

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

CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

| | Note | Individual Quarter | | Cumulative Quarter | |
|--|------|--------------------|--------------------|--------------------|--------------------|
| | | 31.12.06 RM'000 | 31.12.05 RM'000 | 31.12.06 RM'000 | 31.12.05 RM'000 |
| Revenue | 9 | 28,349 | 31,267 | 99,682 | 131,670 |
| Cost of sales | | <u>(22,321)</u> | <u>(25,749)</u> | <u>(81,364)</u> | <u>(102,076)</u> |
| Gross profit | | 6,028 | 5,518 | 18,318 | 29,594 |
| Other income | | 913 | 3,384 | 3,669 | 4,673 |
| Other expenses | | (4,495) | (10,156) | (16,450) | (20,787) |
| Finance costs, net | | <u>(382)</u> | <u>(433)</u> | <u>(1,684)</u> | <u>(1,759)</u> |
| Profit / (loss) before taxation | | 2,064 | (1,687) | 3,853 | 11,721 |
| Taxation | 18 | <u>(1,453)</u> | <u>(5,570)</u> | <u>(661)</u> | <u>(8,036)</u> |
| Profit / (loss) for the period / year | | <u>611</u> | <u>(7,257)</u> | <u>3,192</u> | <u>3,685</u> |
| Attributable to: | | | | | |
| Equity holders of the parent | | 611 | (7,505) | 3,192 | 3,437 |
| Minority Interest | | <u>-</u> | <u>248</u> | <u>-</u> | <u>248</u> |
| Profit / (loss) for the period / year | | <u>611</u> | <u>(7,257)</u> | <u>3,192</u> | <u>3,685</u> |
| Earnings per share attributable to equity holders of the parent: | | | | | |
| - basic | | 0.53 | (6.46) | 2.75 | 2.96 |

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

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

**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006**

| | <u>Note</u> | As at 31.12.2006 RM'000 | As at 31.12.2005 RM'000 |
|--|-------------|-------------------------------|-------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 47,085 | 51,181 |
| Investments in associates | | 525 | 525 |
| Other investments | | 4,520 | 3,948 |
| Deferred tax assets | | 218 | 293 |
| Goodwill on consolidation | | 185 | 185 |
| | | <u>52,533</u> | <u>56,132</u> |
| Current assets | | | |
| Inventories | | 26,081 | 23,886 |
| Trade and other receivables | | 28,503 | 28,334 |
| Deposits, bank and cash balances | | 10,899 | 7,184 |
| | | <u>65,483</u> | <u>59,404</u> |
| | | <u>118,016</u> | <u>115,536</u> |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to equity holders of the parent | | | |
| Share capital | | 116,154 | 116,154 |
| Reserves | | (54,434) | (57,549) |
| | | <u>61,720</u> | <u>58,605</u> |
| Minority interest | | 248 | 248 |
| | | <u>61,968</u> | <u>58,853</u> |
| Non-current liabilities | | | |
| Long term borrowings | 22 | 235 | 852 |
| Provision for retirement benefits | | 5,468 | 4,793 |
| | | <u>5,703</u> | <u>5,645</u> |
| Current liabilities | | | |
| Trade and other payables | | 13,535 | 17,422 |
| Short term borrowings | 22 | 23,463 | 19,331 |
| Overdrafts | 22 | 5,353 | 4,285 |
| Amount due to a shareholder | | 7,994 | 10,000 |
| | | <u>50,345</u> | <u>51,038</u> |
| Total liabilities | | 56,048 | 56,683 |
| TOTAL EQUITY AND LIABILITIES | | <u>118,016</u> | <u>115,536</u> |
| Net assets per share (RM) | | 0.53 | 0.50 |

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006

| | ← Attributable to Equity Holders of the Parent → | | | | | Minority Interest | Total Equity | |
|----------------------------------|--|---------------|---------------------|----------------------|--------------------|-------------------|--------------|---------------|
| | ← Non-distributable Reserve → | | | Distributable | | | | |
| | Share Capital | Share Premium | Arising From Merger | Revaluation Reserves | Accumulated Losses | Total | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | |
| At 1 January 2006 | 116,154 | 625 | (22,718) | 19,297 | (54,753) | 58,605 | 248 | 58,853 |
| Equity component of deferred tax | - | - | - | (77) | - | (77) | - | (77) |
| Net profit for the year | - | - | - | - | 3,192 | 3,192 | - | 3,192 |
| At 31 December 2006 | 116,154 | 625 | (22,718) | 19,220 | (51,561) | 61,720 | 248 | 61,968 |

