

GOLDEN PHAROS BERHAD (Company No. 1986011003051)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

	Note	Current quarter 3 months ended		Cumulative quarter 9 months ended	
		30.09.2021 Unaudited RM'000	30.09.2020 Unaudited RM'000	30.09.2021 Unaudited RM'000	30.09.2020 Unaudited RM'000
Revenue		12,018	18,787	30,828	31,498
Cost of sales		<u>(9,642)</u>	<u>(12,072)</u>	<u>(27,472)</u>	<u>(25,719)</u>
Gross profit		2,376	6,715	3,356	5,779
Other operating income		1,588	569	2,075	1,681
Administrative expenses		(3,123)	(3,375)	(10,220)	(9,268)
Other operating expenses		<u>(255)</u>	<u>(294)</u>	<u>(861)</u>	<u>(897)</u>
Operating profit/(loss)		586	3,615	(5,650)	(2,705)
Finance costs		<u>(173)</u>	<u>(35)</u>	<u>(510)</u>	<u>(376)</u>
Profit/(loss) before tax	7	413	3,580	(6,160)	(3,081)
Income tax (expenses)/benefit	8	<u>(131)</u>	<u>(733)</u>	<u>30</u>	<u>(719)</u>
Profit/(loss) for the period, net of tax		<u>282</u>	<u>2,847</u>	<u>(6,130)</u>	<u>(3,800)</u>
Profit/(loss) for the period attributable to:					
Owners of the parent		<u>282</u>	<u>2,847</u>	<u>(6,130)</u>	<u>(3,800)</u>
Earnings/(loss) per share attributable to owners of the parent (sen per share)					
- Basic	9	<u>0.21</u>	<u>2.10</u>	<u>(4.46)</u>	<u>(2.80)</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 2020 and the accompanying explanatory notes attached to these interim financial statements.

GOLDEN PHAROS BERHAD (Company No. 1986011003051)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021 (CONTINUED)

	Note	Current quarter 3 months ended		Cumulative quarter 9 months ended	
		30.09.2021	30.09.2020	30.09.2021	30.09.2020
		Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
Profit/(loss) for the period, net of tax		282	2,847	(6,130)	(3,800)
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		16	33	(353)	(693)
Other comprehensive income/(loss) for the period, net of tax		16	33	(353)	(693)
Total comprehensive income/(loss) for the period, net of tax		298	2,880	(6,483)	(4,493)
Total comprehensive income/(loss) for the period, net of tax attributable to:					
Owners of the parent		298	2,880	(6,483)	(4,493)

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 2020 and the accompanying explanatory notes attached to these interim financial statements.

GOLDEN PHAROS BERHAD (Company No. 1986011003051)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021

	Note	30.09.2021 Unaudited RM'000	31.12.2020 Audited RM'000
Assets			
Non-current assets			
Property, plant and equipment	10	13,260	13,696
Right-of-use assets		25,211	25,839
Investment properties		19,580	18,119
Intangible assets		2,081	1,155
Goodwill	11	-	-
Investment in associates		3,571	3,571
Deferred tax assets		962	798
Investment securities	12	765	2,010
		<u>65,430</u>	<u>65,188</u>
Current assets			
Inventories		6,787	6,762
Trade and other receivables		13,189	13,289
Tax recoverable		1,569	3,149
Cash and bank balances	13	10,003	13,137
		<u>31,548</u>	<u>36,337</u>
Non-current assets held for sale		10	20
		<u>31,558</u>	<u>36,357</u>
Total assets		<u>96,988</u>	<u>101,545</u>
Equity and liabilities			
Equity			
Share capital	14	81,457	80,447
Retained earnings		2,074	8,207
Other reserves		(20,153)	(20,262)
Total equity		<u>63,378</u>	<u>68,392</u>
Non-current liabilities			
Retirement benefit obligations		7,222	7,014
Borrowings	15	9,622	10,241
Lease liabilities		6	1
		<u>16,850</u>	<u>17,256</u>
Current liabilities			
Retirement benefit obligations		262	702
Borrowings	15	4,922	1,832
Lease liabilities		29	24
Trade and other payables		11,547	13,339
		<u>16,760</u>	<u>15,897</u>
Total liabilities		<u>33,610</u>	<u>33,153</u>
Total equity and liabilities		<u>96,988</u>	<u>101,545</u>
Net assets per share attributable to owners of the parent ("RM")		0.46	0.50

These condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to these interim financial statements.

