

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013

	Note	Current quarter 3 months ended		Cumulative quarter 6 months ended	
		30.06.2013 Unaudited RM'000	30.06.2012 Unaudited RM'000	30.06.2013 Unaudited RM'000	30.06.2012 Unaudited RM'000
Revenue		20,249	16,497	39,570	29,138
Cost of sales		<u>(15,609)</u>	<u>(10,853)</u>	<u>(31,971)</u>	<u>(22,450)</u>
Gross profit		4,640	5,644	7,599	6,688
Other operating income		428	459	521	579
Administrative expenses		(2,926)	(2,942)	(5,547)	(5,363)
Other operating expenses		<u>(549)</u>	<u>(538)</u>	<u>(1,018)</u>	<u>(907)</u>
Operating profit		1,593	2,623	1,555	997
Finance costs		<u>(232)</u>	<u>(227)</u>	<u>(482)</u>	<u>(474)</u>
Profit before taxation	6	1,361	2,396	1,073	523
Income tax (expense)/benefit	7	<u>(540)</u>	<u>(631)</u>	<u>(630)</u>	<u>520</u>
Profit for the period		<u>821</u>	<u>1,765</u>	<u>443</u>	<u>1,043</u>
Attributable to:					
Owners of the parent		<u>821</u>	<u>1,765</u>	<u>443</u>	<u>1,043</u>
Earnings per share attributable to owners of the parent (sen per share):					
- Basic	8	0.61	1.31	0.33	0.78

These condensed consolidated statement of comprehensive income should be read in conjunction with 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 COMPREHENSIVE INCOME (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013

	Current quarter		Cumulative quarter	
	3 months ended		6 months ended	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Profit for the period	<u>821</u>	<u>1,765</u>	<u>443</u>	<u>1,043</u>
Net gain/(loss) on available-for-sale ("AFS") financial assets				
- Gain/(loss) on fair value changes	<u>228</u>	<u>(700)</u>	<u>1,062</u>	<u>613</u>
Other comprehensive income/(loss) for the period, net of tax	<u>228</u>	<u>(700)</u>	<u>1,062</u>	<u>613</u>
Total comprehensive income for the period, attributable to:				
Owners of the parent	<u>1,049</u>	<u>1,065</u>	<u>1,505</u>	<u>1,656</u>

These condensed consolidated statement of comprehensive income should be read in conjunction with 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 30 JUNE 2013

	<u>Note</u>	30.06.2013 Unaudited RM'000	31.12.2012 Audited RM'000
Assets			
Non-current assets			
Property, plant and equipment	9	70,564	70,817
Goodwill	10	-	-
Investment securities	11	6,881	5,711
		<u>77,445</u>	<u>76,528</u>
Current assets			
Inventories		23,740	19,725
Trade and other receivables		20,879	22,542
Tax recoverable		3,193	3,567
Cash and bank balances	12	4,278	4,288
Assets classified as held for sale		-	7
		<u>52,090</u>	<u>50,129</u>
Total assets		<u>129,535</u>	<u>126,657</u>
Equity and liabilities			
Equity attributable to owners of the parents			
Share capital	13	67,273	67,273
Share premium	13	625	625
Retained earnings		28,772	28,329
Other reserves		(18,163)	(19,225)
Total equity		<u>78,507</u>	<u>77,002</u>
Non-current liabilities			
Retirement benefit obligations		4,884	4,986
Deferred tax liabilities		2,291	2,104
Borrowings	14	828	475
		<u>8,003</u>	<u>7,565</u>
Current liabilities			
Retirement benefit obligations		645	645
Borrowings	14	7,737	8,061
Trade and other payables		34,643	33,384
		<u>43,025</u>	<u>42,090</u>
Total liabilities		<u>51,028</u>	<u>49,655</u>
Total equity and liabilities		<u>129,535</u>	<u>126,657</u>
Net assets per share attributable to owners of the parent ("RM")		0.58	0.57

