)**

2.22 Income taxes (continued)

(c) Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

(d) Goods and Services Tax ("GST")

The net amount of GST, being the difference between output and input of GST, payable to or receivable from the respective authorities at the reporting date, is included in trade and other payables or trade and other receivables in the statements of financial position.

2.23 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 34, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.24 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.25 Fair value measurements

The Group measures its financial instruments, such as, derivatives, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 31(b).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(i) In the principal market for the asset or liability, or

(ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

2. Summary of significant accounting policies (continued)

2.25 Fair value measurements (continued)

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.26 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

2.27 Significant changes in regulatory requirements

<u>Companies Act 2016 ("New Act")</u>

Amongst the key changes introduced in the New Act which affected the financial statements of the Group and the Company upon the commencement of the New Act on 31 January 2017 are:

(i) the removal of the authorised share capital; and

(ii) the ordinary shares of the Company will cease to have par or nominal value.

The adoption of the New Act has no financial impact on the Group and the Company for the current financial year ended 31 December 2017. The effects of adoption are mainly on the disclosures to the financial statements of the Group and of the Company.

3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgements made in applying accounting policies

There were no significant judgements made in applying the accounting policies of the Group which may have significant effects of the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Changes in estimates

MFRS 116: *Property, Plant and Equipment* ("MFRS 116") requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The Group revised the useful lives of certain plant and machineries from 5 to 17 years to 5 to 20 years with effect from 1 January 2017. The revisions were accounted for prospectively as a change in accounting estimates and as a result, the depreciation charges of the Group for the current financial year have been reduced by RM559,000.

(b) Useful lives of plant and machineries

The cost of plant and machineries for the manufacture of glass and wood related products is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machineries to be within 5 to 20 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The net carrying amount of the Group's plant and machineries at the reporting are disclosed in Note 14.

(c) Deferred tax assets

Deferred tax assets are recognised for all unabsorbed tax losses and unutilised capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statement of financial position and the amount of unrecognised tax losses and capital allowances. The carrying amount of the Group's deferred tax assets at the reporting date is disclosed in Note 19.

During the year, a subsidiary of the Group has recognised RM285,000 of unutilised tax losses on 31 December 2017 as management considered that it is probable that taxable profits will be available against which the losses can be utilised. The management has revised the taxable profit in the subsidiary as this subsidiary's results from operating activities are expected to increase due to the expectation of increase in the total logs to be processed.

The carrying amount of the Group's deferred tax assets at the reporting date is disclosed in Note 19.

3. Significant accounting judgements and estimates (continued)

3.2 Key sources of estimation uncertainty (continued)

(d) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 22.

(e) Defined benefit plan

The cost of defined benefit pension plan is determined using the actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. All assumptions are reviewed at each reporting date. The carrying amounts of the Group's and of the Company's defined benefit plan at the reporting date and related assumptions are disclosed in Note 25.

(f) Impairment of investments in subsidiaries

MFRS 136: *Impairment of Assets* ("MFRS 136") requires entities to assess at each reporting date whether there is any indication that an impairment loss may no longer exist or may have decreased. If there is any such indication, the entity has to recalculate the recoverable amount of the asset.

Judgements made by the management in the process of applying the Group's accounting policies in respect of investments in subsidiaries includes determination whether reversal of impairment following certain indications such as, amongst others, evidence from internal reporting that the economic performance of the subsidiaries is or will be, better than expected.

During the financial year, management has assessed that investment in Permint Timber Corporation Sdn. Bhd. ("Permint") has indicators of reversal of impairment. The management has applied the value-in-use ("VIU") to determine the recoverable amount of the investment so that the reversal can be quantified, if any. This VIU entails the preparation of discounted cash flow. This method requires the management to make certain assumptions concerning the future. These assumptions and other key sources of estimation uncertainty at reporting date, may have a significant risk of causing material adjustment of the carrying amount of the investment within the next financial year. Assumptions by the management may include, amongst others, assumption on expected future cash flows, revenue growth, terminal value, discount rate used for purposes of discounting future cash flows which incorporates the relevant risk and expected future outcome based on certain past trends.

In arriving at the discounted cash flow, the management assumed that there will be an increase in the total logs harvested by Kumpulan Pengurusan Kayu Kayan Trengganu Sdn. Bhd. ("KPKKT") which will accelerate the performance of the downstream revenue. The management also assumed that the veneer operation which represents a new revenue stream under Permint Plywood Sdn. Bhd. ("PPSB") will commence in year 2018 and that financing facilities will be secured by PPSB either from a financial institution or from the holding company. Both KPKKT and PPSB are subsidiaries of Permint.

The management also recognised that the possibility of new entrants can have a significant impact on growth rate assumptions. The effect of new entrants is expected to have significant adverse impact on the forecasts.

Sensitivity analysis

With regard to the assessment of the recoverable amount, should there be a decrease of 1% in the discount rate, it will result in a reversal of impairment in the investment of Permint approximately RM7,000,000. However, should there be an increase of 2% in discount rate, it will result in an addition of impairment of approximately RM2,000,000.

4. Revenue

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sale of goods	65,573	57,521	-	-
Rental income	70	77	728	728
Dividend income from subsidiaries	-	-	336	1,257
Management fees from subsidiaries	-	-	1,773	1,774
	65,643	57,598	2,837	3,759

5. Interest income

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest income from:				
Loans and receivables	166	292	-	-

6. Dividend income

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Dividend income from:				
Available-for-sale financial assets				
- Equity instruments (quoted in Malaysia)	133	271	-	-

7. Other income

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Reversal of impairment losses on trade and other receivables (Note 22(a),(c))	207	19	9	-
Sale of scrap and other products	83	112	-	-
Gain on disposal of property, plant and equipment	27	79	-	-
Gain on disposal of investment securities	-	2,789	-	-
Unrealised gain on foreign exchange	-	24	-	-
Realised gain on foreign exchange	83	30	-	-
Discount received	-	3	-	3
Profit income from Al-Mudharabah	44	51	10	22
Insurance compensation	-	1	-	-
Post-filling forest inventory development	-	83	-	-
Miscellaneous	206	177	6	3
	650	3,368	25	28

8. Finance costs

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest expense on:				
Obligations under finance leases	**102**	144	**15**	21
Bankers' acceptances	**16**	14	**-**	-
Overdrafts	**98**	12	**-**	-
Intercompany loans and advances	**-**	-	**-**	-
Loans and advances:				
- holding company	**-**	42	**-**	42
	216	212	**15**	63

9. Profit/(loss) before tax

The following items have been included in arriving at profit/(loss) before tax:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Auditors' remuneration:				
- Current year	**170**	160	**60**	58
- Underprovided in prior year	**-**	15	**-**	5
- Other services	**30**	10	**30**	10
Employee benefits expense (Note 10)	**18,079**	18,156	**1,466**	1,681
Non-executive directors' remuneration excluding benefits-in-kind (Note 11)	**971**	1,029	**458**	483
Depreciation of property, plant and equipment (Note 14)	**3,505**	4,150	**129**	144
Depreciation of investment properties (Note 15)	**233**	225	**138**	146
(Gain)/loss on disposal of property, plant and equipment	**(27)**	(79)	**-**	6
Property, plant and equipment written off	**1**	-	**-**	-
Impairment losses on trade and other receivables (Note 22(a),(c))	**9**	300	**141**	-
Reversal of impairment losses on trade and other receivables (Note 22(a),(c))	**(207)**	(19)	**(9)**	-
Sustainable forest management expenses	**1,550**	1,416	**-**	-
Rental of equipment	**26**	23	**4**	4
Rental of land and buildings	**49**	149	**77**	77
Inventories written off (Note 21)	**1**	68	**-**	-
Impairment losses on investment in subsidiaries	**-**	-	**-**	66
Impairment losses on investment securities	**-**	261	**-**	-

