

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 2016

	Note	Current quarter 3 months ended		Cumulative quarter 9 months ended	
		30.09.2016 Unaudited RM'000	30.09.2015 Unaudited RM'000	30.09.2016 Unaudited RM'000	30.09.2015 Unaudited RM'000
Revenue		15,059	23,058	41,455	58,285
Cost of sales		<u>(13,373)</u>	<u>(15,865)</u>	<u>(37,677)</u>	<u>(47,322)</u>
Gross profit		1,686	7,193	3,778	10,963
Other operating income		146	116	573	585
Administrative expenses		(2,803)	(3,193)	(9,502)	(8,765)
Other operating expenses		(491)	(536)	(1,592)	(1,514)
Operating (loss)/profit		<u>(1,462)</u>	<u>3,580</u>	<u>(6,743)</u>	<u>1,269</u>
Finance costs		<u>(27)</u>	<u>(140)</u>	<u>(210)</u>	<u>(352)</u>
(Loss)/profit before taxation	7	(1,489)	3,440	(6,953)	917
Income tax benefit/(expenses)	8	<u>191</u>	<u>(741)</u>	<u>1,148</u>	<u>(293)</u>
(Loss)/profit for the period		<u>(1,298)</u>	<u>2,699</u>	<u>(5,805)</u>	<u>624</u>
(Loss)/profit for the period attributable to:					
Owners of the parent		(1,181)	2,699	(5,646)	624
Minority interest		<u>(117)</u>	<u>-</u>	<u>(159)</u>	<u>-</u>
		<u>(1,298)</u>	<u>2,699</u>	<u>(5,805)</u>	<u>624</u>
(Loss)/earnings per share attributable to owners of the parent (sen per share)					
- Basic	9	<u>(0.88)</u>	<u>2.01</u>	<u>(4.20)</u>	<u>0.46</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 2015 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 2016 (CONTINUED)

	Current quarter 3 months ended		Cumulative quarter 9 months ended	
	30.09.2016 Unaudited RM'000	30.09.2015 Unaudited RM'000	30.09.2016 Unaudited RM'000	30.09.2015 Unaudited RM'000
(Loss)/profit for the period	(1,298)	2,699	(5,805)	624
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Net loss on available-for-sale ("AFS") financial assets	(239)	(239)	(281)	(1,431)
Other comprehensive loss for the period, net of tax	(239)	(239)	(281)	(1,431)
Total comprehensive (loss)/income for the period, net of tax	(1,537)	2,460	(6,086)	(807)
Total comprehensive (loss)/income for the period, net of tax attributable to:				
Owners of the parent	(1,420)	2,460	(5,927)	(807)
Minority interest	(117)	-	(159)	-
	(1,537)	2,460	(6,086)	(807)

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 2015 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 2016

	Note	30.09.2016 Unaudited RM'000	31.12.2015 Audited RM'000
Assets			
Non-current assets			
Property, plant and equipment	10	66,805	67,452
Goodwill	11	-	-
Investment in associates		1,169	1,169
Deferred tax assets		1,082	505
Investment securities	12	6,390	6,672
		<u>75,446</u>	<u>75,798</u>
Current assets			
Inventories		10,488	7,821
Trade and other receivables		18,626	17,177
Tax recoverable		3,421	3,896
Cash and bank balances	13	7,123	18,511
		<u>39,658</u>	<u>47,405</u>
Total assets		<u>115,104</u>	<u>123,203</u>
Equity and liabilities			
Equity			
Share capital	14	67,273	67,273
Share premium	14	625	625
Retained earnings		26,409	32,055
Other reserves		(17,506)	(17,225)
Equity attributable to owners of the parents		<u>76,801</u>	<u>82,728</u>
Minority interest		481	-
Total equity		<u>77,282</u>	<u>82,728</u>
Non-current liabilities			
Retirement benefit obligations		8,428	8,037
Deferred tax liabilities		83	712
Borrowings	15	928	1,657
		<u>9,439</u>	<u>10,406</u>
Current liabilities			
Retirement benefit obligations		389	508
Borrowings	15	798	1,137
Trade and other payables		27,120	28,321
Tax payable		76	103
		<u>28,383</u>	<u>30,069</u>
Total liabilities		<u>37,822</u>	<u>40,475</u>
Total equity and liabilities		<u>115,104</u>	<u>123,203</u>
Net assets per share attributable to owners of the parent ("RM")		0.57	0.61

These condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 2016

	Attributable to owners of the parent								Minority interest RM'000
	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	Equity contribution from a corporate shareholder RM'000	Reserve arising from merger RM'000	
Opening balance at 1 January 2016	82,728	67,273	625	32,055	(17,225)	4,231	1,262	(22,718)	-
Loss for the period	(5,805)	-	-	(5,646)	-	-	-	-	(159)
Other comprehensive income									
- Fair value adjustment reserve	(281)	-	-	-	(281)	(281)	-	-	-
Total comprehensive loss	(6,086)	-	-	(5,646)	(281)	(281)	-	-	(159)
Transactions with owners									
Shares issued for acquisition of a subsidiary	640	-	-	-	-	-	-	-	640
Closing balance at 30 September 2016	77,282	67,273	625	26,409	(17,506)	3,950	1,262	(22,718)	481
Opening balance at 1 January 2015	86,784	67,273	625	36,088	(17,202)	5,316	200	(22,718)	-
Profit for the period	624	-	-	624	-	-	-	-	-
Other comprehensive income									
- Fair value adjustment reserve	(1,431)	-	-	-	(1,431)	(1,431)	-	-	-
Total comprehensive loss	(807)	-	-	624	(1,431)	(1,431)	-	-	-
Closing balance at 30 September 2015	85,977	67,273	625	36,712	(18,633)	3,885	200	(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 2015 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 2016

	Note	9 months ended	
		30.09.2016 Unaudited RM'000	30.09.2015 Unaudited RM'000
Operating activities			
(Loss)/profit before tax		(6,953)	917
<u>Adjustments for:</u>			
Interest income	7	(188)	(176)
Dividend income	7	(69)	(121)
Interest expenses	7	210	352
Gain on disposal of property, plant and equipment	7	(74)	(103)
Depreciation of property, plant and equipment	7	3,121	3,146
Property, plant and equipment written off	7	-	52
Impairment loss on trade and other receivables	7	-	32
Reversal of allowance for impairment of trade and other receivables	7	-	(120)
Provision for retirement benefits	7	625	436
(Reversal)/provision for short-term accumulating compensated absences	7	(7)	(7)
Total adjustments		<u>3,618</u>	<u>3,491</u>
Operating cash flows before changes in working capital		(3,335)	4,408
<u>Changes in working capital</u>			
(Increase)/decrease in inventory		(2,667)	1,375
(Increase)/decrease in trade and other receivables		(1,438)	156
Decrease in trade and other payables		(1,215)	(2,560)
Total changes in working capital		<u>(5,320)</u>	<u>(1,029)</u>
Interest paid		(139)	(221)
Income taxes refund/(paid)		376	(3,498)
Retirement benefits paid		(354)	(133)
Total changes in working capital		<u>(117)</u>	<u>(3,852)</u>
Net cash flows used in operating activities		<u>(8,772)</u>	<u>(473)</u>
Investing activities			
Purchase of property, plant and equipment	10	(2,423)	(1,748)
Proceeds from disposal of property, plant and equipment		182	134
Additional investment in a subsidiary		1,600	-
Net cash outflow on acquisition of subsidiary		(960)	-
Dividend received		69	121
Interest received		188	176
Net cash flows used in investing activities		<u>(1,344)</u>	<u>(1,317)</u>
Financing activities			
Drawdowns from borrowings		986	315
Repayment of borrowings		(2,258)	(901)
Net cash flows used in financing activities		<u>(1,272)</u>	<u>(586)</u>
Net decrease in cash and cash equivalents		(11,388)	(2,376)
Cash and cash equivalents at 1 January		17,477	17,899
Cash and cash equivalents at 30 September		<u>6,089</u>	<u>15,523</u>

These condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 2016**

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 2015 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 2015, 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 2016

Annual Improvements to MFRS 2012 – 2014 Cycle

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants

Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations

Amendments to MFRS 127: Equity Method in Separate Financial Statements

Amendments to MFRS 101: Disclosure Initiatives

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception

MFRS 14 Regulatory Deferral Accounts

Effective for annual periods beginning on or after 1 January 2018

MFRS 15 Revenue from Contracts with Customers

MFRS 9 Financial Instruments

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

4. Changes in estimates

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

5. Seasonality of operations

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

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

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, rental of properties, marketing and distribution agent and trading of wooden doors and woodchips, none of which are of a sufficient size to be reported separately.

