

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Current quarter 3 months ended		Cumulative quarter 12 months ended	
		31.12.2018	31.12.2017	31.12.2018	31.12.2017
		Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
Revenue		21,593	24,338	74,118	65,643
Cost of sales		<u>(16,796)</u>	<u>(15,613)</u>	<u>(56,051)</u>	<u>(51,380)</u>
Gross profit		4,797	8,725	18,067	14,263
Other operating income		371	621	733	949
Administrative expenses		(4,457)	(3,937)	(15,019)	(12,950)
Other operating expenses		(844)	(483)	(2,174)	(2,058)
Share of result of associate		<u>354</u>	<u>511</u>	<u>354</u>	<u>511</u>
Operating profit		221	5,437	1,961	715
Finance costs		<u>(55)</u>	<u>(63)</u>	<u>(141)</u>	<u>(216)</u>
Profit before taxation	7	166	5,374	1,820	499
Income tax expense	8	<u>(436)</u>	<u>(1,081)</u>	<u>(1,307)</u>	<u>(392)</u>
(Loss)/profit for the period		<u>(270)</u>	<u>4,293</u>	<u>513</u>	<u>107</u>
(Loss)/profit for the period attributable to:					
Owners of the parent		(270)	4,418	513	516
Non-controlling interest		-	(125)	-	(409)
		<u>(270)</u>	<u>4,293</u>	<u>513</u>	<u>107</u>
(Loss)/earnings per share attributable to owners of the parent (sen per share)					
- Basic	9	<u>(0.20)</u>	<u>3.28</u>	<u>0.38</u>	<u>0.38</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 YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Current quarter		Cumulative quarter	
	3 months ended		12 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Note	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
(Loss)/profit for the period	(270)	4,293	513	107
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	(344)	(140)	(1,069)	(570)
Net gain on remeasurement of defined benefit obligations	1,541	-	1,541	-
Other comprehensive income/(loss) for the period, net of tax	1,197	(140)	472	(570)
Total comprehensive income/(loss) for the period, net of tax	927	4,153	985	(463)
Total comprehensive income/(loss) for the period, net of tax attributable to:				
Owners of the parent	927	4,278	985	(54)
Non-controlling interest	-	(125)	-	(409)
	927	4,153	985	(463)

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 DECEMBER 2018

	Note	31.12.2018 Unaudited RM'000	31.12.2017 Audited RM'000
Assets			
Non-current assets			
Property, plant and equipment	10	50,300	52,687
Investment properties		12,162	12,395
Goodwill	11	-	-
Investment in associates		2,552	2,198
Deferred tax assets		1,136	789
Investment securities	12	1,364	2,434
		<u>67,514</u>	<u>70,503</u>
Current assets			
Inventories		7,326	7,565
Trade and other receivables		17,315	18,966
Tax recoverable		845	2,121
Cash and bank balances	13	18,882	11,413
		<u>44,368</u>	<u>40,065</u>
Total assets		<u>111,882</u>	<u>110,568</u>
Equity and liabilities			
Equity			
Share capital	14	68,192	67,898
Retained earnings		29,005	26,951
Other reserves		(21,556)	(20,521)
Equity attributable to owners of the parents		<u>75,641</u>	<u>74,328</u>
Non-controlling interest		-	29
Total equity		<u>75,641</u>	<u>74,357</u>
Non-current liabilities			
Retirement benefit obligations		6,976	8,906
Borrowings	15	1,467	797
		<u>8,443</u>	<u>9,703</u>
Current liabilities			
Retirement benefit obligations		1,385	400
Borrowings	15	493	837
Trade and other payables		25,920	25,271
		<u>27,798</u>	<u>26,508</u>
Total liabilities		<u>36,241</u>	<u>36,211</u>
Total equity and liabilities		<u>111,882</u>	<u>110,568</u>
Net assets per share attributable to owners of the parent ("RM")		0.56	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 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 YEAR ENDED 31 DECEMBER 2018