10. Employee benefits expense

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Wages and salaries	**11,651**	12,343	**986**	1,218
Social security contributions	**278**	191	**12**	12
Contributions to defined contribution plan	**1,672**	1,738	**172**	198
Provision for retirement benefits obligations (Note 25)	**993**	906	**70**	65
Provision for short-term accumulating compensated absences	**91**	96	**7**	12
Other benefits	**3,394**	2,882	**219**	176
	18,079	18,156	**1,466**	1,681

11. Directors' remuneration

The details of remuneration receivable by directors of the Company during the year are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Executive:				
Salaries and other emoluments	**131**	118	**-**	-
Fees	**6**	17	**-**	-
Defined contribution plan	**2**	1	**-**	-
Total executive directors' remuneration	**139**	136	**-**	-
Non-executive:				
Fees	**278**	417	**180**	197
Other emoluments	**693**	612	**278**	286
Total directors' remuneration (excluding benefits-in-kind) (Note 9)	**971**	1,029	**458**	483
Total non-executive directors' remuneration (including benefits-in-kind)	**971**	1,029	**458**	483
Total directors' remuneration	**1,110**	1,165	**458**	483

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of directors	
	2017	2016
Non-executive directors:		
Below RM50,000	**4**	6
RM50,001 - RM100,000	**2**	1
Above RM100,000	**1**	-

12. Income tax expense/(benefit)

Major components of income tax expense/(benefit)

The major components of income tax expense/(benefit) for the years ended 31 December 2017 and 2016 are:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Statements of profit or loss and other comprehensive income:				
Current income tax:				
Malaysian income tax	**823**	73	**-**	-
Overprovision in respect of previous years	**(4)**	(106)	**-**	-
	819	(33)	**-**	-
Deferred tax (Note 19):				
Relating to origination/(reversal) of temporary differences	**156**	(580)	**-**	(175)
(Over)/under provision in respect of previous years	**(583)**	11	**(24)**	199
	(427)	(569)	**(24)**	24
Total income tax expense/(benefit) recognised in profit or loss	**392**	(602)	**(24)**	24

Reconciliation between tax expense/(benefit) and accounting profit/(loss)

The reconciliation between tax expense/(benefit) and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 is as follows:

Group	**2017 RM'000**	**2016 RM'000**
Profit/(loss) before tax	**499**	(6,356)
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	**120**	(1,525)
Adjustments:		
Income not subject to tax	**(53)**	(95)
Non-deductible expenses	**1,988**	722
Effect of tax exempt and tax relief	**(21)**	(7)
Utilisation of current year's reinvestment allowances	**(132)**	(185)
Utilisation of unabsorbed capital allowances and unutilised tax losses	**(1,398)**	-
Deferred tax assets not recognised	**598**	707
Share of tax of an associate	**(123)**	(124)
(Over)/under provision of deferred income tax in respect of previous years	**(583)**	11
Overprovision of income tax in respect of previous years	**(4)**	(106)
Total income tax expense/(benefit) recognised in profit or loss	**392**	(602)

12. Income tax expense/(benefit) (continued)

Reconciliation between tax expense/(benefit) and accounting profit/(loss) (continued)

	2017 RM'000	2016 RM'000
Company		
(Loss)/profit before tax	**(450)**	197
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	**(108)**	47
Adjustments:		
Income not subject to tax	**(81)**	(302)
Deferred tax assets not recognised	**61**	-
Non-deductible expenses	**128**	80
(Over)/under provision of deferred tax in respect of previous years	**(24)**	199
Total income tax (benefit)/expense recognised in profit or loss	**(24)**	24

Current income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated assessable profit/(loss) for the year.

Tax savings during the financial year arising from:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Utilisation of current year's tax losses	**223**	34	**4**	5
Utilisation of previously unutilised tax losses	**56**	89	**-**	-

13. Profit/(loss) per share

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

The following reflect the profit/(loss) and share data used in the computation of basic and diluted profit/(loss) per share for the years ended 31 December:

	Group	
	2017	2016
Profit/(loss) net of tax attributable to owners of the parent (RM'000)	**516**	(5,552)
Number of ordinary shares in issue ('000)	**134,546**	134,546
Basic and diluted profit/(loss) per share (sen)	**0.38**	(4.13)

The Group has no potential ordinary shares in issue as at the reporting date and therefore the basic and fully diluted profit/(loss) per share are the same.

14. Property, plant and equipment

Group	Land and buildings* RM'000	Plant and machinery RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Other assets** RM'000	Work-in-progress RM'000	Total RM'000
Cost:							
At 1 January 2016	51,470	77,681	12,908	11,829	1,908	-	155,796
Additions	345	1,041	129	551	55	609	2,730
Disposals	-	(153)	(2)	(364)	-	-	(519)
Write offs	-	(51)	(94)	-	-	-	(145)
At 31 December 2016 and 1 January 2017	51,815	78,518	12,941	12,016	1,963	609	157,862
Additions	12	1,148	132	793	7	1,298	3,390
Disposals	(225)	(1,351)	(3)	(637)	-	(29)	(2,245)
Write offs	-	(3,581)	(112)	-	(377)	-	(4,070)
Transfer to investment properties (Note 15)	(481)	-	-	-	-	-	(481)
At 31 December 2017	**51,121**	**74,734**	**12,958**	**12,172**	**1,593**	**1,878**	**154,456**
Accumulated depreciation:							
At 1 January 2016	7,819	71,676	11,779	8,373	1,188	-	100,835
Depreciation charge for the year (Note 9)	1,616	1,198	393	931	12	-	4,150
Disposals	-	(141)	(2)	(267)	-	-	(410)
Write offs	-	(51)	(94)	-	-	-	(145)
At 31 December 2016 and 1 January 2017	9,435	72,682	12,076	9,037	1,200	-	104,430
Depreciation charge for the year (Note 9)	1,606	744	248	890	17	-	3,505
Disposals	(24)	(1,347)	(7)	(600)	-	-	(1,978)
Write offs	-	(3,580)	(112)	-	(377)	-	(4,069)
Transfer to investment properties (Note 15)	(119)	-	-	-	-	-	(119)
At 31 December 2017	**10,898**	**68,499**	**12,205**	**9,327**	**840**	**-**	**101,769**
Net carrying amount:							
At 31 December 2016	42,380	5,836	865	2,979	763	609	53,432
At 31 December 2017	**40,223**	**6,235**	**753**	**2,845**	**753**	**1,878**	**52,687**

** Other assets consist of roads and bridges.

14. Property, plant and equipment (continued)

* Land and buildings of the Group:

Group (continued)	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Total RM'000
Cost:				
At 1 January 2016	409	35,512	15,549	51,470
Addition	-	-	345	345
At 31 December 2016 and 1 January 2017	409	35,512	15,894	51,815
Additions	-	-	12	12
Disposal	-	-	(225)	(225)
Transfer to investment properties	-	(481)	-	(481)
At 31 December 2017	**409**	**35,031**	**15,681**	**51,121**
Accumulated depreciation:				
At 1 January 2016	-	4,808	3,011	7,819
Depreciation charge for the year	-	965	651	1,616
At 31 December 2016 and 1 January 2017	-	5,773	3,662	9,435
Depreciation charge for the year	-	953	653	1,606
Disposal	-	-	(24)	(24)
Transfer to investment properties	-	(119)	-	(119)
At 31 December 2017	**-**	**6,607**	**4,291**	**10,898**
Net carrying amount:				
At 31 December 2016	409	29,739	12,232	42,380
At 31 December 2017	**409**	**28,424**	**11,390**	**40,223**

Notes to the Financial Statements (continued)
for the financial year ended 31 December 2017

14. Property, plant and equipment (continued)

Company	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost:			
At 1 January 2016	847	572	1,419
Additions	21	76	97
Disposals	(2)	(56)	(58)
Write offs	(16)	-	(16)
At 31 December 2016 and 1 January 2017	850	592	1,442
Additions	12	-	12
At 31 December 2017	**862**	**592**	**1,454**
Accumulated depreciation:			
At 1 January 2016	627	99	726
Depreciation charge for the year (Note 9)	58	86	144
Disposals	(2)	(41)	(43)
Write offs	(16)	-	(16)
At 31 December 2016 and 1 January 2017	667	144	811
Depreciation charge for the year (Note 9)	67	62	129
At 31 December 2017	**734**	**206**	**940**
Net carrying amount:			
At 31 December 2016	183	448	631
At 31 December 2017	**128**	**386**	**514**

Assets held under finance lease

During the financial year, the Group and the Company acquired equipment and motor vehicles with an aggregate cost of RM677,000 (2016: RM159,000) and RMNil (2016: RM60,000) respectively, by means of finance lease. The cash outflow on acquisition of property, plant and equipment of the Group and of the Company amounted to RM2,713,000 (2016: RM2,571,000) and RM12,000 (2016: RM37,000) respectively.

