

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

	Note	Current quarter 3 months ended		Cumulative quarter 3 months ended	
		31.03.2014 Unaudited RM'000	31.03.2013 Unaudited RM'000	31.03.2014 Unaudited RM'000	31.03.2013 Unaudited RM'000
Revenue		46,340	19,320	46,340	19,320
Cost of sales		<u>(16,905)</u>	<u>(16,362)</u>	<u>(16,905)</u>	<u>(16,362)</u>
Gross profit		29,435	2,958	29,435	2,958
Other operating income		534	93	534	93
Administrative expenses		(2,562)	(2,621)	(2,562)	(2,621)
Other operating expenses		<u>(481)</u>	<u>(469)</u>	<u>(481)</u>	<u>(469)</u>
Operating profit/(loss)		26,926	(39)	26,926	(39)
Finance costs		<u>(124)</u>	<u>(250)</u>	<u>(124)</u>	<u>(250)</u>
Profit/(loss) before taxation	7	26,802	(289)	26,802	(289)
Income tax expenses	8	<u>(6,842)</u>	<u>(90)</u>	<u>(6,842)</u>	<u>(90)</u>
Profit/(loss) for the period		<u>19,960</u>	<u>(379)</u>	<u>19,960</u>	<u>(379)</u>
Attributable to:					
Owners of the parent		<u>19,960</u>	<u>(379)</u>	<u>19,960</u>	<u>(379)</u>
Earnings/(loss) per share attributable to owners of the parent (sen per share):					
- Basic	9	14.84	(0.28)	14.84	(0.28)

These condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to these interim financial statements.

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014 (CONTINUED)

	Current quarter 3 months ended		Cumulative quarter 3 months ended	
	31.03.2014 Unaudited RM'000	31.03.2013 Unaudited RM'000	31.03.2014 Unaudited RM'000	31.03.2013 Unaudited RM'000
Profit/(loss) for the period	<u>19,960</u>	<u>(379)</u>	<u>19,960</u>	<u>(379)</u>
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Net (loss)/gain on available-for-sale ("AFS") financial assets	<u>(237)</u>	<u>834</u>	<u>(237)</u>	<u>834</u>
Other comprehensive income for the period, net of tax	<u>(237)</u>	<u>834</u>	<u>(237)</u>	<u>834</u>
Total comprehensive income for the period, attributable to:				
Owners of the parent	<u>19,723</u>	<u>455</u>	<u>19,723</u>	<u>455</u>

These condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to these interim financial statements.

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2014

	<u>Note</u>	31.03.2014 Unaudited RM'000	31.12.2013 Audited RM'000
Assets			
Non-current assets			
Property, plant and equipment	10	69,423	69,140
Goodwill	11	-	-
Deferred tax assets		163	429
Investment securities	12	8,663	8,900
		<u>78,249</u>	<u>78,469</u>
Current assets			
Inventories		18,045	18,672
Trade and other receivables		19,094	21,627
Tax recoverable		1,693	1,751
Cash and bank balances	13	29,089	5,973
		<u>67,921</u>	<u>48,023</u>
Total assets		<u>146,170</u>	<u>126,492</u>
Equity and liabilities			
Equity attributable to owners of the parents			
Share capital	14	67,273	67,273
Share premium	14	625	625
Retained earnings		41,202	21,242
Other reserves		(16,209)	(15,972)
Total equity		<u>92,891</u>	<u>73,168</u>
Non-current liabilities			
Retirement benefit obligations		5,681	5,120
Deferred tax liabilities		2,541	2,517
Borrowings	15	940	918
		<u>9,162</u>	<u>8,555</u>
Current liabilities			
Retirement benefit obligations		209	629
Borrowings	15	1,070	5,613
Trade and other payables		36,352	38,323
Tax payable		6,486	204
		<u>44,117</u>	<u>44,769</u>
Total liabilities		<u>53,279</u>	<u>53,324</u>
Total equity and liabilities		<u>146,170</u>	<u>126,492</u>
Net assets per share attributable to owners of the parent ("RM")		0.69	0.54

These condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to these interim financial statements.