| | ← Attributable to Equity Holders of the Parent → | | | | | Minority Interest | Total Equity | |
|-------------------------------------|--|---------------|---------------------|----------------------|--------------------|-------------------|--------------|---------------|
| | ← Non-distributable Reserve → | | | Distributable | | | | |
| | Share Capital | Share Premium | Arising From Merger | Revaluation Reserves | Accumulated Losses | Total | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | |
| At 1 January 2005 | 116,154 | 625 | (22,718) | 19,297 | (57,336) | 56,022 | - | 56,022 |
| Prior year adjustments | - | - | - | - | (854) | (854) | - | (854) |
| At 1 January 2005 (restated) | 116,154 | 625 | (22,718) | 19,297 | (58,190) | 55,168 | - | 55,168 |
| Net profit for the year | - | - | - | - | 3,437 | 3,437 | 248 | 3,685 |
| At 31 December 2005 | 116,154 | 625 | (22,718) | 19,297 | (54,753) | 58,605 | 248 | 58,853 |

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

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

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006**

| | 31.12.2006 RM'000 | 31.12.2005 RM'000 |
|---|------------------------------|------------------------------|
| Cash flows from operating activities | | |
| Profit before taxation | 3,853 | 11,721 |
| Adjustments for: | | |
| Non-cash items | 4,194 | 6,190 |
| Non-operating items | 2,621 | 2,735 |
| Operating profit before working capital changes | <u>10,668</u> | <u>20,646</u> |
| Net changes in current assets | 2,644 | 12,318 |
| Net changes in current liabilities | (1,698) | (3,647) |
| Cash generated from operating activities | <u>11,614</u> | <u>29,317</u> |
| Interest paid | (1,342) | (1,563) |
| Taxation paid | (7,173) | (4,926) |
| Payment of retirement benefits | (766) | (5,477) |
| Net cash generated from operating activities | <u>2,333</u> | <u>17,351</u> |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (1,483) | (3,004) |
| Proceeds from disposal of property, plant and equipment | 170 | 902 |
| Interest received | 102 | 67 |
| Net cash used in investing activities | <u>(1,211)</u> | <u>(2,035)</u> |
| Cash flows from financing activities | | |
| Proceeds from borrowings | 19,823 | 25,348 |
| Repayment of borrowings | (18,298) | (34,165) |
| Interest paid | - | (262) |
| Net cash generated from/(used in) financing activities | <u>1,525</u> | <u>(9,079)</u> |
| Net increase in cash and cash equivalents | 2,647 | 6,237 |
| Cash and cash equivalents at beginning of the year | 2,899 | (3,338) |
| Cash and cash equivalents at end of the year | <u>5,546</u> | <u>2,899</u> |

Cash and cash equivalents at the end of the financial year comprise the following:

| | As at 31.12.2006 RM'000 | As at 31.12.2005 RM'000 |
|----------------------------------|--|--|
| Deposits, bank and cash balances | 10,899 | 7,184 |
| Overdrafts | (5,353) | (4,285) |
| | <u>5,546</u> | <u>2,899</u> |

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and accompanying explanatory notes attached to the interim financial statements.

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

PART A - Explanatory Notes Pursuant to FRS 134

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2005. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2005.

2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards ('FRS') effective for financial period beginning 1 January 2006:

| | |
|---------|--|
| FRS 3 | Business Combinations |
| FRS 101 | Presentation of Financial Statements |
| FRS 102 | Inventories |
| FRS 108 | Accounting Policies, Changes in Estimates and Errors |
| FRS 116 | Property, Plant and Equipment |
| FRS 128 | Investments in Associates |
| FRS 133 | Earnings Per Share |
| FRS 136 | Impairment of Assets |
| FRS 138 | Intangible Assets |

The adoption of FRS 3, 101, 102, 108, 116, 128, 133, 136 and 138 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are discussed below:

(a) FRS 3: Business Combination

The adoption of FRS 3 has resulted in the Group ceasing annual goodwill amortisation. Goodwill is carried at cost less accumulated impairment losses and now tested for impairment annually. Any impairment loss is recognised in profit or loss and subsequent reversal is not allowed. Prior to 1 January 2006, goodwill was amortised on a straight-line basis over period of 20 years. This change in accounting policy has been accounted for prospectively for business combinations where the agreement date is on or after 1 January 2006.

