

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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014**

	Note	Current quarter 3 months ended		Cumulative quarter 6 months ended	
		30.06.2014 Unaudited RM'000	30.06.2013 Unaudited RM'000	30.06.2014 Unaudited RM'000	30.06.2013 Unaudited RM'000
Revenue		21,525	20,249	67,865	39,570
Cost of sales		<u>(17,963)</u>	<u>(15,609)</u>	<u>(34,868)</u>	<u>(31,971)</u>
<b>Gross profit</b>		3,562	4,640	32,997	7,599
Other operating income		487	428	1,021	521
Administrative expenses		(3,232)	(2,926)	(5,794)	(5,547)
Other operating expenses		<u>(561)</u>	<u>(549)</u>	<u>(1,043)</u>	<u>(1,018)</u>
<b>Operating profit</b>		256	1,593	27,181	1,555
Finance costs		<u>(101)</u>	<u>(232)</u>	<u>(225)</u>	<u>(482)</u>
<b>Profit before taxation</b>	7	155	1,361	26,956	1,073
Income tax benefit/(expenses)	8	<u>114</u>	<u>(540)</u>	<u>(6,728)</u>	<u>(630)</u>
<b>Profit for the period</b>		<u>269</u>	<u>821</u>	<u>20,228</u>	<u>443</u>
Attributable to:					
Owners of the parent		<u>269</u>	<u>821</u>	<u>20,228</u>	<u>443</u>
Earnings per share attributable to owners of the parent (sen per share):					
- Basic	9	0.20	0.61	15.03	0.33

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

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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014 (CONTINUED)**

	<b>Current quarter 3 months ended</b>		<b>Cumulative quarter 6 months ended</b>	
	30.06.2014 Unaudited RM'000	30.06.2013 Unaudited RM'000	30.06.2014 Unaudited RM'000	30.06.2013 Unaudited RM'000
Profit for the period	<u>269</u>	<u>821</u>	<u>20,228</u>	<u>443</u>
<b>Other comprehensive income</b>				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Net gain on available-for-sale ("AFS") financial assets	<u>980</u>	<u>228</u>	<u>742</u>	<u>1,062</u>
Other comprehensive income for the period, net of tax	<u>980</u>	<u>228</u>	<u>742</u>	<u>1,062</u>
Total comprehensive income for the period, attributable to:				
Owners of the parent	<u>1,249</u>	<u>1,049</u>	<u>20,970</u>	<u>1,505</u>

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

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2014**

	<u>Note</u>	30.06.2014 Unaudited RM'000	31.12.2013 Audited RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	69,375	69,140
Goodwill	11	-	-
Deferred tax assets		337	429
Investment securities	12	9,643	8,900
		<u>79,355</u>	<u>78,469</u>
<b>Current assets</b>			
Inventories		19,285	18,672
Trade and other receivables		20,930	21,627
Tax recoverable		1,539	1,751
Cash and bank balances	13	22,508	5,973
		<u>64,262</u>	<u>48,023</u>
<b>Total assets</b>		<u>143,617</u>	<u>126,492</u>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the parents</b>			
Share capital	14	67,273	67,273
Share premium	14	625	625
Retained earnings		41,470	21,242
Other reserves		(15,230)	(15,972)
<b>Total equity</b>		<u>94,138</u>	<u>73,168</u>
<b>Non-current liabilities</b>			
Retirement benefit obligations		5,752	5,120
Deferred tax liabilities		2,348	2,517
Borrowings	15	870	918
		<u>8,970</u>	<u>8,555</u>
<b>Current liabilities</b>			
Retirement benefit obligations		239	629
Borrowings	15	856	5,613
Trade and other payables		32,849	38,323
Tax payable		6,565	204
		<u>40,509</u>	<u>44,769</u>
<b>Total liabilities</b>		<u>49,479</u>	<u>53,324</u>
<b>Total equity and liabilities</b>		<u>143,617</u>	<u>126,492</u>
Net assets per share attributable to owners of the parent ("RM")		0.70	0.54

