Golden Pharos Berhad

(152205 W)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2018

152205 W

Golden Pharos Berhad
(Incorporated in Malaysia)

Contents	**Pages**

Golden Pharos Berhad
(Incorporated in Malaysia)

Directors' report

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

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, selling of logs and right to log, and manufacture and sale of veneer.

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

Results

	Group RM'000	Company RM'000
Profit net of tax	513	3,239

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 dividend has been paid or declared since the end of the previous financial year.

Golden Pharos Berhad
(Incorporated in Malaysia)

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 A. Rahman bin Yahya	
Dato' Tengku Hassan bin Tengku Omar	(appointed on 1 August 2018)
Dr. Wan Ahmad Rudirman bin Wan Razak	(appointed on 1 August 2018)
Prof Madya Dr. Mohd Zaki bin Hamzah	(appointed on 1 August 2018)
Haji Saiffuddin bin Othman	(appointed on 1 August 2018)
Muhammad Ramizu bin Mustaffa	(appointed on 1 August 2018)
Mohd Badaruddin bin Ismail	(appointed on 1 August 2018)
Dato' Haji Muhammad Pehimi bin Yusof	(resigned on 1 August 2018)
Haji Jusoh bin Ali	(resigned on 1 August 2018)
Dato' Sabri bin Mohd Noor	(resigned on 1 August 2018)
Dato' Haji Mohamad Nor bin Ibrahim	(resigned on 1 August 2018)
Rosli bin Abd Rahman	(resigned on 1 August 2018)
Haji Zainudin bin Abu Bakar	(resigned on 1 August 2018)

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:

<u>Golden Pharos Glass Sdn. Bhd.</u>

Zulkifli bin Ali	
Dato' Ahmad Nadzarudin bin Abdul Razak	
Mohd Nurkhuzaini bin Ab Rahman	(appointed on 15 October 2018)
Haji Wan Abdul Hakim bin Wan Mokhtar	(resigned on 15 October 2018)
Datuk Haji Mohd Ariffin bin Abdullah	(resigned on 15 October 2018)
Haji Fahami bin Haji Zakaria	(resigned on 15 October 2018)

<u>Golden Pharos Doors Sdn. Bhd.</u>
Dato' Ahmad Nadzarudin bin Abdul Razak
Suhairi bin Sulong
Syukri bin Ali

<u>Golden Pharos Overseas Sales Sdn. Bhd.</u>
Dato' Ahmad Nadzarudin bin Abdul Razak
Suhairi bin Sulong
Zulkifli bin Omar

Golden Pharos Berhad
(Incorporated in Malaysia)

Directors (continued)

Golden Pharos Overseas Sdn. Bhd.
Dato' Ahmad Nadzarudin bin Abdul Razak
Suhairi bin Sulong
Zulkifli bin Omar

Golden Pharos Fiber Sdn. Bhd.
Dato' Ahmad Nadzarudin bin Abdul Razak
Suhairi bin Sulong
Zulkifli bin Omar

GP Tropical Furniture Sdn. Bhd.
Dato' Ahmad Nadzarudin bin Abdul Razak
Suhairi bin Sulong
Zulkifli bin Omar

Permint Timber Corporation Sdn. Bhd.
Dato' Ahmad Nadzarudin bin Abdul Razak
Suhairi bin Sulong
Zulkifli bin Omar

Pesama Timber Corporation Sdn. Bhd.

Haji Johan bin Ibrahim	
Dato' Ahmad Nadzarudin bin Abdul Razak	
Ir. Saiful Azmi bin Suhaili	(appointed on 1 November 2018)
Haji Wan Ali bin Wan Yusof	(appointed on 1 November 2018)
Mohd Hafiz bin Adam	(appointed on 1 November 2018)
Ir. Rosli bin Othman	(resigned on 1 November 2018)
Rosli bin Ahmad	(resigned on 1 November 2018)
Ahmad Fikry bin Ibrahim	(resigned on 1 November 2018)
Mohd Zubir bin Wahid	(resigned on 1 November 2018)

Pesaka Trengganu Berhad

Dato' Ahmad Nadzarudin bin Abdul Razak	
Haji Wan Hassan bin Mohd Ramli	(appointed on 1 November 2018)
Haji Ghazali bin Sulaiman	(appointed on 1 November 2018)
Haji Zainal Abidin bin Mohamed	(appointed on 1 November 2018)
Yusof bin Awang Hitam	(resigned on 1 November 2018)
Wan Fauzai bin Wan Mustaffa	(resigned on 1 November 2018)
Dato' Haji W. Mohd bin W. Ibrahim	(resigned on 1 November 2018)
W Ismail Sahaimi bin W Omar	(resigned on 1 November 2018)

Golden Pharos Berhad
(Incorporated in Malaysia)

Directors (continued)

Kumpulan Pengurusan Kayu-Kayan Trengganu Sdn. Bhd.	
Dato' Ahmad Nadzarudin bin Abdul Razak	
Haji Satiful Bahri bin Mamat	(appointed on 1 October 2018)
Abdul Hadi bin Ripin@Ariffin	(appointed on 1 October 2018)
Harun bin Esa	(appointed on 1 October 2018)
Prof. Madya Dr. Mohd Zaki bin Hamzah	(appointed on 1 April 2019)
Mohd Rahim bin Rani	(appointed on 1 April 2019)
Dato' Haji Rozi bin Mamat	(resigned on 1 October 2018)
Dato' Haji Mohd Akil bin Haji Mat	(resigned on 1 October 2018)
Mohd Maliki bin Ali	(resigned on 1 October 2018)
Dato' Haji Ahmad Fadzil bin Abdul Majid	(resigned on 1 April 2019)
Permint Plywood Sdn. Bhd.	
Dato' Ahmad Nadzarudin bin Abdul Razak	
Suhairi bin Sulong	(resigned on 1 November 2018)
Zulkifli bin Omar	(resigned on 1 November 2018)
Maliaman bin Kassim	(appointed on 1 November 2018)
Mohd Badaruddin bin Ismail	(appointed on 1 April 2019)
GP Dynamic Venture Sdn. Bhd.	
Dato' Ahmad Nadzarudin bin Abdul Razak	
Zulkifli bin Omar	
Syukri bin Ali	
Lin Tsai Rong	(resigned on 14 December 2018)
Lin Kai Hsuan	(resigned on 14 December 2018)

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.

Golden Pharos Berhad
(Incorporated in Malaysia)

Directors' benefits (continued)

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
Other emoluments	795	339
Fees	275	180
	1,070	519

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.

Issue of shares

During the financial year, the Company increased its issued and paid-up capital by way of allotment of 1,226,360 new ordinary shares pursuant to the vesting of shares under the Executive Share Grant Scheme ('ESGS"). The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

Executive Share Grant Scheme ("ESGS") and Employee Share Options Scheme ("ESOS")

The Company's Long Term Incentive Plan ("LTIP" or "Scheme") is governed by the By-Laws which was approved by the shareholders on 26 June 2018, and is administered by the LTIP Committee which is appointed by the Board of Directors, in accordance with the By-Laws of LTIP.

The LTIP comprised of the ESGS and ESOS. The salient features, terms and details of the LTIP are disclosed in Note 29 to the financial statements.

During the financial year, the Company granted 1,270,000 shares under ESGS and 3,998,060 options under the ESOS to eligible employees of the Company and/or its eligible subsidiary companies. The details of the shares and options granted under LTIP and its vesting conditions during the financial year and the number of shares outstanding at the end of the financial year are disclosed in Note 29 to the financial statements.

Golden Pharos Berhad
(Incorporated in Malaysia)

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.

(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.

Other statutory information (continued)

(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.

Golden Pharos Berhad
(Incorporated in Malaysia)

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	175	63

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 2018.

Signed on behalf of the Board in accordance with a resolution of the directors dated 19 April 2019.

Dato' Tengku Hassan bin Tengku Omar

Mohd Badaruddin bin Ismail

Golden Pharos Berhad
(Incorporated in Malaysia)

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

We, Dato' Tengku Hassan bin Tengku Omar and Mohd Badaruddin bin Ismail, 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 19 to 119 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 2018 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 19 April 2019.

Dato' Tengku Hassan bin Tengku Omar

Mohd Badaruddin bin Ismail

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 19 to 119 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 Lumpur
in the state of Wilayah Persekutuan
on 19 April 2019

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

Before me,

152205 W

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 2018 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 19 to 119.

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 2018, 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.

Independent auditors' report to the members of
Golden Pharos Berhad (continued)
(Incorporated in Malaysia)

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 2018, the Group recorded revenue of approximately RM74,118,000 mainly derived from its harvesting, sawmilling, kiln drying of timber and sales of logs and 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.

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(e) and the disclosure of investments in subsidiaries in Note 17 to the financial statements.

As at 31 December 2018, the net carrying amount of investments in subsidiaries of the Company stood at approximately RM46,355,000 of which, RM36,828,000 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.

152205 W

Independent auditors' report to the members of
Golden Pharos Berhad (continued)
(Incorporated in Malaysia)

Key audit matters (continued)

Impairment of investments in subsidiaries (continued)

MFRS 136 *Impairment of Assets* 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 commencement of a new production stream, the Company determined the recoverable amount of the investment in subsidiary so that reversal of impairment losses can be quantified. The Company determined the recoverable amount using the value-in-use method. As a result of the assessment, the Company recorded a reversal of impairment of RM1,400,000 in the current financial year.

We focused on this area because of the significance of the carrying amount of the investment in subsidiaries which represents 77% of the total assets of the Company at the reporting date. Further, the reversal of the impairment losses assessment 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 reverse indications of impairment and evaluating the assumptions and methodologies used by the Company in performing the assessment.

(ii) Evaluated the reasonableness of the basis of preparing the projected cash flows against the 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 and the long-term growth rate, by comparing against internal information and external economic and market data.

