

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 31 JANUARY 2014

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 31.1.2014 <i>(Unaudited)</i> RM'000	AS AT 31.7.2013 <i>(Audited)</i> RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	117,777	119,254
Investment property	232	240
Other investments	528	528
Goodwill on consolidation	1,485	1,485
Deferred tax assets	6,318	6,335
	126,340	127,842
CURRENT ASSETS		
Inventories	583,903	569,447
Trade receivables	2,199	1,506
Non-trade receivables	17,099	13,505
Tax assets	13,295	10,714
Fixed deposits with licensed banks	210	18,026
Cash and bank balances	29,432	22,306
	646,138	635,504
TOTAL ASSETS	772,478	763,346
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share Capital	205,176	205,176
Reserves	237,532	237,340
TOTAL EQUITY	442,708	442,516
NON-CURRENT LIABILITIES		
Long-term borrowings	145,699	140,480
Deferred tax liabilities	10,717	10,717
	156,416	151,197
CURRENT LIABILITIES		
Trade payables	10,343	13,329
Non-trade payables	22,113	33,362
Advance from Ultimate Holding Company	300	300
Amount due to directors (Note 1)	1,000	3,599
Short-term borrowings	133,466	118,648
Dividend payables	5,745	-
Provision for taxation	387	395
	173,354	169,633
TOTAL LIABILITIES	329,770	320,830
TOTAL EQUITY AND LIABILITIES	772,478	763,346
Net assets per share attributable to ordinary equity owners of the Company (RM)	1.08	1.08

Note 1: Amount due to directors consists of directors' fee and directors' other emoluments.

(The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 July 2013)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 31 JANUARY 2014**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.1.2014 RM'000	QUARTER ENDED 31.1.2013 RM'000	PERIOD ENDED 31.1.2014 RM'000	PERIOD ENDED 31.1.2013 RM'000
Revenue	226,914	197,876	407,039	392,606
Other operating income	541	500	1,033	1,119
Operating expenses	(222,038)	(181,754)	(393,051)	(357,392)
Profit from operations	5,417	16,622	15,021	36,333
Finance costs	(3,800)	(4,308)	(7,151)	(8,120)
Profit before taxation	1,617	12,314	7,870	28,213
Taxation	(325)	(3,214)	(1,933)	(7,398)
Profit after taxation	1,292	9,100	5,937	20,815
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,292	9,100	5,937	20,815
Attributable to:-				
Equity holders of the Company	1,292	9,100	5,937	20,815
Non-controlling Interests	-	-	-	-
	1,292	9,100	5,937	20,815
Earnings per share attributable to equity holders of the Company				
- basic (sen)	0.31	2.22	1.45	5.07

(The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 July 2013)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 31 JANUARY 2014

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<u>Attributable to equity holders of the Company</u>			
	<u>Share Capital</u>	<u>Non-distributable Revaluation Reserve</u>	<u>Distributable Retained Profits</u>	<u>Total equity</u>
	RM'000	RM'000	RM'000	RM'000
At 1 August 2012	205,176	4,221	182,421	391,818
Total comprehensive income for the year	-	-	20,815	20,815
Dividend	-	-	(6,155)	(6,155)
At 31 January 2013	205,176	4,221	197,081	406,478
At 1 August 2013	205,176	27,105	210,235	442,516
Total comprehensive income for the year	-	-	5,937	5,937
Dividend	-	-	(5,745)	(5,745)
At 31 January 2014	205,176	27,105	210,427	442,708

(The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 July 2013)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 31 JANUARY 2014