GOLDEN PHAROS BERHAD (Company No. 1986011003051)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

	Attributable to owners of the parent							
	Non-distributable				Distributable			
	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	
Opening balance at 1 January 2021	68,392	80,447	8,243	(20,298)	477	1,262	(22,718)	681
Reclassification	-	-	(36)	36	36	-	-	-
Opening balance at 1 January 2021 (restated)	68,392	80,447	8,207	(20,262)	513	1,262	(22,718)	681
Loss for the period	(6,130)	-	(6,130)	-	-	-	-	-
Other comprehensive income								
- Net loss on fair value changes of FVTOCI financial assets	(353)	-	-	(353)	(353)	-	-	-
Total comprehensive loss	(6,483)	-	(6,130)	(353)	(353)	-	-	-
Transfer to retained earnings from fair value reserve upon disposal of FVTOCI financial assets	-	-	(104)	104	104	-	-	-
Transaction with owners								
- Share-based payment under the LTIP: Grant of ESOS	638	-	-	638	-	-	-	638
- Issuance of ordinary shares: Exercise of ESGS	641	641	-	-	-	-	-	-
- Issuance of ordinary shares: Exercise of ESOS	190	190	-	-	-	-	-	-
- Transfer to share capital for ESOS exercise	-	179	-	(179)	-	-	-	(179)
- ESOS lapsed	-	-	101	(101)	-	-	-	(101)
Closing balance at 30 September 2021	63,378	81,457	2,074	(20,153)	264	1,262	(22,718)	1,039
Opening balance at 1 January 2020	62,896	68,447	14,936	(20,487)	714	1,262	(22,718)	255
Loss for the period	(3,800)	-	(3,800)	-	-	-	-	-
Other comprehensive income								
- Net loss on fair value changes of FVTOCI financial assets	(693)	-	-	(693)	(693)	-	-	-
Total comprehensive loss	(4,493)	-	(3,800)	(693)	(693)	-	-	-
Transaction with owners								
- Share-based payment under the LTIP: Grant of ESOS	186	-	-	186	-	-	-	186
- Issuance of redeemable preference shares	12,000	12,000	-	-	-	-	-	-
Closing balance at 30 September 2020	70,589	80,447	11,136	(20,994)	21	1,262	(22,718)	441

These condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to these interim financial statements.

GOLDEN PHAROS BERHAD (Company No. 1986011003051)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

	Note	9 months ended	
		30.09.2021	30.09.2020
		Unaudited RM'000	Unaudited RM'000
Operating activities			
Loss before tax		(6,160)	(3,081)
<u>Adjustments for:</u>			
Interest income	7	(75)	(101)
Dividend income	7	(16)	-
Interest expenses	7	510	376
Gain on disposal of property, plant and equipment	7	-	(23)
Gain on disposal of non-current assets held-for-sale	7	(32)	-
Depreciation of:			
- Property, plant and equipment	7	1,614	1,864
- Investment properties	7	307	375
- Right-of-use assets	7	660	583
Property, plant and equipment written off	7	1	2
Reversal of allowance for impairment of trade and other receivables	7	(172)	-
Amortisation of intangible assets	7	825	3,146
Reversal of provision for diminution of investment	7	(57)	-
Share-based payment under the LTIP:			
- Grant of ESOS	7	638	186
- Exercise of ESGS	7	641	-
Provision for retirement benefits	7	723	576
Reversal for short-term accumulating compensated absences	7	-	(94)
Total adjustments		<u>5,567</u>	<u>6,890</u>
Operating cash flows before changes in working capital		(593)	3,809
<u>Changes in working capital</u>			
Increase in inventory		(25)	(4,013)
Decrease/(increase) in trade and other receivables		272	(3,159)
Decrease in trade and other payables		(1,792)	(1,886)
Total changes in working capital		<u>(1,545)</u>	<u>(9,058)</u>
Interest paid		(509)	(374)
Income taxes refund/(paid)		1,446	(654)
Retirement benefits paid		(955)	(652)
Total changes in working capital		<u>(18)</u>	<u>(1,680)</u>
Net cash flows used in operating activities		<u>(2,156)</u>	<u>(6,929)</u>
Investing activities			
Purchase of property, plant and equipment	10	(724)	(496)
Purchase of investment properties		(1,768)	(60)
Proceeds from disposal of property, plant and equipment		-	23
Proceeds from disposal of non-current assets held-for-sale		42	-
Proceeds from disposal of investment in associates		57	-
Proceeds from disposal of investment securities		891	-
Dividend received		16	-
Addition of intangible assets		(1,751)	(1,608)
Interest received		75	101
Net cash flows used in investing activities		<u>(3,162)</u>	<u>(2,040)</u>

