

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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2014**

	Note	Current quarter 3 months ended		Cumulative quarter 9 months ended	
		30.09.2014 Unaudited RM'000	30.09.2013 Unaudited RM'000	30.09.2014 Unaudited RM'000	30.09.2013 Unaudited RM'000
Revenue		19,136	18,649	87,001	58,219
Cost of sales		<u>(17,125)</u>	<u>(15,899)</u>	<u>(51,992)</u>	<u>(47,870)</u>
Gross profit		2,011	2,750	35,009	10,349
Other operating income		1,079	68	2,100	589
Administrative expenses		(2,855)	(2,803)	(8,649)	(8,351)
Other operating expenses		<u>(502)</u>	<u>(499)</u>	<u>(1,544)</u>	<u>(1,516)</u>
Operating (loss)/profit		(267)	(484)	26,916	1,071
Finance costs		<u>(95)</u>	<u>(359)</u>	<u>(320)</u>	<u>(841)</u>
(Loss)/profit before taxation	7	(362)	(843)	26,596	230
Income tax benefit/(expenses)	8	<u>213</u>	<u>105</u>	<u>(6,515)</u>	<u>(525)</u>
(Loss)/profit for the period		<u>(149)</u>	<u>(738)</u>	<u>20,081</u>	<u>(295)</u>
Attributable to:					
Owners of the parent		<u>(149)</u>	<u>(738)</u>	<u>20,081</u>	<u>(295)</u>
(Loss)/earnings per share attributable to owners of the parent (sen per share):					
- Basic	9	(0.11)	(0.55)	14.93	(0.22)

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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2014 (CONTINUED)

	Current quarter 3 months ended		Cumulative quarter 9 months ended	
	30.09.2014 Unaudited RM'000	30.09.2013 Unaudited RM'000	30.09.2014 Unaudited RM'000	30.09.2013 Unaudited RM'000
Note				
(Loss)/profit for the period	(149)	(738)	20,081	(295)
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Net gain on available-for-sale ("AFS") financial assets	(873)	1,082	(130)	2,144
Other comprehensive income for the period, net of tax	(873)	1,082	(130)	2,144
Total comprehensive income for the period, attributable to:				
Owners of the parent	(1,022)	344	19,951	1,849

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 SEPTEMBER 2014

	Note	30.09.2014 Unaudited RM'000	31.12.2013 Audited RM'000
Assets			
Non-current assets			
Property, plant and equipment	10	69,023	69,140
Goodwill	11	-	-
Deferred tax assets		269	429
Investment securities	12	8,770	8,900
		<u>78,062</u>	<u>78,469</u>
Current assets			
Inventories		17,425	18,672
Trade and other receivables		21,046	21,627
Tax recoverable		278	1,751
Cash and bank balances	13	18,746	5,973
		<u>57,495</u>	<u>48,023</u>
Total assets		<u>135,557</u>	<u>126,492</u>
Equity and liabilities			
Equity attributable to owners of the parents			
Share capital	14	67,273	67,273
Share premium	14	625	625
Retained earnings		41,323	21,242
Other reserves		(16,102)	(15,972)
Total equity		<u>93,119</u>	<u>73,168</u>
Non-current liabilities			
Retirement benefit obligations		5,880	5,120
Deferred tax liabilities		2,152	2,517
Borrowings	15	1,183	918
		<u>9,215</u>	<u>8,555</u>
Current liabilities			
Retirement benefit obligations		239	629
Borrowings	15	879	5,613
Trade and other payables		28,879	38,323
Tax payable		3,226	204
		<u>33,223</u>	<u>44,769</u>
Total liabilities		<u>42,438</u>	<u>53,324</u>
Total equity and liabilities		<u>135,557</u>	<u>126,492</u>
Net assets per share attributable to owners of the parent ("RM")		0.69	0.54