The net carrying amount of plant and machinery, equipment and motor vehicles held under finance leases at the reporting date were RM383,000 (2016: RM444,000) and RM2,203,000 (2016: RM3,448,000) for the Company and for the Group respectively.

15. Investment properties

	Leasehold land RM'000	Building RM'000	Total RM'000
Group			
Cost:			
At 1 January 2016/31 December 2016 and 1 January 2017	13,399	139	13,538
Transfer from property, plant and equipment (Note 14)	481	-	481
At 31 December 2017	**13,880**	**139**	**14,019**
Accumulated depreciation:			
At 1 January 2016	1,041	6	1,047
Depreciaton charge for the year (Note 9)	222	3	225
At 31 December 2016 and 1 January 2017	1,263	9	1,272
Depreciaton charge for the year (Note 9)	230	3	233
Transfer from property, plant and equipment (Note 14)	119	-	119
At 31 December 2017	**1,612**	**12**	**1,624**
Net carrying amount:			
At 31 December 2016	12,136	130	12,266
At 31 December 2017	**12,268**	**127**	**12,395**
Company			
Cost:			
At 1 January 2016/31 December 2016/31 December 2017	3,000	5,290	8,290
Accumulated depreciation:			
At 1 January 2016	201	512	713
Depreciaton charge for the year (Note 9)	40	106	146
At 31 December 2016 and 1 January 2017	241	618	859
Depreciaton charge for the year (Note 9)	40	98	138
At 31 December 2017	**281**	**716**	**997**
Net carrying amount:			
At 31 December 2016	2,759	4,672	7,431
At 31 December 2017	**2,719**	**4,574**	**7,293**

15. Investment properties (continued)

Fair value information

The Company has engaged an independent professional valuer, who holds a recognised relevant professional qualification and has recent experience in the locations and categories of the investment properties valued to determine the fair value of its investment property. A valuation is conducted at each financial year end.

Based on the valuation report dated 1 February 2018, fair value of leasehold land and buildings of the Group and of the Company as at 31 December 2017 to be RM13,880,000 (2016: RM13,880,000) and RM130,000 (2016: RM130,000) and RM3,650,000 (2016: RM3,600,000) and RM5,100,000 (2016: RM5,100,000) respectively.

Level 3 fair values

Fair value of the leasehold and buildings have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size, location and physical characteristics to arrive at market value. The most significant input into this valuation approach is price per square foot of comparable properties.

The following is recognised in profit or loss in respect of investment properties:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Rental income (Note 4)	70	77	728	728

16. Goodwill

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

17. Investments in subsidiaries

	Company 2017 RM'000	Company 2016 RM'000
Unquoted shares, at cost	**118,824**	118,824
Less: Accumulated impairment losses	**(73,883)**	(73,883)
	44,941	44,941
Provision for financial guarantee	**14**	14
	44,955	44,955

(a) Details of subsidiaries are as follows:

Names	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2017	Proportion (%) of ownership interest 2016
Held by the Company:				
Golden Pharos Doors Sdn. Bhd.	Malaysia	Inactive	100	100
Golden Pharos Glass Sdn. Bhd.	Malaysia	Manufacturing and trading of glass	100	100
Golden Pharos Overseas Sales Sdn. Bhd.	Malaysia	Inactive	100	100
Golden Pharos Overseas Sdn. Bhd.**	Malaysia	Dormant	100	100
Permint Timber Corporation Sdn. Bhd.	Malaysia	Investment holding	100	100
Golden Pharos Fiber Sdn. Bhd.	Malaysia	Dormant	100	100
Held through Permint Timber Corporation Sdn. Bhd.:				
Pesama Timber Corporation Sdn. Bhd.	Malaysia	Sawmilling, harvesting, moulding, producing finger joint and furniture, and kiln drying	100	100
Pesaka Trengganu Berhad	Malaysia	Sawmilling	100	100
Permint Plywood Sdn. Bhd.	Malaysia	Rental of buildings, plant and machinery and selling of logs	100	100

17. Investments in subsidiaries (continued)

(a) Details of subsidiaries are as follows: (continued)

Names	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2017	Proportion (%) of ownership interest 2016
Kumpulan Pengurusan Kayu-Kayan Trengganu Sdn. Bhd.	Malaysia	Harvesting and sustainable forest management	100	100
GP Tropical Furniture Sdn. Bhd.	Malaysia	Dormant	50.39*	50.39*
Held through Permint Plywood Sdn. Bhd.:				
GP Dynamic Venture Sdn. Bhd.	Malaysia	Manufacture and sale of veneer, plywood and decorative plywood and wide range of timber based product. The Company has yet to commence its production and trading activities as at the end of the financial year.	60*	60*

* Percentage of ownership interest held by non-controlling interest equal to the proportion of voting rights held.
** This subsidiary holds 19% equity interest in Prestige Doors PLC, a company incorporated in the United Kingdom.

(b) Summarised financial information of GP Dynamic Venture Sdn. Bhd. which has non-controlling interest that is material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination.

(i) Summarised statement of financial position

	2017 RM'000	2016 RM'000
Non-current assets	**1,140**	734
Current assets	**108**	579
Total assets	**1,248**	1,313
Current liabilities	**1,119**	134
Non-current liabilities	**56**	83
Total liabilities	**1,175**	217
Net assets	**73**	1,096
Equity attributable to owners of the Company	**44**	658
Non-controlling interest	**29**	438

17. Investments in subsidiaries (continued)

(ii) Summarised statement of comprehensive income

	2017 RM'000	2016 RM'000
Revenue	-	-
Loss for the year/period	1,022	505
Loss attributable to owners of the company	613	303
Loss attributable to the non-controlling interest	409	202
Total comprehensive loss for the year/period	1,022	505
Total comprehensive loss attributable to owners of the company	613	303
Total comprehensive loss attributable to the non-controlling interest	409	202
	1,022	505

(iii) Summarised statement of cash flows

	2017 RM'000	2016 RM'000
Net cash flows from/(used in) operating activities	449	(915)
Net cash flows used in investing activities	(458)	(645)
Net cash flows (used in)/from financing activities	(23)	1,594
Net (decrease)/increase in cash and cash equivalents	(32)	34
Cash and cash equivalents at the beginning of the year/period	34	-
Cash and cash equivalents at the end of the year/period	2	34

18. Investments in associates

	Group	
	2017 RM'000	2016 RM'000
Unquoted ordinary shares, at cost	3,981	3,981
Unquoted preference shares, at cost	7,764	7,764
	11,745	11,745
Share of post-acquisition reserves	1,860	1,349
	13,605	13,094
Less: Accumulated impairment losses	(11,407)	(11,407)
	2,198	1,687
Represented by:		
Share of net tangible assets	2,198	1,687

18. Investments in associates (continued)

Details of the associates are as follows:

Names	Country of incorporation	Proportion (%) of ownership interest 2017	2016	Principal activities
Konsortium Perumahan Rakyat Terengganu Sdn. Bhd.	Malaysia	**35.00**	35.00	Housing development
Kemaman Furniture Industries Sdn. Bhd.	Malaysia	**43.59**	43.59	Dormant
Pesama Renors (M) Sdn. Bhd.	Malaysia	**25.00**	25.00	Dormant
GPB Seabridge International, Inc.+	United States of America	**20.00**	20.00	Dormant

\+ Audited by a firm of auditors other than Ernst & Young.