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

	Harvesting, sawmilling and kiln drying RM'000	Manufacturing RM'000	Others RM'000	Consolidated RM'000
Results for 3 months ended 30 September 2016				
Operating revenue	7,721	7,149	189	15,059
Other operating income	85	47	14	146
Expenses	(8,604)	(6,745)	(1,345)	(16,694)
(Loss)/Profit before taxation	(798)	451	(1,142)	(1,489)

**Results for 3 months ended
30 September 2015**

Operating revenue	16,784	6,252	22	23,058
Other operating income	59	48	9	116
Expenses	(12,345)	(6,167)	(1,222)	(19,734)
Profit/(loss) before taxation	4,498	133	(1,191)	3,440

	Harvesting, sawmilling and kiln drying RM'000	Manufacturing RM'000	Others RM'000	Consolidated RM'000
Results for 9 months ended 30 September 2016				
Operating revenue	18,720	22,496	239	41,455
Other operating income	334	151	88	573
Expenses	(23,682)	(21,368)	(3,931)	(48,981)
(Loss)/profit before taxation	(4,628)	1,279	(3,604)	(6,953)

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

6. Segment information (continued)

	Harvesting, sawmilling and kiln drying RM'000	Manufacturing RM'000	Others RM'000	Consolidated RM'000
Results for 9 months ended 30 September 2015				
Operating revenue	38,104	20,143	38	58,285
Other operating income	378	188	19	585
Expenses	(34,805)	(19,748)	(3,400)	(57,953)
Profit/(loss) before taxation	3,677	583	(3,343)	917

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	
	30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
Interest income	(38)	(36)	(188)	(176)
Dividend income	(34)	-	(69)	(121)
Interest expenses	27	123	210	352
Depreciation of property, plant and equipment	1,043	1,020	3,121	3,146
Gain on disposal of property, plant and equipment	(2)	(8)	(74)	(103)
Property, plant and equipment written off	-	-	-	52
Impairment loss on trade and other receivables	-	32	-	32
Reversal of allowance for impairment of trade and other receivables	-	-	-	(120)
Provision/(reversal) of provision for short-term accumulating compensated absences	5	(13)	(7)	(7)
Provision for retirement benefits	208	147	625	436

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

8. Income tax (benefit)/expenses

	Current quarter		Cumulative quarter	
	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Current income tax	16	245	58	323
Under provision of income tax in respect of previous years	-	290	-	290
Deferred income tax	(156)	369	(1,080)	(125)
Over provision of deferred tax in respect of previous years	(51)	(163)	(126)	(195)
	<u>(191)</u>	<u>741</u>	<u>(1,148)</u>	<u>293</u>
Effective tax rate	12.8%	21.5%	16.5%	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 lower than the statutory tax rate due to deferred tax assets recognised from current year business losses mitigated by utilisation of unabsorbed business losses and unabsorbed capital allowances by certain subsidiaries.

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	
		30.09.2016	30.09.2015	30.09.2016	30.09.2015
(Loss)/earnings net of tax attributable to owners of the parent used in the computation of earnings per share	(RM'000)	<u>(1,181)</u>	<u>2,699</u>	<u>(5,646)</u>	<u>624</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>(0.88)</u>	<u>2.01</u>	<u>(4.20)</u>	<u>0.46</u>

10. Property, plant and equipment

During the nine-month period ended 30 September 2016, the Group has acquired property, plant and equipment at a cost of RM2,423,000 (30 September 2015: RM1,748,000). As at 30 September 2016, the total depreciation charged for the property, plant and equipment was RM3,121,000 (30 September 2015: RM3,146,000).