	Attributable to owners of the parent								
	Non-distributable				Distributable				Non-controlling interest
	Equity, total	Share capital	Total retained earnings	Other reserves, total	Fair value reserve	Equity contribution from owners	Reserve arising from merger	Employee share option reserve	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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)	(68)	-	(68)	-	-	-	-	-	-
As at 1 January 2018, as restated	74,357	67,898	26,951	(20,521)	935	1,262	(22,718)	-	29
Profit for the period	513	-	513	-	-	-	-	-	-
Other comprehensive income									
- Fair value adjustment reserve	(1,069)	-	-	(1,069)	(1,069)	-	-	-	-
- Net gain on remeasurement on defined benefit obligation	1,541	-	1,541	-	-	-	-	-	-
Total comprehensive income/(loss)	985	-	2,054	(1,069)	(1,069)	-	-	-	-
Transaction with owners									
- Grant of equity-settled share options to employees	294	294	-	-	-	-	-	-	-
- Exercise of employee share options	34	-	-	34	-	-	-	34	-
- Acquisition of minority interest	(29)	-	-	-	-	-	-	-	(29)
Total transaction with owners	299	294	-	34	-	-	-	34	(29)
Closing balance at 31 December 2018	75,641	68,192	29,005	(21,556)	(134)	1,262	(22,718)	34	-
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)	(68)	-	(68)	-	-	-	-	-	-
As at 1 January 2017, as restated	74,820	67,898	26,435	(19,951)	1,505	1,262	(22,718)	-	438
Profit/(loss) for the period	107	-	516	-	-	-	-	-	(409)
Other comprehensive loss									
- Fair value adjustment reserve	(570)	-	-	(570)	(570)	-	-	-	-
Total comprehensive loss	(463)	-	516	(570)	(570)	-	-	-	(409)
Closing balance at 31 December 2017	74,357	67,898	26,951	(20,521)	935	1,262	(22,718)	-	29

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 YEAR ENDED 31 DECEMBER 2018

	Note	12 months ended	
		31.12.2018 Unaudited RM'000	31.12.2017 Unaudited RM'000
Operating activities			
Profit/(loss) before tax		1,820	499
<u>Adjustments for:</u>			
Interest income	7	(366)	(166)
Dividend income	7	(67)	(133)
Interest expenses	7	141	216
Gain on disposal of property, plant and equipment	7	(44)	(27)
Depreciation of property, plant and equipment	7	3,566	3,505
Depreciation of investment properties	7	233	233
Property, plant and equipment written off	7	87	1
Reversal of allowance for impairment of trade and other receivables	7	(11)	(207)
(Reversal)/provision of expected credit loss allowance	7	(21)	68
Inventories written off	7	-	1
Grant equity-settled share options to employees	7	328	-
Impairment losses on trade and other receivables	7	47	9
Share of results of an associate	7	(354)	(511)
Provision for retirement benefits	7	1,087	993
Provision for short-term accumulating compensated absences	7	81	91
Total adjustments		<u>4,707</u>	<u>4,073</u>
Operating cash flows before changes in working capital		6,527	4,572
<u>Changes in working capital</u>			
Decrease/(increase) in inventory		238	(420)
Decrease/(increase) in trade and other receivables		1,675	(358)
Increase/(decrease) in trade and other payables		532	(1,181)
Total changes in working capital		<u>2,445</u>	<u>(1,959)</u>
Interest paid		(141)	(216)
Income taxes (paid)/refund		(377)	657
Retirement benefits paid		(492)	(617)
Total changes in working capital		<u>(1,010)</u>	<u>(176)</u>
Net cash flows from/(used in) operating activities		<u>7,962</u>	<u>2,437</u>
Investing activities			
Purchase of property, plant and equipment	10	(1,188)	(2,713)
Proceeds from disposal of property, plant and equipment		191	294
Placement of deposit with licensed bank		-	(6)
Withdrawal of deposit with licensed bank		12	1,000
Additional investment in investment securities		-	(57)
Net cash outflow on acquisition of a subsidiary		(29)	-
Dividend received		67	133
Interest received		366	166
Net cash flows used in investing activities		<u>(581)</u>	<u>(1,183)</u>
Financing activities			
Drawdown from borrowings		1,436	883
Repayment of borrowings		(1,337)	(1,384)
Net cash flows from/(used in) financing activities		<u>99</u>	<u>(501)</u>
Net increase in cash and cash equivalents		7,480	753
Cash and cash equivalents at 1 January		10,361	9,608
Cash and cash equivalents at 31 December		<u>17,841</u>	<u>10,361</u>

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 YEAR ENDED 31 DECEMBER 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 YEAR ENDED 31 DECEMBER 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 YEAR ENDED 31 DECEMBER 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	68
Decrease in expected credit loss allowance recognised in profit and loss	(21)
At 31 December	<u>11,974</u>

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE YEAR ENDED 31 DECEMBER 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	(68)
Opening balance under MFRS 9 at 1 January 2018	<u>26,951</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 and cyclical factors such as rainy season.

