

**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 2017**

	Note	Current quarter 3 months ended		Cumulative quarter 6 months ended	
		30.06.2017 Unaudited RM'000	30.06.2016 Unaudited RM'000	30.06.2017 Unaudited RM'000	30.06.2016 Unaudited RM'000
Revenue		15,510	16,292	23,933	26,396
Cost of sales		<u>(13,869)</u>	<u>(14,544)</u>	<u>(21,819)</u>	<u>(24,303)</u>
<b>Gross profit</b>		1,641	1,748	2,114	2,093
Other operating income		93	183	204	428
Administrative expenses		(2,837)	(3,564)	(6,262)	(6,699)
Other operating expenses		(530)	(565)	(1,080)	(1,102)
<b>Operating loss</b>		<u>(1,633)</u>	<u>(2,198)</u>	<u>(5,024)</u>	<u>(5,280)</u>
Finance costs		<u>(44)</u>	<u>(71)</u>	<u>(75)</u>	<u>(183)</u>
<b>Loss before taxation</b>	7	(1,677)	(2,269)	(5,099)	(5,463)
Income tax benefit	8	<u>178</u>	<u>343</u>	<u>340</u>	<u>956</u>
<b>Loss for the period</b>		<u>(1,499)</u>	<u>(1,926)</u>	<u>(4,759)</u>	<u>(4,507)</u>
<b>Loss for the period attributable to:</b>					
Owners of the parent		(1,379)	(1,896)	(4,551)	(4,465)
Non-controlling interest		<u>(120)</u>	<u>(30)</u>	<u>(208)</u>	<u>(42)</u>
		<u>(1,499)</u>	<u>(1,926)</u>	<u>(4,759)</u>	<u>(4,507)</u>
<b>Loss per share attributable to owners of the parent (sen per share)</b>					
- Basic	9	<u>(1.02)</u>	<u>(1.41)</u>	<u>(3.38)</u>	<u>(3.32)</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 2016 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 2017 (CONTINUED)**

	Current quarter 3 months ended		Cumulative quarter 6 months ended	
	30.06.2017 Unaudited RM'000	30.06.2016 Unaudited RM'000	30.06.2017 Unaudited RM'000	30.06.2016 Unaudited RM'000
Loss for the period	(1,499)	(1,926)	(4,759)	(4,507)
<b>Other comprehensive income</b>				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Net loss on available-for-sale ("AFS") financial assets	(150)	(768)	(144)	(42)
<b>Other comprehensive loss for the period, net of tax</b>	(150)	(768)	(144)	(42)
Total comprehensive loss for the period, net of tax	(1,649)	(2,694)	(4,903)	(4,549)
<b>Total comprehensive loss for the period, net of tax attributable to:</b>				
Owners of the parent	(1,529)	(2,664)	(4,695)	(4,507)
Non-controlling interest	(120)	(30)	(208)	(42)
	(1,649)	(2,694)	(4,903)	(4,549)

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 2016 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 2017**

	Note	30.06.2017 Unaudited RM'000	31.12.2016 Audited RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	54,147	53,432
Investment properties		11,153	12,266
Goodwill	11	-	-
Investment in associates		1,687	1,687
Deferred tax assets		752	534
Investment securities	12	2,802	2,946
		<u>70,541</u>	<u>70,865</u>
<b>Current assets</b>			
Inventories		10,897	7,214
Trade and other receivables		20,055	18,863
Tax recoverable		3,891	3,594
Cash and bank balances	13	4,812	11,654
		<u>39,655</u>	<u>41,325</u>
<b>Total assets</b>		<u>110,196</u>	<u>112,190</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	14	67,273	67,273
Share premium	14	625	625
Retained earnings		21,952	26,503
Other reserves		(20,095)	(19,951)
Equity attributable to owners of the parents		<u>69,755</u>	<u>74,450</u>
Non-controlling interest		230	438
<b>Total equity</b>		<u>69,985</u>	<u>74,888</u>
<b>Non-current liabilities</b>			
Retirement benefit obligations		8,626	8,927
Deferred tax liabilities		24	172
Borrowings	15	911	750
		<u>9,561</u>	<u>9,849</u>
<b>Current liabilities</b>			
Retirement benefit obligations		298	3
Borrowings	15	2,258	708
Trade and other payables		28,094	26,742
		<u>30,650</u>	<u>27,453</u>
<b>Total liabilities</b>		<u>40,211</u>	<u>37,302</u>
<b>Total equity and liabilities</b>		<u>110,196</u>	<u>112,190</u>
Net assets per share attributable to owners of the parent ("RM")		0.52	0.55

These condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 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 2017**