Konsortium Perumahan Rakyat Terengganu Sdn. Bhd.

The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follows:

(i) Summarised statement of financial position

	2017 RM'000	2016 RM'000
Assets and liabilities:		
Total assets	**21,721**	23,395
Total liabilities	**(16,340)**	(18,352)

(ii) Summarised statement of comprehensive income

	2017 RM'000	2016 RM'000
Results:		
Revenue	**15,099**	16,231
Profit for the year	**1,461**	1,480

18. Investments in associates (continued)

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associate

	2017 RM'000	2016 RM'000
Net assets at 1 January	**4,819**	3,339
Profit for the year	**1,461**	1,480
Net assets at 31 December	**6,280**	4,819
Interest in associate	**35%**	35%
	2,198	1,687

19. Deferred tax

Deferred income tax as at 31 December relates to the following:

	As at 1 January 2016 RM'000	Recognised in profit or loss RM'000 (Note 12)	As at 31 December 2016 RM'000	Recognised in profit or loss RM'000 (Note 12)	As at 31 December 2017 RM'000
Group					
Deferred tax liabilities:					
Property, plant and equipment	7,786	323	8,109	(1,094)	**7,015**
Other payables	-	-	-	(39)	**(39)**
	7,786	323	8,109	(1,133)	**6,976**
Deferred tax assets:					
Provisions and retirement benefit obligations	(2,253)	(380)	(2,633)	28	**(2,605)**
Unutilised tax losses, unabsorbed reinvestment allowances and capital allowances	(5,326)	(512)	(5,838)	678	**(5,160)**
	(7,579)	(892)	(8,471)	706	**(7,765)**
	207	(569)	(362)	(427)	**(789)**
Company					
Deferred tax liabilities:					
Property, plant and equipment	1,209	1,204	2,413	(2,413)	**-**
Deferred tax assets:					
Provisions and retirement benefit obligations	(107)	(119)	(226)	226	**-**
Unutilised tax losses and unabsorbed capital allowances	(1,102)	(1,061)	(2,163)	2,163	**-**
	(1,209)	(1,180)	(2,389)	2,389	**-**
	-	24	24	(24)	**-**

19. Deferred tax (continued)

Presented after offsetting as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Deferred tax assets	**(789)**	(534)	**-**	-
Deferred tax liabilities	**-**	172	**-**	24
	(789)	(362)	**-**	24

<u>Unutilised tax losses, unabsorbed capital allowances and unabsorbed reinvestment allowances</u>

At the reporting date, the Group has unutilised tax losses, unabsorbed capital allowances and reinvestment allowances of approximately RM186,069,000 (2016: RM183,840,000), RM8,548,000 (2016: RM12,261,000) and RM2,774,000 (2016: RM2,601,000) respectively that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability.

Section 44(5A) and Paragraph 75A of Schedule 3 of the Malaysia Income Tax Act 1967 which became effective in Year of Assessment 2006 restricts the utilisation of unutilised tax losses and unabsorbed capital allowances where there is a substantial change in the ordinary shareholder of a company. The test for determining whether there is a substantial change in shareholders is carried out by comparing the shareholders on the last day of the basis period in which the unabsorbed losses/capital allowances were ascertained with those on the first day of the basis period in which the unabsorbed losses/capital allowances are to be utilised.

Pursuant to guidelines issued by the Malaysian tax authorities in 2008, the Ministry of Finance has exempted all companies from the provision of Section 44(5A) and Paragraph 75A of Schedule 3 except dormant companies.

20. Investment securities

	Group	
	2017 RM'000	**2016 RM'000**
Non-current		
Available-for-sale financial assets, at fair value		
Quoted in Malaysia		
- Equity instruments	**1,427**	1,951
- Unit trust, Amanah Saham Darul Iman ("ASDI")	**1,007**	995
Total investment securities	**2,434**	2,946

None of these financial assets are impaired.

21. Inventories

	Group	
	2017 RM'000	2016 RM'000
At cost		
Raw materials	**6,718**	6,527
Work-in-progress	**18**	91
Finished goods	**319**	183
Consumable materials	**510**	413
	7,565	7,214

During the financial year, the amount of inventories recognised as an expenses in cost of sales of the Group was RM31,551,000 (2016: RM30,610,000).

During the year, the Group's inventories amounting to RM1,000 (2016: RM68,000) were written off (Note 9).

22. Trade and other receivables

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade receivables				
Third parties	**22,312**	22,259	**-**	-
Less: Allowance for impairment				
Third parties	**(11,927)**	(11,961)	**-**	-
Trade receivables, net	**10,385**	10,298	**-**	-
Other receivables				
Amounts due from subsidiaries	**-**	-	**80,431**	80,136
Loans to subsidiaries	**-**	-	**4,665**	4,665
Amounts due from associates	**1,142**	1,104	**-**	-
Deposits	**2,527**	2,820	**15**	15
Goods and Services Tax ("GST") receivable	**48**	65	**-**	-
Sundry receivables	**8,517**	8,372	**7,048**	7,055
	12,234	12,361	**92,159**	91,871
Less: Allowance for impairment				
Amounts due from subsidiaries	**-**	-	**(76,493)**	(76,361)
Loans to subsidiaries	**-**	-	**(4,665)**	(4,665)
Amounts due from associates	**(1,065)**	(1,065)	**-**	-
Sundry receivables	**(7,746)**	(7,910)	**(7,000)**	(7,000)
	(8,811)	(8,975)	**(88,158)**	(88,026)
Other receivables, net	**3,423**	3,386	**4,001**	3,845
Total trade and other receivables	**13,808**	13,684	**4,001**	3,845
Add: Cash and bank balances (Note 23)	**11,413**	11,654	**88**	19
Less: GST receivable	**(48)**	(65)	**-**	-
Total loans and receivables	**25,173**	25,273	**4,089**	3,864

22. Trade and other receivables (continued)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 day (2016: 30 to 90 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in trade receivables is an amount of RM4,995,000 (2016: RM4,995,000) due from affiliated companies, which were fully provided with impairment losses. Affiliated companies refer to companies related to Golden Pharos Berhad's associates.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2017 RM'000	**2016 RM'000**
Neither past due nor impaired	8,477	8,461
1 to 30 days past due not impaired	965	1,014
31 to 60 days past due not impaired	513	292
61 to 90 days past due not impaired	14	-
91 to 120 days past due not impaired	415	59
More than 121 days past due not impaired	1	472
	1,908	1,837
Impaired	11,927	11,961
	22,312	22,259

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM1,908,000 (2016: RM1,837,000) that are past due at the reporting date but not impaired.

At the reporting date, trade receivables arising from export sales amounting to RMNil (2016: RM87,000) have been arranged to be settled via letters of credit issued by reputable banks in countries where the customers are based. The remaining balance of receivables that are past due but not impaired are unsecured in nature.

Based on past experience and no adverse information to date, the directors of the Group are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered fully recoverable.

22. Trade and other receivables (continued)

(a) Trade receivables (continued)

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group Individually impaired	
	2017 RM'000	**2016 RM'000**
Trade receivables-nominal amount	**11,927**	11,961
Less: Allowance for impairment	**(11,927)**	(11,961)
	-	-

Movement in allowance accounts:

	Group	
	2017 RM'000	**2016 RM'000**
At 1 January	**11,961**	11,912
Charge for the year (Note 9)	**9**	236
Written off	**-**	(168)
Reversal of impairment losses (Note 7)	**(43)**	(19)
At 31 December	**11,927**	11,961

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(b) Related party balances

Amounts due from subsidiaries are unsecured, non-interest bearing and are repayable on demand.