(b) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has effected the presentation of minority interest disclosure. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

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

PART A - Explanatory Notes Pursuant to FRS 134

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2005 was not qualified.

4. Comments About Seasonal or Cyclical Factors

During the quarter under review, log extraction activity was interrupted by rainy season.

5. Unusual Items Due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period to date.

6. Changes in Estimates

The revised FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The Group revised the residual values of certain motor vehicles and estimated useful lives of certain plant and machineries from five to ten years with effect from 1 January 2006. The revisions were accounted for as change in accounting estimates and as result, the depreciation charges for the current quarter and the current finance year ended 31 December 2006 have been reduced by RM338,000 and RM1,351,000 respectively.

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

7. Debt and Equity Securities

There were no issuances or repayments of debt and equity securities, share buy backs, share cancellations, shares held as treasury shares and resale of treasury shares for the financial year ended 31 December 2006.

8. Dividends Paid

There were no dividends paid during the financial year ended 31 December 2006.

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

PART A - Explanatory Notes Pursuant to FRS 134

9. Segmental Information

The analysis by activity of the Group for the financial period ended 31 December 2006 were as follows:-

| Segment Revenue | Individual Quarter | | Cumulative Quarter | |
|---------------------------------------|---------------------------|----------------------|---------------------------|-----------------------|
| | 31.12.06 RM'000 | 31.12.05 RM'000 | 31.12.06 RM'000 | 31.12.05 RM'000 |
| Harvesting, saw-milling & kiln drying | 18,352 | 17,996 | 63,547 | 76,435 |
| Manufacturing | 14,186 | 15,836 | 57,150 | 78,780 |
| | <u>32,538</u> | <u>33,832</u> | <u>120,697</u> | <u>155,215</u> |
| Inter group eliminations | (4,189) | (2,565) | (21,015) | (23,545) |
| | <u><u>28,349</u></u> | <u><u>31,267</u></u> | <u><u>99,682</u></u> | <u><u>131,670</u></u> |

Segment Results

| | | | | |
|---------------------------------------|--------------|----------------|--------------|---------------|
| Harvesting, saw-milling & kiln drying | 3,057 | (4,064) | 7,019 | 10,250 |
| Manufacturing | (571) | 4,117 | (984) | 5,498 |
| Others | (40) | (1,307) | (498) | (2,268) |
| | <u>2,446</u> | <u>(1,254)</u> | <u>5,537</u> | <u>13,480</u> |

10. Carrying Amount of Revalued Assets

The valuations of property, plant and equipment have been brought forward without amendment from the financial statements for the year ended 31 December 2005.

11. Subsequent Events

There were no material events subsequent to the end of period reported which is likely to affect substantially the results of the operation of the Group for the financial period ended 31 December 2006.

12. Changes in Composition of the Group

There were no changes in the composition of the Group during the quarter ended 31 December 2006.

13. Changes in Contingent Liabilities

There were no changes in the contingent liabilities in respect of corporate guarantee since the last annual balance sheet as at 31 December 2005.

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

**PART B - Explanatory Notes Pursuant to Appendix 9B
of the Listing Requirements of Bursa Malaysia Securities Berhad**

14. Performance Review

The Group's revenue for the year ended 31 December 2006 is RM99.68 million decreased by 24% or RM31.99 million against previous period ended 31 December 2005. On this revenue, the Group recorded profit before taxation of RM3.85 million as compared to profit before taxation of RM11.72 million in the preceding year.

The Group's performance was adversely affected by lower export sales by the Group's manufacturing segment mainly due to loss of major customer to China and Japan. Harvesting and sawmilling segment slightly affected by lower production of internal logs due to weather condition and rising prices of raw materials especially sawn timber. As a result, profit margin eroded and hence the Group recorded lower profit as compared to the preceding year.

15. Comment on Material Change in results against preceding quarter

The Group's revenue for the quarter under review decreased by RM1.02 million or 3.5% from the preceding quarter. The Group recorded a profit before taxation of RM2.06 million compared to profit of RM4.78 million in the preceding quarter.

The lower profit recorded was mainly contributed by the unfavourable weather condition which affected the logs extracting activities. Lower quantity of timber harvested and supply with no decrease in the production costs in the primary processing activities due to lower production capacity which leads to higher per unit cost.

