

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013

	Note	Current quarter 3 months ended		Cumulative quarter 9 months ended	
		30.09.2013	30.09.2012	30.09.2013	30.09.2012
		Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
Revenue		18,649	17,660	58,219	46,798
Cost of sales		<u>(15,899)</u>	<u>(13,332)</u>	<u>(47,870)</u>	<u>(35,782)</u>
Gross profit		2,750	4,328	10,349	11,016
Other operating income		68	192	589	771
Administrative expenses		(2,803)	(2,889)	(8,351)	(8,252)
Other operating expenses		<u>(499)</u>	<u>(457)</u>	<u>(1,516)</u>	<u>(1,366)</u>
Operating (loss)/profit		(484)	1,174	1,071	2,169
Finance costs		<u>(359)</u>	<u>(244)</u>	<u>(841)</u>	<u>(718)</u>
(Loss)/profit before taxation	7	(843)	930	230	1,451
Income tax benefit/(expense)	8	<u>105</u>	<u>(56)</u>	<u>(525)</u>	<u>464</u>
(Loss)/profit for the period		<u>(738)</u>	<u>874</u>	<u>(295)</u>	<u>1,915</u>
Attributable to:					
Owners of the parent		<u>(738)</u>	<u>874</u>	<u>(295)</u>	<u>1,915</u>
(Loss)/earnings per share attributable to owners of the parent (sen per share):					
- Basic	9	(0.55)	0.65	(0.22)	1.42

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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013

	Current quarter		Cumulative quarter	
	3 months ended		9 months ended	
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
(Loss)/profit for the period	<u>(738)</u>	<u>874</u>	<u>(295)</u>	<u>1,915</u>
Net gain/(loss) on available-for-sale ("AFS") financial assets				
- Gain/(loss) on fair value changes	<u>1,082</u>	<u>(1,042)</u>	<u>2,144</u>	<u>(429)</u>
Other comprehensive income/(loss) for the period, net of tax	<u>1,082</u>	<u>(1,042)</u>	<u>2,144</u>	<u>(429)</u>
Total comprehensive income for the period, attributable to:				
Owners of the parent	<u>344</u>	<u>(168)</u>	<u>1,849</u>	<u>1,486</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 SEPTEMBER 2013

	<u>Note</u>	30.09.2013 Unaudited RM'000	31.12.2012 Audited RM'000
Assets			
Non-current assets			
Property, plant and equipment	10	69,746	70,817
Goodwill	11	-	-
Investment securities	12	7,963	5,711
		<u>77,709</u>	<u>76,528</u>
Current assets			
Inventories		24,237	19,725
Trade and other receivables		21,105	22,542
Tax recoverable		1,601	3,567
Cash and bank balances	13	2,230	4,288
Assets classified as held for sale		-	7
		<u>49,173</u>	<u>50,129</u>
Total assets		<u>126,882</u>	<u>126,657</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		28,034	28,329
Other reserves		(17,081)	(19,225)
Total equity		<u>78,851</u>	<u>77,002</u>
Non-current liabilities			
Retirement benefit obligations		4,916	4,986
Deferred tax liabilities		2,143	2,104
Borrowings	15	1,052	475
		<u>8,111</u>	<u>7,565</u>
Current liabilities			
Retirement benefit obligations		645	645
Borrowings	15	6,498	8,061
Trade and other payables		32,777	33,384
		<u>39,920</u>	<u>42,090</u>
Total liabilities		<u>48,031</u>	<u>49,655</u>
Total equity and liabilities		<u>126,882</u>	<u>126,657</u>
Net assets per share attributable to owners of the parent ("RM")		0.59	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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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)
Loss for the period	(295)	-	-	(295)	-	-	-
Other comprehensive income							
- Fair value adjustment reserve	2,144	-	-	-	2,144	2,144	-
Total comprehensive income	1,849	-	-	(295)	2,144	2,144	-
Closing balance at 30 September 2013	78,851	67,273	625	28,034	(17,081)	5,637	(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	1,915	-	-	1,915	-	-	-
Other comprehensive income							
- Fair value adjustment reserve	(429)	-	-	-	(429)	(429)	-
Total comprehensive income	1,486	-	-	1,915	(429)	(429)	-
Closing balance at 30 September 2012	77,502	67,273	625	28,831	(19,227)	3,491	(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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013