Independent auditors' report to the members of
Golden Pharos Berhad (continued)
(Incorporated in Malaysia)

Key audit matters (continued)

Impairment of investments in subsidiaries (continued)

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.

Independent auditors' report to the members of
Golden Pharos Berhad (continued)
(Incorporated in Malaysia)

Information other than the financial statements and auditors' report thereon (continued)

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.

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

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.

- 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.

Independent auditors’ report to the members of
Golden Pharos Berhad (continued)
(Incorporated in Malaysia)

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

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.

Independent auditors' report to the members of
Golden Pharos Berhad (continued)
(Incorporated in Malaysia)

Other matter

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
02882/01/2021 J
Chartered Accountant

Kuala Terengganu, Terengganu Darul Iman, Malaysia
19 April 2019

Golden Pharos Berhad
(Incorporated in Malaysia)

Statements of profit or loss and other comprehensive income
For the financial year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	4	74,118	65,643	3,812	2,837
Cost of sales		(56,031)	(51,380)	-	-
Gross profit		18,087	14,263	3,812	2,837
Other items of income					
Interest income	5	366	166	-	-
Dividend income	6	67	133	-	-
Other income	7	313	650	4,364	25
Other items of expense					
Selling and distribution expenses		(1,589)	(1,810)	-	-
Administrative expenses		(15,423)	(12,950)	(4,924)	(3,297)
Finance costs	8	(141)	(216)	(13)	(15)
Other expenses		(215)	(248)	-	-
Share of results of an associate		350	511	-	-
Profit/(loss) before tax	9	1,815	499	3,239	(450)
Income tax (expense)/benefit	12	(1,302)	(392)	-	24
Profit/(loss) net of tax		513	107	3,239	(426)
Profit/(loss) attributable to:					
Owners of the parent		513	516	3,239	(426)
Non-controlling interest		-	(409)	-	-
		513	107	3,239	(426)

Golden Pharos Berhad
(Incorporated in Malaysia)

Statements of profit or loss and other comprehensive income (continued)
For the financial year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Other comprehensive income:					
Items that will be reclassified subsequently to profit or loss:					
Net loss on fair value changes of fair value through other comprehensive income ("FVTOCI") financial assets		(1,069)	(570)	-	-
Net gain on remeasurement of defined benefit obligations		1,541	-	405	-
Other comprehensive income/(loss), net of tax		472	(570)	405	-
Total comprehensive income/(loss) for the year		985	(463)	3,644	(426)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		985	(54)	3,644	(426)
Non-controlling interest		-	(409)	-	-
		985	(463)	3,644	(426)
Earnings per share attributable to owners of the parent (sen per share)					
Basic	13	0.38	0.38		
Diluted	13	0.37	0.38		

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

Golden Pharos Berhad
(Incorporated in Malaysia)

Statements of financial position
As at 31 December 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Assets					
Non-current assets					
Property, plant and equipment	14	50,301	52,687	574	514
Investment properties	15	12,162	12,395	-	7,293
Goodwill	16	-	-	-	-
Investments in subsidiaries	17	-	-	46,355	44,955
Investments in associates	18	2,548	2,198	-	-
Deferred tax assets	19	1,064	789	-	-
Investment securities	20	1,364	2,434	-	-
		67,439	70,503	46,929	52,762
Current assets					
Inventories	21	7,326	7,565	-	-
Trade and other receivables	22	12,662	13,808	12,171	4,001
Prepayments		4,304	5,226	2	2
Tax recoverable		932	2,121	-	-
Cash and bank balances	23	18,812	11,413	1,318	88
		44,036	40,133	13,491	4,091
Total assets		111,475	110,636	60,420	56,853
Equity and liabilities					
Current liabilities					
Defined benefit obligations	25	992	400	-	-
Borrowings	24	496	837	144	106
Trade and other payables	26	25,686	25,256	29,896	30,069
Tax payable		21	15	-	-
		27,195	26,508	30,040	30,175
Net current assets/(liabilities)		16,841	13,625	(16,549)	(26,084)

Golden Pharos Berhad
(Incorporated in Malaysia)

Statements of financial position (continued)
As at 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Non-current liabilities					
Defined benefit obligations	25	7,368	8,906	237	566
Borrowings	24	1,271	797	233	145
		8,639	9,703	470	711
Total liabilities		35,834	36,211	30,510	30,886
Net assets		75,641	74,425	29,910	25,967
Equity attributable to owners of the parent					
Share capital	27	68,192	67,898	68,192	67,898
Retained earnings/(accumulated losses)		29,005	27,019	(39,254)	(42,898)
Other reserves	28	(21,556)	(20,521)	972	967
Equity attributable to owners of the parent		75,641	74,396	29,910	25,967
Non-controlling interest		-	29	-	-
Total equity		75,641	74,425	29,910	25,967
Total equity and liabilities		111,475	110,636	60,420	56,853

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

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Golden Pharos Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the financial year ended 31 December 2018

		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 (Note 28)	Equity contribution from owners RM'000	Fair value adjustment reserve RM'000	Reserve arising from merger RM'000	Employee share options reserve RM'000	Non-controlling interest RM'000
Group										
Opening balance at 1 January 2018, as previously stated		74,425	67,898	27,019	(20,521)	1,262	935	(22,718)	-	29
Effect of adoption of MFRS 9		(68)	-	(68)	-	-	-	-	-	-
Opening balance at 1 January 2018, as restated		74,357	67,898	26,951	(20,521)	1,262	935	(22,718)	-	29
Profit for the year		513	-	513	-	-	-	-	-	-
Other comprehensive income										
- Net loss on fair value changes of FVTOCI financial assets	28	(1,069)	-	-	(1,069)	-	(1,069)	-	-	-
- Net gain on remeasurement on defined benefit obligations	25	1,541	-	1,541	-	-	-	-	-	-
Total comprehensive income/(loss)		985	-	2,054	(1,069)	-	(1,069)	-	-	-
Transactions with owners										
- Issuance of ordinary shares: Exercise of ESGS	29	294	294	-	-	-	-	-	-	-
- Share-based payment under the LTIP: Grant of ESOS	29	34	-	-	34	-	-	-	34	-
- Acquisition of non-controlling interest	17	(29)	-	-	-	-	-	-	-	(29)
Total transactions with owners		299	294	-	34	-	-	-	34	(29)
Closing balance at 31 December 2018		75,641	68,192	29,005	(21,556)	1,262	(134)	(22,718)	34	-
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 fair value changes of FVTOCI 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

Golden Pharos Berhad
(Incorporated in Malaysia)

Statements of changes in equity (continued)
For the financial year ended 31 December 2018

	Note	Equity, total RM'000	Share capital RM'000 (Note 27)	Accumulated losses RM'000	Other reserve RM'000 (Note 28)	Equity contribution from owners RM'000	Employee share options reserve RM'000
			← Non-distributable				→
Company							
Opening balance at 1 January 2018		25,967	67,898	(42,898)	967	967	-
Profit for the year		3,239	-	3,239	-	-	-
Other comprehensive income							
- Net gain on remeasurement on defined benefit obligations		405	-	405	-	-	-
Total comprehensive income		3,644	-	3,644	-	-	-
Transactions with owners							
- Issuance of ordinary shares:							
Exercise of ESGS	29	294	294	-	-	-	-
- Share-based payment under the LTIP:							
Grant of ESOS	29	5	-	-	5	-	5
Total transactions with owners		299	294	-	5	-	5
Closing balance at 31 December 2018		29,910	68,192	(39,254)	972	967	5
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	-

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

Golden Pharos Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Operating activities					
Profit/(loss) before tax		1,815	499	3,239	(450)
Adjustments for:					
Dividend income from:					
- Subsidiaries	4	-	-	(1,467)	(336)
- Investment securities	6	(67)	(133)	-	-
Profit income from Al-Mudharabah	7	(58)	(44)	(5)	(10)
Finance costs	8	141	216	13	15
Depreciation of property, plant and equipment	9	3,566	3,505	173	129
Depreciation of investment properties	9	233	233	146	138
Inventories written off	9	-	1	-	-
Gain on disposal of property, plant and equipment	9	(43)	(27)	(2,958)	-
Property, plant and equipment written off	9	87	1	1	-
Allowance for impairment on:					
- Trade receivables	9	6	9	-	-
- Other receivables	9	44	-	239	141
Reversal of allowance for impairment on:					
- Trade receivables	7	(55)	(43)	-	-
- Other receivables	7	-	(164)	-	(9)
Reversal of impairment losses on investment in subsidiary	7	-	-	(1,400)	-
Profit and interest income from deposits with licensed banks	5	(366)	(166)	-	-
Share of results of an associate		(350)	(511)	-	-
Share-based payment under the LTIP:					
- Exercise of ESGS	10	294	-	294	-
- Grant of ESOS	10	34	-	5	-
Provision for retirement benefit obligations	10	1,109	993	76	70
Provision for short-term accumulating compensated absences	10	94	91	10	7
Total adjustments		4,669	3,961	(4,873)	145

Golden Pharos Berhad
(Incorporated in Malaysia)

Statements of cash flows (continued)
For the financial year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Operating cash flows before changes in working capital		**6,484**	**4,460**	**(1,634)**	**(305)**
Changes in working capital:					
Decrease/(increase) in inventories		239	(352)	-	-
Decrease/(increase) in trade and other receivables		583	(311)	(309)	(938)
Decrease/(increase) in prepayments		922	(47)	-	-
Increase/(decrease) in trade and other payables		442	(1,181)	(185)	434
Total changes in working capital		2,186	(1,891)	(494)	(504)
Cash flows from/(used in) operations		**8,670**	**2,569**	**(2,128)**	**(809)**
Profit received from Al-Mudharabah		58	44	5	10
Finance costs		(42)	(114)	-	-
Income taxes refunded		284	1,258	-	-
Income taxes paid		(661)	(601)	-	-
Defined benefits obligations paid	25	(514)	(617)	-	-
Net cash flows from/(used in) operating activities		**7,795**	**2,539**	**(2,123)**	**(799)**
Investing activities					
Purchases of property, plant and equipment	14	(998)	(2,713)	(52)	(12)
Proceeds from disposal of property, plant and equipment		190	294	2,150	-
Placement of deposits with licensed banks		-	(6)	-	-
Withdrawal of deposits with licensed banks		12	1,000	-	-
Addition in investment securities		-	(57)	-	-
Net cash outflow on acquisition of non-controlling interest		(29)	-	-	-
Dividend received from:					
- Subsidiaries		-	-	1,367	986
- Investment securities		67	133	-	-
Profit and interest received		366	166	-	-
Net cash flows (used in)/from investing activities		**(392)**	**(1,183)**	**3,465**	**974**