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

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

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

	Attributable to owners of the parent							
	Non-distributable		Distributable		Non-distributable			
	Equity, total	Share capital	Share premium	Total retained earnings	Other reserves, total	Fair value adjustment reserve	Equity contribution from a corporate shareholder	Reserve arising from merger
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Opening balance at 1 January 2014	73,168	67,273	625	21,242	(15,972)	6,546	200	(22,718)
Profit for the period	20,081	-	-	20,081	-	-	-	-
Other comprehensive income								
- Fair value adjustment reserve	(130)	-	-	-	(130)	(130)	-	-
Total comprehensive income	19,951	-	-	20,081	(130)	(130)	-	-
Closing balance at 30 September 2014	93,119	67,273	625	41,323	(16,102)	6,416	200	(22,718)
Opening balance at 1 January 2013 (restated)	72,466	67,273	625	23,793	(19,225)	3,493	-	(22,718)
Loss for the period	(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	74,315	67,273	625	23,498	(17,081)	5,637	-	(22,718)

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

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

	Note	9 months ended	
		30.09.2014 Unaudited RM'000	30.09.2013 Unaudited RM'000
Operating activities			
Profit before tax		26,596	230
<u>Adjustments for:</u>			
Interest income	7	(143)	(38)
Dividend income	7	(81)	(323)
Interest expenses	7	320	841
(Gain)/loss on disposal of property, plant and equipment	7	(74)	14
Gain on disposal of assets classified as held for sale	7	-	(35)
Depreciation of property, plant and equipment	7	3,326	3,098
Property, plant and equipment written off	7	1	8
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 loss/(gain)	7	1	(8)
Provision for retirement benefits	7	468	470
Reversal of provision for short-term accumulating compensated absences	7	(6)	(6)
Total adjustments		<u>3,812</u>	<u>4,041</u>
Operating cash flows before changes in working capital		30,408	4,271
<u>Changes in working capital</u>			
Decrease/(increase) in inventories		1,246	(4,512)
(Increase)/decrease in trade and other receivables		(39)	883
Decrease in trade and other payables		(8,993)	(360)
Total changes in working capital		<u>(7,786)</u>	<u>(3,989)</u>
Interest paid		(106)	(363)
Income taxes paid		(2,220)	1,473
Retirement benefits paid		(98)	(541)
Total changes in working capital		<u>(2,424)</u>	<u>569</u>
Net cash flows from operating activities		<u>20,198</u>	<u>851</u>
Investing activities			
Purchase of property, plant and equipment	10	(2,558)	(1,595)
Proceeds from disposal of property, plant and equipment		142	32
Proceeds from disposal of assets classified as held for sale	10	-	42
Dividend received		81	215
Interest received		143	38
Net cash flows used in investing activities		<u>(2,192)</u>	<u>(1,268)</u>
Financing activities			
Drawdowns from borrowings		324	6,809
Repayment of borrowings		(3,220)	(6,243)
Increase/(decrease) in the placement of fixed deposit		204	(38)
Net cash flows (used in)/from financing activities		<u>(2,692)</u>	<u>528</u>
Net increase in cash and cash equivalents		15,314	111
Cash and cash equivalents at 1 January		2,398	(338)
Cash and cash equivalents at 30 September		<u>17,712</u>	<u>(227)</u>

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

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

Effective for annual periods beginning on or after 1 July 2014

Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions

Annual Improvements to MFRSs 2010–2012 Cycle

Annual Improvements to MFRSs 2011–2013 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 2014

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 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 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods Depreciation and Amortisation	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2017
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.