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE YEAR ENDED 31 DECEMBER 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 December 2018				
Operating revenue	15,677	5,398	518	21,593
Other operating income	304	61	6	371
Expenses	(13,942)	(5,292)	(2,918)	(22,152)
Share of profit of associate	354	-	-	354
Profit/(loss) before taxation	2,393	167	(2,394)	166

Results for 3 months ended 31 December 2017				
Operating revenue	17,311	6,665	362	24,338
Other operating income	510	108	3	621
Expenses	(12,129)	(6,529)	(1,438)	(20,096)
Share of profit of associate	511	-	-	511
Profit/(loss) before taxation	6,203	244	(1,073)	5,374

	Harvesting, sawmilling and kiln drying RM'000	Manufacturing RM'000	Others RM'000	Consolidated RM'000
Results for 12 months ended 31 December 2018				
Operating revenue	49,873	22,462	1,783	74,118
Other operating income	450	181	102	733
Expenses	(44,202)	(22,081)	(7,102)	(73,385)
Share of profit of associate	354	-	-	354
Profit/(loss) before taxation	6,475	562	(5,217)	1,820

Results for 12 months ended 31 December 2017				
Operating revenue	37,330	27,235	1,078	65,643
Other operating income	597	267	85	949
Expenses	(35,188)	(26,457)	(4,959)	(66,604)
Share of profit of associate	511	-	-	511
(Loss)/profit before taxation	3,250	1,045	(3,796)	499

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE YEAR ENDED 31 DECEMBER 2018

7. Profit before taxation

Included in the profit before taxation are the following items:

	Current quarter		Cumulative quarter	
	3 months ended		12 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Interest income	(254)	(60)	(366)	(166)
Dividend income	-	(119)	(67)	(133)
Interest expenses	56	63	141	216
Depreciation of property, plant and equipment	678	865	3,566	3,505
Depreciation of investment properties	61	62	233	233
Gain on disposal of property, plant and equipment	(29)	44	(44)	(27)
Property, plant and equipment written off	-	-	87	1
Impairment losses on trade and other receivables	47	9	47	9
Reversal of allowance for impairment of trade and other receivables	-	(207)	(11)	(207)
(Reversal)/provision of expected credit loss allowance	(6)	38	(21)	68
Inventories written off	-	1	-	1
Grant equity-settled share options to employees	328	-	328	-
Share of results of an associate	(354)	(511)	(354)	(511)
Provision for short-term accumulating compensated absences	73	103	81	91
Provision for retirement benefits	292	306	1,087	993

8. Income tax expense

	Current quarter		Cumulative quarter	
	3 months ended		12 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Current income tax	472	804	1,641	823
Under/(over) provision of income tax in respect of previous years	18	(3)	(115)	(4)
Deferred income tax	116	664	(45)	132
Over provision of deferred tax in respect of previous years	(170)	(384)	(174)	(559)
	436	1,081	1,307	392
Effective tax rate	262.7%	20.1%	71.8%	78.6%

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 higher than statutory tax rate due to certain expenses which were not deductible for tax purposes and due to the fact that the taxation is arising out of profit making subsidiaries whereas the group profit before tax is minimal due to heavy losses incurred by certain subsidiaries and also due to elimination of inter-company transaction.

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE YEAR ENDED 31 DECEMBER 2018

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 3 months ended		Cumulative quarter 12 months ended	
		31.12.2018	31.12.2017	31.12.2018	31.12.2017
Earnings/(loss) net of tax attributable to owners of the parent used in the computation of earnings per share	(RM'000)	(270)	4,418	513	516
Weighted average number of ordinary shares in issue	(' 000)	135,135	134,547	135,135	134,547
Basic (loss)/earnings per share	(sen)	(0.20)	3.28	0.38	0.38

10. Property, plant and equipment

During the twelve-month period ended 31 December 2018, the Group has acquired property, plant and equipment at a cost of RM1,188,000 (31 December 2017: RM2,713,000). As at 31 December 2018, the total depreciation charged for the property, plant and equipment was RM3,566,000 (31 December 2017: RM3,505,000). Property, plant and equipment with a carrying amount of RM87,000 were written off by the Group during the twelve-month period ended 31 December 2018 (31 December 2017: RM1,000). 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 RM147,000 during the twelve-month period ended 31 December 2018 (31 December 2017: RM267,000), resulting in a gain on disposal of RM44,000 (31 December 2017: RM27,000), recognised and included in other income in the statement of profit or loss and other comprehensive income.

