

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

	Note	Current quarter 3 months ended		Cumulative quarter 6 months ended	
		30.06.2019	30.06.2018	30.06.2019	30.06.2018
		Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
Revenue		15,403	17,786	31,055	33,680
Cost of sales		<u>(11,342)</u>	<u>(13,521)</u>	<u>(22,973)</u>	<u>(24,382)</u>
Gross profit		4,061	4,265	8,082	9,298
Other operating income		255	45	338	280
Administrative expenses		(3,599)	(3,691)	(6,977)	(7,416)
Other operating expenses		<u>(408)</u>	<u>(458)</u>	<u>(791)</u>	<u>(886)</u>
Operating profit		309	161	652	1,276
Finance costs		<u>(51)</u>	<u>(28)</u>	<u>(90)</u>	<u>(54)</u>
Profit before taxation	7	258	133	562	1,222
Income tax expense	8	<u>(184)</u>	<u>(786)</u>	<u>(462)</u>	<u>(865)</u>
Profit/(loss) for the period		<u>74</u>	<u>(653)</u>	<u>100</u>	<u>357</u>
Profit/(loss) for the period attributable to:					
Owners of the parent		74	(652)	100	356
Non-controlling interest		-	(1)	-	1
		<u>74</u>	<u>(653)</u>	<u>100</u>	<u>357</u>
Earnings/(loss) per share attributable to owners of the parent (sen per share)					
- Basic	9	<u>0.05</u>	<u>(0.48)</u>	<u>0.07</u>	<u>0.26</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 2018 and the accompanying explanatory notes attached to these interim financial statements.

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (CONTINUED)

	Current quarter		Cumulative quarter	
	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	Unaudited	Unaudited	Unaudited	Unaudited
Note	RM'000	RM'000	RM'000	RM'000
Profit/(loss) for the period	74	(653)	100	357
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Net gain/(loss) on fair value changes of fair value through other comprehensive income ("FVTOCI") financial assets				
	94	(447)	152	(784)
Other comprehensive income/(loss) for the period, net of tax	94	(447)	152	(784)
Total comprehensive income/(loss) for the period, net of tax	168	(1,100)	252	(427)
Total comprehensive income/(loss) for the period, net of tax attributable to:				
Owners of the parent	168	(1,099)	252	(428)
Non-controlling interest	-	(1)	-	1
	168	(1,100)	252	(427)

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 2018 and the accompanying explanatory notes attached to these interim financial statements.

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	30.06.2019 Unaudited RM'000	31.12.2018 Audited RM'000
Assets			
Non-current assets			
Property, plant and equipment	10	49,374	50,301
Investment properties		12,046	12,162
Goodwill	11	-	-
Investment in associates		2,548	2,548
Deferred tax assets		1,517	1,064
Investment securities	12	1,289	1,364
		<u>66,774</u>	<u>67,439</u>
Current assets			
Inventories		10,859	7,326
Trade and other receivables		19,888	16,966
Tax recoverable		195	932
Cash and bank balances	13	14,890	18,812
		<u>45,832</u>	<u>44,036</u>
Total assets		<u>112,606</u>	<u>111,475</u>
Equity and liabilities			
Equity			
Share capital	14	68,192	68,192
Retained earnings		29,105	29,005
Other reserves		(21,304)	(21,556)
Total equity		<u>75,993</u>	<u>75,641</u>
Non-current liabilities			
Retirement benefit obligations		7,651	7,368
Borrowings	15	2,068	1,271
		<u>9,719</u>	<u>8,639</u>
Current liabilities			
Retirement benefit obligations		279	992
Borrowings	15	2,223	496
Trade and other payables		24,392	25,707
		<u>26,894</u>	<u>27,195</u>
Total liabilities		<u>36,613</u>	<u>35,834</u>
Total equity and liabilities		<u>112,606</u>	<u>111,475</u>
Net assets per share attributable to owners of the parent ("RM")		0.56	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 2018 and the accompanying explanatory notes attached to these interim financial statements.