	Note	9 months ended	
		30.09.2013 Unaudited RM'000	30.09.2012 Unaudited RM'000
Operating activities			
Profit before tax		230	1,451
<u>Adjustments for:</u>			
Interest income	7	(38)	(37)
Dividend income	7	(323)	(249)
Interest expenses	7	841	718
Loss/(gain) on disposal of property, plant and equipment	7	14	(24)
Gain on disposal of assets classified as held for sale	7	(35)	-
Depreciation of property, plant and equipment	7	3,098	2,888
Property, plant and equipment written off	7	8	1
Impairment loss on trade and other receivables	7	32	-
Reversal of allowance for impairment of trade and other receivables	7	(12)	(31)
Net unrealised foreign exchange (gain)/loss	7	(8)	19
Provision for retirement benefits	7	470	473
Reversal of provision for short-term accumulating compensated absences	7	(6)	(18)
Total adjustments		4,041	3,740
Operating cash flows before changes in working capital		4,271	5,191
<u>Changes in working capital</u>			
Increase in inventories		(4,512)	(10,430)
Decrease in trade and other receivables		883	628
(Decrease)/increase in trade and other payables		(360)	795
Total changes in working capital		(3,989)	(9,007)
Interest paid		(363)	(374)
Income taxes refund		1,473	372
Retirement benefits paid		(541)	(248)
		569	(250)
Net cash flows from/(used in) operating activities		851	(4,066)
Investing activities			
Purchase of property, plant and equipment	10	(1,595)	(1,518)
Proceeds from disposal of property, plant and equipment		32	27
Proceeds from disposal of assets classified as held for sale	10	42	-
Dividend received		215	249
Interest received		38	37
Net cash flows used in investing activities		(1,268)	(1,205)
Financing activities			
Drawdowns from borrowings		6,809	8,441
Repayment of borrowings		(6,243)	(1,860)
Interest paid		(38)	(39)
Net cash flows from financing activities		528	6,542
Net increase in cash and cash equivalents		111	1,271
Cash and cash equivalents at 1 January		845	(1,463)
Cash and cash equivalents at 30 September		956	(192)

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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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. 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 2012 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 2012, 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 2013

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 101 Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)

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 1 First-time Adoption of Malaysian Financial Reporting Standards

(Annual Improvements 2009-2011 Cycle)

Amendments to MFRS 7 Financial Instruments: Disclosure - Offsetting Financial Assets and Financial Liabilities

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

Amendments to MFRS 101: Presentation of Financial Statements (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)

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

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

3. Significant accounting policies (continued)

(ii) Standards issued but not yet effective

At the date of authorisation of these interim financial statements, the followings standards, Amendments and IC Interpretation 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
Amendments to MFRS 136 Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139 Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	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.

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.

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

6. Segment information (continued)

	Harvesting, sawmilling and kiln drying RM'000	Manufacturing RM'000	Others RM'000	Consolidated RM'000
Results for 3 months ended 30 September 2013				
Operating revenue	10,990	7,603	56	18,649
Other operating income	39	8	21	68
Expenses	(11,038)	(7,186)	(1,336)	(19,560)
(Loss)/profit before taxation	(9)	425	(1,259)	(843)

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

Operating revenue	9,695	7,944	21	17,660
Other operating income	39	57	96	192
Expenses	(7,763)	(7,727)	(1,432)	(16,922)
Profit/(loss) before taxation	1,971	274	(1,315)	930

	Harvesting, sawmilling and kiln drying RM'000	Manufacturing RM'000	Others RM'000	Consolidated RM'000
Results for 9 months ended 30 September 2013				
Operating revenue	35,854	22,160	205	58,219
Other operating income	448	36	105	589
Expenses	(33,554)	(21,177)	(3,847)	(58,578)
Profit/(loss) before taxation	2,748	1,019	(3,537)	230

**Results for 9 months ended
30 September 2012**

Operating revenue	24,459	22,278	61	46,798
Other operating income	346	195	230	771
Expenses	(20,521)	(21,502)	(4,095)	(46,118)
Profit/(loss) before taxation	4,284	971	(3,804)	1,451