11. Goodwill

	Goodwill RM'000
Cost:	
At 1 January 2017/31 December 2017/31 December 2018	613
Accumulated impairment:	
At 1 January 2017/31 December 2017/31 December 2018	(613)
Net carrying amount:	
At 1 January 2017/31 December 2017/31 December 2018	-

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE YEAR ENDED 31 DECEMBER 2018**

12. Fair value hierarchy

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

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

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

	Total	Level 1	Level 2	Level 3
	RM'000	RM'000	RM'000	RM'000
31 December 2018				
Fair value through other comprehensive income financial assets				
Equity shares	1,364	1,364	-	-
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.

13. Cash and bank balances

Cash and bank balances comprised the following amounts:

	31.12.2018	31.12.2017
	RM'000	RM'000
Cash at banks and in hand	8,770	9,616
Deposits in licensed banks	10,111	1,797
	<u>18,881</u>	<u>11,413</u>
Less:		
Deposits in licensed banks	(1,040)	(1,052)
Total cash and cash equivalents	<u>17,841</u>	<u>10,361</u>

14. Share capital

During the financial period ended 31 December 2018, the Company issued 1,226,360 ordinary shares at no cost pursuant to the Company's Executive Share Grant Scheme at exercise price of RM0.24 per ordinary share.

	Group and Company
	RM '000
Issued and fully paid:	
Ordinary shares	
At 1 January 2018	67,898
Exercise of employee share option	294
At 31 December 2018	<u>68,192</u>

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15. Borrowings

	31.12.2018	31.12.2017
	RM'000	RM'000
Current		
Secured	493	837
Non-current		
Secured	1,467	797
Total borrowings	<u>1,960</u>	<u>1,634</u>

16. Dividend

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

17. Commitments

	31.12.2018	31.12.2017
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Plant and machinery	753	-
Motor vehicles	-	-
Approved but not contracted for:		
Plant and machinery	4,255	5,008
Motor vehicles	193	193
	<u>5,201</u>	<u>5,201</u>

18. Related party transactions

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

		Loans	Secretarial	Expenses	Amounts
		from related	fee	paid by	owed to
		parties		related	related
		RM'000	RM'000	parties	parties
		RM'000	RM'000	RM'000	RM'000
Entities with significant influence over the Group:					
Holding company					
Terengganu Incorporated Sdn. Bhd. ("TISB")	31.12.2018	-	5	1	15,274
	31.12.2017	1,000	5	64	15,268
A corporate shareholder					
Lembaga Tabung Amanah Warisan	31.12.2018	-	-	-	640
Negeri Terengganu ("LTAWNT")	31.12.2017	-	-	-	640

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19. Performance review

(a) Current Quarter vs Corresponding Quarter of Previous Period (4Q18 vs 4Q17)

The Group registered revenue of RM21.59 million for the current quarter ended 31 December 2018 ("4Q2018"), lower by 11% from RM24.34 million reported in the previous year's corresponding quarter ("4Q2017"). In term of profitability, the Group posted a profit before taxation ("PBT") of RM0.17 million in 4Q2018 as compared to a PBT of RM5.4 million in 4Q2017.

Harvesting, sawmilling and kiln drying segment

As a result of logging operation stoppage during the rainy season in 4Q2018, the Group's harvesting, sawmilling and kiln drying segment reported a reduction in PBT by 61% to RM2.39 million with a revenue decreased by 9% from RM17.31 million reported in 4Q2017 to RM15.68 million in 4Q2018. The substantial revenue and profit in 4Q2017 was contributed by logs sales proceed amounting to RM5.68 million from the concession of the Group's timber management subsidiary. No such exercise in the quarter review.

Internal logs extraction slightly reduced to 3,365 hoppus tonne in 4Q2018 from 3,608 hoppus tonne in 4Q2017 that led to lower sawn timber sales for the segment.

Manufacturing segment

Similarly, the manufacturing segment which is the glass division of the Group reported an adverse performance as the PBT in 4Q2018 decreased to RM0.17 million from RM0.24 million in 4Q2017. The reduction in profit was in line with the drop in the segment's revenue by 19% during the quarter under review, primarily related to the lukewarm construction projects meant developers delayed their project progress and glass order for their projects.

Other segment

Other segment reported an increase in revenue in 4Q2018 by 43% to RM0.52 million from RM0.36 million revenue registered in 4Q2017, mainly due to the improved production and sale of woodchips. However, the segment's loss before taxation increased from RM1.07 million in 4Q2017 to RM2.39 million in 4Q2018 due to the increase in certain administrative expenses incurred by the segment during the quarter under review.