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

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014**

	Attributable to owners of the parent							
	Non-distributable		Distributable		Non-distributable			
	Equity, total	Share capital	Share premium	Total retained earnings	Other reserves, total	Fair value adjustment reserve	Equity contribution from a corporate shareholder	Reserve arising from merger
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Opening balance at 1 January 2014</b>	73,168	67,273	625	21,242	(15,972)	6,546	200	(22,718)
Profit for the period	20,228	-	-	20,228	-	-	-	-
Other comprehensive income								
- Fair value adjustment reserve	742	-	-	-	742	742	-	-
Total comprehensive income	20,970	-	-	20,228	742	742	-	-
<b>Closing balance at 30 June 2014</b>	<b>94,138</b>	<b>67,273</b>	<b>625</b>	<b>41,470</b>	<b>(15,230)</b>	<b>7,288</b>	<b>200</b>	<b>(22,718)</b>
<b>Opening balance at 1 January 2013 (restated)</b>	72,466	67,273	625	23,793	(19,225)	3,493	-	(22,718)
Loss 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	-	-
<b>Closing balance at 30 June 2013</b>	<b>73,971</b>	<b>67,273</b>	<b>625</b>	<b>24,236</b>	<b>(18,163)</b>	<b>4,555</b>	<b>-</b>	<b>(22,718)</b>

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

**GOLDEN PHAROS BERHAD ( Company No. 152205-W )**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014**

	Note	6 months ended	
		30.06.2014 Unaudited RM'000	30.06.2013 Unaudited RM'000
<b>Operating activities</b>			
Profit/(loss) before tax		26,956	1,073
<u>Adjustments for:</u>			
Interest income	7	(92)	(23)
Dividend income	7	-	(323)
Interest expenses	7	225	482
(Gain)/loss on disposal of property, plant and equipment	7	(73)	11
Gain on disposal of assets classified as held for sale	7	-	(35)
Depreciation of property, plant and equipment	7	2,360	2,092
Property, plant and equipment written off	7	1	4
Impairment loss on trade and other receivables	7	-	32
Reversal of allowance for impairment of trade and other receivables	7	-	(12)
Net unrealised foreign exchange gain	7	(12)	(8)
Provision for retirement benefits	7	311	307
Reversal of provision for short-term accumulating compensated absences	7	(11)	(32)
Total adjustments		<u>2,709</u>	<u>2,495</u>
<b>Operating cash flows before changes in working capital</b>		<b>29,665</b>	<b>3,568</b>
<u>Changes in working capital</u>			
Increase in inventories		(614)	(4,015)
Decrease in trade and other receivables		129	1,118
(Decrease)/increase in trade and other payables		(5,085)	1,687
Total changes in working capital		<u>(5,570)</u>	<u>(1,210)</u>
Interest paid		(75)	(219)
Income taxes paid		(257)	(76)
Retirement benefits paid		(70)	(410)
		<u>(402)</u>	<u>(705)</u>
<b>Net cash flows from operating activities</b>		<b><u>23,693</u></b>	<b><u>1,653</u></b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	10	(2,491)	(1,342)
Proceeds from disposal of property, plant and equipment		103	30
Proceeds from disposal of assets classified as held for sale	10	-	42
Dividend received		-	215
Interest received		92	23
<b>Net cash flows used in investing activities</b>		<b><u>(2,296)</u></b>	<b><u>(1,032)</u></b>
<b>Financing activities</b>			
Drawdowns from borrowings		549	4,730
Repayment of borrowings		(3,074)	(4,545)
Decrease in the placement of fixed deposit		204	-
<b>Net cash flows (used in)/from financing activities</b>		<b><u>(2,321)</u></b>	<b><u>185</u></b>
<b>Net increase in cash and cash equivalents</b>		<b>19,076</b>	<b>806</b>
<b>Cash and cash equivalents at 1 January</b>		<b>2,398</b>	<b>(338)</b>
<b>Cash and cash equivalents at 30 June</b>		<b><u>21,474</u></b>	<b><u>468</u></b>