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

	Attributable to owners of the parent							
	Non-distributable		Distributable		Non-distributable			
	Equity, total	Share capital	Share premium	Total retained earnings	Other reserves, total	Fair value adjustment reserve	Equity contribution from a corporate shareholder	Reserve arising from merger
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Opening balance at 1 January 2014	73,168	67,273	625	21,242	(15,972)	6,546	200	(22,718)
Profit for the period	19,960	-	-	19,960	-	-	-	-
Other comprehensive income								
- Fair value adjustment reserve	(237)	-	-	-	(237)	(237)	-	-
Total comprehensive income	19,723	-	-	19,960	(237)	(237)	-	-
Closing balance at 31 March 2014	92,891	67,273	625	41,202	(16,209)	6,309	200	(22,718)
Opening balance at 1 January 2013 (restated)	72,466	67,273	625	23,793	(19,225)	3,493	-	(22,718)
Loss for the period	(379)	-	-	(379)	-	-	-	-
Other comprehensive income								
- Fair value adjustment reserve	834	-	-	-	834	834	-	-
Total comprehensive income	455	-	-	(379)	834	834	-	-
Closing balance at 31 March 2013	72,921	67,273	625	23,414	(18,391)	4,327	-	(22,718)

These condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to these interim financial statements.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

	Note	3 months ended	
		31.03.2014 Unaudited RM'000	31.03.2013 Unaudited RM'000
Operating activities			
Profit/(loss) before tax		26,802	(289)
<u>Adjustments for:</u>			
Interest income	7	(20)	(14)
Interest expenses	7	124	250
Gain on disposal of property, plant and equipment	7	(65)	-
Gain on disposal of assets classified as held for sale	7	-	(35)
Depreciation of property, plant and equipment	7	1,045	1,043
Property, plant and equipment written off	7	1	-
Net unrealised foreign exchange gain	7	(10)	(8)
Provision for retirement benefits	7	156	153
Provision/(reversal) of provision for short-term accumulating compensated absences	7	5	(36)
Total adjustments		<u>1,236</u>	<u>1,353</u>
Operating cash flows before changes in working capital		28,038	1,064
<u>Changes in working capital</u>			
Decrease/(increase) in inventories		627	(683)
Decrease/(increase) in trade and other receivables		1,949	(513)
(Decrease)/increase in trade and other payables		(1,423)	2,476
Total changes in working capital		<u>1,153</u>	<u>1,280</u>
Interest paid		(46)	(114)
Income taxes paid		(211)	(38)
Retirement benefits paid		(14)	(190)
		<u>(271)</u>	<u>(342)</u>
Net cash flows from operating activities		<u>28,920</u>	<u>2,002</u>
Investing activities			
Purchase of property, plant and equipment	10	(1,217)	(449)
Proceeds from disposal of property, plant and equipment		65	42
Interest received		20	14
Net cash flows used in investing activities		<u>(1,132)</u>	<u>(393)</u>
Financing activities			
Drawdowns from borrowings		391	2,534
Repayment of borrowings		(2,965)	(2,596)
Decrease in the placement of fixed deposit		203	-
Net cash flows used in financing activities		<u>(2,371)</u>	<u>(62)</u>
Net increase in cash and cash equivalents		25,417	1,547
Cash and cash equivalents at 1 January		2,398	(338)
Cash and cash equivalents at 31 March		<u>27,815</u>	<u>1,209</u>

These condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to these interim financial statements.

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014**

1. Corporate information

Golden Pharos Berhad is a public limited liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad.

2. Basis of preparation

The condensed financial statements are unaudited and have been prepared in accordance with IAS 34, MFRS 134, *Interim Financial Reporting* and paragraph 9.22 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements. They should also be read in conjunction with the financial statements of the Group for the year ended 31 December 2013 and the accompanying notes attached to the unaudited condensed consolidated financial statements.