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 2014

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 2014				
Operating revenue	11,697	7,429	10	19,136
Other operating income	1,019	26	34	1,079
Expenses	(12,345)	(7,106)	(1,126)	(20,577)
Profit/(loss) before taxation	371	349	(1,082)	(362)
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 9 months ended 30 September 2014				
Operating revenue	63,717	23,083	201	87,001
Other operating income	1,964	81	55	2,100
Expenses	(37,069)	(21,841)	(3,595)	(62,505)
Profit/(loss) before taxation	28,612	1,323	(3,339)	26,596
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

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EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2014

7. (Loss)/profit before taxation

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

	Current quarter		Cumulative quarter	
	3 months ended		9 months ended	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	RM'000	RM'000	RM'000	RM'000
Interest income	(51)	(15)	(143)	(38)
Dividend income	(81)	-	(81)	(323)
Interest expenses	95	359	320	841
Depreciation of property, plant and equipment	966	1,006	3,326	3,098
(Gain)/loss on disposal of property, plant and equipment	(1)	3	(74)	14
Gain on disposal of assets classified as held for sale	-	-	-	(35)
Property, plant and equipment written off	-	4	1	8
Impairment loss on trade and other receivables	-	-	-	32
Reversal of allowance for impairment of trade and other receivables	-	-	-	(12)
Net unrealised foreign exchange loss/(gain)	13	-	1	(8)
Reversal of provision for short-term accumulating compensated absences	5	26	(6)	(6)
Provision for retirement benefits	157	163	468	470

8. Income tax (benefit)/expense

	Current quarter		Cumulative quarter	
	3 months ended		9 months ended	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	RM'000	RM'000	RM'000	RM'000
Current income tax	(63)	47	6,742	488
Over provision of income tax in respect of previous years	(23)	(4)	(23)	(4)
Deferred income tax	(91)	(138)	(9)	3
(Over)/under provision of deferred tax in respect of previous years	(36)	(10)	(195)	38
	(213)	(105)	6,515	525
Effective tax rate	58.8%	12.5%	24.5%	228.3%

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 higher than statutory tax rate due to certain expenses which were not deductible for tax purposes and deferred tax adjustment arising from the acquisition of property, plant and equipment.

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

9. (Loss)/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		9 months ended	
		30.09.2014	30.09.2013	30.09.2014	30.09.2013
(Loss)/profit net of tax attributable to owners of the parent used in the computation of earnings per share	(RM'000)	(149)	(738)	20,081	(295)
Weighted average number of ordinary shares in issue	(' 000)	134,547	134,547	134,547	134,547
Basic (loss)/earnings per share	(sen)	(0.11)	(0.55)	14.93	(0.22)

10. Property, plant and equipment

During the nine-month period ended 30 September 2014, the Group has acquired property, plant and equipment at a cost of RM2,558,000 (30 September 2013: RM1,595,000). As at 30 September 2014, the total depreciation charged for the property, plant and equipment was RM3,326,000 (30 September 2013: RM3,098,000). Property, plant and equipment with a carrying amount of RM1,000 were written off by the Group during the nine-month period ended 30 September 2014 (30 September 2013 : RM8,000) 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 RM68,000 during the nine-months ended 30 September 2014 (30 September 2013 : RM46,000), resulting in a gain on disposal of RM74,000 (30 September 2013: loss of RM14,000), recognised and included in operating expenses in the statement of profit or loss and other comprehensive income.

11. Goodwill

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

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

12. Fair value hierarchy

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

	Total	Level 1	Level 2	Level 3
	RM'000	RM'000	RM'000	RM'000
30 September 2014				
Available-for-sale financial assets				
Equity shares	8,770	8,770	-	-
31 December 2013				
Available-for-sale financial assets				
Equity shares	8,900	8,900	-	-

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

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

13. Cash and bank balances

Cash and bank balances comprised the following amounts:

	30.09.2014	31.12.2013
	RM'000	RM'000
Cash at banks and in hand	6,946	4,687
Deposits in licensed banks	11,800	1,286
	<u>18,746</u>	<u>5,973</u>
Less:		
Bank overdrafts	-	(2,337)
Deposits in licensed banks	(1,034)	(1,238)
Total cash and cash equivalents	<u>17,712</u>	<u>2,398</u>

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

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 2014.