	Attributable to owners of the parent								
	Non-distributable		Distributable	Non-distributable					Minority interest RM'000
	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	
<b>Opening balance at 1 January 2017</b>	74,888	67,273	625	26,503	(19,951)	1,505	1,262	(22,718)	438
Loss for the period	(4,759)	-	-	(4,551)	-	-	-	-	(208)
Other comprehensive loss									
- Fair value adjustment reserve	(144)	-	-	-	(144)	(144)	-	-	-
Total comprehensive loss	(4,903)	-	-	(4,551)	(144)	(144)	-	-	(208)
<b>Closing balance at 30 June 2017</b>	<b>69,985</b>	<b>67,273</b>	<b>625</b>	<b>21,952</b>	<b>(20,095)</b>	<b>1,361</b>	<b>1,262</b>	<b>(22,718)</b>	<b>230</b>
<b>Opening balance at 1 January 2016</b>	82,728	67,273	625	32,055	(17,225)	4,231	1,262	(22,718)	-
Loss for the period	(4,507)	-	-	(4,465)	-	-	-	-	(42)
Other comprehensive loss									
- Fair value adjustment reserve	(42)	-	-	-	(42)	(42)	-	-	-
Total comprehensive loss	(4,549)	-	-	(4,465)	(42)	(42)	-	-	(42)
<b>Transactions with owners</b>									
Shares issued for acquisition of a subsidiary	640	-	-	-	-	-	-	-	640
<b>Closing balance at 30 June 2016</b>	<b>78,819</b>	<b>67,273</b>	<b>625</b>	<b>27,590</b>	<b>(17,267)</b>	<b>4,189</b>	<b>1,262</b>	<b>(22,718)</b>	<b>598</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 2016 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 2017**

	Note	6 months ended	
		30.06.2017 Unaudited RM'000	30.06.2016 Unaudited RM'000
<b>Operating activities</b>			
Loss before tax		(5,099)	(5,463)
<u>Adjustments for:</u>			
Interest income	7	(73)	(150)
Dividend income	7	-	(35)
Interest expenses	7	75	183
Gain on disposal of property, plant and equipment	7	(51)	(72)
Depreciation of property, plant and equipment	7	1,777	1,965
Depreciation of investment properties	7	113	113
Property, plant and equipment written off	7	1	-
Provision for retirement benefits	7	458	417
Reversal for short-term accumulating compensated absences	7	(15)	(12)
Total adjustments		<u>2,285</u>	<u>2,409</u>
<b>Operating cash flows before changes in working capital</b>		<b>(2,814)</b>	<b>(3,054)</b>
<u>Changes in working capital</u>			
Increase in inventory		(3,683)	(2,954)
Increase in trade and other receivables		(1,343)	(2,577)
Increase/(decrease) in trade and other payables		585	(686)
Total changes in working capital		<u>(4,441)</u>	<u>(6,217)</u>
Interest paid		(75)	(112)
Income taxes (paid)/refund		(323)	515
Retirement benefits paid		(464)	(314)
Total changes in working capital		<u>(862)</u>	<u>89</u>
<b>Net cash flows used in operating activities</b>		<b><u>(8,117)</u></b>	<b><u>(9,182)</u></b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	10	(817)	(1,565)
Proceeds from disposal of property, plant and equipment		52	168
Placement of deposit in licensed bank		(20)	-
Withdrawal of deposit with licenses bank		1,000	-
Additional investment in a subsidiary		-	1,600
Net cash outflow on acquisition of subsidiary		-	(960)
Dividend received		-	35
Interest received		73	150
<b>Net cash flows from/(used in) investing activities</b>		<b><u>288</u></b>	<b><u>(572)</u></b>
<b>Financing activities</b>			
Drawdowns from borrowings		1,206	696
Repayment of borrowings		(512)	(1,847)
<b>Net cash flows from/(used in) financing activities</b>		<b><u>694</u></b>	<b><u>(1,151)</u></b>
<b>Net decrease in cash and cash equivalents</b>		<b>(7,135)</b>	<b>(10,905)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>9,608</b>	<b>17,477</b>
<b>Cash and cash equivalents at 30 June</b>		<b><u>2,473</u></b>	<b><u>6,572</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 2016 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 2017**

**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 2016 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 2016, 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 2017**

MFRS 107 Disclosures Initiatives (Amendments to MFRS 107)

MFRS 112 Recognition of Deferred Tax for Unrealised Losses  
(Amendments to MFRS 112)

**Effective for annual periods beginning on or after 1 January 2018**

MFRS 2 Classification and Measurement of Share-based Payment  
Transactions (Amendments to MFRS 2)

MFRS 15 Revenue from Contracts with Customers

MFRS 9 Financial Instruments

**Effective for annual periods beginning on or after 1 July 2019**

MFRS 16 Leases

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 a material effect in the current interim results.