These condensed consolidated statement of financial position should be read in conjunction with 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 SIX-MONTH PERIOD ENDED 30 JUNE 2013

	Attributable to owners of the parent						
	Non-distributable		Distributable	Non-distributable			
	Equity, total RM'000	Share capital RM'000	Share premium RM'000	Total retained earnings RM'000	Other reserves, total RM'000	Fair value adjustment reserve RM'000	Reserve arising from merger RM'000
Opening balance at 1 January 2013	77,002	67,273	625	28,329	(19,225)	3,493	(22,718)
Profit for the period	443	-	-	443	-	-	-
Other comprehensive income							
- Fair value adjustment reserve	1,062	-	-	-	1,062	1,062	-
Total comprehensive income	1,505	-	-	443	1,062	1,062	-
Closing balance at 30 June 2013	78,507	67,273	625	28,772	(18,163)	4,555	(22,718)
Opening balance at 1 January 2012	76,016	67,273	625	26,916	(18,798)	3,920	(22,718)
Profit for the period	1,043	-	-	1,043	-	-	-
Other comprehensive income							
- Fair value adjustment reserve	613	-	-	-	613	613	-
Total comprehensive income	1,656	-	-	1,043	613	613	-
Closing balance at 30 June 2012	77,672	67,273	625	27,959	(18,185)	4,533	(22,718)

These condensed consolidated statement of changes in equity should be read in conjunction with 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 SIX-MONTH PERIOD ENDED 30 JUNE 2013

	Note	6 months ended	
		30.06.2013 Unaudited RM'000	30.06.2012 Unaudited RM'000
Operating activities			
Profit before tax		1,073	523
<u>Adjustments for:</u>			
Interest income	6	(23)	(27)
Dividend income	6	(323)	(249)
Interest expenses	6	482	474
Loss on disposal of property, plant and equipment	6	11	-
Gain on disposal of assets classified as held for sale	6	(35)	-
Depreciation of property, plant and equipment	6	2,092	1,905
Property, plant and equipment written off	6	4	3
Impairment loss on trade and other receivables	6	32	2
Reversal of allowance for impairment of trade and other receivables	6	(12)	(31)
Net unrealised foreign exchange (gain)/loss	6	(8)	38
Provision for retirement benefits	6	307	315
Reversal of provision for short-term accumulating compensated absences	6	(32)	(18)
Total adjustments		<u>2,495</u>	<u>2,412</u>
Operating cash flows before changes in working capital		3,568	2,935
<u>Changes in working capital</u>			
Increase in inventories		(4,015)	(5,078)
Decrease in trade and other receivables		1,118	931
Increase in trade and other payables		1,687	171
Total changes in working capital		<u>(1,210)</u>	<u>(3,976)</u>
Interest paid		(204)	(172)
Income taxes paid		(76)	(230)
Retirement benefits paid		(410)	(151)
		<u>(690)</u>	<u>(553)</u>
Net cash flows from/(used in) operating activities		<u>1,668</u>	<u>(1,594)</u>
Investing activities			
Purchase of property, plant and equipment	9	(1,342)	(974)
Proceeds from disposal of property, plant and equipment		30	-
Proceeds from disposal of assets classified as held for sale	9	42	-
Dividend received		215	249
Interest received		23	27
Net cash flows used in investing activities		<u>(1,032)</u>	<u>(698)</u>
Financing activities			
Drawdowns from borrowings		4,730	6,715
Repayment of borrowings		(4,545)	(1,512)
Interest paid		(15)	(110)
Net cash flows from financing activities		<u>170</u>	<u>5,093</u>
Net increase in cash and cash equivalents		806	2,801
Cash and cash equivalents at 1 January		845	(1,463)
Cash and cash equivalents at 30 June		<u>1,651</u>	<u>1,338</u>