Loans to subsidiaries are unsecured, bear interest ranging from 2.5% to 4.0% per annum (2016: 2.5% to 4.0% per annum) and are repayable on demand.

Amounts due from associates are unsecured, non-interest bearing and are repayable on demand.

22. Trade and other receivables (continued)

(c) Other receivables

Other receivables that are impaired

At the reporting date, the Group and the Company have provided allowances of RM8,811,000 (2016: RM8,975,000) and RM88,158,000 (2016: RM88,026,000) respectively, for other receivables.

Movement in allowance accounts:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	8,975	8,911	88,026	88,026
Charge for the year (Note 9)	-	64	141	-
Reversal of impairment losses (Note 7)	(164)	-	(9)	-
At 31 December	8,811	8,975	88,158	88,026

23. Cash and bank balances

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash in hand and at banks	9,616	9,183	88	19
Deposits with licensed banks	1,797	2,471	-	-
	11,413	11,654	88	19

Cash at banks earn interest at floating rates based on daily bank deposit rates. Deposits are made for varying periods of between one day to 365 days depending on the immediate cash requirements of the Group, and earn interests at the respective deposit rates. The weighted average effective interest rate as at 31 December 2017 for the Group was 3.0% (2016: 3.0%) per annum.

Deposits with licensed banks of the Group amounting to RM600,000 (2016: RM600,000) are pledged as securities for borrowings (Note 24).

Deposit with a licensed bank of the Group amounting to RM12,000 (2016: RM12,000) is pledged as bank guarantee for the facility utilised by a subsidiary.

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash in hand and at banks	11,413	11,654	88	19
Less: Deposits with licensed banks with maturity period more than 90 days	(1,052)	(2,046)	-	-
Cash and cash equivalents	10,361	9,608	88	19

24. Borrowings

		Group		Company	
	Maturity	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current					
Secured:					
Bankers' acceptances	On demand	**350**	207	**-**	-
Obligations under finance leases (Note 30(b))	2018	**487**	501	**106**	91
		837	708	**106**	91
Non-current					
Secured:					
Obligations under finance leases (Note 30(b))	2019 - 2022	**797**	750	**145**	251
Total borrowings		**1,634**	1,458	**251**	342

The remaining maturities of the borrowings as at 31 December 2017 are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
On demand or within one year	**837**	708	**106**	91
More than 1 year and less than 2 years	**342**	358	**98**	96
More than 2 years and less than 5 years	**455**	392	**47**	155
	1,634	1,458	**251**	342

Bankers' acceptances

The weighted average interest rates at the reporting date for bankers' acceptances was 5.40% (2016: 5.90%) per annum. The bankers' acceptances are secured by corporate guarantee provided by the holding company.

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 14). The average discount rate implicit in the leases is 7.94% (2016: 11.48%) per annum.

24. Borrowings (continued)

Reconcilation of movement of liabilities to cash flows arising from financing activities

Group

	Bankers' acceptances RM'000	Obligations under finance leases RM'000	Total RM'000
Balance at 1 January 2017	207	1,251	1,458
Drawdowns of: Bankers' acceptances	883	-	883
Repayments of:			
Bankers' acceptances	(740)	-	(740)
Obligations under finance leases	-	(644)	(644)
Total changes from financing cash flows	143	(644)	(501)
Other change			
New finance leases, representing total liabilities related to other change	-	677	677
Balance as at 31 December 2017	350	1,284	1,634

Company

	Obligations under finance leases RM'000	Total RM'000
Balance at 1 January 2017	342	342
Repayments of:		
Obligations under finance leases	(91)	(91)
Balance as at 31 December 2017	251	251

25. Retirement benefit obligations

The Group operates an unfunded, defined benefit Retirement Benefit Scheme for eligible employees. The Group's obligations under this Scheme are determined based on triennial actuarial valuation using the projected unit credit method. The latest actuarial valuation of this Scheme was carried out as at 31 December 2015.

The amounts recognised in the statements of profit or loss and other comprehensive income are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Charged to profit or loss:				
Current service cost	476	456	43	41
Interest cost	517	450	27	24
Total included in employee benefits expense (Note 10)	993	906	70	65

25. Retirement benefit obligations (continued)

The amounts recognised in the statements of financial position are determined as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Present value of unfunded defined benefit obligations	9,306	8,930	566	496

Changes in present value of defined benefit obligations are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	8,930	8,545	496	431
Recognised in profit or loss (Note 10)	993	906	70	65
Benefits paid	(617)	(521)	-	-
At 31 December	9,306	8,930	566	496

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Analysed as:				
Current	400	3	-	-
Non-current				
Later than 1 year but not later than 2 years	991	298	-	-
Later than 2 years but not later than 5 years	2,899	3,143	63	58
Later than 5 years	5,016	5,486	503	438
	8,906	8,927	566	496
	9,306	8,930	566	496

In calculating the defined benefit obligations and the related current service cost and past service cost using the Projected Unit Credit Method for the Group and the Company, the following assumptions were used. The assumptions were calculated on a weighted average basis.

	2017 %	2016 %
Discount rate	5.5	5.5
Expected rate of salary increase	5.0	5.0

The sensitivity of the defined benefit obligation to changes in the relevant actuarial assumptions is as follows:

	Group Defined benefit obligations		Company Defined benefit obligations	
	Increase RM'000	Decrease RM'000	Increase RM'000	Decrease RM'000
2018				
Discount rate (1% of movement)	(654)	737	(51)	59
Expected rate of salary increase (1% of movement)	946	(847)	70	(61)

26. Trade and other payables

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Trade payables				
Third parties	1,086	2,054	-	-
Other payables				
Accruals	6,542	7,210	375	44
Goods and Services Tax ("GST") payable	-	91	22	27
Sundry payables	1,720	2,548	515	918
Amount due to holding company	15,268	14,199	12,115	11,045
Amount due to a corporate shareholder	640	640	640	640
Amounts due to subsidiaries	-	-	16,402	16,954
	24,170	24,688	30,069	29,628
Total trade and other payables	25,256	26,742	30,069	29,628
Add: Borrowings (Note 24)	1,634	1,458	251	342
Less: GST payable	-	(91)	(22)	(27)
Total financial liabilities carried at amortised cost	26,890	28,109	30,298	29,943

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 60 day (2016: 60 day) terms.

(b) Other payables

These amounts are non-interest bearing. Other payables are normally settled on an average term of three months (2016: average term of three months).

(c) Amount due to holding company

The amount due to holding company is unsecured, bears interest at 4% (2016: 4%) per annum and has no fixed terms of repayment.

(d) Amounts due to a corporate shareholder

The amount due to a corporate shareholder relates to advances for working capital purposes named as Al-Mudharabah, non-interest bearing and has no fixed terms of repayment.

(e) Amounts due to subsidiaries

The amounts due to subsidiaries are unsecured, non-interest bearing and are repayable on demand. The amounts due to subsidiaries are in relation to funds placed by certain subsidiaries in the Pool Fund Account ("the Fund") managed by the Company. The Fund is to be used for working capital requirements by the companies within the Group.

27. Share capital

	Group and Company	
	2017	**2016**
	RM'000	**RM'000**
Issued and fully paid:		
Ordinary shares		
At 1 January/31 December	**67,898**	67,898

Under the Companies Act 2016 in Malaysia which came into effect on 31 January 2017, the concept of authorised share capital no longer exists.