Golden Pharos Berhad
(Incorporated in Malaysia)

Statements of cash flows (continued)
For the financial year ended 31 December 2018

		Group		Company	
	Note	**2018**	**2017**	**2018**	**2017**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Investing activities (continued)					
Financing activities					
Drawdown from borrowings		1,436	883	-	-
Repayment of borrowings		(552)	(740)	-	-
Repayment of obligations under finance leases		(785)	(644)	(100)	(91)
Cost of fund and interest paid		(91)	(102)	(12)	(15)
Net cash flows from/(used in) financing activities		**8**	**(603)**	**(112)**	**(106)**
Net increase in cash and cash equivalents		7,411	753	1,230	69
Cash and cash equivalents at 1 January		10,361	9,608	88	19
Cash and cash equivalents at 31 December	23	**17,772**	**10,361**	**1,318**	**88**

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

Golden Pharos Berhad
(Incorporated in Malaysia)

Notes to the financial statements
For the financial year ended 31 December 2018

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, sales of logs and right to log, and manufacture and sale of veneer.

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.

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. Summary of significant accounting policies (continued)

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 2018, the Group and the Company adopted the following new and amended MFRSs and interpretations mandatory for annual financial periods beginning on or after 1 January 2018:

Description	***Effective for annual periods beginning 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	
- Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards: Deletion of short-term exemptions for first-time adopters*	1 January 2018
- Amendments to MFRS 128 *Investment in Associates and Joint Venture: Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018

The adoption of standards and interpretation above did not have any material impact of the financial statements of the Group and of the Company except as disclosed below:

(a) MFRS 9 *Financial Instruments*

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting.

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(a) MFRS 9 *Financial Instruments* (continued)

The effects of adopting MFRS 9 are as follows:

(i) Classification and measurement

Under MFRS 9, the Group's and the Company's debt financial instruments are measured at amortised cost. The classification is based on two criteria: the Group's and the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent solely payments of principal and interest ("SPPI") on the principal amount outstanding (the "SPPI criterion").

The assessment of the Group's and of the Company's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on financial assets comprised SPPI was made based on the facts and circumstances as at the initial recognition of the assets.

Trade and other receivables previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured as debt instruments at amortised cost .

The Group continued measuring at fair value, all financial assets previously held at fair value under MFRS 139 *Financial Instruments: Recognition and Measurement* ("MFRS 139").

There are no changes in classification and measurement for the Group’s financial liabilities.

The classification and measurement requirements of MFRS 9 had no impact to the Group's and the Company’s statements of financial position and statements of profit or loss and other comprehensive income.

The standard eliminates the existing MFRS 139 categories of held-to-maturity ("HTML"), loans and receivables ("L&R") and available-for-sale ("AFS").

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(a) MFRS 9 *Financial Instruments* (continued)

(i) Classification and measurement (continued)

MFRS 9 largely retains the existing requirement in MFRS 139 for the classification of financial liabilities. However, under MFRS 139, all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

(a) the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and
(b) the remaining amount of change in the fair value is presented in profit or loss.

(ii) Impairment

MFRS 9 replaces the "incurred loss" loss model in MFRS 139 with a forward-looking "expected credit loss" ("ECL") model. This requires considerable judgement about how changes in economic factors affect ECLs, which is determined on a probability-weighted basis. Under MFRS 9, credit losses are recognised earlier than under MFRS 139.

The new impairment model is applied to financial assets measured at amortised cost or FVTOCI, except for investment in equity instruments.

Under MFRS 9, loss allowances will be measured on either of the following bases:

(a) *12-months ECLs:* these are ECLs that result from possible default events within the 12 months after the reporting date; and
(b) *Lifetime ECLs*: These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-months ECL measurement applies if it has not increased significantly. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date.

The new impairment model is applied to financial assets measured at amortised cost or FVTOCI, except for investment in equity instruments.

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(a) MFRS 9 *Financial Instruments* (continued)

(iii) Effect upon adoption of MFRS 9

Investment in equity instruments

Investment in quoted equity shares with a fair value of RM1,364,000 previously classified as AFS. On the adoption of MFRS 9, the Group has elected to designate this investment that are held for long-term strategic purpose to be measured at FVTOCI. For the investment in unquoted equity instruments, the Group will apply the option to present fair value changes in other comprehensive income, and therefore, the application of MFRS 9 will not have significant impact.

Trade and other receivables

The Group has assessed and considered trade receivables as financial asset at amortised cost subject to MFRS 9's new expected credit loss model. The Group applies the simplified approach to provide for expected credit losses prescribed by MFRS 9, which permit the use of the lifetime expected loss provision for all trade receivables.

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectable were written off by reducing the carrying amount directly.

Under new expected loss model, the impairment are based on shared credit characteristic, whereby the expected loss is recognised immediately on the first day even loss event not yet occur. The expected loss rate is considered based on past experience of collecting payments, current market condition and forward looking information.

Upon adoption of MFRS 9, the Group had recognised additional impairment on the Group’s trade receivables which resulted in a decrease in retained earnings by RM68,000 as at 1 January 2018. The impact to the Group’s allowance for impairment is as disclosed in Note 22(a) to the financial statements.

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(a) MFRS 9 *Financial Instruments* (continued)

(iv) Hedge accounting

The Group and the Company do not apply hedge accounting and as such the hedging requirements of MFRS 9 did not have any impact on the Group's and the Company's financial statements.

(b) MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 supersedes MFRS 111 *Construction Contracts*, MFRS 118 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or service to a customer.

MFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted MFRS 15 using the modified restrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standards to all contracts as at 1 January 2018.

The cumulative effect of initially applying MFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under MFRS 118 and related interpretations.

The effect of adopting MFRS 15 is on sales of goods for the Group contracts with its customers. The Group has conclude that revenue for sales of goods should be recognised at the point in time when the control of the asset is transferred to the customer, generally when risk and reward of the goods is transferred. Therefore, the adoption of MFRS 15 did not have any material impact on the timing of revenue recognition for the sales of goods.

2. Summary of significant accounting policies (continued)

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 after***
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 Venture (Amendments to MFRS 128)*	1 January 2019
Annual Improvements to MFRS 2015 - 2017 Cycle	1 January 2019
- Amendments to MFRS 3 *Business Combinations: Previously held interest in a joint operation*	1 January 2019
- Amendments to MFRS 11 *Joint Arrangements: Previously held interest in a joint operation*	1 January 2019
- Amendments to MFRS 112 *Income Taxes: Income tax consequences of payments on financial instruments classified as equity*	1 January 2019
- Amendments to MFRS 123 *Borrowing Costs: Borrowing costs eligible for capitalisation*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material*	1 January 2020
Amendments to MFRS 101 *Presentation of Financial Statements: Definition of Material*	1 January 2020
Amendments to MFRS 3 *Business Combinations: Definition of a Business*	1 January 2020
Revised Conceptual Framework for Financial Reporting (the Conceptual Framework)	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associates or Joint Venture*	Deferred

2. Summary of significant accounting policies (continued)

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

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 FVTOCI, provided that the contractual cash flows are solely payments of principal and interest ("SPPI") 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 the Company’s financial statements.

MFRS 16 *Leases*

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

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).

2. Summary of significant accounting policies (continued)

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

MFRS 16 *Leases* (continued)

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 the Company's financial statements.

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 ("MFRS 9")* 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 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 the Company's 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 2015 – 2017 Cycle (continued)

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 22 *Foreign Currency Transactions and Advance Consideration*

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 the Company’s financial statements.

2. Summary of significant accounting policies (continued)

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

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 *Income Taxes* ("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
- 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.

Revised Conceptual Framework for Financial Reporting (the Conceptual Framework)

On 30 April 2018, MASB issued a revised Conceptual Framework for Financial Reporting. The purpose of the Conceptual Framework is, amongst others, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

2. Summary of significant accounting policies (continued)

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

Revised Conceptual Framework for Financial Reporting (the Conceptual Framework) (continued)

The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The main changes in the Conceptual Framework are as follows:

- Reintroduces the concept of stewardship and the information needed to assess management's stewardship;
- Reintroduces the concept of prudence;
- Defines the concept of measurement uncertainty;
- Reinstates an explicit reference to the need to "faithfully represent the substance of the phenomena that it purports to represent"; and
- Made changes to the definitions of an asset and a liability.

The changes to the Conceptual Framework may affect the application of MFRS in situations where no standard applies to a particular transaction or event.

MFRS 17 *Insurance Contracts*

MFRS 17 will replaces MFRS 4 *Insurance Contracts* ("MFRS 4"). 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.

2. Summary of significant accounting policies (continued)

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

MFRS 17 *Insurance Contracts* (continued)

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.

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation (continued)

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

(a) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
(b) Exposure, or rights, to variable returns from its investment with the investee; and
(c) The ability to use its power over the investee to affect its returns.

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:

(a) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
(b) Potential voting rights held by the Company, other vote holders or other parties;
(c) Rights arising from other contractual arrangements; and
(d) 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.

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation (continued)

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.

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.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 *Financial Instruments* ("MFRS 9"), is measured at fair value with changes in fair value recognised in the statement of profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in 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:

(a) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
(b) Exposure, or rights, to variable returns from its investment with the investee; and
(c) 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.