3. Significant accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2013, except for the adoption of the following new and revised MFRS, and Amendments (collectively referred to as "pronouncements") which are applicable to its financial statements and are relevant to its operations:-

(i) Adoption of standards

Effective for annual periods beginning on or after 1 January 2014

Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities

Amendments to MFRS 132 Financial Instruments: Presentation

- Offsetting Financial Assets and Financial Liabilities

Amendments to MFRS 136 Recoverable Amount Disclosures for Non-Financial Assets

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

(ii) Standards issued but not yet effective

At the date of authorisation of these interim financial statements, the followings standards and Amendments were issued but not yet effective and have not been applied by the Group:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011–2013 Cycle	1 July 2014
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced
MFRS 9 Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139	To be announced

The directors expect that the adoption of the above will have no material impact on the financial statements in the period of initial application.

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

4. Changes in estimates

There were no significant changes in estimates that have had a material effect in the current interim results.

5. Seasonality of operations

During the quarter under review, the Group's principal business operations were not affected by any seasonal or cyclical factors.

6. Segment information

The Group is organised into business units based on their products and services, and has three operating segments as follows:

- (i) Harvesting, sawmilling and kiln drying of timber.
- (ii) Manufacturing - manufacturing and trading of glass.
- (iii) Others - include investment holding, marketing and distribution agent and trading of wooden doors, none of which are of a sufficient size to be reported separately.

There has been no material change in total assets and no differences in the basis of segmentation or in the basis of measurement of segment profit or loss as compared to the last annual financial statements.

	Harvesting, sawmilling and kiln drying RM'000	Manufacturing RM'000	Others RM'000	Consolidated RM'000
Results for 3 months ended 31 March 2014				
Operating revenue	38,839	7,474	27	46,340
Other operating income	492	33	9	534
Expenses	(11,985)	(7,036)	(1,051)	(20,072)
Profit/(loss) before taxation	27,346	471	(1,015)	26,802

**Results for 3 months ended
31 March 2013**

Operating revenue	12,048	7,193	79	19,320
Other operating income	22	20	51	93
Expenses	(11,522)	(7,071)	(1,109)	(19,702)
Profit/(loss) before taxation	548	142	(979)	(289)

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

7. Profit/(loss) before taxation

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

	Current quarter		Cumulative quarter	
	3 months ended		3 months ended	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	RM'000	RM'000	RM'000	RM'000
Interest income	(20)	(14)	(20)	(14)
Interest expenses	124	250	124	250
Depreciation of property, plant and equipment	1,045	1,043	1,045	1,043
Gain on disposal of property, plant and equipment	(65)	-	(65)	-
Gain on disposal of assets classified as held for sale	-	(35)	-	(35)
Property, plant and equipment written off	1	-	1	-
Net unrealised foreign exchange gain	(10)	(8)	(10)	(8)
Reversal of provision for short-term accumulating compensated absences	5	(36)	5	(36)
Provision for retirement benefits	156	153	156	153

8. Income tax expense

	Current quarter		Cumulative quarter	
	3 months ended		3 months ended	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	RM'000	RM'000	RM'000	RM'000
Current income tax	6,552	180	6,552	180
Deferred income tax	373	(143)	373	(143)
(Over)/under provision of deferred tax in respect of previous years	(83)	53	(83)	53
	6,842	90	6,842	90
Effective tax rate	25.5%	-31.1%	25.5%	-31.1%

Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. For the current financial period under review, the Group's effective tax rate was approximately at the statutory tax rate.

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

9. Earnings/(loss) per share

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

		Current quarter		Cumulative quarter	
		3 months ended		3 months ended	
		31.03.2014	31.03.2013	31.03.2014	31.03.2013
Profit/(loss) net of tax attributable to owners of the parent used in the computation of earnings per share	(RM'000)	19,960	(379)	19,960	(379)
Weighted average number of ordinary shares in issue	(' 000)	134,547	134,547	134,547	134,547
Basic earnings/(loss) per share	(sen)	14.84	(0.28)	14.84	(0.28)

10. Property, plant and equipment

During the three-month period ended 31 March 2014, the Group has acquired property, plant and equipment at a cost of RM1,217,000 (31 March 2013: RM449,000). As at 31 March 2014, the total depreciation charged for the property, plant and equipment was RM1,045,000 (31 March 2013: RM1,043,000). Property, plant and equipment with a carrying amount of RM1,000 were written off by the Group during the three-month period ended 31 March 2014 (31 March 2013 : RMNil) which has been included in other operating expenses in the statement of profit or loss and other comprehensive income.