**5. Seasonality of operations**

During the quarter under review, the Group's principal business operations was affected by uncertain weather conditions.

**GOLDEN PHAROS BERHAD ( Company No. 152205-W )**  
**EXPLANATORY NOTES PURSUANT TO MFRS 134**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

**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 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.

	<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 2017</b>				
Operating revenue	7,727	7,553	230	15,510
Other operating income	28	52	13	93
Expenses	(8,588)	(7,245)	(1,447)	(17,280)
<b>(Loss)/Profit before taxation</b>	<b>(833)</b>	<b>360</b>	<b>(1,204)</b>	<b>(1,677)</b>

**Results for 3 months ended  
30 June 2016**

Operating revenue	8,523	7,738	31	16,292
Other operating income	99	55	29	183
Expenses	(10,124)	(7,312)	(1,308)	(18,744)
<b>(Loss)/Profit before taxation</b>	<b>(1,502)</b>	<b>481</b>	<b>(1,248)</b>	<b>(2,269)</b>

	<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 6 months ended 30 June 2017</b>				
Operating revenue	9,251	14,149	533	23,933
Other operating income	79	110	15	204
Expenses	(13,006)	(13,582)	(2,648)	(29,236)
<b>(Loss)/profit before taxation</b>	<b>(3,676)</b>	<b>677</b>	<b>(2,100)</b>	<b>(5,099)</b>

**GOLDEN PHAROS BERHAD ( Company No. 152205-W )**  
**EXPLANATORY NOTES PURSUANT TO MFRS 134**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

**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 2016</b>				
Operating revenue	10,998	15,347	51	26,396
Other operating income	249	104	75	428
Expenses	(15,078)	(14,623)	(2,586)	(32,287)
<b>(Loss)/profit before taxation</b>	<b>(3,831)</b>	<b>828</b>	<b>(2,460)</b>	<b>(5,463)</b>

**7. Loss before taxation**

Included in the loss before taxation are the following items:

	Current quarter 3 months ended		Cumulative quarter 6 months ended	
	30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Interest income	(43)	(89)	(73)	(150)
Dividend income	-	-	-	(35)
Interest expenses	44	72	75	183
Depreciation of property, plant and equipment	862	976	1,777	1,965
Depreciation of investment properties	56	56	113	113
(Gain)/loss on disposal of property, plant and equipment	(28)	6	(51)	(72)
Property, plant and equipment written off	1	-	1	-
Provision/(reversal) of provision for short-term accumulating compensated absences	3	5	(15)	(12)
Provision for retirement benefits	229	209	458	417



**GOLDEN PHAROS BERHAD ( Company No. 152205-W )**  
**EXPLANATORY NOTES PURSUANT TO MFRS 134**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

**8. Income tax benefit**

	<b>Current quarter</b>		<b>Cumulative quarter</b>	
	<b>3 months ended</b>		<b>6 months ended</b>	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Current income tax	11	19	24	41
Deferred income tax	(189)	(354)	(364)	(923)
Over provision of deferred tax in respect of previous years	-	(8)	-	(74)
	<u>(178)</u>	<u>(343)</u>	<u>(340)</u>	<u>(956)</u>
Effective tax rate	10.6%	15.1%	6.7%	17.5%

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 temporary differences.

**9. Loss per share**

Basic loss per share amounts are calculated by dividing loss for the period, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period.

		<b>Current quarter</b>		<b>Cumulative quarter</b>	
		<b>3 months ended</b>		<b>6 months ended</b>	
		30.06.2017	30.06.2016	30.06.2017	30.06.2016
Loss net of tax attributable to owners of the parent used in the computation of earnings per share	(RM'000)	<u>(1,379)</u>	<u>(1,896)</u>	<u>(4,551)</u>	<u>(4,465)</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 per share	(sen)	<u>(1.02)</u>	<u>(1.41)</u>	<u>(3.38)</u>	<u>(3.32)</u>

**10. Property, plant and equipment**

During the six-month period ended 30 June 2017, the Group has acquired property, plant and equipment at a cost of RM817,000 (30 June 2016: RM1,565,000). As at 30 June 2017, the total depreciation charged for the property, plant and equipment was RM1,777,000 (30 June 2016: RM1,965,000). 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 2017 (30 June 2016: RMNil). This has been included in other operating expenses in the statement of profit and loss and other comprehensive income.