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

7. (Loss)/profit before taxation

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

	Current quarter 3 months ended		Cumulative quarter 9 months ended	
	30.09.2013 RM'000	30.09.2012 RM'000	30.09.2013 RM'000	30.09.2012 RM'000
Interest income	(15)	(10)	(38)	(37)
Dividend income	-	-	(323)	(249)
Interest expenses	359	244	841	718
Depreciation of property, plant and equipment	1,006	983	3,098	2,888
Loss/(gain) on disposal of property, plant and equipment	3	(24)	14	(24)
Gain on disposal of assets classified as held for sale	-	-	(35)	-
Property, plant and equipment written off	4	(2)	8	1
Impairment loss on trade and other receivables	-	-	32	-
Reversal of allowance for impairment of trade and other receivables	-	-	(12)	(31)
Net unrealised foreign exchange (gain)/loss	-	(19)	(8)	19
Reversal of provision for short-term accumulating compensated absences	26	-	(6)	(18)
Provision for retirement benefits	163	158	470	473

8. Income tax (benefit)/expense

	Current quarter 3 months ended		Cumulative quarter 9 months ended	
	30.09.2013 RM'000	30.09.2012 RM'000	30.09.2013 RM'000	30.09.2012 RM'000
Current income tax	47	120	488	216
Over provision of income tax in respect of previous years	(4)	(100)	(4)	(171)
Deferred income tax	(138)	517	3	934
(Over)/under provision of deferred tax in respect of previous years	(10)	(481)	38	(1,443)
	(105)	56	525	(464)
Effective tax rate	12.5%	6.0%	228.3%	-32.0%

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.

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

9. (Loss)/earnings per share

Basic (loss)/earnings per share amounts are calculated by dividing (loss)/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		9 months ended	
		30.09.2013	30.09.2012	30.09.2013	30.09.2012
(Loss)/profit net of tax attributable to owners of the parent used in the computation of earnings per share	(RM'000)	<u>(738)</u>	<u>874</u>	<u>(295)</u>	<u>1,915</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 (loss)/earnings per share	(sen)	<u>(0.55)</u>	<u>0.65</u>	<u>(0.22)</u>	<u>1.42</u>

10. Property, plant and equipment

During the nine-month period ended 30 September 2013, the Group has acquired property, plant and equipment at a cost of RM1,595,000 (30 September 2012: RM1,518,000). As at 30 September 2013, the total depreciation charged for the property, plant and equipment was RM3,098,000 (30 September 2012: RM2,888,000). Property, plant and equipment with a carrying amount of RM8,000 were written off by the Group during the nine-month period ended 30 September 2013 (30 September 2012: RM1,000) 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 RM46,000 during the nine months ended 30 September 2013 (30 September 2012: RM3,000), resulting in a loss on disposal of RM14,000 (30 September 2012: gain, RM24,000), recognised and included in operating expenses in the statement of comprehensive income.

11. Goodwill

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

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

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 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	Level 1	Level 2	Level 3
	RM'000	RM'000	RM'000	RM'000
30 September 2013				
Available-for-sale financial assets				
Equity shares	7,963	7,963	-	-
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.

13. Cash and bank balances

Cash and bank balances comprised the following amounts:

	30.09.2013	31.12.2012
	RM'000	RM'000
Cash at banks and in hand	587	2,629
Short term deposits	1,643	1,659
	<u>2,230</u>	<u>4,288</u>
Bank overdrafts	(1,274)	(3,443)
Total cash and bank balances	<u>956</u>	<u>845</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 30 September 2013.

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

15. Borrowings

	30.09.2013	31.12.2012
	RM'000	RM'000
Current		
Secured	1,601	2,288
Unsecured	4,897	5,773
	<u>6,498</u>	<u>8,061</u>
Non-current		
Secured	1,052	475
Total borrowings	<u>7,550</u>	<u>8,536</u>

16. Dividend

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

17. Commitments

	30.09.2013	31.12.2012
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Plant and machinery	812	-
Motor vehicles	834	-
Approved but not contracted for:		
Plant and machinery	-	1,030
Motor vehicles	-	900
	<u>1,646</u>	<u>1,930</u>

