

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018

	Note	Current quarter 3 months ended		Cumulative quarter 3 months ended	
		31.03.2018	31.03.2017	31.03.2018	31.03.2017
		Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
Revenue		15,894	8,423	15,894	8,423
Cost of sales		<u>(10,861)</u>	<u>(7,950)</u>	<u>(10,861)</u>	<u>(7,950)</u>
Gross profit		5,033	473	5,033	473
Other operating income		236	111	236	111
Administrative expenses		(3,725)	(3,435)	(3,725)	(3,435)
Other operating expenses		(429)	(551)	(429)	(551)
Operating profit/(loss)		<u>1,115</u>	<u>(3,402)</u>	<u>1,115</u>	<u>(3,402)</u>
Finance costs		<u>(26)</u>	<u>(31)</u>	<u>(26)</u>	<u>(31)</u>
Profit/(loss) before taxation	7	1,089	(3,433)	1,089	(3,433)
Income tax (expense)/benefit	8	<u>(79)</u>	<u>162</u>	<u>(79)</u>	<u>162</u>
Profit/(loss) for the period		<u>1,010</u>	<u>(3,271)</u>	<u>1,010</u>	<u>(3,271)</u>
Profit/(loss) for the period attributable to:					
Owners of the parent		1,008	(3,183)	1,008	(3,183)
Non-controlling interest		<u>2</u>	<u>(88)</u>	<u>2</u>	<u>(88)</u>
		<u>1,010</u>	<u>(3,271)</u>	<u>1,010</u>	<u>(3,271)</u>
Earnings/(loss) per share attributable to owners of the parent (sen per share)					
- Basic	9	<u>0.74</u>	<u>(2.37)</u>	<u>0.74</u>	<u>(2.37)</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 2017 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 THREE-MONTH PERIOD ENDED 31 MARCH 2018 (CONTINUED)

	Current quarter		Cumulative quarter	
	3 months ended		3 months ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Unaudited	Unaudited	Unaudited	Unaudited
Note	RM'000	RM'000	RM'000	RM'000
Profit/(loss) for the period	1,010	(3,271)	1,010	(3,271)
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Net (loss)/gain on available-for-sale ("AFS") financial assets :	(338)	6	(338)	6
Other comprehensive (loss)/gain for the period, net of tax	(338)	6	(338)	6
Total comprehensive income/(loss) for the period, net of tax	672	(3,265)	672	(3,265)
Total comprehensive income/(loss) for the period, net of tax attributable to:				
Owners of the parent	670	(3,177)	670	(3,177)
Non-controlling interest	2	(88)	2	(88)
	672	(3,265)	672	(3,265)

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 2017 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 31 MARCH 2018

	Note	31.03.2018 Unaudited RM'000	31.12.2017 Audited RM'000
Assets			
Non-current assets			
Property, plant and equipment	10	51,364	52,687
Investment properties		12,337	12,395
Goodwill	11	-	-
Investment in associates		2,198	2,198
Deferred tax assets		1,084	789
Investment securities	12	2,097	2,434
		<u>69,080</u>	<u>70,503</u>
Current assets			
Inventories		11,979	7,565
Trade and other receivables		22,141	20,019
Tax recoverable		1,792	2,121
Cash and bank balances	13	8,918	11,413
		<u>44,830</u>	<u>41,118</u>
Total assets		<u>113,910</u>	<u>111,621</u>
Equity and liabilities			
Equity			
Share capital	14	67,898	67,898
Retained earnings		29,012	28,004
Other reserves		(20,859)	(20,521)
Equity attributable to owners of the parents		<u>76,051</u>	<u>75,381</u>
Non-controlling interest		31	29
Total equity		<u>76,082</u>	<u>75,410</u>
Non-current liabilities			
Retirement benefit obligations		8,507	8,906
Borrowings	15	684	797
		<u>9,191</u>	<u>9,703</u>
Current liabilities			
Retirement benefit obligations		991	400
Borrowings	15	617	837
Trade and other payables		27,029	25,271
		<u>28,637</u>	<u>26,508</u>
Total liabilities		<u>37,828</u>	<u>36,211</u>
Total equity and liabilities		<u>113,910</u>	<u>111,621</u>
Net assets per share attributable to owners of the parent ("RM")		0.57	0.56

These condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 THREE-MONTH PERIOD ENDED 31 MARCH 2018

	Attributable to owners of the parent							Non-controlling interest RM'000
	Non-distributable	Distributable	Non-distributable					
	Equity, total RM'000	Share capital RM'000	Total retained earnings RM'000	Other reserves, total RM'000	Fair value reserve RM'000	Equity contribution from owners RM'000	Reserve arising from merger RM'000	
Opening balance at 1 January 2018								
- As previously stated	74,425	67,898	27,019	(20,521)	935	1,262	(22,718)	29
- Effect of changes in accounting policies (Note 3)	985	-	985	-	-	-	-	-
As at 1 January 2018, as restated	75,410	67,898	28,004	(20,521)	935	1,262	(22,718)	29
Profit for the period	1,010	-	1,008	-	-	-	-	2
Other comprehensive loss								
- Fair value adjustment reserve	(338)	-	-	(338)	(338)	-	-	-
Total comprehensive income/(loss)	672	-	1,008	(338)	(338)	-	-	2
Closing balance at 31 March 2018	76,082	67,898	29,012	(20,859)	597	1,262	(22,718)	31
Opening balance at 1 January 2017								
- As previously stated	74,888	67,898	26,503	(19,951)	1,505	1,262	(22,718)	438
- Effect of changes in accounting policies (Note 3)	1,025	-	1,025	-	-	-	-	-
As at 1 January 2017, as restated	75,913	67,898	27,528	(19,951)	1,505	1,262	(22,718)	438
Loss for the period	(3,271)	-	(3,183)	-	-	-	-	(88)
Other comprehensive income								
- Fair value adjustment reserve	6	-	-	6	6	-	-	-
Total comprehensive (loss)/income	(3,265)	-	(3,183)	6	6	-	-	(88)
Closing balance at 31 March 2017	72,648	67,898	24,345	(19,945)	1,511	1,262	(22,718)	350

These condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 THREE-MONTH PERIOD ENDED 31 MARCH 2018

	Note	3 months ended	
		31.03.2018 Unaudited RM'000	31.03.2017 Unaudited RM'000
Operating activities			
Profit/(loss) before tax		1,089	(3,433)
<u>Adjustments for:</u>			
Interest income	7	(30)	(30)
Interest expenses	7	26	31
Gain on disposal of property, plant and equipment	7	-	(23)
Depreciation of property, plant and equipment	7	951	914
Depreciation of investment properties	7	58	58
Property, plant and equipment written off	7	85	-
(Reversal)/provision of expected credit loss allowance	7	(2)	10
Provision for retirement benefits	7	265	229
Provision/(reversal) for short-term accumulating compensated absences	7	6	(18)
Total adjustments		1,359	1,171
Operating cash flows before changes in working capital		2,448	(2,262)
<u>Changes in working capital</u>			
Increase in inventory		(4,410)	(3,791)
Increase in trade and other receivables		(1,219)	(1,662)
Increase in trade and other payables		1,795	1,751
Total changes in working capital		(3,834)	(3,702)
Interest paid		(26)	(31)
Income taxes paid		(117)	(193)
Retirement benefits paid		(74)	(13)
Total changes in working capital		(217)	(237)
Net cash flows used in operating activities		(1,603)	(6,201)
Investing activities			
Purchase of property, plant and equipment	10	(558)	(227)
Proceeds from disposal of property, plant and equipment		-	23
Placement of deposit with licensed bank		(2,500)	(20)
Interest received		30	30
Net cash flows used in investing activities		(3,028)	(194)
Financing activities			
Drawdown from borrowings		202	206
Repayment of borrowings		(566)	(361)
Net cash flows used in financing activities		(364)	(155)
Net decrease in cash and cash equivalents		(4,995)	(6,550)
Cash and cash equivalents at 1 January		10,361	9,608
Cash and cash equivalents at 31 December		5,366	3,058

These condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 THREE-MONTH PERIOD ENDED 31 MARCH 2018**

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 2017 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 2017, except for the adoption of the following new and amended MFRSs and IC Interpretation which are applicable to its financial statements and are relevant to its operations:-

On 1 January 2018, the Group adopted the following new and amended MFRSs and IC Interpretation mandatory for annual periods beginning on or after 1 January 2018:

Description	Effective for annual periods beginning on or after
MFRS 2 Classification and Measurement of Share-based Payment	1 January 2018
Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 140 Transfer of Investment Property (Amendments to MFRS 140)	1 January 2018
Annual Improvement to MFRS Standards 2014-2016 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

The initial application of the abovementioned standards and interpretations did not have any material impact to the financial statements of the Group except as discussed in below"

MFRS 9 Financial Instrument

The Group has adopted MFRS 9 which is become effective for annual periods beginning on or after 1 January 2018. Retrospective application is required, but comparative information is not compulsory.

The key changes to the Group's accounting policies resulting from its adoption of MFRS 9 are summarised below.

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018**

3. Significant accounting policies (continued)

MFRS 9 Financial Instrument (continued)

(i) Classification of financial assets and financial liabilities

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristic.

MFRS 9 contains three (3) principal classification categories for financial assets:

- Amortised Cost ("AC")
- Fair Value through Other Comprehensive Income ("FVOCI"), and
- Fair Value through Profit or Loss ("FVTPL")

The standard eliminates the existing MFRS 139 categories of Held-to-Maturity ("HTML"), Loans and Receivables ("L&R") and Available-for-Sale ("AFS").

MFRS 9 largely retains the existing requirement in MFRS 139 for the classification of financial liabilities. However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group have classified their financial liabilities as other financial liabilities, and therefore, the application of MFRS 9 will not have significant impact on the Group's financial liabilities.

(ii) Impairment of financial assets

MFRS 9 replaces the "incurred loss" loss model in MFRS 139 with a forward-looking "expected credit loss" ("ECL") model. This requires considerable judgement about how changes in economic factors affect ECLs, which is determined on a probability-weighted basis. Under MFRS 9, credit losses are recognised earlier than under MFRS 139.

The new impairment model is applied to financial assets measured at AC or FVOCI, except for investment in equity instruments.

Under MFRS 9, loss allowances will be measured on either of the following bases:

- *12-month ECLs*: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- *Lifetime ECLs*: These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not increased significantly. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date.

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018**

3. Significant accounting policies (continued)

MFRS 9 Financial Instrument (continued)

(iii) Effect upon adoption of MFRS 9

(a) Investment in equity instruments.

Quoted equity shares with a fair value of RM935,000 currently held as available-for-sale. On the adoption of MFRS 9, the Group has elected to designate this investment that are held for long-term strategic purpose to be measured at FVOCI. For the unquoted investment in equity instruments, the Group will apply the option to present fair value changes in OCI, and therefore, the application of MFRS 9 will not have significant impact.

Consequently, all fair value gains and losses were reported in other comprehensive income, no impairment losses were recognised in profit or loss and no gains or losses will be reclassified to profit or loss on disposal for these financial assets.

(b) Trade receivables

The Group has assessed and considered trade receivables as financial asset at AC subject to MFRS 9's new expected credit loss model. The Group applies the simplified approach to provide for expected credit losses prescribed by MFRS 9, which permit the use of the lifetime expected loss provision for all trade receivables.

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectable were written off by reducing the carrying amount directly.