The Group has also disposed of assets with a carrying amount of RMNil during the three months ended 31 March 2014 (31 March 2013 : RMNil), resulting in a gain on disposal of RM65,000 (31 March 2013: RMNil), recognised and included in operating expenses in the statement of profit or loss and other comprehensive income.

11. Goodwill

	Goodwill
	RM'000
Cost:	
At 1 January 2013/31 December 2013/31 March 2014	<u>613</u>
Accumulated impairment:	
At 1 January 2013/31 December 2013/31 March 2014	<u>(613)</u>
Net carrying amount:	
At 1 January 2013/31 December 2013/31 March 2014	<u>-</u>

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014**

12. Fair value hierarchy

The Group uses the following hierarchy for determining the fair value of all financial instruments carried at fair value:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

As at the reporting date, the Group held the following financial assets that are measured at fair value:

	Total	Level 1	Level 2	Level 3
	RM'000	RM'000	RM'000	RM'000
31 March 2014				
Available-for-sale financial assets				
Equity shares	8,663	8,663	-	-
31 December 2013				
Available-for-sale financial assets				
Equity shares	8,900	8,900	-	-

No transfer between any levels of the fair value hierarchy took place during the current interim period and the comparative period. There were also no changes in the purpose of any financial assets that subsequently resulted in a different classification of that assets.

The Group does not hold credit enhancements or collateral to mitigate credit risk. The carrying amount of financial assets therefore represents the potential credit risk.

13. Cash and bank balances

Cash and bank balances comprised the following amounts:

	31.03.2014	31.12.2013
	RM'000	RM'000
Cash at banks and in hand	11,799	4,687
Deposits in licensed banks	17,290	1,286
	<u>29,089</u>	<u>5,973</u>
Less:		
Bank overdrafts	(240)	(2,337)
Deposits in licensed banks	(1,034)	(1,238)
Total cash and cash equivalents	<u><u>27,815</u></u>	<u><u>2,398</u></u>

14. Share capital and share premium

There were no issuances, cancellation, repurchases, resale and repayments of debts and equity securities for the financial period ended 31 March 2014.

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

15. Borrowings

	31.03.2014	31.12.2013
	RM'000	RM'000
Current		
Secured	1,070	5,613
Non-current		
Secured	940	918
Total borrowings	<u>2,010</u>	<u>6,531</u>

16. Dividend

There was no dividend declared by the Company during the financial period ended 31 March 2014 (31 March 2013: RMNil).

17. Commitments

	31.03.2014	31.12.2013
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Plant and machinery	525	397
Motor vehicles	261	226
Approved but not contracted for:		
Plant and machinery	2,227	2,355
Motor vehicles	2,025	2,060
	<u>5,038</u>	<u>5,038</u>

18. Related party transactions

The following table provides information on the transactions which have been entered into with related parties during the three-month periods ended 31 March 2014 and 31 December 2013 as well as the balances with the related parties as at 31 March 2014 and 31 December 2013:

		Loans	Interest	Amounts
		from related	on loans	owed to
		parties	from related	related
		RM'000	parties	parties
		RM'000	RM'000	RM'000
Entities with significant influence over the Group:				
Holding company				
Terengganu Incorporated Sdn. Bhd.	31.03.2014	-	78	14,084
("TISB")	31.12.2013	-	379	14,007
A corporate shareholder				
Lembaga Tabung Amanah Warisan	31.03.2014	-	-	7,522
Negeri Terengganu ("LTAWNT")	31.12.2013	-	(199)*	7,522

* The interest on loan from LTAWNT has been waived in December 2013.

