

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

	Note	Current quarter 3 months ended		Cumulative quarter 3 months ended	
		31.03.2017 Unaudited RM'000	31.03.2016 Unaudited RM'000	31.03.2017 Unaudited RM'000	31.03.2016 Unaudited RM'000
Revenue		8,423	10,104	8,423	10,104
Cost of sales		<u>(7,950)</u>	<u>(9,759)</u>	<u>(7,950)</u>	<u>(9,759)</u>
Gross profit		473	345	473	345
Other operating income		111	242	111	242
Administrative expenses		(3,425)	(3,134)	(3,425)	(3,134)
Other operating expenses		<u>(551)</u>	<u>(538)</u>	<u>(551)</u>	<u>(538)</u>
Operating loss		(3,392)	(3,085)	(3,392)	(3,085)
Finance costs		<u>(31)</u>	<u>(111)</u>	<u>(31)</u>	<u>(111)</u>
Loss before taxation	7	(3,423)	(3,196)	(3,423)	(3,196)
Income tax benefit	8	<u>162</u>	<u>614</u>	<u>162</u>	<u>614</u>
Loss for the period		<u>(3,261)</u>	<u>(2,582)</u>	<u>(3,261)</u>	<u>(2,582)</u>
Loss for the period attributable to:					
Owners of the parent		(3,173)	(2,570)	(3,173)	(2,570)
Non-controlling interest		<u>(88)</u>	<u>(12)</u>	<u>(88)</u>	<u>(12)</u>
		<u>(3,261)</u>	<u>(2,582)</u>	<u>(3,261)</u>	<u>(2,582)</u>
Loss per share attributable to owners of the parent (sen per share):					
- Basic	9	<u>(2.36)</u>	<u>(1.91)</u>	<u>(2.36)</u>	<u>(1.91)</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
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017 (CONTINUED)**

	Note	Current quarter 3 months ended		Cumulative quarter 3 months ended	
		31.03.2017 Unaudited RM'000	31.03.2016 Unaudited RM'000	31.03.2017 Unaudited RM'000	31.03.2016 Unaudited RM'000
Loss for the period		<u>(3,261)</u>	<u>(2,582)</u>	<u>(3,261)</u>	<u>(2,582)</u>
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Net gain on available-for-sale ("AFS") financial assets		<u>6</u>	<u>726</u>	<u>6</u>	<u>726</u>
Other comprehensive income for the period, net of tax		<u>6</u>	<u>726</u>	<u>6</u>	<u>726</u>
Total comprehensive loss for the period, net of tax		<u>(3,255)</u>	<u>(1,856)</u>	<u>(3,255)</u>	<u>(1,856)</u>
Total comprehensive loss for the period, attributable to:					
Owners of the parent		(3,167)	(1,844)	(3,167)	(1,844)
Non-controlling interest		<u>(88)</u>	<u>(12)</u>	<u>(88)</u>	<u>(12)</u>
		<u>(3,255)</u>	<u>(1,856)</u>	<u>(3,255)</u>	<u>(1,856)</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 FINANCIAL POSITION
AS AT 31 MARCH 2017

	Note	31.03.2017 Unaudited RM'000	31.12.2016 Audited RM'000
Assets			
Non-current assets			
Property, plant and equipment	10	53,304	53,432
Investment properties		12,229	12,266
Goodwill	11	-	-
Investment in associates		1,687	1,687
Deferred tax assets		618	534
Investment securities	12	2,952	2,946
		<u>70,790</u>	<u>70,865</u>
Current assets			
Inventories		11,005	7,214
Trade and other receivables		20,365	18,863
Tax recoverable		3,741	3,594
Cash and bank balances	13	5,398	11,654
		<u>40,509</u>	<u>41,325</u>
Total assets		<u>111,299</u>	<u>112,190</u>
Equity and liabilities			
Equity attributable to owners of the parents			
Share capital	14	67,273	67,273
Share premium	14	625	625
Retained earnings		23,330	26,503
Other reserves		(19,945)	(19,951)
Equity attributable to owners of the parents		<u>71,283</u>	<u>74,450</u>
Non-controlling interest		350	438
Total equity		<u>71,633</u>	<u>74,888</u>
Non-current liabilities			
Retirement benefit obligations		8,848	8,927
Deferred tax liabilities		79	172
Borrowings	15	1,139	750
		<u>10,066</u>	<u>9,849</u>
Current liabilities			
Retirement benefit obligations		298	3
Borrowings	15	1,091	708
Trade and other payables		28,211	26,742
		<u>29,600</u>	<u>27,453</u>
Total liabilities		<u>39,666</u>	<u>37,302</u>
Total equity and liabilities		<u>111,299</u>	<u>112,190</u>
Net assets per share attributable to owners of the parent ("RM")		0.53	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 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 THREE-MONTH PERIOD ENDED 31 MARCH 2017