The Group has also disposed of assets with a carrying amount of RM108,000 during the nine-months ended 30 September 2016 (30 September 2015 : RM31,000), resulting in a gain on disposal of RM74,000 (30 September 2015: RM103,000), recognised and included in other income 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

11. Goodwill

	Goodwill RM'000
Cost:	
At 1 January 2015/31 December 2015/30 September 2016	<u>613</u>
Accumulated impairment:	
At 1 January 2015/31 December 2015/30 September 2016	<u>(613)</u>
Net carrying amount:	
At 1 January 2015/31 December 2015/30 September 2016	<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:

	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
30 September 2016				
Available-for-sale financial assets				
Equity shares	6,390	6,390	-	-
31 December 2015				
Available-for-sale financial assets				
Equity shares	6,672	6,672	-	-

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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

13. Cash and bank balances

Cash and bank balances comprised the following amounts:

	30.09.2016	31.12.2015
	RM'000	RM'000
Cash at banks and in hand	5,984	10,580
Deposits in licensed banks	1,139	7,931
	<u>7,123</u>	<u>18,511</u>
Less:		
Deposits in licensed banks	(1,034)	(1,034)
Total cash and cash equivalents	<u><u>6,089</u></u>	<u><u>17,477</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 September 2016.

15. Borrowings

	30.09.2016	31.12.2015
	RM'000	RM'000
Current		
Secured	798	1,137
Non-current		
Secured	928	1,657
Total borrowings	<u><u>1,726</u></u>	<u><u>2,794</u></u>

16. Dividend

There was no dividend declared by the Company during the financial period ended 30 September 2016 (30 September 2015: RMNil).

17. Commitments

	30.09.2016	31.12.2015
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Plant and machinery	413	-
Motor vehicles	346	-
Approved but not contracted for:		
Plant and machinery	10	423
Motor vehicles	4	350
	<u><u>773</u></u>	<u><u>773</u></u>

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

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 2016 and 31 December 2015 as well as the balances with the related parties as at 30 September 2016 and 31 December 2015:

		Expenses paid by 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.	30.09.2016	3	70	14,226
("TISB")	31.12.2015	10	(1,062)*	14,153
A corporate shareholder				
Lembaga Tabung Amanah Warisan	30.09.2016	-	-	640
Negeri Terengganu ("LTAWNT")	31.12.2015	-	-	640

* The interest on loan from TISB has been waived in December 2015.

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 2016**

20. Performance review

(a) Current Quarter vs Corresponding Quarter of Previous Period (3Q16 vs 3Q15)

The Group's revenue for the quarter under review was RM15.06 million, declined by 35% from RM23.06 million reported in the previous year's corresponding quarter, as a result, the Group recorded loss before taxation of RM1.49 million as compared to profit before taxation of RM3.44 million recorded in the previous year's corresponding quarter. This was contributed by unfavourable performance of harvesting, sawmilling and kiln drying segments of the Group.

Harvesting, sawmilling and kiln drying segment

For the quarter under review, the harvesting, sawmilling and kiln drying segment's revenue stood at RM7.72 million, 54% lower than the previous year's corresponding quarter of RM16.78 million. As a result, the segment recorded loss before taxation of RM0.80 million as compared to profit before taxation of RM4.50 million recorded in the previous year's corresponding quarter. The main reason for the unfavourable result was the reduction in the internal log extraction from 7,325 hoppus tonne in the previous year's corresponding quarter to 5,181 hoppus tonne in the current quarter.

Manufacturing segment

In contrast, the manufacturing segment which is represented by the glass division of the Group showed an improvement in the performance during the quarter under review as profit before taxation improved to RM0.45 million from RM0.13 million recorded in the previous year's corresponding quarter. Revenue has increased by 14% in the current quarter due to the increased in glass supply for the local projects.

Other segment

The performance of other segment of the Group has slightly improved in the current quarter as loss before taxation has reduced by 4%. The improvement in the quarter under review was contributed by the increased in operating revenue primarily as a result of new business venture in woodchip.

(b) Current period-to-date vs Previous Period-to-date (FY2016 vs FY2015)

The Group's performance for the period ended 30 September 2016 was unfavourable as compared to the previous year's corresponding period. The Group recorded a loss before taxation of RM6.95 million in the current period, in contrast from the profit before taxation of RM0.97 million reported in the same period last year. The Group's revenue has decreased by 29% from RM58.29 million in the previous year's corresponding period to RM41.46 million in the current period. The adverse result of the Group was mainly contributed by the poor performance of harvesting, sawmilling and kiln drying segment.