19. Events after the reporting period

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

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING
REQUIREMENT: CHAPTER 9, APPENDIX 9B, PART A
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

20. Performance review

(a) Current Quarter vs Corresponding Quarter of Previous Period (1Q14 vs 1Q13)

The Group has shown a favourable result in the quarter under review in terms of revenue and profitability whereby the revenue increased by 140% and profit before taxation stood at RM26.80 million as compared to a loss before taxation of RM0.29 million reported in previous year's corresponding quarter. The significant improvement was contributed by harvesting, sawmilling and kilndrying segment.

Harvesting, sawmilling and kiln drying segment

The segment reported a profit before taxation of RM27.35 million, a substantial increase of RM26.80 million from the previous year's corresponding quarter.

(i) Operating revenue

The segment's operating revenue increased by 222% to RM38.84 million in the current quarter as compared to RM12.05 million reported in the previous year's corresponding quarter. The increase in revenue was contributed by the logs sales proceeds amounting to RM27.29 million from the concession of the Group's timber management subsidiary, Kumpulan Pengurusan Kayu-Kayan Trengganu Sdn. Bhd. ("KPKKT") during the current quarter under review. The six (6) compartments in the concession were part of a land area in KPKKT's concession that was awarded to the Group's shareholder, Lembaga Tabung Amanah Warisan Negeri Terengganu ("LTAWNT") by the Terengganu State Land Office for mining purposes. In return, KPKKT was given the right to extract and sell the logs therein.

(ii) Other operating income

There was an increase in segment's other operating income from RM0.02 million to RM0.49 million in the quarter under review due to the income on post-felling forest inventory development received from Forestry Department amounting to RM0.41 million.

(iii) Expenses

The segment's expenses stood at RM11.99 million in the current quarter, a slight increase by 4% as compared to RM11.52 million in the previous year's corresponding quarter.

Manufacturing segment

During the quarter under review, the manufacturing segment recorded a profit before taxation of RM0.47 million, an increased of 232% from RM0.14 million recorded in the previous year's corresponding quarter.

(i) Operating revenue

For the current quarter, the segment's operating revenue has improved by 4% or RM0.28 million from RM7.19 million reported in the previous year's corresponding quarter as a result of the improved selling price.

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING
REQUIREMENT: CHAPTER 9, APPENDIX 9B, PART A
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014**

20. Performance review (continued)

(a) Current Quarter vs Corresponding Quarter of Previous Period (1Q14 vs 1Q13) (continued)

Manufacturing segment (continued)

(ii) Other operating income

The other operating income has increased by RM0.01 million or 50% from RM0.02 million to RM0.03 million in the current quarter was mainly due to gain on disposal of property, plant and equipment.

(iii) Expenses

The decreased in segment's expenses was in line with the decrease in production volume by 9% during the current quarter.

Others segment

This segment has shown an increased in loss before taxation from RM0.98 million to RM1.02 million in the current quarter as a result of lower wooden doors supplied to the state's project.

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

	Current quarter 31.03.2014 RM'000	Immediate preceding quarter 31.12.2013 RM'000
Revenue	<u>46,340</u>	<u>20,921</u>
Profit/(loss) before taxation	<u>26,802</u>	<u>(1,835)</u>

The Group has recorded a profit before taxation of RM26.80 million as compared to a loss before taxation of RM1.84 million reported in the immediate preceding quarter which was mainly due to the favourable performance in harvesting, sawmilling and kiln drying segment current during the quarter.

Harvesting, sawmilling and kiln drying segment

The segment has recorded a profit before taxation of RM27.34 million in the current quarter as compared to a loss before taxation of RM0.29 million in the immediate preceding quarter mainly because of higher sales achieved during the current quarter under review.

(i) Operating revenue

The operating revenue of RM38.84 million, was 221% higher than the immediate preceding quarter of RM12.12 million. This favourable performance was mainly related to revenue from the sales of logs of six (6) compartments of a subsidiary's concession area.

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING
REQUIREMENT: CHAPTER 9, APPENDIX 9B, PART A
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014**

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

Harvesting, sawmilling and kiln drying segment (continued)

(ii) Other operating income

The other operating income increased from RM0.43 million to RM0.49 million was mainly due to higher income received on post-felling forest inventory development from the Forestry Department.