(b) Current Period-to-date vs Previous Period-to-date (FY2018 vs FY2017)

For the financial year ended 31 December 2018 (FY2018), the Group showed significant improvement with better performance against the same period last year (FY2017) in terms of revenue and profitability.

The Group's revenue was RM74.12 million, 13% higher than RM65.64 million reported in FY2017. Consequently, gross profit grew 27% to RM18.07 million as compared with RM14.26 million in FY2017 on the back of superior contributions in the harvesting and sawmilling segment of the Group. As a result, the Group's PBT improved to RM1.82 million in FY2018 as compared to RM0.5 million PBT in the previous financial year.

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19. Performance review (continued)

(b) Current Period-to-date vs Previous Period-to-date (FY2018 vs FY2017) (continued)

Harvesting, sawmilling and kiln drying segment

In the current year, the segment reported a PBT of RM6.48 million, an increase of 99% from the previous year's PBT of RM3.25 million. The significant improvement in profit was in line with the notable increase in the segment's revenue of RM49.87 million in FY2018 as compared to RM37.33 million reported in FY2017.

The remarkable results in the segment's revenue and profit were contributed by the higher sawn timber production, which eventually contributed to the increase in the sales of sawn timber by 40% from RM30.11 million in FY2017 to RM42.22 million in FY2018.

The main reason for the improved segment's performance was due to more active licenses for logging activities during FY2018 as compared to the previous year. A total of 32,823 hoppus tonne logs were extracted during the year under review as compared with 23,842 hoppus tonne in FY2017. In addition, the proceeds from forward sales of standing tree amounting to RM2.32 million also contributed to the better results in the current year.

Manufacturing segment

The manufacturing segment of the Group reported a reduction in revenue by 18% in FY2018 as compared to FY2017. In line with revenue reduction, the segment's PBT decreased 46% to RM0.56 million in FY2018 from RM1.05 million PBT reported in FY2017.

The adverse performance of the segment was contributed by the lukewarm situation of construction industry which affect glass order book where developers delayed the completion of projects.

Other segment

Other segment recorded an increase in revenue by 65% in FY2018, mainly due to the improved woodchip business. However during the same period, there was an increase in loss before taxation by 37% to RM5.22 million as compared with a loss of RM3.80 million recorded in the previous financial year as the segment's expenses increased by 43%.

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

	Current quarter 31.12.2018 RM'000	Immediate preceding quarter 30.9.2018 RM'000
Revenue	21,593	18,844
Profit before taxation	166	433

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

The Group's revenue for the quarter under review was RM21.59 million, improved by 15% from RM18.84 million reported in the immediate preceding quarter. However, the Group's profit before taxation declined by 94% to RM0.03 million in the quarter under review, mainly due to loss incurred in other segment of the Group.

The harvesting, sawmilling and kiln drying segment posted a profit before taxation of RM2.39 million with revenue recorded at RM15.67 million during the current quarter. If compared with the preceding quarter's profit before taxation of RM1.11 million and revenue of RM12.79 million, the current quarter's performance improved dramatically, despite the reduction in logs harvested. Sawn timber sales were not affected as the logs supply during the previous quarter was sufficient for sawmills to generate revenue and profit.

The manufacturing segment's revenue and profit before taxation slightly improved in the current quarter as compared with the performance in the immediate preceding quarter, despite the slowdown in glass demand from construction projects. The improvement in segment's profit was due to the operational and non-operational interventions taken to maintain the segment in profitable position.

The main factor for the adverse performance of profit which is contrast with the revenue's performance was due to major expenses incurred by other segment during the current quarter.

21. Commentary on prospect

Harvesting, sawmilling and kiln drying of timber

Internal logs extraction and mid-stream activities continue to be adversely affected by the monsoon season in the harvesting operational area in the next quarter. However, with the continuous improvement initiatives taken, the performance of the harvesting, sawmilling and kiln drying segment is expected to further contribute to the positive result in 1st Quarter 2019.

Manufacturing

The market environment and construction projects situation will continue to 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.

However with new projects in the pipeline, especially the reactivation of veneer operations after the long cessation period, 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.

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22. Changes in material litigation

There was no material litigation against the Group.

23. Dividend payable

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

24. Risks and policies of derivatives

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

25. 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 December 2018 and 31 December 2017.

26. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2017 was not qualified.

27. 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 February 2019.

By order of the Board

Dato' Ahmad Nadzarudin bin Abdul Razak
Chief Executive Officer