18. Related party transactions

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

		Loans from related parties	Interest on loans from related parties	Amounts owed to related parties
		RM'000	RM'000	RM'000
Entities with significant influence over the Group:				
Holding company				
Terengganu Incorporated Sdn. Bhd.	30.09.2013	-	294	13,921
	30.09.2012	-	280	-
	31.12.2012	-	485	13,626
A corporate shareholder				
Lembaga Tabung Amanah Warisan	30.09.2013	-	220	7,279
Negeri Terengganu	30.09.2012	4,000	25	-
	31.12.2012	4,000	59	7,059

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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013**

20. Performance review

(a) Current Quarter vs Corresponding Quarter of Previous Period (3Q13 vs 3Q12)

The Group registered revenue of RM18.65 million in the current quarter, an increase of 6% from RM17.66 million reported in the previous year's corresponding quarter. Despite the increase in revenue, the Group recorded a loss before taxation of RM0.84 million as compared to a profit before taxation of RM0.93 million in the previous year's corresponding quarter.

Harvesting, sawmilling and kiln drying segment

The harvesting, sawmilling and kiln drying segment showed a significant decrease in profitability in the current quarter under review by RM1.96 million from a profit before taxation of RM1.97 million recorded in the same quarter last year.

(i) Operating revenue

The segment's operating revenue increased by 13% to RM10.99 million in the current quarter as compared to RM9.70 million reported in the previous year's corresponding quarter. The increase in revenue was contributed by the increase in sales of sawn timber and moulding by 8% and 112% respectively.

(ii) Other operating income

The other operating income remained consistent at RM0.039 million.

(iii) Expenses

The segment's expenses stood at RM11.04 million in the current quarter as compared to RM7.76 million recorded in the previous year's corresponding quarter, an increase of 42% or RM3.28 million. The increase in expenses was mainly due to the increase in sawmilling costs in line with the substantial improvement in the production of sawn timber from 6,632 tonne to 13,291 tonne.

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

20. Performance review (continued)

(a) Current Quarter vs Corresponding Quarter of Previous Period (3Q13 vs 3Q12) (continued)

Manufacturing segment

During the quarter under review, the manufacturing segment recorded a profit before taxation of RM0.43 million, an increase of 59% from RM0.27 million recorded in the previous year's corresponding quarter.

(i) Operating revenue

For the current quarter, the segment's operating revenue declined by 4% or RM 0.34 million from RM7.94 million reported in the previous year's corresponding quarter. Sales volume of glasses has dropped by 8% from 138,050 units to 126,634 units.

(ii) Other operating income

Other operating income dropped by RM0.049 million or 86% from RM0.057 million to RM0.008 million in the current quarter mainly due to lower gain on foreign exchange.

(iii) Expenses

Expenses decreased by 7% from RM7.73 million to RM7.19 million which was mainly due to the decrease in manufacturing costs by 10% from RM6.96 million. The decrease is in line with the decrease in the production volume of glass from 96,771 units to 94,880 units in the current quarter under review.

Others segment

This segment has shown a consistent loss before taxation of approximately RM1.30 million.

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

For the period under review, the Group registered a profit before taxation of RM0.23 million, 84% lower than RM1.45 million reported in the previous year's corresponding period. In contrast, the Group's revenue for the period improved by 24% to RM58.22 million from RM46.80 million achieved in the previous year's corresponding period. The higher revenue was from harvesting, sawmilling and kiln-drying segment.

Harvesting, sawmilling and kiln drying segment

The slowdown in the global economic growth has effected the prices of timber based product in 2013. As a result, the segment's profit before taxation has decreased by RM1.53 million or 36% from RM4.28 million to RM2.75 million in the period under review. The significant decrease in sawn timber selling price has severely affected the segment's result for the period.

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20. Performance review (continued)

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

Harvesting, sawmilling and kiln drying segment

(i) Operating revenue

The segment's operating revenue has increased to RM35.85 million from RM24.46 million reported in the previous year's corresponding period, representing an increase of 47%, as a result of improved sawn timber sales volume by 54%.

The increase in sawn timber sales volume was in line with the improved internal logs extraction by 26% during the period under review.

(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

Overall expenses for the segment have increased substantially to RM33.55 million as compared to RM20.52 million in the previous year's corresponding period mainly due to the increase in forestry costs by 34%.

The increase in the segment's expenses was in line with current period's logs extraction and sawn timber production. The internal logs extraction has increased to 39,334 hoppus tonned from 31,146 hoppus tonned in the previous year's corresponding period. The production volume of sawn timber has also increased from 15,861 tonne in the previous year's corresponding period to 26,618 tonne in the period under review.