These condensed consolidated statement of cash flows should be read in conjunction with 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 SIX-MONTH PERIOD ENDED 30 JUNE 2013**

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. Significant accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2012, except for the adoption of the following new and revised MFRS, and Amendments which are applicable to its financial statements and are relevant to its operations :-

(i) Adoption of standards

MFRS 101 Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)
Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
MFRS 10 Consolidated Financial Statements
MFRS 11 Joint Arrangements
MFRS 12 Disclosure of Interests in Other Entities
MFRS 13 Fair Value Measurement
MFRS 119 Employee Benefits
MFRS 127 Separate Financial Statements (2011)
MFRS 128 Investments in Associates and Joint Ventures (2011)
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)
Amendments to MFRS 7 Financial Instruments: Disclosure - Offsetting Financial Assets and
Financial Liabilities
Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards
(Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 116 Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 132 Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 134 Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 10 Consolidated Financial Statements: Transition Guidance
Amendments to MFRS 11 Joint Arrangements: Transition Guidance
Amendments to MFRS 12 Disclosure of Interests in Other Entities: Transition Guidance

The adoption of the above standards and Amendments do 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 or after
Amendments to MFRS 132 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
MFRS 9 Financial Instruments	1 January 2015

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 SIX-MONTH PERIOD ENDED 30 JUNE 2013

3. Changes in estimates

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

4. Seasonality of operations

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

5. 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 30 June 2013				
Operating revenue	12,815	7,364	70	20,249
Other operating income	386	8	34	428
Expenses	(10,994)	(6,920)	(1,402)	(19,316)
Profit/(loss) before taxation	2,207	452	(1,298)	1,361

**Results for 3 months ended
30 June 2012**

Operating revenue	8,468	8,005	24	16,497
Other operating income	302	96	61	459
Expenses	(5,528)	(7,640)	(1,392)	(14,560)
Profit/(loss) before taxation	3,242	461	(1,307)	2,396

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013

5. Segment information (continued)

	Harvesting, sawmilling and kiln drying RM'000	Manufacturing RM'000	Others RM'000	Consolidated RM'000
Results for 6 months ended 30 June 2013				
Operating revenue	24,863	14,557	150	39,570
Other operating income	409	29	83	521
Expenses	(22,516)	(13,991)	(2,511)	(39,018)
Profit/(loss) before taxation	2,756	595	(2,278)	1,073

**Results for 6 months ended
30 June 2012**

Operating revenue	14,764	14,333	41	29,138
Other operating income	307	138	134	579
Expenses	(12,758)	(13,775)	(2,661)	(29,194)
Profit/(loss) before taxation	2,313	696	(2,486)	523

6. Profit before taxation

Included in the profit before taxation are the following items:

	Current quarter 3 months ended		Cumulative quarter 6 months ended	
	30.06.2013 RM'000	30.06.2012 RM'000	30.06.2013 RM'000	30.06.2012 RM'000
Interest income	(9)	(17)	(23)	(27)
Dividend income	(323)	(249)	(323)	(249)
Interest expenses	232	227	482	474
Depreciation of property, plant and equipment	1,049	944	2,092	1,905
Loss on disposal of property, plant and equipment	11	-	11	-
Gain on disposal of assets classified as held for sale	-	-	(35)	-
Property, plant and equipment written off	4	-	4	3
Impairment loss on trade and other receivables	32	2	32	2
Reversal of allowance for impairment of trade and other receivables	(12)	(31)	(12)	(31)
Net unrealised foreign exchange loss/(gain)	-	34	(8)	38
Provision/(reversal) of provision for short-term accumulating compensated absences	4	(1)	(32)	(18)
Provision for retirement benefits	154	157	307	315

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013

7. Income tax expense/(benefit)

	Current quarter		Cumulative quarter	
	3 months ended		6 months ended	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
	RM'000	RM'000	RM'000	RM'000
Current income tax	260	57	441	97
Over provision of income tax in respect of previous years	-	(31)	-	(72)
Deferred income tax	284	1,086	140	417
(Over)/under provision of deferred tax in respect of previous years	(4)	(481)	49	(962)
	<u>540</u>	<u>631</u>	<u>630</u>	<u>(520)</u>
Effective tax rate	39.7%	26.3%	58.7%	-99.4%

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 higher than the statutory tax rate due to certain expenses which were not deductible for tax purposes and due to the fact the taxation is arising out of profit making subsidiaries.