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019**

	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 2019	75,641	68,192	29,005	(21,556)	(134)	1,262	(22,718)	34	-
Profit for the period	100	-	100	-	-	-	-	-	-
Other comprehensive income									
- Net gain on fair value changes of FVTOCI financial assets	152	-	-	152	152	-	-	-	-
Total comprehensive income	252	-	100	152	152	-	-	-	-
<u>Transaction with owners</u>									
- Grant of equity-settled share options to employees	100	-	-	100	-	-	-	100	-
Closing balance at 30 June 2019	75,993	68,192	29,105	(21,304)	18	1,262	(22,718)	134	-
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	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	357	-	356	-	-	-	-	-	1
Other comprehensive loss									
- Net loss on fair value changes of FVTOCI financial assets	(784)	-	-	(784)	(784)	-	-	-	-
Total comprehensive (loss)/income	(427)	-	356	(784)	(784)	-	-	-	1
Closing balance at 30 June 2018	74,983	67,898	28,360	(21,305)	151	1,262	(22,718)	-	30

These condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to these interim financial statements.

GOLDEN PHAROS BERHAD (Company No. 152205-W)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

	Note	6 months ended	
		30.06.2019 Unaudited RM'000	30.06.2018 Unaudited RM'000
Operating activities			
Profit before tax		562	1,222
<u>Adjustments for:</u>			
Interest income	7	(201)	(67)
Dividend income	7	(35)	-
Interest expenses	7	90	54
Gain on disposal of property, plant and equipment	7	(1)	-
Depreciation of property, plant and equipment	7	1,788	1,917
Depreciation of investment properties	7	116	115
Property, plant and equipment written off	7	-	85
Reversal of expected credit loss allowance	7	-	(35)
Grant equity-settled share options to employees	7	100	-
Provision for retirement benefits	7	391	530
(Reversal)/provision for short-term accumulating compensated absences	7	(90)	2
Total adjustments		<u>2,158</u>	<u>2,601</u>
Operating cash flows before changes in working capital		2,720	3,823
<u>Changes in working capital</u>			
Increase in inventory		(3,533)	(6,361)
Increase in trade and other receivables		(2,694)	2,867
(Decrease)/increase in trade and other payables		(1,427)	4,082
Total changes in working capital		<u>(7,654)</u>	<u>588</u>
Interest paid		(90)	(54)
Income taxes refund/(paid)		38	(246)
Retirement benefits paid		(822)	(179)
Total changes in working capital		<u>(874)</u>	<u>(479)</u>
Net cash flows (used in)/from operating activities		<u>(5,808)</u>	<u>3,932</u>
Investing activities			
Purchase of property, plant and equipment	10	(613)	(611)
Proceeds from disposal of property, plant and equipment		1	-
Dividend received		35	-
Interest received		201	67
Net cash flows used in investing activities		<u>(376)</u>	<u>(544)</u>
Financing activities			
Drawdown from borrowings		840	202
Repayment of borrowings		(358)	(682)
Net cash flows from/(used in) financing activities		<u>482</u>	<u>(480)</u>
Net (decrease)/increase in cash and cash equivalents		(5,702)	2,908
Cash and cash equivalents at 1 January		17,772	10,361
Cash and cash equivalents at 30 June		<u>12,070</u>	<u>13,269</u>

These condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to these interim financial statements.

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019**

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 2018 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 2018, 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 2019, the Group adopted the following new and amended MFRSs and IC Interpretation mandatory for annual periods beginning on or after 1 January 2019:

Description	Effective for annual periods beginning on or after
MFRS 9 <i>Prepayment Features with Negative Compensation (Amendments to MFRS 9)</i>	1 January 2019
MFRS 16 <i>Leases</i>	1 January 2019
MFRS 128 <i>Long-term Interests in Associates and Joint Venture (Amendments to MFRS 128)</i>	1 January 2019
Annual Improvements to MFRS 2015 - 2017 Cycle	1 January 2019
- Amendments to MFRS 3 <i>Business Combinations: Previously held interest in a joint operation</i>	1 January 2019
- Amendments to MFRS 11 <i>Joint Arrangements: Previously held interest in a joint operation</i>	1 January 2019
- Amendments to MFRS 112 <i>Income Taxes: Income tax consequences of payments on financial instruments classified as equity</i>	1 January 2019
- Amendments to MFRS 123 <i>Borrowing Costs: Borrowing costs eligible for capitalisation</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019

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 16 Leases

MFRS 16 will replaces MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Lease-Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019**

3. Significant accounting policies (continued)

MFRS 16 Leases (continued)

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. The application of this standard is not expected to have a significant impact on the Group's financial statements.