Manufacturing segment

During the period, manufacturing segment's profit before taxation has improved by 5% from RM0.97 million to RM1.02 million.

(i) Operating revenue

Despite the increase in the segment's profit before taxation, the operating revenue has slightly decreased to RM22.16 million as compared to RM22.28 million in the previous year's corresponding period. The export sales of glass has decreased significantly in the period under review as a result of the completion of supply to Vietnam's projects in 2012.

(ii) Other operating income

Other operating income was RM0.04 million, a decrease of 79% from RM0.19 million in the previous year's corresponding period because of lower gain on foreign exchange of RM0.15 million.

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20. Performance review (continued)

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

Manufacturing segment (continued)

(iii) Expenses

The segment's expenses have decreased by 2% mainly due to the decrease in manufacturing cost by 4% which was in line with the decrease in production volume of glass by 6% in the current period.

Others segment

The loss before taxation in the current period has decreased by 7% to RM3.54 million as compared to RM3.80 million in the previous year's corresponding period mainly due to the profit generated from the supply of wooden doors for state's projects.

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

	Current quarter 30.09.2013 RM'000	Immediate preceding quarter 30.06.2013 RM'000
Revenue	18,649	20,249
(Loss)/profit before taxation	(843)	1,361

The Group has recorded a loss before taxation of RM0.84 million as compared to a profit before taxation of RM1.36 million reported in the immediate preceding quarter which was mainly due to the unfavourable performance in harvesting, sawmilling and kiln drying segment during the quarter.

Harvesting, sawmilling and kiln drying segment

The segment has recorded a loss before taxation of RM0.009 million in the current quarter as compared to a profit before taxation of RM2.21 million in the immediate preceding quarter mainly because of lower sales achieved during the quarter under review.

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

Harvesting, sawmilling and kiln drying segment (continued)

(i) Operating revenue

The operating revenue of RM10.99 million, was 14% lower than the immediate preceding quarter of RM12.82 million. This adverse performance was closely related to lower sales achieved which was in line with the decrease in sales volume of sawn timber sold from 8,334 tonne to 6,245 tonne in the quarter under review.

(ii) Other operating income

Other operating income has decreased as compared to the immediate preceding quarter of RM0.39 million which mainly arose from dividend received from investment securities of RM0.32 million, while there was none in the current quarter.

(iii) Expenses

The expenses stood at RM11.04 million from RM10.99 million reported in the immediate preceding quarter increased mainly due to increase in sawmilling costs.

Manufacturing segment

The manufacturing segment recorded a profit before taxation of RM0.43 million in the current year quarter as compared to a profit before taxation of RM0.45 million in the immediate preceding quarter.

(i) Operating revenue

The operating revenue for the current quarter has increased by 3% from RM7.36 million in the immediate preceding quarter to RM7.60 million in the current quarter as a result of improved selling price for glass especially in the local market.

(ii) Other operating income

Other operating income decreased by 9% in the current quarter mainly due to the decrease in gain on foreign exchange recorded by 76%.

(iii) Expenses

Expenses increased by 4% from RM6.92 million in the immediate preceding quarter to RM7.19 million in the current quarter mainly due to the increase in manufacturing cost. In addition, the production volume of glass has improved by 11% from 85,368 units in the immediate preceding quarter to 94,880 units.

Others segment

This segment has shown a consistent loss before taxation of approximately RM1.30 million.

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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.

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.

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 30 September 2013 (30 September 2012: RM Nil).

25. Risks and policies of derivatives

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

26. 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 September 2013 and 31 December 2012.

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27. Breakdown of realised and unrealised losses

The breakdown of the retained earnings of the Group as at 30 September 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 30.09.2013 RM'000	Previous financial year ended 31.12.2012 RM'000
Total accumulated losses of the Company and its subsidiaries		
- Realised	(27,119)	(26,699)
- Unrealised	(2,143)	(2,271)
	<u>(29,262)</u>	<u>(28,970)</u>
Less: Consolidation adjustments	57,296	57,299
Total Group's retained earnings as per financial statements	<u>28,034</u>	<u>28,329</u>

28. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2012 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 19 November 2013.

By order of the Board

Dato' Haji Zakaria bin Awang
Chief Executive Officer