8. Earnings per share

Basic earnings per share amounts are calculated by dividing profit 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		6 months ended	
		30.06.2013	30.06.2012	30.06.2013	30.06.2012
Profit net of tax attributable to owners of the parent used in the computation of earnings per share	(RM'000)	<u>821</u>	<u>1,765</u>	<u>443</u>	<u>1,043</u>
Weighted average number of ordinary shares in issue	(' 000)	<u>134,547</u>	<u>134,547</u>	<u>134,547</u>	<u>134,547</u>
Basic earnings per share	(sen)	<u>0.61</u>	<u>1.31</u>	<u>0.33</u>	<u>0.78</u>

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013

9. Property, plant and equipment

During the six-month period ended 30 June 2013, the Group has acquired property, plant and equipment costing RM1,342,000 (30 June 2012: RM974,000). As at 30 June 2013, the total depreciation charged for the property, plant and equipment stood at RM2,092,000 (30 June 2012: RM1,905,000). Property, plant and equipment with a carrying amount of RM4,000 were written off by the Group during the six-month period ended 30 June 2013 (30 June 2012: RM3,000) which has been included in other operating expenses in the statement of comprehensive income.

The Group has also disposed of assets with a carrying amount of RM41,000 during the six months ended 30 June 2013 (30 June 2012: RM Nil), resulting in a loss on disposal of RM11,000 (30 June 2012: RM Nil), recognised and included in operating expenses in the statement of comprehensive income.

10. Goodwill

	Goodwill RM'000
Cost:	
At 1 January 2012/31 December 2012/30 June 2013	185
Accumulated impairment:	
At 1 January 2012/31 December 2012/30 June 2013	(185)
Net carrying amount:	
At 1 January 2012/31 December 2012/30 June 2013	-

11. 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 prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs that are based on observable market data, either directly or indirectly
- Level 3 - Inputs that are not based on observable market data

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

	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
30 June 2013				
Available-for-sale financial assets				
Equity shares	6,881	6,881	-	-
31 December 2012				
Available-for-sale financial assets				
Equity shares	5,711	5,711	-	-

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.

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013**

12. Cash and bank balances

Cash and bank balances comprised the following amounts:

	30.06.2013	31.12.2012
	RM'000	RM'000
Cash at banks and in hand	2,715	2,629
Short term deposits	1,563	1,659
	<u>4,278</u>	<u>4,288</u>
Bank overdrafts	(2,627)	(3,443)
Total cash and bank balances	<u><u>1,651</u></u>	<u><u>845</u></u>

13. Share capital and share premium

There were no issuances, cancellation, repurchases, resale and repayments of debts and equity securities for the financial period ended 30 June 2013.

14. Borrowings

	30.06.2013	31.12.2012
	RM'000	RM'000
Current		
Secured	1,777	2,288
Unsecured	5,960	5,773
	<u>7,737</u>	<u>8,061</u>
Non-current		
Secured	828	475
Total borrowings	<u><u>8,565</u></u>	<u><u>8,536</u></u>

15. Dividend

There was no dividend declared by the Company during the financial period ended 30 June 2013 (30 June 2012: RM Nil).