The Group has also disposed of assets with a carrying amount of RM1,000 during the six-months ended 30 June 2017 (30 June 2016 : RM96,000), resulting in a gain on disposal of RM51,000 (30 June 2016: RM72,000), 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 2017**

**11. Goodwill**

	<b>Goodwill</b> RM'000
<b>Cost:</b>	
At 1 January 2016/31 December 2016/30 June 2017	<u>613</u>
<b>Accumulated impairment:</b>	
At 1 January 2016/31 December 2016/30 June 2017	<u>(613)</u>
<b>Net carrying amount:</b>	
At 1 January 2016/31 December 2016/30 June 2017	<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>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	RM'000	RM'000	RM'000	RM'000
<b>30 June 2017</b>				
<b>Available-for-sale financial assets</b>				
Equity shares	2,802	2,802	-	-
<b>31 December 2016</b>				
<b>Available-for-sale financial assets</b>				
Equity shares	2,946	2,946	-	-

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 2017**

**13. Cash and bank balances**

Cash and bank balances comprised the following amounts:

	<b>30.06.2017</b>	<b>31.12.2016</b>
	RM'000	RM'000
Cash at banks and in hand	3,371	9,183
Deposits in licensed banks	1,441	2,471
	<u>4,812</u>	<u>11,654</u>
Less:		
Bank overdrafts	(1,273)	-
Deposits in licensed banks	(1,066)	(2,046)
<b>Total cash and cash equivalents</b>	<u><u>2,473</u></u>	<u><u>9,608</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 2017.

**15. Borrowings**

	<b>30.06.2017</b>	<b>31.12.2016</b>
	RM'000	RM'000
<b>Current</b>		
Secured	2,258	708
<b>Non-current</b>		
Secured	911	750
Total borrowings	<u><u>3,169</u></u>	<u><u>1,458</u></u>

**16. Dividend**

There was no dividend declared by the Company during the financial period ended 30 June 2017 (30 June 2016: RMNil).

**17. Commitments**

	<b>30.06.2017</b>	<b>31.12.2016</b>
	RM'000	RM'000
<b>Capital expenditure</b>		
Approved and contracted for:		
Plant and machinery	521	-
Motor vehicles	690	-
Approved but not contracted for:		
Plant and machinery	2,868	3,389
Motor vehicles	-	690
	<u><u>4,079</u></u>	<u><u>4,079</u></u>

**GOLDEN PHAROS BERHAD ( Company No. 152205-W )**  
**EXPLANATORY NOTES PURSUANT TO MFRS 134**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

**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 2017 and 31 December 2016 as well as the balances with the related parties as at 30 June 2017 and 31 December 2016:

		<b>Expenses</b>	<b>Interest</b>	<b>Amounts</b>
		<b>Loans paid by</b>	<b>on loans</b>	<b>owed to</b>
		<b>from related</b>	<b>from related</b>	<b>related</b>
		<b>parties</b>	<b>parties</b>	<b>parties</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Entities with significant influence over the Group:				
Holding company				
Terengganu Incorporated Sdn. Bhd. ("TISB")	30.06.2017	1,000	-	15,199
	31.12.2016	-	3	14,199
A corporate shareholder				
Lembaga Tabung Amanah Warisan	30.06.2017	-	-	640
Negeri Terengganu ("LTAWNT")	31.12.2016	-	-	640

**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 2017**

**20. Performance review**

**(a) Current Quarter vs Corresponding Quarter of Previous Period (2Q17 vs 2Q16)**

The Group's revenue for the quarter under review was RM15.51 million, 5% lower than RM16.29 million reported in the previous year's corresponding quarter. In contrast, the Group's loss before taxation dropped by 26% to RM1.68 million from RM2.27 million recorded in the previous year's corresponding quarter due to the savings in the Group's operational expenses.

**Harvesting, sawmilling and kiln drying segment**

The harvesting, sawmilling and kiln drying segment reported a better result in profitability despite the reduction in revenue by 9% in the current quarter. The loss before taxation reduced by 45% to RM0.83 million as compared to loss before taxation of RM1.50 million reported in the previous year's corresponding quarter. The factor contributed to the better result in the current quarter was the savings in certain segment's expenses.

**Manufacturing segment**

During the quarter under review, the manufacturing segment which is the glass division of the Group recorded a profit before taxation of RM0.36 million, a decrease of 25% from RM0.48 million recorded in the previous year's corresponding quarter. The decrease in profit was mainly contributed by the decrease in the segment's revenue of 2% during the quarter under review. It is reported that the slowdown in the construction industry especially in housing sector in the medium and high end houses has impacted the Group's glass division.