In accordance with Section 74 of the Companies Act 2016 in Malaysia, the Company's shares no longer have a par of nominal value with effect from 31 January 2017. There is no impact on the number of shares in issue or the relative entitlement of any of the member of the Company as a result of this transition.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

28. Other reserves

	Equity contribution from owners RM'000	Fair value adjustment reserve RM'000	Reserve arising from merger RM'000	Total RM'000
Group				
At 1 January 2016	1,262	4,231	(22,718)	(17,225)
Other comprehensive loss:				
Available-for-sale financial assets:				
- Net loss on fair value changes	-	(48)	-	(48)
- Transfer to profit or loss upon disposal	-	(2,678)	-	(2,678)
At 31 December 2016 and 1 January 2017	1,262	1,505	(22,718)	(19,951)
Other comprehensive loss:				
Available-for-sale financial assets:				
- Net loss on fair value changes	-	(570)	-	(570)
At 31 December 2017	**1,262**	**935**	**(22,718)**	**(20,521)**

28. Other reserves (continued)

	2017 RM'000	2016 RM'000
Company		
Equity contribution from owners		
At 1 January/31 December	**967**	967

(a) Equity contribution from owners

The amount represents waiver of amounts due to holding company.

(b) Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

(c) Reserve arising from merger

Reserve arising on merger represents the difference between the nominal value of the shares issued as consideration for the acquisition of Permint Timber Corporation Sdn. Bhd. and its subsidiaries and the nominal value of the shares transferred for these investments.

29. Related party transactions

(a) In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related parties took place at terms agreed between the parties during the financial year:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Rental income from land and building charged to a subsidiary (Note 4)	-	-	(728)	(728)
Management fees charged to subsidiaries (Note 4)	-	-	(1,773)	(1,774)
Dividend income from subsidiaries (Note 4)	-	-	(336)	(1,257)
Loans and advances from holding company	1,000	-	1,000	-
Interest expense on loans and advances:				
- holding company (Note 8)	-	42	-	42
Secretarial fee charged by holding company	5	-	5	-
Building rental charged by a related company	-	-	48	48

(b) Compensation of key management personnel

	Group		Company	
	2017 RM'000	2016 RM'000 (Restated)	2017 RM'000	2016 RM'000 (Restated)
Short-term employee benefits	3,957	3,950	1,203	1,424
Defined contribution plan	444	441	108	138
Defined benefit plan	193	209	25	51
	4,594	4,600	1,336	1,613

29. Related party transactions (continued)

(b) Compensation of key management personnel (continued)

Included in compensation of key management personnel is:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors' remuneration (Note 11)	**1,110**	1,165	**458**	483

30. Commitments

(a) Capital commitments

Capital expenditure as at reporting date is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Approved but not contracted for:				
Property, plant and equipment	5,008	4,079	100	-
Approved but contracted for:				
Property, plant and equipment	193	-	-	-

(b) Finance lease commitments

The Group and the Company have finance leases for certain items of plant and machinery and motor vehicles (Note 14). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Minimum lease payments:				
Not later than 1 year	**548**	573	**106**	106
More than 1 year and less than 2 years	**380**	401	**103**	106
More than 2 years and less than 5 years	**491**	421	**59**	173
Total minimum lease payments	**1,419**	1,395	**268**	385
Less: Amounts representing finance charges	**(135)**	(144)	**(17)**	(43)
Present value of minimum lease payments	**1,284**	1,251	**251**	342

30. Commitments (continued)

(b) Finance lease commitments (continued)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Present value of payments:				
Not later than 1 year	487	501	106	91
More than 1 year and less than 2 years	342	358	98	96
More than 2 years and less than 5 years	455	392	47	155
Present value of minimum lease payments	1,284	1,251	251	342
Less: Amount due within 12 months (Note 24)	(487)	(501)	(106)	(91)
Amount due after 12 months (Note 24)	797	750	145	251

31. Fair value of financial instruments

(a) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value.

	Note	Group		Company	
		Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
2017					
Financial liabilities:					
Borrowings (non-current)					
- Obligations under finance leases	30(b)	797	820	145	158
2016					
Financial liabilities:					
Borrowings (non-current)					
- Obligations under finance leases	30(b)	750	772	251	255

(b) Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (current)	22
Borrowings (current)	24
Trade and other payables (current)	26

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

The carrying amounts of the current portion of borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

31. Fair value of financial instruments (continued)

(b) Determination of fair value (continued)

Amounts due from/to subsidiaries and associates and loans from/to subsidiaries

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Quoted equity instruments

Fair value is determined directly by reference to their published market bid price at the reporting date.

Financial guarantee

Fair value is determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default;
- The estimated loss exposure if the party guaranteed were to default.

(c) Valuation of financial instruments

The table below analyses financial instruments, measured at fair value at the end of the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Group	**Note**	**Level 1 RM'000**
31 December 2017		
Financial asset:		
Investment securities: Available-for-sale	**20**	**2,434**
31 December 2016		
Financial asset:		
Investment securities: Available-for-sale	20	2,946

32. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

32. Financial risk management objectives and policies (continued)

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

Exposure to credit risk

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	Group			
	2017		2016	
	RM'000	% of total	RM'000	% of total
By industry sectors:				
Harvesting, sawmilling and kiln drying of timber and sales of right to log	**2,995**	**29%**	2,044	18%
Manufacturing	**7,322**	**71%**	8,254	82%
Others	**68**	**1%**	-	0%
	10,385	**100%**	10,298	100%

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 22. Deposits with licensed banks and other financial institutions, and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 22.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

32. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2017 RM'000		
	On demand or within one year	One to five years	Total
Group			
Financial liabilities:			
Trade and other payables	**25,256**	**-**	**25,256**
Borrowings	**898**	**871**	**1,769**
Total undiscounted financial liabilities	**26,154**	**871**	**27,025**
Company			
Financial liabilities:			
Trade and other payables	**30,069**	**-**	**30,069**
Borrowings	**106**	**162**	**268**
Total undiscounted financial liabilities	**30,175**	**162**	**30,337**

	2016 RM'000		
	On demand or within one year	One to five years	Total
Group			
Financial liabilities:			
Trade and other payables	26,742	-	26,742
Borrowings	780	822	1,602
Total undiscounted financial liabilities	27,522	822	28,344
Company			
Financial liabilities:			
Trade and other payables	29,628	-	29,628
Borrowings	106	279	385
Total undiscounted financial liabilities	29,734	279	30,013

32. Financial risk management objectives and policies (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market interest rates. As the Group and the Company have no significant interest-bearing financial assets, the Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's and the Company's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposure arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily RM. The foreign currencies in which these transactions are denominated are mainly United States Dollars ("USD").

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:

	2017 RM	2016 RM
Financial assets		
Trade and other receivables	**98,064**	1,011,706

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instruments in Malaysia are listed on the Bursa Malaysia Securities Berhad. These instruments are classified as available-for-sale financial assets. The Group does not have exposure to commodity price risk, other than timber price.

33. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

33. Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and bank balances. Capital includes equity attributable to the owners of the parent less fair value adjustment reserve.