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

**GOLDEN PHAROS BERHAD ( Company No. 152205-W )  
EXPLANATORY NOTES PURSUANT TO MFRS 134  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014**

**1. Corporate information**

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

**2. Basis of preparation**

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

**3. Significant accounting policies**

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

(i) Adoption of standards

**Effective for annual periods beginning on or after 1 January 2014**

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

Amendments to MFRS 132 Financial Instruments: Presentation

- Offsetting Financial Assets and Financial Liabilities

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

Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting

IC Interpretation 21: Levies

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

(ii) Standards issued but not yet effective

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

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

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

**GOLDEN PHAROS BERHAD ( Company No. 152205-W )**  
**EXPLANATORY NOTES PURSUANT TO MFRS 134**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014**

**4. Changes in estimates**

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

**5. Seasonality of operations**

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

**6. Segment information**

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

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

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

	<b>Harvesting, sawmilling and kiln drying RM'000</b>	<b>Manufacturing RM'000</b>	<b>Others RM'000</b>	<b>Consolidated RM'000</b>
<b>Results for 3 months ended 30 June 2014</b>				
Operating revenue	13,181	8,180	164	21,525
Other operating income	454	22	11	487
Expenses	(12,739)	(7,699)	(1,419)	(21,857)
<b>Profit/(loss) before taxation</b>	<b>896</b>	<b>503</b>	<b>(1,244)</b>	<b>155</b>

**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)
<b>Profit/(loss) before taxation</b>	<b>2,207</b>	<b>452</b>	<b>(1,298)</b>	<b>1,361</b>

**GOLDEN PHAROS BERHAD ( Company No. 152205-W )**  
**EXPLANATORY NOTES PURSUANT TO MFRS 134**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014**

**6. Segment information (continued)**

	Harvesting, sawmilling and kiln drying RM'000	Manufacturing RM'000	Others RM'000	Consolidated RM'000
<b>Results for 6 months ended 30 June 2014</b>				
Operating revenue	52,021	15,654	190	67,865
Other operating income	945	56	20	1,021
Expenses	(24,724)	(14,735)	(2,471)	(41,930)
<b>Profit/(loss) before taxation</b>	<b>28,242</b>	<b>975</b>	<b>(2,261)</b>	<b>26,956</b>

**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)
<b>Profit/(loss) before taxation</b>	<b>2,756</b>	<b>595</b>	<b>(2,278)</b>	<b>1,073</b>

**7. Profit before taxation**

Included in the profit before taxation are the following items:

	Current quarter 3 months ended		Cumulative quarter 6 months ended	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Interest income	(72)	(9)	(92)	(23)
Dividend income	-	(323)	-	(323)
Interest expenses	101	232	225	482
Depreciation of property, plant and equipment	1,315	1,049	2,360	2,092
(Gain)/loss on disposal of property, plant and equipment	(8)	11	(73)	11
Gain on disposal of assets classified as held for sale	-	-	-	(35)
Property, plant and equipment written off	-	4	1	4
Impairment loss on trade and other receivables	-	32	-	32
Reversal of allowance for impairment of trade and other receivables	-	(12)	-	(12)
Net unrealised foreign exchange gain	(2)	-	(12)	(8)
Reversal of provision for short-term accumulating compensated absences	(16)	4	(11)	(32)
Provision for retirement benefits	155	154	311	307



**GOLDEN PHAROS BERHAD ( Company No. 152205-W )**  
**EXPLANATORY NOTES PURSUANT TO MFRS 134**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014**

**8. Income tax (benefit)/expense**

	Current quarter 3 months ended		Cumulative quarter 6 months ended	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Current income tax	253	260	6,805	441
Deferred income tax	(291)	284	82	140
(Over)/under provision of deferred tax in respect of previous years	(76)	(4)	(159)	49
	<u>(114)</u>	<u>540</u>	<u>6,728</u>	<u>630</u>
Effective tax rate	-73.5%	39.7%	25.0%	58.7%

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 quarter financial period under review, the Group's effective tax rate was lower than statutory tax rate due to reversal of temporary differences.