16. Commitments

	30.06.2013	31.12.2012
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Plant and machinery	707	-
Motor vehicles	813	-
Approved but not contracted for:		
Plant and machinery	-	1,030
Motor vehicles	-	900
	<u>1,520</u>	<u>1,930</u>

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013**

17. Related party transactions

The following table provides information on the transactions which have been entered into with related parties during the six-month periods ended 30 June 2013 and 30 June 2012 as well as the balances with the related parties as at 30 June 2013 and 31 December 2012:

		Loans from related parties RM'000	Interest on loans from related parties RM'000	Amounts owed to related parties RM'000
Entities with significant influence over the Group:				
Holding company				
Terengganu Incorporated Sdn. Bhd.	30.06.2013	-	204	13,830
	31.12.2012	-	485	13,626
A corporate shareholder				
Lembaga Tabung Amanah Warisan	30.06.2013	-	59	7,118
Negeri Terengganu	31.12.2012	4,000	59	7,059

18. 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 MFRS 134
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013**

19. Performance review

(a) Current Quarter vs Corresponding Quarter of Previous Period (2Q13 vs 2Q12)

The Group's revenue for the current quarter stood at RM20.25 million or 23% higher than RM16.50 million recorded in the previous period's corresponding quarter. In terms of profitability, the Group's profit before taxation has decreased to RM1.36 million as compared to RM2.40 million in the previous period's corresponding quarter, representing a decrease of 43%. The performance review by segments are as follows:

Harvesting, sawmilling and kiln drying segment

The harvesting, sawmilling and kiln drying segment registered a profit before taxation of RM2.21 million in the current quarter which was lower by RM1.03 million than that recorded in the previous period's corresponding quarter of RM3.24 million. The decrease was mainly due to the increase in expenses of RM5.47 million which was higher than the increase in revenue of RM4.35 million.

(i) Operating revenue

The segment's operating revenue has increased by 51% to RM12.82 million in the current quarter as compared to RM8.47 million reported in the previous period's corresponding quarter. The significant increase in revenue was mainly due to the increase in sales volume of sawn timber by 108% from 4,309 tonned in previous period's corresponding quarter to 8,964 tonned in the current quarter under review.

(ii) Other operating income

There was an increase in other operating income from RM0.30 million to RM0.39 million in the quarter under review, which was mainly contributed by the an increase in dividend received from investment securities of RM0.32 million.

(iii) Expenses

The segment's expenses stood at RM10.99 million in the current quarter as compared to RM5.53 million recorded in previous period's corresponding quarter, an increase of 99% or RM5.46 million. The increase in expenses was mainly due to the increase in forestry costs from RM3.37 million to RM9.25 million as a result of improved forestry activities. Forestry costs include logging contracts, timber's premium, transportation cost and timber's royalty. The increase in the opening of new compartment, couple with existing compartment areas will directly contribute to an increase in forestry costs.

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013**

19. Performance review (continued)

(a) Current Quarter vs Corresponding Quarter of Previous Period (2Q13 vs 2Q12) (continued)

Manufacturing segment

During the quarter under review, manufacturing segment recorded a consistent profit before taxation of approximately RM0.45 million.

(i) Operating revenue

For the current quarter under review, the segment's operating revenue has declined by 8% or RM 0.64 million from RM8.01 million reported in the previous period's corresponding quarter. Sales volume of glasses has dropped by 10% from 146,431 units to 132,248 units. In addition, export sales volume has also decreased significantly from 32,126 units in the previous period's corresponding quarter to 9,810 units in the current quarter under review.

(ii) Other operating income

Other operating income has dropped by RM0.088 million or 92% from RM0.096 million to RM0.008 million in the current quarter mainly due to lower gain on foreign exchange.

(iii) Expenses

Expenses has decreased by 9% from RM7.64 million to RM6.92 million which was mainly because of the decrease in manufacturing costs such as raw materials cost by 11%, labour cost by 26% and consumables and packaging cost by 45%. In addition, the production volume of glass has dropped by 16% from 101,551 units to 85,368 units in the current quarter under review.