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 not adversely affected by the seasonal and cyclical factors.

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 logs and right to log.
- (ii) Manufacturing - manufacturing and trading of glass, veneer and woodchips.
- (iii) Others - including investment holding, rental of properties, none of which are of a sufficient size to be reported separately.

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019**

6. Segment information (continued)

	Harvesting, sawmilling and kiln drying RM'000	Manufacturing RM'000	Others RM'000	Consolidated RM'000
Results for 3 months ended 30 June 2019				
Operating revenue	10,425	4,971	7	15,403
Other operating income	220	34	1	255
Expenses	(9,620)	(4,851)	(929)	(15,400)
Profit/(loss) before taxation	1,025	154	(921)	258
Results for 3 months ended 30 June 2018				
Operating revenue	11,872	5,907	7	17,786
Other operating income	8	37	-	45
Expenses	(10,620)	(5,581)	(1,497)	(17,698)
Profit/(loss) before taxation	1,260	363	(1,490)	133
Results for 6 months ended 30 June 2019				
Operating revenue	20,095	10,947	13	31,055
Other operating income	227	98	13	338
Expenses	(18,520)	(10,573)	(1,738)	(30,831)
Profit/(loss) before taxation	1,802	472	(1,712)	562
Results for 6 months ended 30 June 2018				
Operating revenue	21,406	12,261	13	33,680
Other operating income	107	80	93	280
Expenses	(18,562)	(11,538)	(2,638)	(32,738)
Profit/(loss) before taxation	2,951	803	(2,532)	1,222

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

7. Profit before taxation

Included in the profit before taxation are the following items:

	Current quarter 3 months ended		Cumulative quarter 6 months ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Interest income	(175)	(37)	(201)	(67)
Dividend income	(35)	-	(35)	-
Interest expenses	52	28	90	54
Depreciation of property, plant and equipment	982	966	1,788	1,917
Depreciation of investment properties	58	57	116	115
Gain on disposal of property, plant and equipment	-	-	(1)	-
Property, plant and equipment written off	-	-	-	85
Reversal of expected credit loss allowance	-	(33)	-	(35)
Grant equity-settled share options to employees	41	-	100	-
Provision/(reversal) for short-term accumulating compensated absences	2	(4)	(90)	2
Provision for retirement benefits	188	265	391	530

8. Income tax expense

	Current quarter 3 months ended		Cumulative quarter 6 months ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Current income tax	367	857	608	1,152
Deferred income tax	(183)	(69)	(173)	(283)
Over provision of deferred tax in respect of previous years		(2)	27	(4)
	184	786	462	865
Effective tax rate	71.3%	591.0%	82.2%	70.8%

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 SIX-MONTH PERIOD ENDED 30 JUNE 2019

9. Earnings/(loss) per share

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

		Current quarter		Cumulative quarter	
		3 months ended		6 months ended	
		<u>30.06.2019</u>	<u>30.06.2018</u>	<u>30.06.2019</u>	<u>30.06.2018</u>
Earnings/(loss) net of tax attributable to owners of the parent used in the computation of earnings per share	(RM'000)	74	(652)	100	356
Weighted average number of ordinary shares in issue	(' 000)	135,135	134,547	135,135	134,547
Basic earnings/(loss) per share	(sen)	0.05	(0.48)	0.07	0.26

10. Property, plant and equipment

During the six-month period ended 30 June 2019, the Group has acquired property, plant and equipment at a cost of RM613,000 (30 June 2018: RM611,000). As at 30 June 2019, the total depreciation charged for the property, plant and equipment was RM1,788,000 (30 June 2018: RM1,917,000). There were no property, plant and equipment were written off by the Group during the six-month period ended 30 June 2019 (30 June 2018: RM85,000). 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 RMNil during the six-month period ended 30 June 2019 (30 June 2018:RMNil), resulting in a gain on disposal of RM1,000 (30 June 2018: RMNil), 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 2018/31 December 2018/30 June 2019	<u>613</u>
Accumulated impairment:	
At 1 January 2018/31 December 2018/30 June 2019	<u>(613)</u>
Net carrying amount:	
At 1 January 2018/31 December 2018/30 June 2019	<u>-</u>