**9. 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 3 months ended		Cumulative quarter 6 months ended	
		30.06.2014	30.06.2013	30.06.2014	30.06.2013
Profit net of tax attributable to owners of the parent used in the computation of earnings per share	(RM'000)	<u>269</u>	<u>821</u>	<u>20,228</u>	<u>443</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>0.20</u>	<u>0.61</u>	<u>15.04</u>	<u>0.33</u>

**10. Property, plant and equipment**

During the six-month period ended 30 June 2014, the Group has acquired property, plant and equipment at a cost of RM2,491,000 (30 June 2013: RM1,342,000). As at 30 June 2014, the total depreciation charged for the property, plant and equipment was RM2,360,000 (30 June 2013: RM2,092,000). Property, plant and equipment with a carrying amount of RM1,000 were written off by the Group during the six-month period ended 30 June 2014 (30 June 2013 : RM4,000) which has been included in other operating expenses in the statement of profit or loss and other comprehensive income.

The Group has also disposed of assets with a carrying amount of RM30,000 during the six-months ended 30 June 2014 (30 June 2013 : RM41,000), resulting in a gain on disposal of RM73,000 (30 June 2013: loss of RM11,000), recognised and included in operating expenses in the statement of profit or loss and other comprehensive income.

**GOLDEN PHAROS BERHAD ( Company No. 152205-W )  
EXPLANATORY NOTES PURSUANT TO MFRS 134  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014**

**11. Goodwill**

	<b>Goodwill</b> RM'000
<b>Cost:</b>	
At 1 January 2013/31 December 2013/30 June 2014	<u>613</u>
<b>Accumulated impairment:</b>	
At 1 January 2013/31 December 2013/30 June 2014	<u>(613)</u>
<b>Net carrying amount:</b>	
At 1 January 2013/31 December 2013/30 June 2014	<u>-</u>

**12. Fair value hierarchy**

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

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

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

	<b>Total</b> RM'000	<b>Level 1</b> RM'000	<b>Level 2</b> RM'000	<b>Level 3</b> RM'000
<b>30 June 2014</b>				
<b>Available-for-sale financial assets</b>				
Equity shares	9,643	9,643	-	-
<b>31 December 2013</b>				
<b>Available-for-sale financial assets</b>				
Equity shares	8,900	8,900	-	-

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

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

**GOLDEN PHAROS BERHAD ( Company No. 152205-W )**  
**EXPLANATORY NOTES PURSUANT TO MFRS 134**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014**

**13. Cash and bank balances**

Cash and bank balances comprised the following amounts:

	<b>30.06.2014</b>	<b>31.12.2013</b>
	RM'000	RM'000
Cash at banks and in hand	13,418	4,687
Deposits in licensed banks	9,090	1,286
	<u>22,508</u>	<u>5,973</u>
Less:		
Bank overdrafts	-	(2,337)
Deposits in licensed banks	(1,034)	(1,238)
<b>Total cash and cash equivalents</b>	<u><u>21,474</u></u>	<u><u>2,398</u></u>

**14. Share capital and share premium**

There were no issuances, cancellation, repurchases, resale and repayments of debts and equity securities for the financial period ended 30 June 2014.

**15. Borrowings**

	<b>30.06.2014</b>	<b>31.12.2013</b>
	RM'000	RM'000
<b>Current</b>		
Secured	856	5,613
<b>Non-current</b>		
Secured	870	918
Total borrowings	<u><u>1,726</u></u>	<u><u>6,531</u></u>

**16. Dividend**

There was no dividend declared by the Company during the financial period ended 30 June 2014 (30 June 2013: RMNil).