2. Summary of significant accounting policies (continued)

2.6 Investments in associates (continued)

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.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

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.

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.

2.7 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.

2. Summary of significant accounting policies (continued)

2.7 Goodwill (continued)

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.

2. Summary of significant accounting policies (continued)

2.8 Property, plant and equipment (continued)

Freehold land has an unlimited useful life and therefore is not depreciated. Work-in-progress included in property, plant and equipment are not depreciated as these are assets not yet 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%
Road and bridge	5% - 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.

2.9 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. Summary of significant accounting policies (continued)

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 instrument.

(a) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI"), and fair value through profit or loss ("FVTPL").

2. Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

(a) Initial recognition and measurement (continued)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do no contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place ("regular way trades") are recognised on the trade date, that is the date that the Group commits to purchase or sell the asset.

(b) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

(i) Financial assets at amortised cost (debt instruments)
(ii) Financial assets at FVTOCI with recycling of cumulative gains and losses (debt instruments)
(iii) Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
(iv) Financial assets at FVTPL

2. Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

(b) Subsequent measurement (continued)

The Group does not have any financial assets at FVTOCI with recycling of cumulative gains and losses (debt instruments) or financial assets at FVTPL.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group and the Company. The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

(i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost comprises solely trade and other receivables.

Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Upon initial recognition, the Group and the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVTOCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined in an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVTOCI are not subject to impairment assessment.

2. Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

(c) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's and the Company's statements of financial position) when:

(i) The rights to receive cash flows from the asset have expired; or
(ii) The Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either: (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company would required to repay.

2.12 Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2. Summary of significant accounting policies (continued)

2.12 Impairment of financial assets (continued)

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-months ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group and the Company consider a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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.

2. Summary of significant accounting policies (continued)

2.14 Inventories (continued)

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

(a) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL or loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

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

(b) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

2. Summary of significant accounting policies (continued)

2.16 Financial liabilities (continues)

(b) Subsequent measurement (continued)

Financial liabilities at FVTPL (continued)

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statements of comprehensive income.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group did not have any financial liabilities at FVTPL.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to the Group's and the Company's trade and other payables, and borrowings.

(c) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss.

2. Summary of significant accounting policies (continued)

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.

2. Summary of significant accounting policies (continued)

2.19 Employee benefits (continued)

(c) Defined benefit plans (continued)

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.

(e) Share-based payment transactions

The Group operates an equity-settled share-based long term incentive plan ("LTIP" or "Scheme") which comprises the Executive Share Grant Scheme ("ESGS") and Employee Share Option Scheme ("ESOS") for its employees.

ESGS

Managerial employees are entitled to ESGS when the Vesting Conditions are fully and duly satisfied pursuant to By-Laws 13.1.

2. Summary of significant accounting policies (continued)

2.19 Employee benefits (continued)

(e) Share-based payment transactions (continued)

ESGS (continued)

The ESGS are settled by way of issuance and transfer of new shares upon vesting. The total fair value of ESGS granted is recognised as an employee cost with a corresponding increase in the share options reserve within equity over the vesting period after taking into account the probability that the ESGS will vest.

At each reporting date, the Group revises its estimates of the number of ESGS that are expected to vest on vesting date. It recognises the impact of the revision of original estimates, if any, in profit or loss and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share-based payment reserve.

ESOS

The ESOS allows the Group's employees to acquire shares of the Company. The total fair value of share options granted is recognised as an employeee cost with the corresponding increase in share options reserve within equity over the vesting period and taking into account the probability that the options will vest.

The fair value of share options is measured at grant date using the binominal model, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each reporting date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting conditions. It recognises the impact of the revision of original estimates. If any, in profit or loss and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share-based payment reserve.

The fair value of the share options recognised in the share-based payment reserve is transferred to share capital when the share options are exercised, or transferred to retained earnings upon expiry of the share-based payment options.

The proceeds received net of any direct attributable transactions costs are credited to equity when the option are exercised.

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

The Group recognises revenue from contracts with customers based on the five-steps model as set out below:

(a) Identify contract with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

(b) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

(c) Determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

(d) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

(e) Recognise revenue when (or as) the Group satisfies a performance obligation.

2. Summary of significant accounting policies (continued)

2.21 Revenue (continued)

The Group satisfies a performance obligation and recognises revenue over time if the Group's performance.

(a) Do not create an asset with an alternative use to the Group and have an enforceable right to payment for performance completed to-date; or

(b) Create or enhance an asset that the customer controls as the asset is created or enhanced; or

(c) Provide benefits that the customer simultaneously receives and consumes as the Group performs.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally 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.

2. Summary of significant accounting policies (continued)

2.21 Revenue (continued)

(d) Management fees

Management fees are recognised when services are rendered.

(e) Interest income

Interest income is recognised using the effective interest method.

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.

2. Summary of significant accounting policies (continued)

2.22 Income taxes (continued)

(b) Deferred tax (continued)

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) 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 statement of financial position.

Legislation to implement Malaysia's new Sales and Service tax ("SST") and repeal the GST has received Royal Assent and was published in the official gazatte on 28 August 2018 (the Sales Tax Act, the Service Tax Act and the GST Repeal Act). The GST ended on 31 August 2018, and the SST applies as from 1 September 2018.

(d) Sales and Services Tax ("SST")

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

- Where the amount of SST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the SST 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 SST included.

The net amount of SST recoverable from, or payable to, the taxation authority is included as part of receivables or payables 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 35, 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.

2. Summary of significant accounting policies (continued)

2.24 Share capital and share issuance expenses (continued)

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 Current versus non-current classification

Assets and liabilities in the statements of financial position are presented based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

2.26 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 32(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.

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

2. Summary of significant accounting policies (continued)

2.26 Fair value measurements (continued)

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.

2.27 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.

2. Summary of significant accounting policies (continued)

2.27 Foreign currency (continued)

(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.

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) Estimated 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.

3. Significant accounting judgements and estimates (continued)

3.2 Key sources of estimation uncertainty (continued)

(b) 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.

(c) Provision for expected credit losses ("ECLs") of trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (e.g. by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed defaults rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic condition (e.g., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

3. Significant accounting judgements and estimates (continued)

3.2 Key sources of estimation uncertainty (continued)

(c) Provision for expected credit loss of trade and other receivables (continued)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about ECLs in the Company's trade receivables is disclosed in Note 33(a).

(d) 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.

(e) Impairment of investments in subsidiaries

MFRS 136 *Impairment of Assets* 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 is required 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.

3. Significant accounting judgements and estimates

3.2 Key sources of estimation uncertainty (continued)

(e) Impairment of investments in subsidiaries (continued)

During the financial year, management has assessed that its investment in Permint Timber Corporation Sdn. Bhd. ("Permint") has indication of reversal of impairment losses. The management has applied the value in use ("VIU") to determine the recoverable amount of the investment so that the reversal can be quantified. 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 included, amongst others, assumption on expected future cash flows, revenue growth, terminal value and 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 veneer operation which represents a new revenue stream under Permint Plywood Sdn. Bhd. ("PPSB") will be in full operation in year 2019 and will achieve its optimum capacity in year 2020 onwards. PPSB is a subsidiary of Permint.

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 RM200,000. However, should there be an increase of 1% in discount rate, it will result in an addition of impairment of approximately RM200,000.

4. Revenue

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Sale of goods	74,091	65,573	-	-
Rental income (Note 15)	27	70	608	728
Dividend income from subsidiaries	-	-	1,467	336
Management fees from subsidiaries	-	-	1,737	1,773
	74,118	65,643	3,812	2,837

4. Revenue (continued)

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Group For the year ended 31 December 2018			
	Harvesting RM'000	Manufacturing RM'000	Others RM'000	Total RM'000
Primary geographical markets				
Malaysia	48,651	21,806	1,783	72,240
United Kingdom	683	-	-	683
East Asia	74	-	-	74
Other regions	465	656	-	1,121
Total revenue from contracts with customers	49,873	22,462	1,783	74,118
Major product or service line				
Logs	6,043	-	-	6,043
Sawn timbers	42,608	-	-	42,608
Mouldings	1,222	-	-	1,222
Woodchips	-	-	1,757	1,757
Manufactured glasses	-	22,462	-	22,462
Rental income	-	-	26	26
Total revenue from contracts with customers	49,873	22,462	1,783	74,118

	Group For the year ended 31 December 2017			
	Harvesting RM'000	Manufacturing RM'000	Others RM'000	Total RM'000
Primary geographical markets				
Malaysia	35,883	26,389	1,078	63,350
United Kingdom	926	-	-	926
Other regions	520	847	-	1,367
Total revenue from contracts with customers	37,329	27,236	1,078	65,643
Major product or service line				
Logs	5,738	-	-	5,738
Sawn timbers	30,144	-	-	30,144
Mouldings	1,447	-	-	1,447
Woodchips	-	-	1,008	1,008
Manufactured glasses	-	27,236	-	27,236
Rental income	-	-	70	70
Total revenue from contracts with customers	37,329	27,236	1,078	65,643

5. Interest income

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit and interest income from deposits with licensed banks	366	166	-	-

6. Dividend income

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Dividend income from:				
FVTOCI financial assets				
- Equity instruments (quoted in Malaysia)	67	133	-	-

7. Other income

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Reversal of impairment losses on:				
- Trade receivables (Note 22 (a))	55	43	-	-
- Other receivables (Note 22 (c))	-	164	-	9
Sale of scrap and other products	9	83	-	-
Gain on disposal of property, plant and equipment	43	27	2,958	-
Reversal of impairment losses on investment in subsidiary	-	-	1,400	-
Realised gain on foreign exchange	23	83	-	-
Profit income from Al-Mudharabah	58	44	5	10
Insurance compensation	94	-	-	-
Miscellaneous	31	206	1	6
	313	650	4,364	25