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019**

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
30 June 2019				
Fair value through other comprehensive income financial assets				
Equity shares	1,289	1,289	-	-
31 December 2018				
Fair value through other comprehensive income financial assets				
Equity shares	1,364	1,364	-	-

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:

	30.06.2019	31.12.2018
	RM'000	RM'000
Cash at banks and in hand	5,773	8,701
Deposits in licensed banks	9,117	10,111
	<u>14,890</u>	<u>18,812</u>
Less:		
Bank overdraft	(1,780)	-
Deposits in licensed banks	(1,040)	(1,040)
Total cash and cash equivalents	<u>12,070</u>	<u>17,772</u>

14. Share capital

There were no issuances, cancellation, repurchases, resale and repayments of debts and equity securities for the financial period ended 30 June 2019.

GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

15. Borrowings

	30.06.2019	31.12.2018
	RM'000	RM'000
Current		
Secured	2,223	496
Non-current		
Secured	2,068	1,271
Total borrowings	<u>4,291</u>	<u>1,767</u>

16. Dividend proposed or declared

A single tier first and final dividend of 1.27 sen per ordinary share in respect of the financial year ended 31 December 2018 has been approved by the Shareholders at the 32nd Annual General Meeting and shall be paid on 19 July 2019 to depositors registered in the records of Depositors on 5 July 2019 at 4.00 p.m. This report does not reflect this dividend. Such dividend will be accounted for in equity as appropriation of retained earnings in the quarter ending 30 September 2019.

17. Commitments

	30.06.2019	31.12.2018
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Plant and machinery	708	4,700
Motor vehicles	-	-
Approved but not contracted for:		
Plant and machinery	342	1,050
Motor vehicles	200	200
	<u>1,250</u>	<u>5,950</u>

18. Related party transactions

The following table provides information on the transactions which have been entered into with related parties during the six-month periods ended 30 June 2019 and 31 December 2018 as well as the balances with the related parties as at 30 June 2019 and 31 December 2018:

		Secretarial fee	Expenses paid by parties	Amounts owed to parties
		RM'000	RM'000	RM'000
Entities with significant influence over the Group:				
Holding company				
Terengganu Incorporated Sdn. Bhd. ("TISB")	30.06.2019	-	-	15,274
	31.12.2018	5	1	15,274
A corporate shareholder				
Lembaga Tabung Amanah Warisan	30.06.2019	-	-	640
Negeri Terengganu ("LTAWNT")	31.12.2018	-	-	640

**GOLDEN PHAROS BERHAD (Company No. 152205-W)
EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING
REQUIREMENT: CHAPTER 9, APPENDIX 9B, PART A
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019**

19. Performance review

(a) Current Quarter vs Corresponding Quarter of Previous Period (2Q2019 vs 2Q2018)

The Group registered a revenue of RM15.40 million for the current quarter ended 30 June 2019 (2Q2019), declined by 13% from RM17.78 million reported in the previous year's corresponding quarter (2Q2018). In contrast, the Group profit before taxation (PBT) improved by 94% to RM0.26 million in 2Q2019 as compared with a PBT of RM0.13 million in 2Q2018.

With the reported profit in 2Q2019, the Group continues its profit momentum with eight consecutive profitable quarters since third quarter 2017.

Harvesting, sawmilling and kiln drying segment

During the quarter under review, the harvesting, sawmilling and kiln drying segment reported a PBT of RM1.03 million, 19% lower than a PBT of RM1.26 million in the previous year's corresponding quarter. The result was in line with the reduction in segment's revenue by 12% to RM10.45 million in 2Q2019 as compared with RM11.87 million reported in 2Q2018.

The delay in commencement of logs extraction activities by the appointed contractors has resulted in lower logs supply to the mills in the current quarter. For record, a total of 8,027 hoppus tonne logs were extracted during the 2Q2019 as compared with 12,311 hoppus tonne logs extracted during the same period in the previous year.

Manufacturing segment

The manufacturing segment which is the manufacturing activities of glass, veneer and woodchip of the Group, reported an adverse performance as the PBT in 2Q2019 decreased to RM0.15 million from RM0.36 million in 2Q2018. The reduction in profit was in line with the drop in the segment's revenue of 16% during the quarter under review, primarily related to the lukewarm construction projects which affected the glass order book.