**GOLDEN PHAROS BERHAD (Company No. 1986011003051)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021 (continued)**

	9 months ended	
	30.09.2021	30.09.2020
Note	Unaudited RM'000	Unaudited RM'000
Financing activities		
Proceeds from issuance of ESOS exercised	190	-
Contractual lease payment	(22)	(21)
Drawdown of borrowings	916	474
Repayment of borrowings	(1,597)	(760)
Net cash flows used in financing activities	(513)	(307)
Net decrease in cash and cash equivalents	(5,831)	(9,276)
Cash and cash equivalents at 1 January	11,993	19,646
Cash and cash equivalents at 30 September	6,162	10,370

These condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to these interim financial statements.

GOLDEN PHAROS BERHAD (Company No. 1986011003051)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

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 2020 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 2020, 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 2021, the Group adopted the following new and amended MFRSs and IC Interpretation mandatory for annual periods beginning on or after 1 January 2021:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 9: <i>Financial Instruments</i> , MFRS 139: <i>Financial Instruments: Recognition and Measurements</i> and MFRS 7: <i>Financial Instruments: Disclosure - Interest Rate Benchmark Reform - Phase 2</i>	1 January 2021
Amendment to MFRS 16: <i>Leases - Covid-19-Related Rent Concessions beyond 30 June 2021</i>	1 April 2021
Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2018–2020"	1 January 2022
Amendments to MFRS 3: <i>Business Combinations - Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116: <i>Property, Plant and Equipment - Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137: <i>Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
MFRS 17: <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17: <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 101: <i>Presentation of Financial Statements - Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to MFRS 101: <i>Presentation of Financial Statements - Disclosure of Accounting policies</i>	1 January 2023
Amendments to MFRS 108: <i>Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The initial application of the abovementioned standards and interpretations did not have any material impact to the financial statements of the Group.

GOLDEN PHAROS BERHAD (Company No. 1986011003051)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

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 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, forest plantation, sawmilling, sales of logs and logging compartment.
- (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.

	Harvesting, forest plantation and sawmilling RM'000	Manufacturing RM'000	Others RM'000	Consolidated RM'000
Results for 3 months ended 30 September 2021				
Operating revenue	8,385	3,599	34	12,018
Other operating income	1,075	406	107	1,588
Expenses	(7,584)	(4,382)	(1,227)	(13,193)
Profit/(loss) before tax	1,876	(377)	(1,086)	413

**Results for 3 months ended
30 September 2020**

Operating revenue	13,783	4,979	25	18,787
Other operating income	509	25	35	569
Expenses	(10,625)	(4,267)	(884)	(15,776)
Profit/(loss) before tax	3,667	737	(824)	3,580

	Harvesting, forest plantation and sawmilling RM'000	Manufacturing RM'000	Others RM'000	Consolidated RM'000
Results for 9 months ended 30 September 2021				
Operating revenue	17,799	12,944	85	30,828
Other operating income	1,427	450	198	2,075
Expenses	(21,423)	(14,388)	(3,252)	(39,063)
Loss before tax	(2,197)	(994)	(2,969)	(6,160)

GOLDEN PHAROS BERHAD (Company No. 1986011003051)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

6. Segment information (continued)

	Harvesting, forest plantation and sawmilling RM'000	Manufacturing RM'000	Others RM'000	Consolidated RM'000
Results for 9 months ended 30 September 2020				
Operating revenue	20,243	11,180	75	31,498
Other operating income	1,342	256	83	1,681
Expenses	(21,580)	(12,135)	(2,545)	(36,260)
Profit/(loss) before tax	5	(699)	(2,387)	(3,081)