16. Commentary on Prospects

Factors which will give an adverse effect on the results of the Group are significant reduction in timber quantity due to natural defect, reduction in yield per hectare and increase in extraction cost of logs due to high terrain. Log extracting activities would be continued to be affected by the above factors in the next quarter. However, the Group is anticipating an increase in log quantity mainly due to appointment of new contractors for logging activities in new compartments.

17. Profit Forecast or Profit Guarantee

There were no profit forecast nor profit guarantee issued for the period ended 31 December 2006.

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

**PART B - Explanatory Notes Pursuant to Appendix 9B
of the Listing Requirements of Bursa Malaysia Securities Berhad**

18. Taxation

| | Individual Quarter | | Cumulative Quarter | |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 31.12.06 RM'000 | 31.12.05 RM'000 | 31.12.06 RM'000 | 31.12.05 RM'000 |
| Current taxation - charge | (415) | 2 | (636) | (2,464) |
| Under provision in prior year | (27) | (6,070) | (27) | (6,070) |
| Deferred tax | (1,011) | 498 | 2 | 498 |
| | <u>(1,453)</u> | <u>(5,570)</u> | <u>(661)</u> | <u>(8,036)</u> |
| Effective tax rate | 70.4% | (330.2%) | 17.2% | 68.6% |

The effective tax rate for current quarter was higher than the statutory tax rate due to reversal of deferred tax assets recognised in the previous quarter. The effective tax rate for cumulative quarter was lower than statutory tax rate principally due to utilisation of unabsorbed losses in certain subsidiaries.

19. Sale of Unquoted investments and/or Properties

There were no sales of unquoted investments and/or properties for the current quarter and financial year to date.

20. Quoted Securities

a) There were no purchases or disposals of quoted securities during the financial year to date.

b) Investment in quoted shares as at 31 December 2006 are as follows:-

| | RM' 000 |
|---|--------------|
| i) At cost | <u>3,195</u> |
| ii) At carrying value/book value | <u>3,176</u> |
| iii) At market value at end of reporting period | <u>3,372</u> |

21. Status of Corporate Proposals Announced

There were no corporate proposals made during the financial year to date.

22. Group Borrowings

Details of the group borrowings as at 31 December 2006 are as follows:-
(Including overdraft)

| | RM' 000 |
|---|---------------|
| a) Unsecured | 4,989 |
| Secured | <u>24,062</u> |
| | <u>29,051</u> |
| b) Short term borrowings (due within 12 months) | 28,816 |
| Long term borrowings (due after 12 months) | <u>235</u> |
| | <u>29,051</u> |

c) There were no group borrowings dominated in foreign currency as at 31 December 2006.

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

**PART B - Explanatory Notes Pursuant to Appendix 9B
of the Listing Requirements of Bursa Malaysia Securities Berhad**

23. Off Balance Sheet Financial Instruments

The Group did not enter into any contracts involving off balance sheet financial instruments during the financial year to date.

24. Changes in Material Litigation

At the date of this announcement the Directors are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceeding which might materially and adversely affect the position or business of the Group and the Company.

However, the Directors wish to highlight the following claim or litigation brought against its wholly owned subsidiary, Kumpulan Pengurusan Kayu-Kayan Trengganu Sdn. Bhd. ["KPKK"] by third party as follow:-

KPKK has been served with a Writ of Summon on 24 August 2005 in relation to a claim by Edisi Euro Sdn Bhd ("Edisi") for RM1,487,300 together with interests, being the losses incurred by Edisi on the termination of logging contracts by KPKK. The reason for the termination of logging contracts with Edisi was due to failure to comply with the provisions of the logging contracts with KPKK.

However, on 12 December 2006, Edisi have withdrawn the claim with the liberty to file a fresh claim.

25. Dividend

The Board of Directors does not recommend any payment of dividend for the year ended 31 December 2006.

26. Basic profit per share

| | | Individual Quarter | | Cumulative Quarter | |
|--|----------|---------------------------|----------|---------------------------|----------|
| | | 31.12.06 | 31.12.05 | 31.12.06 | 31.12.05 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Net profit / (loss) for the period / year attributable to ordinary equity holder of the parent | (RM'000) | 611 | (7,505) | 3,192 | 3,437 |
| Weighted average number of shares in issue | (' 000) | 116,154 | 116,154 | 116,154 | 116,154 |
| Basic profit / (loss) per share | (sen) | 0.53 | (6.46) | 2.75 | 2.96 |

27. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 February 2007.

By order of the Board

ENCIK ABDUL MUTALIP SULAIMAN
Director