Others segment

This segment has shown a consistent loss before taxation in the current quarter of approximately RM1.30 million. The decrease was mainly contributed by the profit generated from the supply of wooden doors to state's projects in current quarter under review.

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING
REQUIREMENT: CHAPTER 9, APPENDIX 9B, PART A
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013**

19. Performance review (continued)

(b) Current Period-to-date vs Previous Period-to-date (FY2013 vs FY2012)

For the quarter under review, the Group registered a profit before taxation of RM1.07 million, 106% higher than RM0.52 million reported in the previous year's corresponding period. The revenue stood at RM39.57 million, an improvement of RM10.43 million as compared to RM29.14 million in the previous year's corresponding period.

Harvesting, sawmilling and kiln drying segment

The segment's profit before taxation has increased by RM0.45 million or 19% from RM2.31 million to RM2.76 million in the period under review.

(i) Operating revenue

The segment's operating revenue has increased to RM24.86 million from RM14.76 million reported in the previous year's corresponding period, representing an increase of 68%. This favourable result was due to the increase in the sales volume of sawn timber by 7,894 tonne from 7,862 tonned to 15,756 tonned in the previous year's corresponding period.

(ii) Other operating income

Other operating income mainly consist of dividend received from investment securities of RM0.32 million. The increase in the current period was due to higher dividend received as compared to the previous year's corresponding period.

(iii) Expenses

Expenses has increased by 76% to RM22.52 million as compared to RM12.76 million in the previous year's corresponding period. The significant increase in expenses was mainly due to the increase in forestry costs from RM4.60 million to RM13.66 million as a result of improved forestry activities. Forestry costs include logging contracts, timber's premium, transportation cost and timber's royalty. The increase in opening of new compartment and existing compartment areas will directly contribute to an increase in forestry costs. In addition, the internal logs extraction has increased to 29,045 hoppus tonned from 19,093 hoppus tonned in the previous year's corresponding period. The production volume of sawn timber has increased from 9,164 tonned in the previous year's corresponding period to 18,527 tonned in the period under review.

Manufacturing segment

In the current period, manufacturing segment's profit before taxation decreased by 17% from RM0.70 million to RM0.60 million mainly due decreased in other operating income by RM0.11 million from RM0.14 million in the previous year's corresponding period.

(i) Operating revenue

Operating revenue has increased by 2% to RM14.56 million as compared to RM14.33 million in the previous year's corresponding period mainly because of increase in sales volume by 4% from 243,873 units to 253,591 units in the period under review.

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19. Performance review (continued)

(b) Current Period-to-date vs Previous Period-to-date (FY2013 vs FY2012) (continued)

Manufacturing segment (continued)

(ii) Other operating income

Other operating income stood at RM0.03 million, a decrease of 79% from RM0.14 million in the previous year's corresponding period because of lower gain on foreign exchange of RM0.11 million.

(iii) Expenses

The segment's expenses have increased to RM13.99 million from RM13.78 million mainly due to the increase in selling and marketing expenses by 23% such as transportation cost by 122%, salaries and wages by 18% and advertising cost by 42%.

Others segment

The loss before taxation in the current quarter has reduced by 8% to RM2.28 million as compared to RM2.49 million in the previous year's corresponding period. The improvement in the period under review was contributed by the increase in operating revenue primarily from the sale of wooden doors to state's projects.

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

	Current quarter 30.06.2013 RM'000	Immediate preceding quarter 31.03.2013 RM'000
Revenue	20,249	19,320
Profit/(loss) before taxation	1,361	(289)

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

The Group's profit before taxation has improved significantly from a loss before taxation of RM0.29 million reported in the immediate preceding quarter to a profit before taxation of RM1.36 million which is mainly contributed by the harvesting, sawmilling and kiln drying segment's profit before taxation of RM2.21 million.