**17. Commitments**

	<b>30.06.2014</b>	<b>31.12.2013</b>
	RM'000	RM'000
<b>Capital expenditure</b>		
Approved and contracted for:		
Plant and machinery	924	397
Motor vehicles	1,478	226
Approved but not contracted for:		
Plant and machinery	1,828	2,355
Motor vehicles	808	2,060
	<u><u>5,038</u></u>	<u><u>5,038</u></u>

**GOLDEN PHAROS BERHAD ( Company No. 152205-W )  
EXPLANATORY NOTES PURSUANT TO MFRS 134  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014**

**18. 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 2014 and 31 December 2013 as well as the balances with the related parties as at 30 June 2014 and 31 December 2013:

		<b>Loans from related parties RM'000</b>	<b>Interest on loans from related parties RM'000</b>	<b>Amounts owed to related parties RM'000</b>
Entities with significant influence over the Group:				
Holding company				
Terengganu Incorporated Sdn. Bhd.	30.06.2014	-	148	14,155
("TISB")	31.12.2013	-	379	14,007
A corporate shareholder				
Lembaga Tabung Amanah Warisan	30.06.2014	-	-	3,522
Negeri Terengganu ("LTAWNT")	31.12.2013	-	(199)*	7,522

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

**19. Events after the reporting period**

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

**GOLDEN PHAROS BERHAD ( Company No. 152205-W )  
EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING  
REQUIREMENT: CHAPTER 9, APPENDIX 9B, PART A  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014**

**20. Performance review**

**(a) Current Quarter vs Corresponding Quarter of Previous Period (2Q14 vs 2Q13)**

The Group's revenue for the current quarter stood at RM21.53 million, improved by 6% or RM1.28 million from RM20.25 million reported in previous year's corresponding quarter. In terms of profitability, the Group's profit before taxation reduced by 89% to RM0.16 million as compared to RM1.36 million, which was due to the increase in expenses that outweigh the increase in revenue.

**Harvesting, sawmilling and kiln drying segment**

The segment reported a profit before taxation of RM0.90 million, a reduction of 59% from RM2.20 million profit before taxation recorded in the previous year's corresponding quarter.

**(i) Operating revenue**

The segment's operating revenue has increased to RM13.18 million as compared to RM12.82 million recorded in the previous year's corresponding quarter, representing an increase of 2%. The slight increase in revenue was due to increase in selling price of sawn timber by 10% from RM1,345 per tonne to RM1,481 per tonne in the quarter under review.

**(ii) Other operating income**

There was an increase in segment's other operating income from RM0.39 million to RM0.45 million in the quarter under review due to higher interest income on fixed deposit as well as gain on disposal of property, plant and equipment.

**(iii) Expenses**

The segment's expenses have increased by 16% to RM12.74 million in the current quarter as compared to RM10.99 million in the previous year's corresponding quarter. The increase in manufacturing cost of downstream activities and certain administrative expenses has contributed to the increase in segment's expenses.

**Manufacturing segment**

The manufacturing segment showed an improvement in performance during the quarter under review where the profit before taxation has increased to RM0.50 million from RM0.45 million recorded in the previous year's corresponding quarter.

**(i) Operating revenue**

For the current quarter, the segment's operating revenue has improved by 11% or RM0.82 million from RM7.36 million reported in the previous year's corresponding quarter to RM8.18 million due to additional local projects secured at better contract value.

**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 2014**

**20. Performance review (continued)**

**(a) Current Quarter vs Corresponding Quarter of Previous Period (2Q14 vs 2Q13) (continued)**

**Manufacturing segment (continued)**

**(ii) Other operating income**

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

**(iii) Expenses**

The increase in segment's expenses of 11% was in line with the increase in revenue during the quarter.