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Borrowings	24	**1,634**	1,458	**251**	342
Trade and other payables	26	**25,256**	26,742	**30,069**	29,628
Less: Cash and bank balances	23	**(11,413)**	(11,654)	**(88)**	(19)
Net debt		**15,477**	16,546	**30,232**	29,951
Equity attributable to the owners of the parent		**74,396**	74,450	**25,967**	26,393
Less: Fair value adjustment reserve	28	**(935)**	(1,505)	**-**	-
Total capital		**73,461**	72,945	**25,967**	26,393
Capital and net debt		**88,938**	89,491	**56,199**	56,344
Gearing ratio		**17%**	18%	**54%**	53%

34. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

(i) Harvesting, sawmilling, kiln drying of timber and sales of rights to log;

(ii) Manufacturing - manufacturing and trading of glass; and

(iii) Others - including investment holding, rental of properties, marketing and trading of woodchips, none of which are of a sufficient size to be reported separately.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

34. Segment information (continued)

	Harvesting, sawmilling, kiln drying of timber and sales of right to log		Manufacturing		Others		Adjustments and eliminations			Per consolidated financial statements	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	Note	2017 RM'000	2016 RM'000
Revenue											
External customers	**37,329**	26,541	**27,236**	30,588	**1,078**	469	**-**	-		**65,643**	57,598
Inter-segment	**17,909**	13,785	**-**	-	**3,125**	3,945	**(21,034)**	(17,730)	A	**-**	-
Total revenue	**55,238**	40,326	**27,236**	30,588	**4,203**	4,414	**(21,034)**	(17,730)		**65,643**	57,598
Results											
Interest income	**59**	152	**104**	114	**3**	26	**-**	-		**166**	292
Dividend income	**133**	271	**-**	-	**336**	1,296	**(336)**	(1,296)	A	**133**	271
Depreciation	**2,195**	2,184	**747**	1,405	**796**	786	**-**	-		**3,738**	4,375
Other non-cash expenses	**(5,130)**	1,236	**257**	298	**70**	144	**5,690**	(66)	B	**887**	1,612
Segment profit/ (loss)	**7,509**	(5,764)	**77**	989	**(2,586)**	(877)	**(4,501)**	(704)	C	**499**	(6,356)
Assets											
Additions to non-current assets	**1,051**	810	**998**	446	**1,341**	1,474	**-**	-	D	**3,390**	2,730
Segment assets	**101,101**	101,996	**20,397**	20,910	**112,623**	113,488	**(123,485)**	(124,204)	E	**110,636**	112,190
Segment liabilities	**41,064**	42,728	**5,749**	6,093	**163,008**	166,894	**(173,610)**	(178,413)	F	**36,211**	37,302

34. Segment information (continued)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

A Inter-segment revenues and expenses are eliminated on consolidation.

B Other non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	Note	2017 RM'000	2016 RM'000
Impairment losses on trade and other receivables	9	**9**	300
Reversal of impairment losses on trade and other receivables	7	**(207)**	(19)
Inventories written off	9	**1**	68
Impairment loss on investment securities	9	**-**	261
Provision for short-term accumulating compensated absences	10	**91**	96
Provision for retirement benefits obligations	10	**993**	906
		887	1,612

C The following items are (deducted from)/added to segment profit to arrive at "profit/(loss) before tax" presented in the consolidated statement of profit or loss and other comprehensive income:

	2017 RM'000	2016 RM'000
Dividend	**(336)**	(1,296)
Impairment losses on investment in subsidiaries	**960**	66
Impairment losses on trade and other receivables	**139**	-
Reversal of trade and other receivables	**(5,690)**	-
Share of results of associate	**511**	518
(Profit)/loss from intercompany sales	**(85)**	8
	(4,501)	(704)

D Additions to non-current assets consist of:

	2017 RM'000	2016 RM'000
Property, plant and equipment (Note 14)	**3,390**	2,730

E The following items are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2017 RM'000	2016 RM'000
Inter-segment assets	**(123,485)**	(124,204)

34. Segment information (continued)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements. (continued)

F The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2017 RM'000	2016 RM'000
Inter-segment liabilities	**(173,610)**	(178,413)

Geographical information

Revenue based on the geographical location of customers is as follows:

	Revenue	
	2017 RM'000	**2016 RM'000**
Malaysia	**63,349**	52,889
United States of America	**-**	964
United Kingdom	**926**	319
East Asia	**-**	1,467
Other regions	**1,368**	1,959
	65,643	57,598

35. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

36. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 25 April 2018.

Statement of Shareholdings
as at 3 April 2018

SHARE CAPITAL AS AT 3 APRIL 2018

Issued and Fully Paid Capital	RM67,273,258
Class of Share	Ordinary Shares of RM0.50 each

ANALYSIS OF SHAREHOLDINGS AS AT 3 APRIL 2018

Category

Size of Holdings	No. of Shares	% of Total Shares	No. of Holders	% of Total Shareholders
1 - 99	997	0.000	48	1.512
100 - 1,000	1,082,277	0.804	1,121	35.318
1,001 - 10,000	6,467,360	4.806	1,519	47.857
10,001 - 100,000	13,490,900	10.026	420	13.232
100,001 - 6,727,324 (*)	15,667,100	11.644	63	1.984
6,727,325 and above (**)	97,837,881	72.716	3	0.094
Grand Total	**134,546,515**	**100.00**	**3,174**	**100.00**

Remark: * less than 5% of issued shares
** 5% and above of issued shares

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 3 APRIL 2018

Name	No. of share	% of Total Shares
TERENGGANU INCORPORATED SDN. BHD.	86,365,281	64.189
LEMBAGA TABUNG AMANAH WARISAN NEGERI TERENGGANU	11,472,600	8.526
TOTAL	**97,837,881**	**72.716**

LIST OF DIRECTORS' SHAREHOLDINGS AS AT 3 APRIL 2018

Name of Directors	No. of Shares
Dato' Haji Muhammad Pehimi bin Yusof	0
Dato' Haji A. Rahman bin Yahya	0
Dato' Sabri bin Mohd Noor	0
Dato' Haji Mohamad Nor bin Ibrahim	0
Haji Jusoh bin Ali	0
Rosli bin Abd Rahman	0
Haji Zainudin bin Abu Bakar	0

CHIEF EXECUTIVE OFFICER SHAREHOLDING AS AT 3 APRIL 2018

Name	No. of share	% of Total Shares
Dato' Ahmad Nadzarudin bin Abdul Razak	10,000	0.007

Statement of Shareholdings (continued)
as at 3 April 2018

LIST OF TOP 30 SHAREHOLDERS AS AT 3 APRIL 2018

	NAME	HOLDINGS	%
1	TERENGGANU INCORPORATED SDN. BHD.	72,931,281	54.205
2	TERENGGANU INCORPORATED SDN. BHD.	13,434,000	9.984
3	LEMBAGA TABUNG AMANAH WARISAN NEGERI TERENGGANU	11,472,600	8.526
4	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TAY ONG NGO @ TAY BOON FANG	2,134,000	1.586
5	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TAN YOK SON @ TAN SIEW TUAN (E-BPT)	620,300	0.461
6	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR WENDY LEE YOKE PENG (CEB)	600,000	0.445
7	TAY BOON TECK	560,000	0.416
8	KHOO KAY LEONG	532,200	0.395
9	CHIA PHAY CHENG	450,000	0.334
10	SYED OMAR SHAHABUDDIN BIN SYED ABDULLAH	400,000	0.297
11	TAY ONG NGO @ TAY BOON FANG	330,000	0.245
12	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR ANG KAR HENG (E-SJA)	309,900	0.230
13	TAN BON TIONG	305,500	0.227
14	CHUA KENG KIONG	300,000	0.222
15	OOI SAY HUP	292,100	0.217
16	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIM KIAN LEONG (E-BPT)	288,300	0.214
17	CHEONG PANG KWAN	287,000	0.213
18	CITIGROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	285,000	0.211
19	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. KENNETH KOH BENG HOCK	280,000	0.208

LIST OF TOP 30 SHAREHOLDERS AS AT 3 APRIL 2018 (CONTINUED)

	NAME	HOLDINGS	%
20	AFFIN HWANG NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE LTD (REM & EMPLOYEES)	276,000	0.205
21	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TAN KAI YING (E-PDG)	275,000	0.204
22	HLB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR MOHAMED ZAMEEL BIN MOHAMED HUSSAIN	260,400	0.193
23	AMSEC NOMINEES (TEMPATAN) SDN. BHD. PHANG SAY HAP	259,000	0.192
24	AFFIN HWANG NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE LTD (CLIENTS)	253,300	0.188
25	HLIB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR ONG CHUAN SIN (CCTS)	252,300	0.187
26	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LING TUNG KONG (E-BTR)	205,300	0.152
27	LAW TUT KONG	202,800	0.150
28	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR ESA BIN MOHAMED	200,000	0.148
29	LEE SEW KIM	200,000	0.148
30	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TAN PUAY SENG	200,000	0.148
	TOTAL	**108,396,281**	
	TOTAL NO. OF DEPOSITORS	**30**	
	TOTAL PERCENTAGE (%)	**80.564**	