(iii) Expenses

The expenses stood at RM11.99 million, decreased by 7% from RM12.84 million recorded in the immediate preceding quarter. The decrease in expenses was due to decrease in sawmilling cost which was in line with the decrease in production of sawn timber from 7,638 tonne to 6,697 tonne in the current quarter.

Manufacturing segment

The manufacturing segment recorded a profit before taxation of RM0.47 million in the current year quarter as compared to a profit before taxation of RM0.46 million in the immediate preceding quarter.

(i) Operating revenue

The operating revenue for the current quarter decreased by 15% from RM8.78 million in the immediate preceding quarter to RM7.47 million in the current quarter as a result of lower sales volume of glasses from 146,830 units to 113,692 units in the current quarter under review.

(ii) Other operating income

The other operating income for the current quarter decreased by 43% mainly due to the decrease in interest income from deposits with licensed banks and gain on disposal of property, plant and equipment.

(iii) Expenses

The expenses decreased to RM7.04 million in the current quarter from RM8.38 million in the immediate preceding quarter, representing a decreased of 16%. It was in line with the decrease in the production volume by 18% from 100,059 units in the immediate preceding quarter to 82,247 units.

Others segment

This segment reported a loss before taxation of RM1.02 million, decreased by 49% as compared to a loss before taxation of RM2.01 million reported in the immediate preceding quarter mainly due to decrease in finance cost by 88% in the current quarter under review.

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22. Commentary on prospect

Harvesting, sawmilling and kiln drying of timber

Internal logs extraction and mid-stream activities are expected to further improve in the coming quarters as the weather conditions improves. However, the sawmilling and kiln-drying segment will face challenges in the downturn of export demand and over supply in the market that could affect the selling price of the sawn timber.

Operationally, harvesting activity will continue to face challenges such as reduction in annual coupe, ability to achieve optimum extraction yield per hectare, new regulations by the Forestry Department due to the stringent compliances, higher fuel cost, transportation cost and other operational costs. The challenging economic condition remains the threats to the price of sawn timber-based product in the coming period. Therefore, sawmilling and kiln drying segment will continue to face challenges in the down turn in selling price and market volatility.

Manufacturing

Price volatility and availability of raw materials will cause greater challenge to the Group. Competition remains very stiff especially in the local market as the customers demand price cutting and high quality products.

With the continuous supply for the current projects secured from the government and local projects, the segment is thus, expected to achieve marginal profit for the next quarter.

The Board will continue to intensify its effort to improve efficiency, productivity and profitability of the Group for the current financial year.

23. Changes in material litigation

There was no material litigation against the Group.

24. Dividend payable

There was no dividend paid by the Company during the financial period ended 31 March 2014 (31 March 2013: RMNil).

25. Risks and policies of derivatives

The Group did not enter into any derivative during the financial period ended 31 March 2014 or the previous financial year ended 31 December 2013.

26. Disclosure of losses/gains arising from fair value changes of financial liabilities

The Group did not have any financial liabilities measured at fair value through profit or loss as at 31 March 2014 and 31 December 2013.

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27. Breakdown of realised and unrealised losses

The breakdown of the retained earnings of the Group as at 31 March 2014 and 31 December 2013 into realised and unrealised losses is presented in accordance with the directives issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and 20 December 2010, prepared in accordance with *Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses* in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Current quarter ended 31.03.2014 RM'000	Previous financial year ended 31.12.2013 RM'000
Total accumulated losses of the Company and its subsidiaries		
- Realised	(178,535)	(187,047)
- Unrealised	(2,378)	(2,056)
	<u>(180,913)</u>	<u>(189,103)</u>
Total accumulated losses from associates		
- Realised	(11,745)	(11,745)
	<u>(192,658)</u>	<u>(200,848)</u>
Less: Consolidation adjustments	(233,860)	(222,090)
Total Group's retained earnings as per financial statements	<u>41,202</u>	<u>21,242</u>

28. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2013 was not qualified.

29. Authorised for issue

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 May 2014.

By order of the Board

Dato' Haji Zakaria bin Awang
Chief Executive Officer