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CUMULATIVE QUARTER	
	PERIOD	PERIOD
	ENDED	ENDED
	31.1.2014	31.1.2013
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	7,870	28,213
Adjustments for:		
Depreciation of property, plant and equipment	5,164	4,991
Gain on disposal of property, plant and equipment	(95)	(79)
Loss on disposal of property, plant and equipment	-	6
Property, plant and equipment written off	151	190
Short-term accumulating compensated absences	(246)	(131)
Dividend received	(300)	(300)
Inventories loss	-	4
Reversal of allowance for impairment on receivables	(164)	(62)
Interest income	(53)	(25)
Interest expense	7,151	8,120
Operating profit before working capital changes	19,478	40,927
Inventories	(14,456)	(45,106)
Trade receivables	(529)	(1,332)
Non-trade receivables	(3,594)	(497)
Trade payables	(2,986)	(11,188)
Non-trade payables	(10,353)	(2,551)
Amount due to directors	(2,599)	(1,156)
Net cash used in operations	(15,039)	(20,903)
Income tax paid	(4,400)	(9,123)
Net cash used in operating activities	(19,439)	(30,026)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	53	25
Dividend received	300	300
Fixed deposits withdrawn	-	387
Proceeds from disposal of property, plant and equipment	106	100
Purchase of property, plant and equipment	(3,255)	(3,726)
Net cash used in investing activities	(2,796)	(2,914)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(7,151)	(8,120)
Net loans raised	20,886	44,518
Repayment to lease creditors	(754)	(1,499)
Repayment to hire purchase creditors	(659)	(734)
Net cash generated from financing activities	12,322	34,165
NET INCREASE IN CASH AND CASH EQUIVALENTS	(9,913)	1,225
OPENING CASH AND CASH EQUIVALENTS	39,329	14,819
CLOSING CASH AND CASH EQUIVALENTS	29,416	16,044
Cash and cash equivalents comprise the following:		
Fixed deposit with licensed banks	180	-
Cash and bank balances	29,432	26,158
Bank overdrafts	(196)	(10,114)
	29,416	16,044

(The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 July 2013)

A. NOTES TO THE INTERIM FINANCIAL REPORT**A1. Accounting Policies and Methods of Computation**

The interim financial report has been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting and Chapter 9, Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Audited Financial Statements for the year ended 31 July 2013.

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the Annual Financial Statements for the financial year ended 31 July 2013 except for the following new Malaysian Financial Reporting Standards ("MFRSs") and amendments / improvements to MFRSs that have been issued but not yet effective for the Group:-

<u>New MFRS</u>	<u>Effective for financial periods beginning on or after</u>
MFRS 9 Financial Instruments	1 January 2015
<u>Amendments / Improvements to MFRSs</u>	
MFRS 10 Consolidated Financial Statements	1 January 2014
MFRS 12 Disclosure of Interests in Other Entities	1 January 2014
MFRS 127 Separate Financial Statements	1 January 2014
MFRS 132 Financial Instruments: Presentation	1 January 2014

The adoption of the above New MFRS and Amendments / Improvements to MFRSs will have no significant financial impact on the financial statements of the Group.

A2. Audit Report

The audit report of the preceding Audited Financial Statements of the Company was reported without any qualification.

A3. Seasonality or Cyclicity of Operations

It was a traditional peak trading period for the quarter under review.

A4. Unusual Items

There were no unusual and extraordinary items in the current quarter under review.

A5. Changes in Estimates

There were no material changes in the estimates used for the preparation of interim financial report.

A6. Issuance, Cancellation or Repayments of Debt and Equity Securities

There was no issuance and repayment of debt and equity securities, share buy back, share cancellation, shares held as treasury shares and resale of treasury shares for the current financial year to-date.

A7. Dividend paid

The Company obtained shareholders' approval at the Eleventh Annual General Meeting on 10 January 2014 to declare a First and Final Single Tier dividend of 1.40 sen per ordinary share in respect of the financial year ended 31 July 2013 (2011: 1.50 sen Single Tier dividend per ordinary share) and was paid on 7 March 2014 to Depositors registered in the Record of Depositors at the close of business on 14 February 2014. The total shareholdings at 14 February 2014 were 410,351,752 ordinary shares and the net dividend amounted to RM5,744,925.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 31 JANUARY 2014**A8. Segmental Information**

Segmental information is presented in respect of the Group's business segments.