	Attributable to owners of the parent								
	Non-distributable			Distributable	Non-distributable				
	Equity, total	Share capital	Share premium	Total retained earnings	Other reserves, total	Fair value adjustment reserve	Equity contribution from a corporate shareholder	Reserve arising from merger	Non- controlling interest
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Opening balance at 1 January 2017	74,888	67,273	625	26,503	(19,951)	1,505	1,262	(22,718)	438
Loss for the period	(3,261)	-	-	(3,173)	-	-	-	-	(88)
Other comprehensive income									
- Fair value adjustment reserve	6	-	-	-	6	6	-	-	-
Total comprehensive income	(3,255)	-	-	(3,173)	6	6	-	-	(88)
Closing balance at 31 March 2017	71,633	67,273	625	23,330	(19,945)	1,511	1,262	(22,718)	350
Opening balance at 1 January 2016	82,728	67,273	625	32,055	(17,225)	4,231	1,262	(22,718)	-
Loss for the period	(2,582)	-	-	(2,570)	-	-	-	-	(12)
Other comprehensive income									
- Fair value adjustment reserve	726	-	-	-	726	726	-	-	-
Total comprehensive loss	(1,856)	-	-	(2,570)	726	726	-	-	(12)
Transaction with owner									
Shares issued for acquisition of a subsidiary	640	-	-	-	-	-	-	-	640
Closing balance at 31 March 2016	81,512	67,273	625	29,485	(16,499)	4,957	1,262	(22,718)	628

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 THREE-MONTH PERIOD ENDED 31 MARCH 2017

	Note	3 months ended	
		31.03.2017 Unaudited RM'000	31.03.2016 Unaudited RM'000
Operating activities			
Loss before tax		(3,423)	(3,196)
<u>Adjustments for:</u>			
Interest income	7	(30)	(61)
Dividend income	7	-	(35)
Interest expenses	7	31	111
Gain on disposal of property, plant and equipment	7	(23)	(78)
Depreciation of property, plant and equipment	7	972	1,046
Provision for retirement benefits	7	229	208
Reversal of provision for short-term accumulating compensated absences	7	(18)	(17)
Total adjustments		1,161	1,174
Operating cash flows before changes in working capital		(2,262)	(2,022)
<u>Changes in working capital</u>			
Increase in inventories		(3,791)	(1,474)
Increase in trade and other receivables		(1,662)	(998)
Increase/(decrease) in trade and other payables		1,751	(532)
Total changes in working capital		(3,702)	(3,004)
Interest paid		(31)	(41)
Income taxes (paid)/refund		(193)	39
Retirement benefits paid		(13)	(90)
Total changes in working capital		(237)	(92)
Net cash flows used in operating activities		(6,201)	(5,118)
Investing activities			
Purchase of property, plant and equipment	10	(227)	(619)
Proceeds from disposal of property, plant and equipment		23	159
Placement of deposit in licensed bank		(20)	
Net cash outflow on acquisition of a subsidiary		-	(960)
Dividend received		-	35
Interest received		30	61
Net cash flows used in investing activities		(194)	(1,324)
Financing activities			
Proceeds from issuance of ordinary shares		-	1,600
Drawdowns from borrowings		206	419
Repayment of borrowings		(361)	(722)
Net cash flows from/(used in) financing activities		(155)	1,297
Net decrease in cash and cash equivalents		(6,550)	(5,145)
Cash and cash equivalents at 1 January		9,608	17,477
Cash and cash equivalents at 31 December		3,058	12,332

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 THREE-MONTH PERIOD ENDED 31 MARCH 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 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 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.