**Other segment**

Other segment for the Group has recorded a slight decrease in loss before taxation from RM1.25 million to RM1.20 million in the current quarter. The improvement in the quarter under review was contributed by the performance of new business venture in woodchip.

**(b) Current period-to-date vs Previous Period-to-date (FY2017 vs FY2016)**

For the financial period under review, the Group registered a loss before taxation of RM5.10 million as compared to a loss before taxation of RM5.46 million reported in the previous year's corresponding period. The Group's revenue has decreased by 9% from RM26.40 million reported in the previous year to RM23.93 million in the current period.

**Harvesting, sawmilling and kiln drying segment**

In the current period, the segment reported a loss before taxation of RM3.68 million, a slight decrease from a loss before taxation of RM3.83 million registered in the previous year's corresponding period. Whilst, the segment's revenue has dropped significantly to RM9.25 million in the current period from RM11.00 million reported in the preceding year's corresponding period. The reduction in the revenue was in line with the lower sawn timber production, that in turn has affected the sawn timber sales by the reduction of 29% from 5,898 tonne from the previous period-to-date to 4,547 tonne in the current period-to-date.

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**20. Performance review (continued)**

**(b) Current period-to-date vs Previous Period-to-date (FY2017 vs FY2016) (continued)**

**Manufacturing segment**

During the period under review, the manufacturing segment recorded a profit before taxation of RM0.68 million, representing a decrease of 18% from RM0.83 million reported in the previous year's corresponding period. The decrease in profit before taxation was in line with the decline in the segment's revenue of 7% in the period under review. The adverse performance in manufacturing segment was contributed by the slowdown in the glass demand for the local projects.

**Other segment**

Other segment has recorded a slight decrease in loss before taxation of RM2.10 million in the quarter under review as compared to the loss before taxation of RM2.46 million in the previous year's corresponding quarter as a result of the increase in operating revenue due to the new business venture in woodchips.

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

	<b>Current quarter 30.06.2017 RM'000</b>	<b>Immediate preceding quarter 31.03.2017 RM'000</b>
Revenue	<u>15,510</u>	<u>8,423</u>
Loss before taxation	<u>(1,677)</u>	<u>(3,423)</u>

The Group's result improved significantly in the current quarter with a loss before taxation reduced tremendously to RM1.68 million from RM3.42 million in the immediate preceding quarter, whilst the revenue improved by 84% in the current quarter.

The major contribution for the improvement was from the harvesting, sawmilling and kiln drying segment as a result of the improvement in operating income by 407%. Meanwhile, the segment's loss before taxation reduced by 70% to RM0.83 million as compared to RM2.85 million recorded in the immediate preceding quarter. The improvement was due to better performance in logs extraction and sawmilling operations.

Meanwhile, the manufacturing segment reported a slight increased in profit before taxation of RM0.36 million as compared to profit before taxation of RM0.31 million recorded in the immediate preceding quarter. The result was in line with the increase in revenue from RM6.60 million to RM7.55 million in the quarter under review.

The loss before taxation for other segment in the current quarter increased by 35% as compared to RM0.90 million reported in the immediate preceding quarter. The increase in loss in the quarter under review was contributed by the reduction in operating revenue as well as increase in certain administrative expenses.

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**22. Commentary on prospect**

**Harvesting, sawmilling and kiln drying of timber**

Internal logs extraction and mid-stream activities are expected to improve in the coming quarters with the approval of new logging licenses which in return could improve the logs supply for further processing. However, harvesting activity will continue to face challenges such as 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 achieve better result.

**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 to the current 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.

**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 2017 (30 June 2016: RMNil).

**25. Risks and policies of derivatives**

The Group did not enter into any derivative during the financial period ended 30 June 2017 or the previous financial year ended 31 December 2016.

**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 2017 and 31 December 2016.

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

The breakdown of the retained earnings of the Group as at 30 June 2017 and 31 December 2016 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 30.06.2017 RM'000</b>	<b>Previous financial year ended 31.12.2016 RM'000</b>
Total accumulated losses of the Company and its subsidiaries		
- Realised	(219,126)	(214,146)
- Unrealised	728	325
	<u>(218,398)</u>	<u>(213,821)</u>
Total accumulated losses from associates		
- Realised	(10,058)	(10,058)
	<u>(228,456)</u>	<u>(223,879)</u>
Less: Consolidation adjustments	(250,408)	(250,382)
Total Group's retained earnings as per financial statements	<u>21,952</u>	<u>26,503</u>

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

The auditors' report on the financial statements for the year ended 31 December 2016 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 21 August 2017.

By order of the Board

**Suhairi bin Sulong**  
Acting Chief Executive Officer