Other segment

Other segment which refers to the investment holding and rental of properties activity of the Group, has recorded marginal revenue from its rental. There was a decrease in loss, primarily contributed by the savings in segment's by 38%.

(b) Current Period-to-date vs Previous Period-to-date (FY2019 vs FY2018)

For the six-month period ended 30 June 2019 (6M2019), the Group registered a profit before taxation of RM0.56 million as compared to profit before taxation of RM1.22 million reported in the same period last year (6M2018). The Group's revenue has decreased by 8% from RM33.68 million reported in 6M2018 to RM31.06 million in the current period.

Harvesting, sawmilling and kiln drying segment

The Group's result was primarily driven by the favorable performance of Group's harvesting and sawmilling segment. In 6M2019, the segment posted a profit before taxation of RM1.80 million, despite a reduction in PBT by 39% against 6M2018.

Whilst, the segment's revenue has dropped to RM20.10 million in the current period from RM21.41 million reported in previous year's corresponding period. The adverse performance in segment's revenue and profit as compared against previous periods were mainly due to the reduced quantity of sawn timber sold by 35% as a result of lower logs extraction during the period.

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19. Performance review

(b) Current Period-to-date vs Previous Period-to-date (FY2019 vs FY2018)

Manufacturing segment

The manufacturing segment of the Group reported a reduction in revenue by 11% in 6M2019 as compared to 6M2018. In line with revenue reduction, the segment's PBT decreased significantly to RM0.47 million in 6M2019 from RM0.80 million PBT reported in 6M2018.

The glass operation was still affected by the non-recoverability of construction sectors since early 2018, led to the postponements of the glass order. Meanwhile, the veneer operation has just started in 3Q2018 and the revenue generated was minimal due to low running capacity.

Other segment

Other segment has recorded a slight decrease in loss before taxation of RM1.71 million in 6M2019 as compared to the loss before taxation of RM2.53 million in 6M2018. The improved result in the period under review was contributed by the savings in the segment's operating expenses

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

	Current quarter 30.06.2019 RM'000	Immediate preceding quarter 31.03.2019 RM'000
Revenue	15,403	15,652
Profit before taxation	258	304

The Group's revenue for the quarter under review was RM15.40 million, slightly decreased from RM15.65 million revenue reported in the First Quarter 2019 ("1Q2019"). Accordingly, the Group's profit before taxation declined by 15% to RM0.26 million in the quarter under review. The slight decline in the Group's performance was primarily contributed by the adverse performance of manufacturing segment of the Group.

The harvesting, sawmilling and kiln drying segment's performance has improved in the current quarter as internal logs extraction increased due to better weather condition in 2Q2019 as compared against previous quarter. As a result, the segments' revenue has increased by 8% to RM10.43 million in 2Q2019 from RM9.67 million in the immediate preceding quarter. Accordingly, the segment reported higher profit before taxation of RM1.03 million during the current quarter as compared with RM0.78 million in 1Q2019.

In contrast, the manufacturing segment reported a slight decrease in profit before taxation from RM0.32 million in 1Q2019 to RM0.15 million in the current quarter. The segment's revenue declined by 17% from RM5.98 million in the 1Q2019 to RM4.97 million in the 2Q2019.

As reported earlier, the slowdown in glass demand from construction projects has impacted the segment's performance in the quarter under review

Other segment reported an increase in loss before taxation by 16% from RM0.79 million reported in the immediate preceding quarter. The adverse performance in the quarter under review was contributed by the increase in certain administrative expenses.

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21. Commentary on prospect

Harvesting, sawmilling and kiln drying of timber

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 the 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. However, with the outstanding order book in hand, the glass segment is expected to contribute favourable result to the Group.

Veneer operation is expected to improve as the operating subsidiary has entered into a Service Level Agreement with a third party that enable it to increase running capacity and generate revenue to the Group

22. Changes in material litigation

There was no material litigation against the Group.

23 Dividend payable

Please refer to Note 16 for details.

24. Risks and policies of derivatives

The Group did not enter into any derivative during the financial period ended 30 June 2019 or the previous financial year ended 31 December 2018.

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 30 June 2019 and 31 December 2018.

26. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2018 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 27 August 2019.

By order of the Board

Dato' Ahmad Nadzarudin bin Abdul Razak
Chief Executive Officer