	Harvesting, sawmilling and kiln drying RM'000	Manufacturing RM'000	Others RM'000	Consolidated RM'000
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	(4,418)	(6,338)	(1,201)	(11,957)
(Loss)/profit before taxation	(2,844)	316	(895)	(3,423)

**Results for 3 months ended
31 March 2016**

Operating revenue	2,475	7,608	21	10,104
Other operating income	149	49	44	242
Expenses	(4,953)	(7,310)	(1,279)	(13,542)
(Loss)/profit before taxation	(2,329)	347	(1,214)	(3,196)

7. Loss before taxation

Included in the loss before taxation are the following items:

	Current quarter 3 months ended		Cumulative quarter 3 months ended	
	31.03.2017 RM'000	31.03.2016 RM'000	31.03.2017 RM'000	31.03.2016 RM'000
Interest income	(30)	(61)	(30)	(61)
Dividend income	-	(35)	-	(35)
Interest expenses	31	111	31	111
Depreciation of property, plant and equipment	972	1,046	972	1,046
Gain on disposal of property, plant and equipment	(23)	(78)	(23)	(78)
Reversal of provision for short-term accumulating compensated absences	(18)	(17)	(18)	(17)
Provision for retirement benefits	229	208	229	208

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

8. Income tax benefit

	Current quarter		Cumulative quarter	
	3 months ended		3 months ended	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	RM'000	RM'000	RM'000	RM'000
Current income tax	12	22	12	22
Deferred income tax	(174)	(569)	(174)	(569)
Over provision of deferred tax in respect of previous years	-	(67)	-	(67)
	<u>(162)</u>	<u>(614)</u>	<u>(162)</u>	<u>(614)</u>
Effective tax rate	4.7%	19.2%	4.7%	19.2%

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 earnings 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.

		Current quarter		Cumulative quarter	
		3 months ended		3 months ended	
		31.03.2017	31.03.2016	31.03.2017	31.03.2016
Loss net of tax attributable to owners of the parent used in the computation of earnings per share	(RM'000)	<u>(3,173)</u>	<u>(2,570)</u>	<u>(3,173)</u>	<u>(2,570)</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>(2.36)</u>	<u>(1.91)</u>	<u>(2.36)</u>	<u>(1.91)</u>

10. Property, plant and equipment

During the three-month period ended 31 March 2017, the Group has acquired property, plant and equipment at a cost of RM227,000 (31 March 2016: RM619,000). As at 31 March 2017, the total depreciation charged for the property, plant and equipment was RM972,000 (31 March 2016: RM1,046,000).

The Group has also disposed of assets with a carrying amount of RMNil during the three-months ended 31 March 2017 (31 March 2016 : RM81,000), resulting in a gain on disposal of RM23,000 (31 March 2016: RM78,000), 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 THREE-MONTH PERIOD ENDED 31 MARCH 2017

11. Goodwill

	Goodwill RM'000
Cost:	
At 1 January 2016/31 December 2016/31 March 2017	<u>613</u>
Accumulated impairment:	
At 1 January 2016/31 December 2016/31 March 2017	<u>(613)</u>
Net carrying amount:	
At 1 January 2016/31 December 2016/31 March 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:

	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
31 March 2017				
Available-for-sale financial assets				
Equity shares	2,952	2,952	-	-
31 December 2016				
Available-for-sale financial assets				
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 THREE-MONTH PERIOD ENDED 31 MARCH 2017

13. Cash and bank balances

Cash and bank balances comprised the following amounts:

	31.03.2017	31.12.2016
	RM'000	RM'000
Cash at banks and in hand	2,707	9,183
Deposits in licensed banks	2,691	2,471
	<u>5,398</u>	<u>11,654</u>
Less:		
Bank overdrafts	(274)	-
Deposits in licensed banks	(2,066)	(2,046)
Total cash and cash equivalents	<u><u>3,058</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 31 March 2017.

15. Borrowings

	31.03.2017	31.12.2016
	RM'000	RM'000
Current		
Secured	1,091	708
Non-current		
Secured	1,139	750
Total borrowings	<u><u>2,230</u></u>	<u><u>1,458</u></u>

16. Dividend

There was no dividend declared by the Company during the financial period ended 31 March 2017 (31 March 2016: RMNil).

17. Commitments

	31.03.2017	31.12.2016
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Plant and machinery	10	-
Motor vehicles	690	-
Approved but not contracted for:		
Plant and machinery	3,379	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 THREE-MONTH PERIOD ENDED 31 MARCH 2017

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 2017 and 31 December 2016 as well as the balances with the related parties as at 31 March 2017 and 31 December 2016:

		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.	31.03.2017	-	-	14,199
("TISB")	31.12.2016	3	42	14,199
A corporate shareholder				
Lembaga Tabung Amanah Warisan	31.03.2017	-	-	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 THREE-MONTH PERIOD ENDED 31 MARCH 2017**

20. Performance review

(a) Current Quarter vs Corresponding Quarter of Previous Period (1Q17 vs 1Q16)

The Group's revenue for the current quarter was RM8.42 million, dropped by 17% from RM10.10 million reported in the previous year's corresponding quarter. Consequently, the Group recorded a loss before taxation of RM3.42 million as compared to a loss before taxation of RM3.20 million recorded in the previous year's corresponding quarter.