8. Finance costs

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Interest expense on:				
Obligations under finance leases	99	102	13	15
Bankers' acceptances	4	16	-	-
Bank overdraft	38	98	-	-
	141	216	13	15

9. Profit/(loss) before tax

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

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Auditors' remuneration:				
- Current year	175	170	63	60
- Other services	40	30	40	30
Employee benefits expense (Note 10)	21,274	18,079	2,315	1,466
Non-executive directors' remuneration excluding benefits-in-kind (Note 11)	1,071	971	519	458
Depreciation of property, plant and equipment (Note 14)	3,566	3,505	173	129
Depreciation of investment properties (Note 15)	233	233	146	138
Gain on disposal of property, plant and equipment	(43)	(27)	(2,958)	-
Property, plant and equipment written off	87	1	1	-
Allowance for impairment on:				
- Trade receivables (Note 22 (a))	6	9	-	-
- Other receivables (Note 22 (c))	44	-	239	141
Sustainable forest management expenses	5,772	1,550	-	-
Rental of equipment	29	26	2	4
Rental of land and buildings	29	49	77	77
Inventories written off (Note 21)	-	1	-	-

10. Employee benefits expense

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Wages and salaries	14,293	11,651	1,142	986
Social security contributions	214	278	13	12
Contributions to defined contribution plan	1,845	1,672	241	172
Provision for retirement benefits obligations (Note 25)	1,109	993	76	70
Share-based payment under the LTIP:				
- Exercise of ESGS	294	-	294	-
- Grant of ESOS	34	-	5	-
Provision for short-term accumulating compensated absences	94	91	10	7
Other benefits	3,391	3,394	534	219
	21,274	18,079	2,315	1,466

11. Directors' remuneration

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

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Executive:				
Salaries and other emoluments	-	131	-	-
Fees	-	6	-	-
Defined contribution plan	-	2	-	-
Total executive directors' remuneration	-	139	-	-
Non-executive:				
Fees	275	278	180	180
Other emoluments	796	693	339	278
Total directors' remuneration (excluding benefits-in-kind) (Note 9)	1,071	971	519	458
Benefits-in-kind	17	-	17	-
Total non-executive directors' remuneration (including benefits-in-kind)	1,088	971	536	458
Total directors' remuneration	1,088	1,110	536	458

11. Directors' remuneration (continued)

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	
	2018	2017
Non-executive directors:		
Below RM50,000	6	4
RM50,001 to RM100,000	1	2
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 2018 and 2017 are:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Statements of profit or loss and other comprehensive income:				
Current income tax:				
Malaysian income tax	1,692	823	-	-
Overprovision in respect of previous years	(115)	(4)	-	-
	1,577	819	-	-
Deferred tax (Note 19):				
Relating to (reversal)/origination of temporary differences	(101)	156	-	-
Overprovision in respect of previous years	(174)	(583)	-	(24)
	(275)	(427)	-	(24)
Total income tax expense/(benefit) recognised in profit or loss	1,302	392	-	(24)

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

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 2018 and 2017 is as follows:

	2018 RM'000	2017 RM'000
Group		
Profit before tax	1,815	499
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	436	120
Adjustments:		
Income not subject to tax	(132)	(53)
Non-deductible expenses	1,441	1,988
Effect of tax exempt and relief	(10)	(21)
Utilisation of current year's reinvestment allowances	(175)	(132)
Utilisation of unabsorbed capital allowances and unutilised tax losses	(413)	(1,398)
Deferred tax assets not recognised	529	598
Share of tax of an associate	(85)	(123)
Overprovision of deferred income tax in respect of previous years	(174)	(583)
Overprovision of income tax in respect of previous years	(115)	(4)
Total income tax expense recognised in profit or loss	1,302	392

	2018 RM'000	2017 RM'000
Company		
Profit/(loss) before tax	3,239	(450)
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	777	(108)
Adjustments:		
Income not subject to tax	(1,409)	(81)
Non-deductible expenses	166	128
Deferred tax assets not recognised	466	61
Overprovision of deferred tax in respect of previous years	-	(24)
Total income tax benefit recognised in profit or loss	-	(24)

Current income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated assessable profit/(loss) for the year.

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

Tax savings during the financial year arising from:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Utilisation of current year's tax losses	919	223	1	4
Utilisation of previously unutilised tax losses	-	56	-	-

13. Earnings per share

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

Basic earnings per share amounts are calculated by dividing profit net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

The following reflects the profit and share data used in the computation of basic and diluted earnings per share for the financial years ended 31 December:

	Group	
	2018	2017
Profit net of tax, attributable to owners of the parent (RM'000)	513	516
Number of ordinary shares ('000):		
- In issue	135,135	134,546
- Effect of dilution: share options	3,998	-
	139,133	134,546
Earnings per share (sen):		
- Basic	0.38	0.38
- Diluted	0.37	0.38

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 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)
Transferred to investment properties (Note 15)	(481)	-	-	-	-	-	(481)
At 31 December 2017 and 1 January 2018	51,121	74,734	12,958	12,172	1,593	1,878	154,456
Additions	260	775	115	264	-	-	1,414
Disposals	-	(555)	(113)	(1,810)	-	-	(2,478)
Write offs	-	(264)	(1,895)	(343)	(867)	-	(3,369)
Reclassification	841	1,037	-	-	-	(1,878)	-
At 31 December 2018	52,222	75,727	11,065	10,283	726	-	150,023
Accumulated depreciation:							
At 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)
Transferred to investment properties (Note 15)	(119)	-	-	-	-	-	(119)
At 31 December 2017 and 1 January 2018	10,898	68,499	12,205	9,327	840	-	101,769
Depreciation charge for the year (Note 9)	1,607	796	211	883	17	52	3,566
Disposals	-	(555)	(113)	(1,663)	-	-	(2,331)
Write offs	-	(264)	(1,893)	(257)	(868)		(3,282)
Reclassification	52	-	-	-	-	(52)	-
At 31 December 2018	12,557	68,476	10,410	8,290	(11)	-	99,722
Net carrying amount:							
At 31 December 2017	40,223	6,235	753	2,845	753	1,878	52,687
At 31 December 2018	39,665	7,251	655	1,993	737	-	50,301

** 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 2017	409	35,512	15,894	51,815
Addition	-	-	12	12
Disposal	-	-	(225)	(225)
Transferred to investment properties	-	(481)	-	(481)
At 31 December 2017 and 1 January 2018	409	35,031	15,681	51,121
Additions	-	-	260	260
Reclassification	-	-	841	841
At 31 December 2018	409	35,031	16,782	52,222
Accumulated depreciation:				
At 1 January 2017	-	5,773	3,662	9,435
Depreciation charge for the year	-	953	653	1,606
Disposal	-	-	(24)	(24)
Transferred to investment properties	-	(119)	-	(119)
At 31 December 2017 and 1 January 2018	-	6,607	4,291	10,898
Depreciation charge for the year	-	953	654	1,607
Reclassification	-	-	52	52
At 31 December 2018	-	7,560	4,997	12,557
Net carrying amount:				
At 31 December 2017	409	28,424	11,390	40,223
At 31 December 2018	409	27,471	11,785	39,665

14. Property, plant and equipment (continued)

	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
Company			
Cost:			
At 1 January 2017	850	592	1,442
Addition	12	-	12
At 31 December 2017 and 1 January 2018	862	592	1,454
Additions	15	264	279
Disposals	(488)	-	(488)
At 31 December 2018	389	856	1,245
Accumulated depreciation:			
At 1 January 2017	667	144	811
Depreciation charge for the year (Note 9)	67	62	129
At 31 December 2017 and 1 January 2018	734	206	940
Depreciation charge for the year (Note 9)	42	131	173
Disposals	(442)	-	(442)
At 31 December 2018	334	337	671
Net carrying amount:			
At 31 December 2017	128	386	514
At 31 December 2018	55	519	574

14. Property, plant and equipment (continued)

Assets held under finance lease

During the financial year, the Group acquired motor vehicles with an aggregate cost of RM416,000 (2017: RM677,000), by means of finance lease. The cash outflow on acquisition of property, plant and equipment of the Group and of the Company amounted to RM998,000 (2017: RM2,713,000) and RM52,000 (2017: RM12,000) respectively.

The net carrying amount of plant and machinery, equipment and motor vehicles held under finance leases at the reporting date were RM516,000 (2017: RM383,000) and RM861,000 (2017: RM2,203,000) for the Company and for the Group respectively.

Assets pledged as securities

In addition to assets held under finance leases, the Group's land with net carrying amount of RM5,136,000 (2017: RMNil) are mortgaged to secure the Group's bank borrowings (Note 24).

15. Investment properties

	Leasehold land RM'000	Building RM'000	Total RM'000
Group			
Cost:			
At 1 January 2017	13,399	139	13,538
Transferred from property, plant and equipment (Note 14)	481	-	481
At 31 December 2017/31 December 2018	13,880	139	14,019
Accumulated depreciation:			
At 1 January 2017	1,263	9	1,272
Depreciation charge for the year (Note 9)	230	3	233
Transferred from property, plant and equipment (Note 14)	119	-	119
At 31 December 2017 and 1 January 2018	1,612	12	1,624
Depreciation charge for the year (Note 9)	230	3	233
At 31 December 2018	1,842	15	1,857
Net carrying amount:			
At 31 December 2017	12,268	127	12,395
At 31 December 2018	12,038	124	12,162

15. Investment properties (continued)

	Leasehold land RM'000	Building RM'000	Total RM'000
Company			
Cost:			
At 1 January 2017/2018	3,000	5,290	8,290
Disposal	(3,000)	(5,290)	(8,290)
At 31 December 2018	-	-	-
Accumulated depreciation:			
At 1 January 2017	241	618	859
Depreciation charge for the year (Note 9)	40	98	138
At 31 December 2017 and 1 January 2018	281	716	997
Depreciation charge for the year (Note 9)	40	106	146
Disposal	(321)	(822)	(1,143)
At 31 December 2018	-	-	-
Net carrying amount:			
At 31 December 2017	2,719	4,574	7,293
At 31 December 2018	-	-	-

Fair value information

The Group 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 21 February 2019, fair value of leasehold land and buildings of the Group and of the Company as at 31 December 2018 to be RM13,880,000 (2017: RM13,880,000) and RM400,000 (2017: RM130,000) and RMNil (2017: RM3,650,000) and RMNil (2017: 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.