Harvesting, sawmilling and kiln drying segment

In the current period, the segment reported loss before taxation of RM4.63 million, an adverse performance as compared to profit before taxation of RM3.68 million registered in the previous year's corresponding period. The segment's revenue dropped significantly to RM18.72 million in the current period from RM38.10 million reported in the preceding year's corresponding period. The reduction in the revenue was in line with the lower log extracted, which in turn has affected sawn timber sales by a reduction of 48% from 19,639 tonne from the previous period-to-date to 10,200 tonne in the current period-to-date.

**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 2016**

20. Performance review (continued)

(b) Current period-to-date vs Previous Period-to-date (FY2016 vs FY2015) (continued)

Manufacturing segment

During the period under review, manufacturing segment recorded profit before taxation of RM1.28 million, representing an increase of 119% from RM0.58 million reported in the previous year's corresponding period. The increased in profit before taxation was in line with the increased in operating revenue of 12% in the period under review. The favourable performance in the manufacturing segment was due to the better selling price and encouraging supply to the local project during the period under review.

Other segment

Other segment reported a slight increased in loss before taxation of RM3.34 million reported in the previous year's corresponding period to RM3.60 million in the current period. The increased was mainly due to the increased in certain administrative expenses.

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

	Current quarter 30.09.2016 RM'000	Immediate preceding quarter 30.06.2016 RM'000
Revenue	15,059	16,292
Loss before taxation	(1,489)	(2,269)

The Group's revenue for the quarter under review was RM15.06 million, declined by 8% from RM16.29 million reported in the immediate preceding quarter. Despite the reduction in revenue, the Group's result has improved by 34% as loss before taxation reduced to RM1.49 million in the quarter under review.

During the quarter under review, the harvesting, sawmilling and kiln drying segment reported loss before taxation of RM0.80 million as compared to loss before taxation of RM1.50 million in the immediate preceding quarter. Meanwhile, the segment's revenue was at RM7.72 million, 9% lower than the immediate preceding quarter of RM8.52 million as a result of decreased in the log extraction and distribution to sawmills

Manufacturing segment recorded a slightly lower profit before taxation by 6% to RM0.45 million in the current quarter as compared to RM0.48 million in the immediate preceding quarter. The result was in line with the reduction in revenue from RM7.74 million to RM7.15 million in the period under review.

The loss before taxation for other segment in the current quarter decreased slightly by 8% as compared to RM1.25 million reported in the immediate preceding quarter as a result of the contribution from the sales of woodchip.

**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 2016**

22. Commentary on prospect

Harvesting, sawmilling and kiln drying of timber

Internal log extraction and mid-stream activities are expected to be affected by the coming monsoon season in the harvesting operational area. Overall, harvesting activity will continue to face challenges, particularly the ability to achieve optimum extraction yield per hectare, new stringent regulations by the Forestry Department which need to be complied, higher fuel cost, transportation cost and other operational costs.

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 customers demand price reduction and high quality products.

With the improved of glass production line and stable demands, the segment is thus, expected to further contribute positively to the Group result in 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.

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 2016 (30 September 2015: RMNil).

25. Risks and policies of derivatives

The Group did not enter into any derivative during the financial period ended 30 September 2016 or the previous financial year ended 31 December 2015.

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 2016 and 31 December 2015.

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING
REI Breakdown of realised and unrealised losses
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

27. The breakdown of the retained earnings of the Group as at 30 September 2016 and 31 December 2015 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 30.09.2016 RM'000	Previous financial year ended 31.12.2015 RM'000
Total accumulated losses of the Company and its subsidiaries		
- Realised	(214,237)	(196,751)
- Unrealised	999	(150)
	<u>(213,238)</u>	<u>(196,901)</u>
Total accumulated losses from associates		
- Realised	(10,576)	(10,576)
	<u>(223,814)</u>	<u>(207,477)</u>
Less: Consolidation adjustments	<u>(250,223)</u>	<u>(239,532)</u>
Total Group's retained earnings as per financial statements	<u>26,409</u>	<u>32,055</u>

28. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2015 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 24 November 2016.

By order of the Board

Mohd Adawi bin Ton Omar
Chief Executive Officer