Under new expected loss model, the impairment are based on shared credit characteristic, whereby the expected loss is recognised immediately on the first day even loss event not yet occur. The expected loss rate is considered based on past experience of collecting payments, current market condition and forward looking information.

The impact and movement in allowance account upon adoption of MFRS 9:

	2018
	RM'000
At 1 January	11,927
Effect on adoption of MFRS 9 recognised in retained earnings	(985)
Decrease in expected credit loss allowance recognised in profit and loss	(2)
At 31 March	<u>10,940</u>

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018**

3. Significant accounting policies (continued)

MFRS 9 Financial Instrument (continued)

(iv) Effect on retained earnings

The effect of transition to MFRS 9 on the opening retained earnings are as follow, there is no impact on other components of equity.

	Impact of adopting MFRS 9 As at 1.1.2018 RM'000
Retained earnings	
Closing balance under MFRS 139 at 31 December 2017	27,019
Recognition of expected credit losses under MFRS 9	985
Opening balance under MFRS 9 at 1 January 2018	<u>28,004</u>

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Upon adoption of MFRS 15, the Group recognises the revenue from contracts with customers when or as the Group transfers goods or services to a customer, measured at the amount to which the Group expects to be entitled, according to the term and condition stipulated in the contracts with customers. Depending on whether certain criteria are met, revenue is recognised over time, in a manner that depicts the Group’s performance; or at a point in time, when control of the goods or services is transferred to the customers. The adoption of this new MFRS 15 have not resulted in any material impact on the financial statements of the Group.

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 adversely affected by the seasonal or cyclical factors such as rainy season.

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018**

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, kiln drying of timber and sales of rights to log.
- (ii) Manufacturing - manufacturing and trading of glass.
- (iii) Others - including investment holding, rental of properties, marketing and trading of 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 31 March 2018				
Operating revenue	9,535	6,153	206	15,894
Other operating income	100	43	93	236
Expenses	(7,940)	(5,936)	(1,165)	(15,041)
Profit/(loss) before taxation	1,695	260	(866)	1,089
Results for 3 months ended 31 March 2017				
Operating revenue	1,523	6,596	304	8,423
Other operating income	51	58	2	111
Expenses	(4,422)	(6,344)	(1,201)	(11,967)
(Loss)/profit before taxation	(2,848)	310	(895)	(3,433)

7. Profit/(loss) before taxation

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

	Current quarter 3 months ended		Cumulative quarter 3 months ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Interest income	(30)	(30)	(30)	(30)
Interest expenses	26	31	26	31
Depreciation of property, plant and equipment	951	914	951	914
Depreciation of investment properties	58	58	58	58
Gain on disposal of property, plant and equipment	-	(23)	-	(23)
Property, plant and equipment written off	85	-	85	-

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FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018

7. Profit/(loss) before taxation (continued)

	Current quarter		Cumulative quarter	
	3 months ended		3 months ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
(Reversal)/provision of expected credit loss allowance	(2)	10	(2)	10
Provision/(reversal) for short-term accumulating compensated absences	6	(18)	6	(18)
Provision for retirement benefits	265	229	265	229

8. Income tax expense/(benefit)

	Current quarter		Cumulative quarter	
	3 months ended		3 months ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Current income tax	295	12	295	12
Deferred income tax	(214)	(174)	(214)	(174)
Over provision of deferred tax in respect of previous years	(2)	-	(2)	-
	79	(162)	79	(162)
Effective tax rate	7.3%	4.7%	7.3%	4.7%

Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. For the current financial period under review, the Group's effective tax rate was lower than statutory tax rate due to reversal temporary differences.

9. Earnings/(loss) per share

Basic earnings/(loss) per share amounts are calculated by dividing profit/(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.