15. Investment properties (continued)

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Rental income (Note 4)	27	70	608	728

16. Goodwill

	2018 RM'000	2017 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	
	2018 RM'000	2017 RM'000
Unquoted shares, at cost	118,824	118,824
Less: Accumulated impairment losses	(72,483)	(73,883)
	46,341	44,941
Provision for financial guarantee	14	14
	46,355	44,955

17. Investments in subsidiaries (continued)

(a) Details of subsidiaries are as follows:

Names	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2018	2017
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
Golden Pharos Fiber Sdn. Bhd.	Malaysia	Dormant	100	100
Permint Timber Corporation Sdn. Bhd.	Malaysia	Investment holding	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
Kumpulan Pengurusan Kayu-Kayan Trengganu Sdn. Bhd.	Malaysia	Harvesting and sustainable forest management	100	100
Permint Plywood Sdn. Bhd.	Malaysia	Rental of buildings, plant and machinery, selling of logs, sale of right to log, trading of woodchips and manufacture and sale of veneer	100	100
GP Tropical Furniture Sdn. Bhd.	Malaysia	Dormant	50.39*	50.39*

17. Investments in subsidiaries (continued)

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

Names	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2018	2017
Held through Permint Plywood Sdn. Bhd.:				
GP Dynamic Venture Sdn. Bhd.	Malaysia	Dormant	100	60*

* Percentage of ownership interest was 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.

Subscription of non-controlling interest in GP Dynamic Venture Sdn. Bhd. ("GPDV")

During the year, the Group's subsidiary, Permint Plywood Sdn. Bhd. ("PPSB"), acquired non-controlling interest of 40% in GPDV for a cash consideration of RM29,000. The subscription of this 40% interest caused GPDV became wholly-owned subsidiary of PPSB.

(b) Summarised financial information of GPDV which had non-controlling interest that was material to the Group is set out below. The summarised financial information presented below was the amount before inter-company elimination.

(i) Summarised statement of financial position

	2017 RM'000
Non-current assets	1,140
Current assets	108
Total assets	1,248
Current liabilities	1,119
Non-current liabilities	56
Total liabilities	1,175
Net assets	73
Equity attributable to owners of the Company	44
Non-controlling interest	29

17. Investments in subsidiaries (continued)

(ii) Summarised statement of comprehensive income

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

(iii) Summarised statement of cash flows

	2017 RM'000
Net cash flows from operating activities	449
Net cash flows used in investing activities	(458)
Net cash flows used in financing activities	(23)
Net decrease in cash and cash equivalents	(32)
Cash and cash equivalents at the beginning of the year	34
Cash and cash equivalents at the end of the year	2

18. Investments in associates

	Group	
	2018 RM'000	2017 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	2,210	1,860
	13,955	13,605
Less: Accumulated impairment losses	(11,407)	(11,407)
	2,548	2,198
Represented by:		
Share of net tangible assets	2,548	2,198

18. Investments in associates (continued)

Details of the associates are as follows:

Names	Country of incorporation	Proportion (%) of ownership interest 2018	2017	Principal activities
Konsortium Perumahan Rakyat Terengganu Sdn. Bhd.	Malaysia	35	35	Housing development
Kemaman Furniture Industries Sdn. Bhd.	Malaysia	43.59	43.59	Dormant
Pesama Renors (M) Sdn. Bhd.	Malaysia	25	25	Dormant
GPB Seabridge International, Inc.+	United States of America	20	20	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

	2018 RM'000	2017 RM'000
Assets and liabilities:		
Total assets	22,142	21,721
Total liabilities	(17,482)	(16,340)

18. Investments in associates (continued)

(ii) Summarised statement of comprehensive income

	2018 RM'000	2017 RM'000
Results:		
Revenue	9,559	15,099
Profit for the year	1,000	1,461

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

	2018 RM'000	2017 RM'000
Net assets at 1 January	6,280	4,819
Profit for the year	1,000	1,461
Net assets at 31 December	7,280	6,280
Interest in associate	35%	35%
	2,548	2,198

19. Deferred tax

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

	As at 1 January 2017 RM'000	Recognised in profit or loss RM'000 (Note 12)	As at 31 December 2017 RM'000	Recognised in profit or loss RM'000 (Note 12)	As at 31 December 2018 RM'000
Group					
Deferred tax liabilities:					
Property, plant and equipment	8,109	(1,094)	7,015	(65)	6,950
Other payables	-	(39)	(39)	-	(39)
	8,109	(1,133)	6,976	(65)	6,911
Deferred tax assets:					
Provisions and retirement benefit obligations	(2,633)	28	(2,605)	219	(2,386)
Unutilised tax losses, unabsorbed reinvestment allowances and capital allowances	(5,838)	678	(5,160)	(429)	(5,589)
	(8,471)	706	(7,765)	(210)	(7,975)
	(362)	(427)	(789)	(275)	(1,064)
Company					
Deferred tax liabilities:					
Property, plant and equipment	2,413	(2,413)	-	-	-
Deferred tax assets:					
Provisions and retirement benefit obligations	(226)	226	-	-	-
Unutilised tax losses and unabsorbed capital allowances	(2,163)	2,163	-	-	-
	(2,389)	2,389	-	-	-
	24	(24)	-	-	-

19. Deferred tax (continued)

Presented after offsetting as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	(1,064)	(789)	-	-

Unutilised tax losses, unabsorbed capital allowances and reinvestment allowances

At the reporting date, the Group has unutilised tax losses, unabsorbed capital allowances and reinvestment allowances of approximately RM186,813,000 (2017: RM186,069,000), RM8,785,000 (2017: RM8,548,000) and RM2,774,000 (2017: RM2,774,000) 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 Malaysian 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.

In accordance with the provision in Finance Act 2018, the unutilised tax losses are available for utilisation in the next seven years, for which, any excess at the end of the seventh year, will be disregarded. Deferred tax assets have not been recognised in respect of other temporary differences and unutilised tax losses because it is probable that the future taxable profits of certain loss-making subsidiaries would not be available against which the tax losses and temporary differences can be utilised.

20. Investment securities

	Group 2018 RM'000	Group 2017 RM'000
Non-current		
FVTOCI financial assets, at fair value		
Quoted in Malaysia:		
- Equity instruments	531	1,427
- Unit trust, Amanah Saham Darul Iman ("ASDI")	833	1,007
	1,364	2,434

None of these financial assets are impaired.

21. Inventories

	Group 2018 RM'000	Group 2017 RM'000
At cost		
Raw materials	5,816	6,718
Work-in-progress	962	18
Finished goods	5	319
Consumable materials	543	510
	7,326	7,565

During the financial year, the amount of inventories recognised as an expenses in cost of sales of the Group was RM37,337,000 (2017: RM31,551,000).

In prior year, the Group's inventories amounting to RM1,000 were written off (Note 9).

22. Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Trade receivables				
Third parties	20,352	22,312	-	-
Less: Allowance for impairment				
Third parties	(11,946)	(11,927)	-	-
Trade receivables, net	8,406	10,385	-	-
Other receivables				
Amounts due from subsidiaries	-	-	88,453	80,431
Loans to subsidiaries	-	-	4,665	4,665
Amounts due from associates	1,104	1,142	429	-
Sundry receivables	8,653	8,517	7,006	7,048
Deposits	3,272	2,527	15	15
Goods and Services Tax ("GST") receivable	82	48	-	-
	13,111	12,234	100,568	92,159
Less: Allowance for impairment				
Amounts due from subsidiaries	-	-	(76,732)	(76,493)
Loans to subsidiaries	-	-	(4,665)	(4,665)
Amounts due from associates	(1,104)	(1,065)	-	-
Sundry receivables	(7,751)	(7,746)	(7,000)	(7,000)
	(8,855)	(8,811)	(88,397)	(88,158)
Other receivables, net	4,256	3,423	12,171	4,001
Total trade and other receivables	12,662	13,808	12,171	4,001
Add: Cash and bank balances (Note 23)	18,812	11,413	1,318	88
Less: GST receivable	(82)	(48)	-	-
Total financial assets carried at amortised cost	31,392	25,173	13,489	4,089

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 day (2017: 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 (2017: RM4,995,000) due from affiliated companies, which were fully impaired. Affiliated companies refer to companies related to Golden Pharos Berhad's associates.

22. Trade and other receivables (continued)

(a) Trade receivables (continued)

Ageing analysis of trade receivables

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

	Group 2018 RM'000	Group 2017 RM'000
Neither past due nor impaired	3,711	8,477
1 to 30 days past due not impaired	1,887	965
31 to 60 days past due not impaired	1,293	513
61 to 90 days past due not impaired	700	14
91 to 120 days past due not impaired	320	415
More than 121 days past due not impaired	495	1
	4,695	1,908
Impaired	11,946	11,927
	20,352	22,312

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 RM4,695,000 (2017: RM1,908,000) that are past due at the reporting date but not impaired.

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 for expected credit losses of trade receivables are as below:

	Group Individually impaired 2018 RM'000	Group Individually impaired 2017 RM'000
Trade receivables - nominal amount	11,946	11,927
Less: Allowance for impairment	(11,946)	(11,927)
	-	-

Movement in allowance accounts:

	Group 2018 RM'000	Group 2017 RM'000
At 1 January, as previously stated	11,927	11,961
Effect of adoption of MFRS 9	68	-
At 1 January, as restated	11,995	11,961
Charge for the year (Note 9)	6	9
Reversal for the year (Note 7)	(55)	(43)
At 31 December	11,946	11,927

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 (2017: 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 RM8,855,000 (2017: RM8,811,000) and RM88,397,000 (2017: RM88,158,000) respectively, for other receivables.