15. Borrowings

	30.09.2014	31.12.2013
	RM'000	RM'000
Current		
Secured	879	5,613
Non-current		
Secured	1,183	918
Total borrowings	<u>2,062</u>	<u>6,531</u>

16. Dividend

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

17. Commitments

	30.09.2014	31.12.2013
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Plant and machinery	1,585	397
Motor vehicles	1,739	226
Approved but not contracted for:		
Plant and machinery	1,167	2,355
Motor vehicles	547	2,060
	<u>5,038</u>	<u>5,038</u>

18. Related party transactions

The following table provides information on the transactions which have been entered into with related parties during the nine-month periods ended 30 September 2014 and 31 December 2013 as well as the balances with the related parties as at 30 September 2014 and 31 December 2013:

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

18. Related party transactions (continued)

		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.	30.09.2014	-	213	14,220
("TISB")	31.12.2013	-	379	14,007
A corporate shareholder				
Lembaga Tabung Amanah Warisan	30.09.2014	-	-	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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2014

20. Performance review

(a) Current Quarter vs Corresponding Quarter of Previous Period (3Q14 vs 3Q13)

The Group's revenue for the current quarter stood at RM19.14 million, improved by 3% from RM18.65 million reported in previous year's corresponding quarter. In terms of profitability, the Group's loss before taxation reduced by 57% to RM0.36 million as compared to RM0.84 million, which was due to the increase in other operating income.

Harvesting, sawmilling and kiln drying segment

The segment reported a profit before taxation of RM0.37 million, increased by RM0.38 million as compared to loss before taxation of RM 0.01 million recorded in the previous year's corresponding quarter.

(i) Operating revenue

The segment's operating revenue has increased to RM11.70 million as compared to RM10.99 million recorded in the previous year's corresponding quarter, representing an increase of 6%. The slight increase in revenue was due to increase in sales volume of sawn timber from 6,245 tonne to 7,140 tonne in the quarter under review.

(ii) Other operating income

Other operating income increased from RM0.04 million to RM1.02 million in the quarter under review due to income from insurance claims received in current quarter for timbers that were damaged due to flood in January 2014 amounting to RM0.89 million.

(iii) Expenses

The segment's expenses have increased by 12% to RM12.35 million in the current quarter as compared to RM11.04 million in the previous year's corresponding quarter. The increase in sawmilling cost and certain administration expenses have contributed to the increase in segment's expenses.

Manufacturing segment

During the quarter under review, manufacturing segment recorded a profit before taxation of RM0.35 million, representing a decrease of RM0.08 million from RM0.43 million reported in the previous corresponding quarter. The decrease in profit before taxation was generally due to decrease in operating revenue by 2%.

(i) Operating revenue

The operating revenue for the current quarter decreased by 2% from RM7.60 million in the previous corresponding quarter to RM7.43 million in the quarter under review. The decrease in operating revenue was mainly due to decrease in quantity of glasses sold from 126,634 units to 125,989 units recorded in 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 2014

20. Performance review (continued)

(a) Current Quarter vs Corresponding Quarter of Previous Period (3Q14 vs 3Q13) (continued)

Manufacturing segment (continued)

(ii) Other operating income

Segment's operating income increased by 38% in the current quarter mainly resulted from interest income on fixed deposit of RM0.02 million.

(iii) Expenses

There was a slight increased in expenses by 1%.

Others segment

There was a reduction in other segment's loss before taxation from RM1.30 million to RM1.08 million as a result of 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 49% and profit before taxation stood at RM26.60 million as compared to the profit before taxation of RM0.23 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 RM28.61 million, a substantial increase of RM25.86 million from the previous year's corresponding period.

(i) Operating revenue

The segment's operating revenue increased by 77% to RM63.72 million in the current period as compared to RM35.85 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.

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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 RM0.45 million to RM1.96 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 RM1.25 million.

(iii) Expenses

The segment's expenses have increased by 10% to RM37.07 million as compared to RM33.55 million in the previous year's corresponding period. The increase was mainly in administration expenses.

Manufacturing segment

During the period under review, the manufacturing segment recorded a profit before taxation of RM1.32 million, an increased of 30% from RM1.02 million recorded in the previous year's corresponding period.