Business segments:

Manufacturing: Manufacturer and dealer of jewellery, precious stones and gold ornaments

Trading: Suppliers and retailers of gold ornaments, jewellery and precious stones

Others: Investment holding

Results for second quarter ended 31 January 2014					
	Manufacturing Division RM'000	Trading Division RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue	119	405,832	1,088		407,039
Inter-segment Revenue	166,419	47,764	43,161	(257,344)	-
Total Revenue	166,538	453,596	44,249	(257,344)	407,039
Profit before taxation	3,880	410	(1,893)	5,473	7,870
Profit after taxation	2,910	292	(2,721)	5,456	5,937

Results for second quarter ended 31 January 2013					
	Manufacturing Division RM'000	Trading Division RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue	41	390,178	2,387	-	392,606
Inter-segment Revenue	161,184	134,801	47,123	(343,108)	-
Total Revenue	161,225	524,979	49,510	(343,108)	392,606
Profit before taxation	9,073	19,249	(3,373)	3,264	28,213
Profit after taxation	6,805	13,602	(4,540)	4,948	20,815

A9. Valuations of Property, Plant and Equipment

The Group did not carry out any valuations on property, plant and equipment in the quarter under review.

Save as disclosed, the valuation of property, plant and equipment have been brought forward without amendment from previous Audited Financial Statements.

A10. Material Events Subsequent To The Financial Period

There was no subsequent material event as at the date of this quarterly report.

A11. Changes in the Composition of the Company

There was no change in the composition of the Group for the current quarter and financial year to date including business combination, acquisition or disposal of subsidiaries and long term investment, restructuring or discontinuing of operations.

A12. Contingent Liabilities

Poh Kong Jewellers Sdn. Bhd, a wholly owned subsidiary of the Company, has granted a corporate guarantee to Danajamin Nasional Berhad in respect of Islamic Commercial Papers/ Islamic Medium Term Notes programme up to RM150,000,000 in accordance with the Shariah principle of Commodity Murabahah.

In addition to the above, the Company has granted additional corporate guarantees of RM11,900,000 in the first quarter. As at 31 January 2014, a total of RM172,001,999 corporate guarantees has been given in support of banking facilities granted to subsidiary companies; a total of RM8,000,000 corporate guarantee has been given to third party in respect of leasing and hire purchase facilities; a total of RM7,474,928 corporate guarantees has been given to third parties in respect of operating lease arrangements.

Save as disclosed above, there was no change in contingent liabilities since the last annual reporting date.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 31 JANUARY 2014**B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS****B1. Review of Performance**

The Group's revenue for the second quarter under review was higher at RM226.914 million as compared to the revenue in the corresponding quarter last year of RM197.876 million; an increase of RM29.038 million. The increase in revenue was due mainly to increase in demand of gold products, such as gold bars, wafers and gold jewellery during the quarter under review.

The Group's profit before tax in the current quarter at RM1.617 million was lower as compared to the profit before tax of RM12.314 million in the corresponding quarter last year; a decrease of RM10.697 million. The decrease in profit before tax was due mainly to the fluctuation in gold price, resulting in a thinner profit margin from gold revenue.

The Group's revenue is largely derived from retail segment while the manufacturing segment supplies the finished gold jewellery to the retail segment.

B2. Comparison with Preceding Quarter's Results (2nd Quarter FYE 2014 vs 1st Quarter FYE 2014)

Financial Indicators:	Q2FYE2014	Q1FYE2014	Variance	Variance
	RM('000)	RM('000)	RM('000)	(%)
Revenue	226,914	180,125	46,789	26%
Profit before taxation	1,617	6,253	(4,636)	-74%
Profit after taxation	1,292	4,645	(3,353)	-72%

The increase in revenue was due mainly to an increase in demand of gold investment products and gold jewellery. The decrease in profit before tax was attributed to the fluctuation in gold price during the quarter under review.

B3. Current Year Prospects

The Group will continue its drive to build a larger market share by enhancing and differentiating its product offerings to larger and targeted market segments and to search for right products at favourable price points and mix to add value to consumers. Towards this purpose, the Group is actively evaluating various initiatives and opportunities to attract new customers and retain existing customers through the introduction of new product designs and enhanced customer service.