Movement in allowance accounts:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
At 1 January	8,811	8,975	88,158	88,026
Charge for the year (Note 9)	44	-	239	141
Reversal of impairment losses (Note 7)	-	(164)	-	(9)
At 31 December	8,855	8,811	88,397	88,158

23. Cash and bank balances

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash in hand and at banks	8,701	9,616	1,318	88
Deposits with licensed banks	10,111	1,797	-	-
	18,812	11,413	1,318	88

Cash at banks earn interest at floating rates based on daily bank deposit rates. Deposits are made for varying periods of between 1 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 2018 for the Group was 3.4% (2017: 3.0%) per annum.

Deposits with licensed banks of the Group amounting to RM600,000 (2017: RM600,000) are pledged as securities for borrowings (Note 24).

23. Cash and bank balances (continued)

In prior year, deposit with a licensed bank of the Group amounting to RM12,000 was 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash in hand and at banks	18,812	11,413	1,318	88
Less: Deposits with licensed banks with maturity period more than 90 days	(1,040)	(1,052)	-	-
Cash and cash equivalents	17,772	10,361	1,318	88

24. Borrowings

		Group		Company	
	Maturity	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current					
Secured:					
Bankers' acceptances	On demand	205	350	-	-
Term loan	2019	3	-	-	-
Obligations under finance leases (Note 31(b))	2019	288	487	144	106
		496	837	144	106
Non-current					
Secured:					
Term loan	2020 - 2025	832	-	-	-
Obligations under finance leases (Note 31(b))	2020 - 2025	439	797	233	145
		1,271	797	233	145
Total borrowings		1,767	1,634	377	251

24. Borrowings (continued)

The remaining maturities of the borrowings as at 31 December 2018 are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
On demand or within one year	496	837	126	106
More than 1 year and less than 2 years	234	342	84	98
More than 2 years and less than 5 years	1,037	455	100	47
More than 5 years	-	-	67	-
	1,767	1,634	377	251

Bankers' acceptances
The weighted average interest rate at the reporting date for bankers' acceptances was 3.83% (2017: 5.40%) per annum. The bankers' acceptances are secured by corporate guarantee provided by the Company to its subsidiaries.

Term loan
This loan is secured by certain property, plant and equipment (Note 14) and corporate guarantee by the Company to a subsidiary.

Obligations under finance leases
These obligations are secured by a charge over the leased assets (Note 14). The discount rate implicit in the leases is range from 3.19% to 8.97% (2017: 4.92% to 13.49%) per annum.

24. Borrowings (continued)

Reconcilation of movement of liabilities to cash flows arising from financing activities

Group	Term loan RM'000	Bankers' acceptances RM'000	Obligations under finance leases RM'000	Total RM'000
Balance at 1 January 2018	-	350	1,284	1,634
Drawdown of:				
Bankers' acceptances	-	407	-	407
Term loan	836	-	-	836
Repayment of:				
Bankers' acceptances	-	(552)	-	(552)
Obligations under finance leases	-	-	(785)	(785)
Total changes from financing cash flows	836	(145)	(785)	(94)
New finance leases, representing total liabilities related to other change	-	-	227	227
Balance as at 31 December 2018	836	205	726	1,767

Company	Obligations under finance leases RM'000	Total RM'000
Balance at 1 January 2018	251	251
Repayment of:		
Obligations under finance leases, representing total changes from financing cash flows	(100)	(100)
	151	151
New finance leases, representing total liabilities related to other change	226	226
Balance as at 31 December 2018	377	377

25. Defined benefit obligations

The Group operates an unfunded, defined benefit Retirement Benefit Scheme ("the 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 2018.

The amounts recognised in the statements of profit or loss and other comprehensive income are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Charged to profit or loss:				
Current service cost	504	476	45	43
Past service cost	41	-	-	-
Interest cost	564	517	31	27
Total included in employee benefits expense (Note 10)	1,109	993	76	70
Charged to other comprehensive income:				
Net gain on remeasurement of defined benefit obligations	(1,541)	-	(405)	-

The amounts recognised in the statements of financial position are determined as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Present value of unfunded defined benefit obligations	8,360	9,306	237	566

Changes in present value of defined benefit obligations are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January	9,306	8,930	566	496
Recognised in profit or loss (Note 10)	1,109	993	76	70
Recognised in other comprehensive income:				
Net gain on remeasurement of defined benefit obligations	(1,541)	-	(405)	-
Benefits paid	(514)	(617)	-	-
At 31 December	8,360	9,306	237	566

25. Defined benefit obligations (continued)

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Analysed as:				
Current	992	400	-	-
Non-current				
Later than 1 year but not later than 2 years	507	991	21	-
Later than 2 years but not later than 5 years	3,030	2,899	38	63
Later than 5 years	3,831	5,016	178	503
	7,368	8,906	237	566
	8,360	9,306	237	566

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 and calculated on a weighted average basis.

	2018 %	2017 %
Discount rate	4.9	5.5
Expected rate of salary increase	5.0	5.0

The sensitivity of the defined benefit obligations to changes in the relevant actuarial assumptions is as follows:

	Group Defined benefit obligations Increase RM'000	Group Defined benefit obligations Decrease RM'000	Company Defined benefit obligations Increase RM'000	Company Defined benefit obligations Decrease RM'000
2019				
Discount rate (1% of movement)	(8,255)	8,840	(224)	250
Expected rate of salary increase (1% of movement)	8,838	(8,255)	251	(224)

The sensitivity analysis presented above may not be representative of the potential actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

26. Trade and other payables

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Current				
Trade payables				
Third parties	1,311	1,086	-	-
Other payables				
Amount due to holding company	15,273	15,268	12,121	12,115
Amount due to a corporate shareholder	640	640	640	640
Amounts due to subsidiaries	-	-	16,478	16,402
Accruals	6,975	6,542	435	375
Sundry payables	1,487	1,720	222	515
Goods and Services Tax ("GST") payable	-	-	-	22
	24,375	24,170	29,896	30,069
Total trade and other payables	25,686	25,256	29,896	30,069
Add: Borrowings (Note 24)	1,767	1,634	377	251
Less: GST payable	-	-	-	(22)
Total financial liabilities carried at amortised cost	27,453	26,890	30,273	30,298

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 60 day (2017: 60 day) terms.

(b) Other payables

These amounts are non-interest bearing. Other payables are normally settled on an average term of three months (2017: average term of three months).

(c) Amount due to holding company

The amount is unsecured, bears interest at Nil% (2017: 4%) per annum and has no fixed terms of repayment.

26. Trade and other payables (continued)

(d) Amounts due to a corporate shareholder

The amount relates to advances for working capital purposes named as Al-Mudharabah, which are non-interest bearing and has no fixed terms of repayment.

(e) Amounts due to subsidiaries

The amounts are unsecured, non-interest bearing and are repayable on demand. The amounts relate 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	
	2018	2017
	RM'000	RM'000
Issued and fully paid:		
Ordinary shares		
At 1 January	67,898	67,898
Issuance of shares arising from exercise of ESGS	294	-
At 31 December	68,192	67,898

During the financial year, the Company increased its issued and paid-up capital by way of allotment of 1,226,360 new ordinary shares pursuant to the vesting of shares under the Executive Share Grant Scheme ("ESGS"). The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

New ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

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

Group	Equity contribution from owners RM'000	Fair value adjustment reserve RM'000	Reserve arising from merger RM'000	Employee share options reserve RM'000	Total RM'000
At 1 January 2017	1,262	1,505	(22,718)	-	(19,951)
Other comprehensive loss:					
Investment securities: FVTOCI financial assets					
- Net loss on fair value changes	-	(570)	-	-	(570)
At 31 December 2017 and 1 January 2018	1,262	935	(22,718)	-	(20,521)
Other comprehensive loss:					
Investment securities: FVTOCI financial assets					
- Net loss on fair value changes	-	(1,069)	-	-	(1,069)
Transaction with owners:					
- Share-based payment under the LTIP: Grant of ESOS	-	-	-	34	34
At 31 December 2018	1,262	(134)	(22,718)	34	(21,556)

28. Other reserves (continued)

Company	Equity contribution from owners RM'000	Employee share options reserve RM'000	Total RM'000
At 1 January 2017/2018	967	-	967
Transaction with owners:			
- Share-based payment under the LTIP: Grant of ESOS	-	5	5
At 31 December 2018	967	5	972

(a) Equity contribution from owners

The amount represents waiver of amount due to the Group's holding company.

(b) Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of FVTOCI 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.

(d) Employee share options reserve

Employee share options reserve represents the grant of share options to the Group's and the Company's employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of the share options, and is reduced by the expiry of exercise of the share options.

29. Executive Share Grant Scheme ("ESGS") and Employee Share Options ("ESOS") Scheme

The Long Term Incentive Plan ("LTIP" or "Scheme") was implemented on 30 August 2018. The LTIP which comprises the ESGS and ESOS allows the Company to grant shares and/or share options under ESGS and ESOS respectively to eligible employees of the Group and of the Company up to 15% of the issued and paid-up share capital of the Company. The LTIP is governed by the By-Laws of the LTIP which was approved by the shareholders on 26 June 2018 and is administered by the LTIP Committee and as such the LTIP shall be in force for a period of 5 years up to 29 August 2023.

The main features of the Scheme are as follows:

(a) The maximum number of new ordinary shares which may be made available under the Scheme at the point in time when an LTIP award is offerred shall not be more than fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company.