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirty First Annual General Meeting of the Company will be held at **Gamelan 3, Primula Beach Hotel, Jalan Persinggahan, 20400 Kuala Terengganu, Terengganu Darul Iman** on **Tuesday, 26th June 2018** at **11.00 a.m.** for the following purposes:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon. (Please refer to the Explanatory Notes to the Agenda)

2. To re-elect the following Directors retiring in accordance with Article 102 of the Articles of Association of the Company, comprising part of the Constitution of the Company:

   (a) Dato' Mohamad Nor bin Ibrahim (Ordinary Resolution 1)

   (b) Rosli bin Abd Rahman (Ordinary Resolution 2)

3. To re-appoint Messrs Ernst & Young as the Auditors of the Company and to authorise the Board of Directors to fix their remuneration. (Ordinary Resolution 3)

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following resolutions:

4. **Directors' Fees and any benefits payable**

   (a) "THAT the payment of Directors' Fees of RM180,000.00 for the financial year ended 31 December 2017 be approved." (Ordinary Resolution 4)

   (b) "THAT the payment of Directors' benefits (excluding Directors' Fees) payable of RM279,600.00 for the financial period from 1 July 2018 to 30 June 2019 be approved." (Ordinary Resolution 5)

5. **Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016**

   "THAT pursuant to Sections 75 and 76 of the Companies Act 2016, the Directors of the Company be and are hereby authorised to allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares alloted pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued from Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company after the approval was given or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by the Company at a general meeting." (Ordinary Resolution 6)

6. To transact any other business of which due notice shall have been given.

By Order of the Board

Saliza Binti Abdul Rahman (LS 0008098)
Suraya Binti Mohd Hairon (LS 0007314)
Company Secretaries
Kuala Terengganu
30 April 2018

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies or in the case of a corporation, to appoint a representative to attend and vote in his place.
2. A proxy may but need not be a member of the Company.
3. Where a member of the Company is an authorised nominee as defined under the Security Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. Where the authorised nominee appoint two (2) proxies or where an exempt authorised nominee appoint two (2) or more proxies to attend the same meeting, the authorised nominee or exempt authorised nominee shall specify the proportion of shareholdings to be represented by each proxy.
4. In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint not more than two (2) proxies to attend and vote instead of him. Where a member appoints two (2) proxies to attend the same meeting, the member shall specify the proportion of his shareholdings to be represented by each proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
6. Any alteration in the Form of Proxy must be initialled.
7. The Form of Proxy must be deposited at Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty eight hours before the time appointed for holding the meeting or adjourned meeting or in the case of a poll, not less than twenty four hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.
8. For the purpose of determining who shall be entitled to attend and vote at the Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company a Record of Depositors as at 19 June 2018 and only a depositor whose name appears on such Record of Depositors shall be entitled to attend the meeting.
9. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice will be put to vote by poll.

Explanatory Notes on Special Business:

(i) Item 1 of the Agenda

This item is meant for discussion only. The provisions of Section 340(1) of the Companies Act 2016 require that the audited financial statements and the Reports of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting. As such this Agenda item is not a business which requires a motion to be put to vote by shareholders.

(ii) Item 4 of the Agenda – Ordinary Resolution 4 and 5
Directors' Fees and any benefits payable

Pursuant to Section 230(1) of the Companies Act 2016, the fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries, shall be approved at a general meeting.

The Ordinary Resolution 4 and 5 proposed under item 4 is in accordance with Section 230 (1)(b) of the Companies Act 2016, if passed, will authorise the payment of directors' fees and any benefits payable to directors of the Company for their services as directors during the financial year ended 31 December 2017 and for the financial period from 1 July 2018 to 30 June 2019.

Directors benefits includes allowances and other emoluments payable to directors and in determining the estimated total the Board had considered various factors including the number of scheduled meetings for the Board, Board Committees, Board meeting of subsidiaries and covers the period from 1 July 2018 to 30 June 2019 (the due date for which the next Annual General Meeting should be held).

(iii) Item 5 of the Agenda – Ordinary Resolution 6
Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

The Ordinary Resolution 6 proposed under item 6 is a renewal of Sections 75 and 76 mandate obtained from the Shareholders of the Company at the previous Annual General Meeting and, if passed, will empower the Directors to issue shares in the Company up to an amount not exceeding in total ten percent (10%) of the issued share capital of the Company in order to avoid any delay and cost involved in convening a general meeting to approve such issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. The Directors did not allot or issue any shares under the same mandate granted last year. Should the mandate be exercised, the Directors will utilise the proceeds raised for possible fund raising exercises including but not limited to further placement of shares for the purpose of funding current and/or future investment projects, working capital and/or acquisitions.

Statement Accompanying Notice of Annual General Meeting

There is no person seeking election at the Annual General Meeting.

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.

Kindly refer to item (iii) of the Explanatory Notes on Special Business on page 135.

GOLDEN PHAROS BERHAD (152205-W)
(Incorporated in Malaysia)

Proxy Form

I/We ____
(Full name as per NRIC in capital letters)

Company No./NRIC No. (new) ____________________ (old) ____________________

of ____
(Full address)

being a member of GOLDEN PHAROS BERHAD hereby appoint ____________________

NRIC No. (new) ____________________ (old) ____________________ or failing him/her

____________________ NRIC No. (new) ____________________ (old) ____________________

of ____
(Full address)

or failing him/her the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the 31st Annual General Meeting of the Company to be held at **Gamelan 3, Primula Beach Hotel, Jalan Persinggahan, 20400 Kuala Terengganu, Terengganu Darul Iman** on **Tuesday, 26th June 2018** at **11.00 a.m** and at any adjournment thereof.

Name of Proxy		NRIC No.	No. of shares to be represented by proxy	%
1.				
2.				

(Where two (2) proxies are appointed, please indicate the proportion of your shareholdings to be represented by each proxy.)
My/Our proxy is to vote as indicated with an "X" below:
If no specific discretion as to voting is given, the proxy will vote or abstain from voting at his discretion:

ORDINARY RESOLUTIONS		FOR	AGAINST
1.	To re-elect Dato' Mohamad Nor bin Ibrahim as Director.		
2.	To re-elect Rosli bin Abd Rahman as Director.		
3.	To re-appoint Messrs Ernst & Young as the Auditors of the Company and to authorise the Board of Directors to fix their remuneration.		
4.	To approve payment of Directors' Fees for the financial year ended 31 December 2017.		
5.	To approve payment of Directors' benefits (excluding Directors' Fees) payable for the financial period from 1 July 2018 to 30 June 2019.		
6.	To authorise the Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.		

Dated ________ day of ______________ 2018

Number of shares held	*CDS Account No.

*Applicable for shares under nominee account only

____
Signature of Member/Common Seal

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies or in the case of a corporation, to appoint a representative to attend and vote in his place.
2. A proxy may but need not be a member of the Company.
3. Where a member of the Company is an authorised nominee as defined under the Security Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. Where the authorised nominee appoint two (2) proxies or where an exempt authorised nominee appoint two (2) or more proxies to attend the same meeting, the authorised nominee or exempt authorised nominee shall specify the proportion of shareholdings to be represented by each proxy.
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9. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice will be put to vote by poll.

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STAMP

Golden Pharos Berhad
Unit 32-01, Level 32 Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur

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GOLDEN PHAROS BERHAD
(152205-W)

66-2, Taman Seri Intan
Jalan Sultan Omar
20300 Kuala Terengganu
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