		Current quarter		Cumulative quarter	
		3 months ended		3 months ended	
		31.03.2018	31.03.2017	31.03.2018	31.03.2017
Earnings/(loss) net of tax attributable to owners of the parent used in the computation of earnings per share	(RM'000)	1,008	(3,183)	1,008	(3,183)
Weighted average number of ordinary shares in issue	(' 000)	134,547	134,547	134,547	134,547
Basic earnings/(loss) per share	(sen)	0.74	(2.37)	0.74	(2.37)

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018**

10. Property, plant and equipment

During the three-month period ended 31 March 2018, the Group has acquired property, plant and equipment at a cost of RM558,000 (31 March 2017: RM227,000). As at 31 March 2018, the total depreciation charged for the property, plant and equipment was RM951,000 (31 March 2017: RM914,000). Property, plant and equipment with a carrying amount of RM85,000 were written off by the Group during the three-month period ended 31 March 2018 (31 March 2017: RMNil). This has been included in other operating expenses in the statement of profit and loss and other comprehensive income.

11. Goodwill

	Goodwill RM'000
Cost:	
At 1 January 2017/31 December 2017/31 March 2018	<u>613</u>
Accumulated impairment:	
At 1 January 2017/31 December 2017/31 March 2018	<u>(613)</u>
Net carrying amount:	
At 1 January 2017/31 December 2017/31 March 2018	<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
31 March 2018				
Fair value through other comprehensive income financial assets				
Equity shares	2,097	2,097	-	-
31 December 2017				
Available-for-sale financial assets				
Equity shares	2,434	2,434	-	-

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 THREE-MONTH PERIOD ENDED 31 MARCH 2018**

13. Cash and bank balances

Cash and bank balances comprised the following amounts:

	31.03.2018	31.12.2017
	RM'000	RM'000
Cash at banks and in hand	4,921	9,616
Deposits in licensed banks	3,997	1,797
	<u>8,918</u>	<u>11,413</u>
Less:		
Deposits in licensed banks	(3,552)	(1,052)
Total cash and cash equivalents	<u><u>5,366</u></u>	<u><u>10,361</u></u>

14. Share capital

There were no issuances, cancellation, repurchases, resale and repayments of debts and equity securities for the financial period ended 31 March 2018.

15. Borrowings

	31.03.2018	31.12.2017
	RM'000	RM'000
Current		
Secured	617	837
Non-current		
Secured	684	797
Total borrowings	<u><u>1,301</u></u>	<u><u>1,634</u></u>

16. Dividend

There was no dividend declared by the Company during the financial period ended 31 March 2018 (31 March 2017: RMNil).

17. Commitments

	31.03.2018	31.12.2017
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Plant and machinery	546	-
Approved but not contracted for:		
Plant and machinery	4,462	5,008
Motor vehicles	193	193
	<u><u>5,201</u></u>	<u><u>5,201</u></u>

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018**

18. Related party transactions

The following table provides information on the transactions which have been entered into with related parties during the three-month periods ended 31 March 2018 and 31 March 2017 as well as the balances with the related parties as at 31 March 2018 and 31 December 2017:

		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. ("TISB")	31.03.2018	-	-	15,267
	31.12.2017	-	-	15,267
A corporate shareholder				
Lembaga Tabung Amanah Warisan	31.03.2018	-	-	640
Negeri Terengganu ("LTAWNT")	31.12.2017	-	-	640

19. Events after the reporting period

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

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20. Performance review

(a) Current Quarter vs Corresponding Quarter of Previous Period (1Q18 vs 1Q17)

The Group registered a revenue of RM15.89 million for the current quarter ended 31 March 2018, improved by 89% from RM8.42 million reported in the previous year's corresponding quarter. In terms of profitability, the Group posted a profit before taxation of RM1.09 million in the current quarter as compared with a loss before taxation of RM3.43 million in the previous year's corresponding quarter.

The improved result was primarily driven by the favourable performance of Group's harvesting, sawmilling and kiln-drying segment.