(b) The LTIP awards shall be awarded after taking into consideration the employee's position, contribution and performance (where applicable) or such creiteria as the LTIP Committee mey deem fit subject to the following:

   (i) that the number of new ordinary shares made available under the Scheme shall not exceed the amount stipulated in (a) above,

   (ii) not more than 10% of the total number of ordinary shares to be issued under Scheme at the point in time when an LTIP award is offered be allocated to any employee who, either singly or collectively through persons connected with the employee, holds 20% or more of the total number of issued shares of the Company, and

   (iii) not more than 80% of the new ordinary shares availabe under the Scheme shall be allocated in aggregate to the managerial employees of the Group.

(c) In the case of the ESGS, the shares will be vested with the grantee at no consideration on the vesting date, while in the case of ESOS, the option price will be determined based on the five (5) days volume weighted average market price of the ordinary shares on the date the ESOS award is offerred with a potential discount of not more than ten percent (10%) there from or such other percentage or discount as may be permitted by Bursa Malaysia Securities Berhad and/or any other relavant authorities as may be amended from time to time.

(d) The shares and share options granted under the ESGS and ESOS will vest over a period of up to five (5) years from the date of the LTIP award.

29. Executive Share Grant Scheme ("ESGS") and Employee Share Options ("ESOS") Scheme (continued)

The movement during the financial year in the number of shares and share options in which employees of the Group and of the Company are entitled to are as follows:

	At 1.1.2018	Granted	Vested	Lapsed	At 31.12.2018
ESGS	-	1,270,000	(1,226,360)	-	43,640

	At 1.1.2018	Granted	Exercised	Lapsed	At 31.12.2018
ESOS	-	3,998,060	-	-	3,998,060

The fair values of the shares and share options granted under the ESGS and ESOS to which MFRS 2 applies were determined using binomial model. The significant inputs into the model were as follows:

	ESGS	ESOS
Exercise price	*	RM0.27
Date of grant	5 October 2018	30 August 2018
Fair value at grant date (per ordinary share)	RM0.24	RM0.27
Vesting period/option life	5 years	5 years
Weighted average share price on grant date	RM0.21	RM0.22

*The shares under the ESGS will vest with the grantee at no consideration on the vesting date.

The expected life of the shares and share options are based in historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the shares and/or share options granted were incorporated into the measurement of fair value.

30. 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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Rental income from land and building charged to a subsidiary (Note 4)	-	-	(608)	(728)
Management fees charged to subsidiaries (Note 4)	-	-	(1,737)	(1,773)
Dividend income from subsidiaries (Note 4)	-	-	(1,467)	(336)
Loans and advances from holding company	-	1,000	-	1,000
Secretarial fee charged by holding company	5	5	5	5
Building rental charged by a related company	-	-	48	48

(b) Compensation of key management personnel

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits	4,388	3,957	1,466	1,203
Defined contribution plan	470	444	142	108
Defined benefit plan	216	193	63	25
Share-based payment under the LTIP	299	-	297	-
	5,373	4,594	1,968	1,336

Included in compensation of key management personnel is:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration (Note 11)	1,088	1,110	519	458

31. Commitments

(a) Capital commitments

Capital expenditure as at reporting date is as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Approved but not contracted for:				
Property, plant and equipment	1,250	5,008	200	100
Approved and contracted for:				
Property, plant and equipment	4,700	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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Minimum lease payments:				
Not later than 1 year	302	548	141	106
More than 1 year and less than 2 years	218	380	95	103
More than 2 years and less than 5 years	296	491	117	59
More than 5 years	-	-	70	-
Total minimum lease payments	816	1,419	423	268
Less: Amounts representing finance charges	(89)	(135)	(46)	(17)
Present value of minimum lease payments	727	1,284	377	251
Present value of payments:				
Not later than 1 year	288	487	126	106
More than 1 year and less than 2 years	129	342	84	98
More than 2 years and less than 5 years	310	455	100	47
More than 5 years	-	-	67	-
Present value of minimum lease payments	727	1,284	377	251
Less: Amount due within 12 months (Note 24)	(288)	(487)	(144)	(106)
Amount due after 12 months (Note 24)	439	797	233	145

32. 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 Carrying amount RM'000	Group Fair value RM'000	Company Carrying amount RM'000	Company Fair value RM'000
2018					
Financial liabilities:					
Borrowings (non-current)					
- Obligations under finance leases	31(b)	439	460	233	254
- Term loan		832	839	-	-
2017					
Financial liabilities:					
Borrowings (non-current)					
- Obligations under finance leases	31(b)	797	820	145	158

(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.

32. 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; and
- 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:

	Note	Level 1 RM'000
Group		
31 December 2018		
Financial assets:		
Investment securities: FVTOCI	20	1,364
31 December 2017		
Financial assets:		
Investment securities: FVTOCI	20	2,434

33. 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.

(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.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Any receivables having significant balances past due more than 365 days, which are deemed to have higher default risk, are monitored individually.

33. Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

Exposure to credit risk

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 assets.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are due from regular customers of the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 365 days, which are deemed to have higher credit risk, are monitored individually.

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

(i) The carrying amount of each class of financial assets recognised in the statements of financial position.

(ii) Corporate guarantees provided by the Company to banks for credit facilities granted to subsidiaries.

Credit risk concentration profile

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			
	2018		2017	
	RM'000	% of total	RM'000	% of total
By industry sectors:				
Harvesting, sawmilling, kiln drying of timber and sales of logs and right to log	2,223	26%	2,995	29%
Manufacturing	5,819	70%	7,322	70%
Others	364	4%	68	1%
	8,406	100%	10,385	100%

33. Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

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.

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.

	2018 RM'000			
	On demand or within one year	One to five years	More than five years	Total
Group				
Financial liabilities:				
Trade and other payables	25,686	-	-	25,686
Borrowings	510	1,050	296	1,856
Total undiscounted financial liabilities	26,196	1,050	296	27,542

33. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

	2018 RM'000			
	On demand or within one year	One to five years	More than five years	Total
Company				
Financial liabilities:				
Trade and other payables	29,896	-	-	29,896
Borrowings	141	212	70	423
Total undiscounted financial liabilities	30,037	212	70	30,319

	2017 RM'000			
	On demand or within one year	One to five years	More than 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

33. 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:

	2018 RM	2017 RM
Financial assets:		
Trade and other receivables	168,480	98,064

33. Financial risk management objectives and policies (continued)

(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.

34. 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 shareholders' 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 2018 and 31 December 2017.

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.

34. Capital management (continued)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Borrowings	24	1,767	1,634	377	251
Trade and other payables	26	25,686	25,256	29,896	30,069
Less: Cash and bank balances	23	(18,812)	(11,413)	(1,318)	(88)
Net debt		8,641	15,477	28,955	30,232
Equity attributable to the owners of the parent		75,641	74,396	29,910	25,967
Add/(less): Fair value adjustment reserve	28	134	(935)	-	-
Total capital		75,775	73,461	29,910	25,967
Capital and net debt		84,416	88,938	58,865	56,199
Gearing ratio		10%	17%	49%	54%

35. 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 logs and right 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.

35. Segment information (continued)

	Harvesting, sawmilling, kiln drying of timber and sales of right to log		Manufacturing		Others		Adjustments and eliminations			As per consolidated financial statements	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	Note	2018 RM'000	2017 RM'000
Revenue											
External customers	49,872	37,329	22,462	27,236	1,784	1,078	-	-		74,118	65,643
Inter-segment	28,590	17,909	-	-	5,285	3,125	(33,875)	(21,034)	A	-	-
Total revenue	78,462	55,238	22,462	27,236	7,069	4,203	(33,875)	(21,034)		74,118	65,643
Results											
Interest income	231	59	133	104	2	3	-	-		366	166
Dividend income	67	133	-	-	2,892	336	(2,892)	(336)	A	67	133
Depreciation	2,120	2,195	801	747	878	796	-	-		3,799	3,738
Other non-cash expenses	(2,695)	(5,130)	9	257	401	70	3,784	5,690	B	1,499	887
Segment profit/ (loss)	8,919	7,509	14	77	3,676	(2,586)	(10,794)	(4,501)	C	1,815	499
Assets											
Additions to non-current assets	156	1,051	10,833	998	1,627	1,341	(11,202)	-	D	1,414	3,390
Segment assets	81,848	101,101	28,433	20,397	114,957	112,623	(113,763)	(123,485)	E	111,475	110,636
Segment liabilities	37,292	41,064	11,960	5,749	162,134	163,008	(175,552)	(173,610)	F	35,834	36,211

35. 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	2018 RM'000	2017 RM'000
Allowance for impairment on trade and other receivables	9	44	9
Reversal of allowance for impairment on trade and other receivables	7	(76)	(207)
Share-based payment under the LTIP	10	328	-
Inventories written off	9	-	1
Provision for short-term accumulating compensated absences	10	94	91
Provision for retirement benefits obligations	10	1,109	993
		1,499	887

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:

	2018 RM'000	2017 RM'000
Dividend	(2,893)	(336)
Impairment losses on investment in subsidiaries	29	960
Allowance for impairment on trade and other receivables	49	139
Reversal of allowance for impairment on trade and other receivables	(3,863)	(5,690)
Reversal of impairment losses on investment in subsidiary	(1,400)	-
Gain on disposal of property, plant and equipment	(3,013)	-
Share of results of associate	354	511
Loss from intercompany sales	(57)	(85)
	(10,794)	(4,501)

D Additions to non-current assets consist of:

	2018 RM'000	2017 RM'000
Property, plant and equipment (Note 14)	1,414	3,390

35. Segment information (continued)

E The following items are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2018 RM'000	2017 RM'000
Inter-segment assets	(113,763)	(123,485)

F The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2018 RM'000	2017 RM'000
Inter-segment liabilities	(175,552)	(173,610)

Geographical information

Revenue based on the geographical location of customers is as follows:

	Revenue	
	2018 RM'000	2017 RM'000
Malaysia	72,240	63,349
United Kingdom	683	926
East Asia	74	-
Other regions	1,121	1,368
	74,118	65,643

36. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 19 April 2019.