**Others segment**

There was a reduction in other segment's loss before taxation from RM1.30 million to RM1.24 million as a result of improved wooden doors supplied to the state's project and reduction in finance cost.

**(b) Current Period-to-date vs Previous Period-to-date (FY2014 vs FY2013)**

The Group recorded a favourable result in the period under review in terms of revenue and profitability whereby the revenue increased by 72% and profit before taxation stood at RM26.96 million as compared to the profit before taxation of RM1.07 million reported in previous year's corresponding period. The significant improvement was contributed by harvesting, sawmilling and kilndrying segment.

**Harvesting, sawmilling and kiln drying segment**

The segment reported a profit before taxation of RM28.24 million, a substantial increase of RM25.48 million from the previous year's corresponding period.

**(i) Operating revenue**

The segment's operating revenue increased by 109% to RM52.02 million in the current period as compared to RM24.86 million reported in the previous year's corresponding period. The increase in revenue was contributed by the logs sales proceeds amounting to RM27.29 million from the concession of the Group's timber management subsidiary, Kumpulan Pengurusan Kayu-Kayan Trengganu Sdn. Bhd. ("KPKKT") in the 1st quarter 2014. The six (6) compartments in the concession were part of a land area in KPKKT's concession that was awarded to the Group's shareholder, Lembaga Tabung Amanah Warisan Negeri Terengganu ("LTAWNT") by the Terengganu State Land Office for mining purposes. In return, KPKKT was given the right to extract and sell the logs therein.

**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 2014**

**20. Performance review (continued)**

**(b) Current Period-to-date vs Previous Period-to-date (FY2014 vs FY2013) (continued)**

**Harvesting, sawmilling and kiln drying segment (continued)**

**(ii) Other operating income**

There was an increase in segment's other operating income from RM0.41 million to RM0.94 million in the period under review due to the income on post-felling forest inventory development received from Forestry Department amounting to RM0.41 million and fire insurance claim of RM0.36 million.

**(iii) Expenses**

The segment's expenses have increased by 10% to RM24.72 million as compared to RM22.52 million in the previous year's corresponding period. The increase was mainly in sawmilling cost, in line with the improvement in sawmill production.

**Manufacturing segment**

During the period under review, the manufacturing segment recorded a profit before taxation of RM0.97 million, an increased of 62% from RM0.60 million recorded in the previous year's corresponding period.

**(i) Operating revenue**

For the current period, the segment's operating revenue has improved by 7% or RM1.09 million from RM14.56 million reported in the previous year's corresponding period as a result of the improved selling price and new local projects secured during the period under review.

**(ii) Other operating income**

The other operating income has increased by 50% from RM0.03 million to RM0.06 million in the current period was mainly due to gain on disposal of property, plant and equipment and interest on deposit with licensed bank.

**(iii) Expenses**

The segment's expenses slightly increased from RM13.99 million to RM14.74 million during the current period. The increase in manufacturing cost especially direct material cost and labour cost has contributed to the increase in segment's expenses.

**Others segment**

Others segment recorded a loss before taxation of RM2.26 million as compared to loss before taxation of RM2.28 million recorded in the previous period, declined by 1% as a result of the reduction in finance cost.

**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 2014**

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

	<b>Current quarter 30.06.2014 RM'000</b>	<b>Immediate preceding quarter 31.03.2014 RM'000</b>
Revenue	21,525	46,340
Profit before taxation	155	26,802

The Group's profit before taxation has shown a decrease from RM26.80 million in the preceding quarter to RM0.16 million in the quarter under review. The substantial reduction in Group's profitability was mainly due to the decline, in harvesting, sawmilling and kiln drying segment's revenue and profit.

**Harvesting, sawmilling and kiln drying segment**

During the quarter under review, the harvesting, sawmilling and kiln drying segment recorded profit before taxation of RM0.90 million as compared to a profit before taxation of RM27.34 million recorded in the immediate preceding quarter. Reduction in profit before taxation was in line with the reduction in revenue by 66%.