Harvesting, sawmilling and kiln drying segment

During the quarter under review, the harvesting, sawmilling and kiln drying segment reported a profit before taxation of RM1.70 million, 160% better than the loss before taxation of RM2.85 million in the previous year's corresponding quarter. The better result was in line with the notable increase in segment's revenue by 526% to RM9.54 million in the current quarter as compared to RM1.52 million reported in the previous corresponding quarter.

The remarkable results in segment's revenue and profit were contributed by higher sales achievement in sawntimber as a result of better logs extraction in the current quarter. For record, a total of 11,916 hoppus tonne logs were extracted during the period under review as compared with 5,346 hoppus tonne logs extracted during the same period in the previous year. In addition, the proceeds from forward sales of standing tree amounting to RM2.32 million were also contributed to the better results in the current quarter.

Manufacturing segment

The manufacturing segment, which is the glass division of the Group posted a profit before taxation of RM0.26 million in the first quarter of the year, 16% lower than the RM0.31 million reported in the previous corresponding quarter. The reduction in profit was in line with the drop in segment's revenue of 7% during the quarter under review, primarily related to the lukewarm construction projects which affected segment's order book.

Other segment

Other segment reported a revenue of RM0.21 million in the quarter under review, a drop of 32% from RM0.30 million revenue registered in the previous corresponding quarter. Despite lower revenue contribution, loss before taxation slightly reduced from RM0.90 million to RM0.87 million in the current quarter as a result of savings in the segment's administrative expenses and increase in other operating income.

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

	Current quarter	Immediate preceding quarter
	31.03.2018	31.12.2017
	RM'000	RM'000
Revenue	15,894	24,337

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

The Group registered a revenue of RM15.89 million, lower by RM8.44 million or 35% from RM24.34 million recorded in the preceding quarter. Similarly, the Group's profit before taxation reported a decrease of 80% from RM5.36 million in the preceding quarter to RM1.09 million in the quarter under review. The adverse performance of the Group in the current quarter was primarily contributed by the decline performance in harvesting, sawmilling and kiln drying segment of the Group.

During the quarter under review, the harvesting, sawmilling and kiln drying segment posted a profit before taxation of RM1.70 million with revenue recorded at RM9.53 million. As compared with preceding quarter's profit before taxation of RM6.18 million and revenue of RM17.31 million, there were significant reductions in profit and revenue of 72% and 45% respectively. The main contribution to the reduced revenue and profitability was from forward sales of standing tree amounting to RM5.68 million in preceding quarter as compared with RM2.32 million in the current quarter. In addition, the rainy season in the early parts of the quarter also impacted the segment's logging operations adversely.

Meanwhile, the manufacturing segment registered a slightly higher profit before taxation by 6% to RM0.26 million in the current quarter as compared to RM0.24 million in the immediate preceding quarter, despite the reduction in segment's revenue by 8%. The improved result was due to the savings in certain segment's operating expenses during the quarter under review.

Other segment reported better position in the current quarter where the segment's loss before taxation decreased by 18% from RM1.06 million reported in the immediate preceding quarter. The better performance in the quarter under review was also contributed by the savings in segment's administrative expenses.

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 as the weather conditions improve. However, harvesting activity will continue to face challenges such as ability to achieve optimum extraction yield per hectare, new stringent regulations by the Forestry Department which need to be complied, and increase in operational cost.

Manufacturing

The market environment and construction projects situation will cause greater challenge to the glass segment of the Group. Competition remains very stiff especially in the local market as the customers demand price reduction and longer credit terms.

With the consistent glass production and stable demands, the segment is expected to contribute positive result to the Group in the next quarter.

The Management 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.

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24. Dividend payable

There was no dividend paid by the Company during the financial period ended 31 March 2018 (31 March 2017: RMNil).

25. Risks and policies of derivatives

The Group did not enter into any derivative during the financial period ended 31 March 2018 or the previous financial year ended 31 December 2017.

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 31 March 2018 and 31 December 2017.

27. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2017 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 30 May 2018.

By order of the Board

Dato' Ahmad Nadzarudin bin Abdul Razak
Chief Executive Officer