Harvesting, sawmilling and kiln drying segment

The segment's operating revenue of RM1.52 million in the current quarter was 38% lower than the preceding year's corresponding quarter of RM2.48 million. As a result, the segment incur a loss before taxation of RM2.84 million as compared to RM2.33 million recorded in the preceding year's corresponding quarter. The factor that contributed to the higher loss was the significant reduction in the sales of sawn timber from 1,559 tonne in the preceding year's corresponding quarter to 708 tonne in the current quarter.

Manufacturing segment

During the quarter under review, manufacturing segment recorded a profit before taxation of RM0.32 million, representing a decrease of 9% from RM0.35 million reported in the previous year's corresponding quarter. The decrease in profit before taxation was in line with the decrease in the segment's revenue during the quarter under review.

Others segment

Other segment recorded an improvement during the quarter under review where the loss before taxation decreased by 26% to RM0.90 million as compared to RM1.21 million recorded in the previous year's corresponding quarter. The improvement in the quarter under review was contributed by the increase in operating revenue primarily as a result of contribution from new business in woodchips

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

	Current quarter 31.03.2017 RM'000	Immediate preceding quarter 31.12.2016 RM'000
Revenue	8,423	16,143
(Loss)/profit before taxation	(3,423)	597

The Group reported loss before taxation of RM3.42 million in the current quarter as compared to a profit before taxation of RM0.60 million reported in the immediate preceding quarter. The significant variance in Group's performance was mainly contributed by the declining in harvesting, sawmilling and kiln drying segment's profit.

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING
REQUIREMENT: CHAPTER 9, APPENDIX 9B, PART A
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

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

During the quarter under review, the harvesting, sawmilling and kiln-drying segment reported loss before taxation of RM2.84 million as compared to profit before taxation of RM0.67 million in the immediate preceding quarter. This was due to the gain on disposal of investment securities of RM2.90 million recorded in the previous quarter, while there was none in the current quarter. Meanwhile, the segment's revenue was at RM1.52 million, 76% lower than the immediate preceding quarter of RM7.82 million. The adverse performance was closely related to lower sales performance in sawn timber from 2,919 tonne to 708 tonne in the quarter under review.

Similarly, the manufacturing segment's profit before tax reduced by 53% to RM0.32 million in the current quarter as compared to RM0.68 million in the immediate preceding quarter. The result was in line with the decrease in operating revenue as sales volume of glasses declined from 95,077 units to 93,708 units in the current quarter.

Despite the increase in operating revenue by 32% in the current quarter, other segment showed a slight increase in loss before taxation from RM0.75 million reported in the immediate preceding quarter to RM0.90 million in the current quarter. The increase was due to the increase in certain administrative expenses.

22. Commentary on prospect

Harvesting, sawmilling and kiln drying of timber

Internal logs extraction and mid-stream activities are expected to improved 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

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 31 March 2017 (31 March 2016: RMNil).

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING
REQUIREMENT: CHAPTER 9, APPENDIX 9B, PART A
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017**

25. Risks and policies of derivatives

The Group did not enter into any derivative transaction during the financial period ended 31 March 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 31 March 2017 and 31 December 2016.

27. Breakdown of realised and unrealised losses

The breakdown of the retained earnings of the Group as at 31 March 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.

	Current quarter ended 31.03.2017 RM'000	Previous financial year ended 31.12.2016 RM'000
Total accumulated losses of the Company and its subsidiaries		
- Realised	(217,620)	(214,146)
- Unrealised	539	325
	<u>(217,081)</u>	<u>(213,821)</u>
Total accumulated loss from associates		
- Realised	(10,058)	(10,058)
	<u>(227,139)</u>	<u>(223,879)</u>
Less: Consolidation adjustments	(250,469)	(250,382)
Total Group's retained earnings as per financial statements	<u>23,330</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 22 May 2017.

By order of the Board

Suhairi bin Sulong
Acting Chief Executive Officer