(i) Operating revenue

For the current period, the segment's operating revenue has improved by 4% or RM0.92 million from RM22.16 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 83% from RM0.04 million to RM0.08 million in the current period mainly due to gain on disposal of property, plant and equipment and interest on deposit with licensed bank.

(iii) Expenses

The segment's expenses have slightly increased from RM21.18 million to RM21.84 million during the current period. The increase in manufacturing cost especially direct material cost and labour cost have contributed to the increase in segment's expenses.

Others segment

Others segment recorded a loss before taxation of RM3.34 million as compared to loss before taxation of RM3.54 million recorded in the previous period, declined by 6% as a result of the reduction in finance cost.

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

	Current quarter 30.09.2014 RM'000	Immediate preceding quarter 30.06.2014 RM'000
Revenue	19,136	21,525
(Loss)/profit before taxation	(362)	155

The Group's profit before taxation has shown a decrease from RM0.16 million in the preceding quarter to loss before taxation RM0.36 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 RM0.37 million as compared to a profit before taxation of RM0.90 million recorded in the immediate preceding quarter. Reduction in profit before taxation was in line with the reduction in revenue by 11%.

(i) Operating revenue

The segment's operating revenue of RM11.70 million in the current quarter was 11% lower than the immediate preceding quarter of RM13.18 million. Sales volume of sawn timber has dropped by 9% from 7,828 tonne to 7,140 tonne in the quarter under review.

(ii) Other operating income

Other operating income has increased significantly as a result of income from insurance claims of RM0.89 million in the current quarter.

(iii) Expenses

The segment recorded expenses of RM12.35 million in the current quarter as compared to RM12.74 million recorded in the immediate preceding quarter, a slight decrease by 3%.

Manufacturing segment

The manufacturing segment recorded a profit before taxation of RM0.35 million in the current quarter as compared to a profit before taxation of RM0.50 million in the immediate preceding quarter.

(i) Operating revenue

For the current quarter, the segment's revenue reduced by 9% from RM8.18 million due to decrease in sales volume of glasses from 138,114 units in immediate preceding quarter to 125,989 units in the current quarter.

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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 increased slightly from RM0.02 million to RM0.03 million in the current quarter as a result of higher income on deposit with licensed bank.

(iii) Expenses

Expenses decreased to RM7.11 million in the current quarter from RM7.70 million in the immediate preceding quarter. The decrease of 8% is in line with the decrease in revenue.

Others segment

The loss before taxation in the current quarter has reduced by 13% to RM1.08 million as compared to RM1.24 million in the immediate preceding quarter. The improvement in the period under review was contributed by the decrease in expenses primarily the finance cost and administration expenses.

22. Commentary on prospect

Harvesting, sawmilling and kiln drying of timber

Harvesting activity is expected to be effected by the coming monsoon season in the operational area. However, with the buffer stocking strategy in place, sawmill segment would have sufficient raw materials for the operations in the 4th Quarter 2014.

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. With the continuous improvement initiatives 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 reduction 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.

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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 2014 (30 September 2013: RMNil).

25. Risks and policies of derivatives

The Group did not enter into any derivative transaction during the financial period ended 30 September 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 September 2014 and 31 December 2013.

27. Breakdown of realised and unrealised losses

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

	Current quarter ended 30.09.2014 RM'000	Previous financial year ended 31.12.2013 RM'000
Total accumulated losses of the Company and its subsidiaries		
- Realised	(178,851)	(187,047)
- Unrealised	(1,882)	(2,056)
	<u>(180,733)</u>	<u>(189,103)</u>
Total accumulated losses from associates		
- Realised	(11,745)	(11,745)
	<u>(192,478)</u>	<u>(200,848)</u>
Less: Consolidation adjustments	(233,801)	(222,090)
Total Group's retained earnings as per financial statements	<u>41,323</u>	<u>21,242</u>

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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 17 November 2014.

By order of the Board

Dato' Haji Zakaria bin Awang
Chief Executive Officer