Harvesting, sawmilling and kiln drying segment

The segment recorded a profit before taxation of RM2.21 million in the current quarter as compared to a profit before taxation of RM0.55 million in the immediate preceding quarter. This encouraging performance is because of the improved sale of sawn timber and effective logs extraction at the forest management company level.

(i) Operating revenue

The operating revenue stood at RM12.82 million, 6% higher than operating revenue recorded in the immediate preceding quarter of RM12.05 million. The increase in operating revenue was mainly due to the increase in sales volume of sawn timber sold from 6,793 tonned to 8,963 tonned in the quarter under review.

(ii) Other operating income

Other operating income has increased significantly as a result of dividend received from investment in securities of RM0.32 million in the current quarter.

(iii) Expenses

Expenses have decreased by 5% to RM10.99 million from RM11.52 million reported in the immediate preceding quarter mainly due to the decrease in the manufacturing expenses.

Manufacturing segment

The manufacturing segment has recorded a profit before taxation of RM0.45 million in the current year quarter as compared to a profit before taxation of RM0.14 million in the immediate preceding quarter.

(i) Operating revenue

The operating revenue for the current quarter has increased by 2% from RM7.19 million in the immediate preceding quarter to RM7.36 million in the current quarter. The increased in operating revenue was mainly due to the increase in sales volume from 121,339 units to 132,248 units recorded in the quarter under review.

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

Manufacturing segment (continued)

(ii) Other operating income

Other operating income has decreased by 60% to RM0.008 million in the current quarter mainly due to the decrease in gain on foreign exchange by 76% and interest income on fixed deposit by 36%.

(iii) Expenses

Expenses have decreased by 2% from RM7.07 million in the immediate preceding quarter to RM6.92 million in the current quarter mainly due to the decrease in manufacturing cost. In addition, the production volume has dropped by 6% from 90,622 units in the immediate preceding quarter to 85,368 units.

Others segment

The others segment has shown an increase in loss before taxation of 33% from RM0.98 million in the immediate preceding quarter to RM1.30 million in the quarter under review mainly due to the increase in administrative expenses such as insurance expenses, quit rent expenses and bonus expenses.

21. Commentary on prospect

Harvesting, sawmilling and kiln drying of timber

Internal logs extraction and mid-stream activities are expected to improve in the current quarters as the weather conditions have improved and close monitoring in the harvesting activities.

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, transport cost and other operational costs. Sawmilling and kiln drying segment will face challenges in the down turn in selling price and market volatility. However, with the continuous improvement initiatives undertaken by the management, the performance of the harvesting, sawmilling and kiln drying segment is expected to remain positive.

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.

Barring any unforeseen circumstances, the Board is optimistic that the operational performance of the Group in the financial year 2013 will continue to show improvement with better logging operations, increased efficiency in manufacturing and enhanced management processes.

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22. Changes in material litigation

There was no material litigation against the Group.

23. Dividend payable

There was no dividend paid by the Company during the financial period ended 30 June 2013 (30 June 2012: RM Nil).

24. Risks and policies of derivatives

The Group did not enter into any derivative during the financial period ended 30 June 2013 or the previous financial year ended 31 December 2012.

25. Disclosure of gains/losses 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 30 June 2013 and 31 December 2012.

26. Breakdown of realised and unrealised losses

The breakdown of the retained earnings of the Group as at 30 June 2013 and 31 December 2012 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 30.06.2013 RM'000	Previous financial year ended 31.12.2012 RM'000
Total accumulated losses of the Company and its subsidiaries		
- Realised	(26,234)	(26,699)
- Unrealised	(2,291)	(2,271)
	<u>(28,525)</u>	<u>(28,970)</u>
Less: Consolidation adjustments	57,297	57,299
Total Group's retained earnings as per financial statements	<u>28,772</u>	<u>28,329</u>

27. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2012 was not qualified.

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28. 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 4 August 2013.

By order of the Board

Dato' Haji Zakaria bin Awang
Chief Executive Officer