**(i) Operating revenue**

The segment's operating revenue of RM13.18 million in the current quarter was 66% lower than the immediate preceding quarter of RM38.84 million mainly because of the logs sales proceed amounting to RM27.29 million included in the immediate preceding quarter as explained in Note 20(b)(i).

**(ii) Other operating income**

Other operating income has slightly decreased from RM0.49 million to RM0.45 million, mainly due to the income received on post-felling forest inventory development from the Forestry Department in the immediate preceding quarter.

**(iii) Expenses**

The segment recorded expenses of RM12.74 million in the current quarter as compared to RM11.99 million recorded in the immediate preceding quarter, a slight increase by 6%. Increase in expenses was due to higher sawmilling costs which was in line with the increase in production of sawn timber from 6,697 tonne to 9,149 tonne in the quarter under review.

**Manufacturing segment**

The manufacturing segment recorded a profit before taxation of RM0.50 million in the current quarter as compared to a profit before taxation of RM0.47 million in the immediate preceding quarter.

**(i) Operating revenue**

For the current quarter, the segment's revenue improved by 10% from RM7.47 million reported in immediate preceding quarter due to better selling price of glass.



**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 2014**

**21. 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 decreased slightly from RM0.03 million to RM0.02 million in the current quarter as a result of lower gain on foreign exchange and gain on disposal of property, plant and equipment reported in the quarter under review.

**(iii) Expenses**

Expenses increased to RM7.70 million in the current quarter from RM7.04 million in the immediate preceding quarter. Manufacturing expenses has shown an increase in material cost of RM0.62 million, labour cost of RM0.06 million, repair and maintenance costs of RM0.06 million that contributed to the overall increase of 9%.

**Others segment**

The segment recorded an adverse performance in the quarter under review despite the increase in revenue from RM0.03 million in the immediate preceding quarter to RM0.16 million in the quarter under review. The increase in loss before taxation for the segment in the quarter under review from RM1.02 million to RM1.24 million was mainly due to higher expenses such as staff benefits, repair and maintenance and insurance expenses.

**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 improve. However, the sawmilling and kiln-drying segment will face challenges due to 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 a threat to the price of sawn timber-based products in the coming period. Therefore, sawmilling and kiln drying segment will continue to face challenges due to 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 reduction and high quality products.

With the continuous supply for the current projects secured from 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.

**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 2014**

**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 June 2014 (30 June 2013: RMNil).

**25. Risks and policies of derivatives**

The Group did not enter into any derivative transaction during the financial period ended 30 June 2014 or the previous financial year ended 31 December 2013.

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

The Group did not have any financial liabilities measured at fair value through profit or loss as at 30 June 2014 and 31 December 2013.

**27. Breakdown of realised and unrealised losses**

The breakdown of the retained earnings of the Group as at 30 June 2014 and 31 December 2013 into realised and unrealised losses is presented in accordance with the directives issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and 20 December 2010, prepared in accordance with *Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses* in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	<b>Current quarter ended 30.06.2014 RM'000</b>	<b>Previous financial year ended 31.12.2013 RM'000</b>
Total accumulated losses of the Company and its subsidiaries		
- Realised	(178,398)	(187,047)
- Unrealised	(2,010)	(2,056)
	<u>(180,408)</u>	<u>(189,103)</u>
Total accumulated losses from associates		
- Realised	(11,745)	(11,745)
	<u>(192,153)</u>	<u>(200,848)</u>
Less: Consolidation adjustments	(233,623)	(222,090)
Total Group's retained earnings as per financial statements	<u>41,470</u>	<u>21,242</u>

**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 2014**

**28. Auditors' report on preceding annual financial statements**

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

**29. Authorised for issue**

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 August 2014.

By order of the Board

**Dato' Haji Zakaria bin Awang**  
Chief Executive Officer