Barring unforeseen circumstances, the Board of Directors remains cautiously optimistic of the Group's performance for financial year ending 31 July 2014.

B4. Profit Forecast

Not applicable as the Group did not publish any profit forecast.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 31 JANUARY 2014**B5. Taxation**

	Individual Quarter		Cumulative Quarter	
	Quarter Ended	Quarter Ended	Period Ended	Period Ended
	31.1.2014	31.1.2013	31.1.2014	31.1.2013
	RM'000	RM'000	RM'000	RM'000
Income taxation	757	3,214	1,916	7,398
Deferred taxation	(432)	-	17	-
	325	3,214	1,933	7,398

The effective tax rate was lower than the statutory tax rate due principally to the deferred tax assets are recognised for the current and cumulative quarters, offsetting against tax payables on profitable subsidiaries.

B6. Status of Corporate Proposals Announced

There was no corporate proposal announced for the current quarter and financial year to date.

B7. Borrowings and Debt Securities

The Group's borrowings as at 31 January 2014 are as follows:-

	RM'000
Short-term Borrowings	
- Secured	
Bank overdraft	196
Other bank borrowings	130,722
	<u>130,918</u>
- Unsecured	
Hire purchase and lease creditors	2,548
Advance from Ultimate Holding Company	300
	<u>133,766</u>
Long-term Borrowings	
- Secured	
Term loans	11,774
Islamic Medium Term Notes ("IMTN")	130,000
	<u>141,774</u>
- Unsecured	
Hire purchase and lease creditors	3,925
	<u>145,699</u>
Total	<u>279,465</u>

B8. Realised and Unrealised Profits or Losses Disclosure

This disclosure is prepared pursuant to the directive of Bursa Malaysia Securities Berhad and in accordance with the Guidance on Special Matter No.1- Determination of Realised and Unrealised Profits or Losses, as issued by the Malaysia Institute of Accountants.

	Period Ended	Period Ended
	31.1.2014	31.1.2013
	(RM'000)	(RM'000)
Total retained earnings of the Company and its subsidiaries:		
- Realised	358,214	332,482
- Unrealised	(4,399)	16,944
	<u>353,815</u>	<u>349,426</u>
- Less: Consolidated adjustments	(143,388)	(152,345)
Total group retained earnings as per consolidated accounts	<u>210,427</u>	<u>197,081</u>

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 31 JANUARY 2014**B9. Profit Before Taxation**

Profit before taxation is arrived at after charging / (crediting):

	Individual Quarter		Cumulative Quarter	
	Quarter Ended	Quarter Ended	Period Ended	Period Ended
	31.1.2014	31.1.2013	31.1.2014	31.1.2013
	RM'000	RM'000	RM'000	RM'000
Interest income	(49)	(11)	(53)	(25)
Dividend income	(150)	(300)	(300)	(300)
Gain on disposal of property, plant and equipment	(21)	(47)	(95)	(79)
Loss on disposal of property, plant and equipment	-	6	-	6
Interest expense	3,800	4,308	7,151	8,120
Depreciation and amortization	2,601	2,499	5,164	4,991
Reversal of allowance for impairment on receivables	(136)	-	(164)	(62)
Property, plant and equipment written off	-	190	151	190
Inventories loss	-	4	-	4

B10. Material Litigation

There was no material litigation as at this quarterly report and the financial year to date.

B11. Dividend

No dividend was declared in the quarter under review.

B12. Earnings Per Share

	Individual Quarter		Cumulative Quarter	
	Quarter Ended	Quarter Ended	Period Ended	Period Ended
	31.1.2014	31.1.2013	31.1.2014	31.1.2013
Profit after taxation for basic earnings per share (RM'000)	1,292	9,100	5,937	20,815
Weighted average number of ordinary shares in issue ('000)	410,352	410,352	410,352	410,352
Basic earnings per share (sen)	0.31	2.22	1.45	5.07

BY ORDER OF THE BOARD**DATO' CHOON YEE SEIONG**

Executive Chairman / Group Managing Director

26 March 2014

Petaling Jaya