7. Profit/(loss) before tax

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

	Current quarter 3 months ended		Cumulative quarter 9 months ended	
	30.09.2021 RM'000	30.09.2020 RM'000	30.09.2021 RM'000	30.09.2020 RM'000
Interest income	(54)	(7)	(75)	(101)
Dividend income	(7)	-	(16)	-
Interest expenses	172	35	510	376
Gain on disposal of property, plant and equipment	-	(1)	-	(23)
Gain on disposal of non-current assets held-for-sale	-	-	(32)	-
Depreciation of:				
- Property, plant and equipment	596	630	1,614	1,864
- Investment properties	88	123	307	375
- Right-of-use assets	223	195	660	583
Property, plant and equipment written off	-	1	1	2
Reversal of allowance for impairment of trade and other receivables	(172)	-	(172)	-
Amortisation of intangible assets	244	1,976	825	3,146
Reversal of provision for diminution of investment	(57)	-	(57)	-
Share-based payment under the LTIP:				
- Grant of ESOS	71	93	638	186
- Exercise of ESGS	391	-	641	-
Provision for retirement benefits	370	206	723	576
Reversal for short-term accumulating compensated absences	-	-	-	(94)

GOLDEN PHAROS BERHAD (Company No. 1986011003051)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

8. Income tax expenses/(benefit)

	Current quarter 3 months ended		Cumulative quarter 9 months ended	
	30.09.2021 RM'000	30.09.2020 RM'000	30.09.2021 RM'000	30.09.2020 RM'000
Current income tax	167	400	220	530
Overprovision of income tax in respect of previous years	(86)	-	(86)	-
Deferred income tax	50	193	(64)	75
(Over)/under provision of deferred tax in respect of previous years	-	140	(100)	114
	<u>131</u>	<u>733</u>	<u>(30)</u>	<u>719</u>
Effective tax rate	31.7%	20.5%	0.5%	-23.3%

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

9. Earnings/(loss) per share

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

		Current quarter 3 months ended		Cumulative quarter 9 months ended	
		30.09.2021	30.09.2020	30.09.2021	30.09.2020
Profit/(loss) net of tax attributable to owners of the parent used in the computation of earnings per share	(RM'000)	<u>282</u>	<u>2,847</u>	<u>(6,130)</u>	<u>(3,800)</u>
Weighted average number of ordinary shares in issue	(' 000)	<u>137,305</u>	<u>135,645</u>	<u>137,305</u>	<u>135,645</u>
Basic earnings/(loss) per share	(sen)	<u>0.21</u>	<u>2.10</u>	<u>(4.46)</u>	<u>(2.80)</u>

10. Property, plant and equipment

During the nine-month period ended 30 September 2021, the Group has acquired property, plant and equipment at a cost of RM724,000 (30 September 2020: RM496,000). As at 30 September 2021, the total depreciation charged for the property, plant and equipment was RM1,614,000 (30 September 2020: RM1,864,000). Property, plant and equipment with the carrying amount of RM1,000 were written off by the Group during nine-month period ended 30 September 2021 (30 September 2020: RM2,000). This has been included in other operating expenses in the statement of profit and loss and other comprehensive income.

There were no disposal of property, plant and equipment during the nine-month period ended 30 September 2021 (30 September 2020: gain on disposal of RM23,000).

GOLDEN PHAROS BERHAD (Company No. 1986011003051)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

11. Goodwill

	Goodwill RM'000
Cost:	
At 1 January 2020/31 December 2020/30 September 2021	<u>613</u>
Accumulated impairment:	
At 1 January 2020/31 December 2020/30 September 2021	<u>(613)</u>
Net carrying amount:	
At 1 January 2020/31 December 2020/30 September 2021	<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
30 September 2021				
Fair value through other comprehensive income financial assets				
Equity shares	765	765	-	-
31 December 2020				
Fair value through other comprehensive income financial assets				
Equity shares	2,010	2,010	-	-

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. 1986011003051)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

13. Cash and bank balances

Cash and bank balances comprised the following amounts:

	30.09.2021	31.12.2020
	RM'000	RM'000
Cash at banks and in hand	7,994	6,633
Deposits in licensed banks	2,009	6,504
	<u>10,003</u>	<u>13,137</u>
Less:		
Bank overdraft	(3,052)	(355)
Deposits in licensed banks	(789)	(789)
Total cash and cash equivalents	<u><u>6,162</u></u>	<u><u>11,993</u></u>

14. Share capital

During the financial period ended 30 September 2021, the Company increased its issued and paid-up share

- (a) an issuance of 1,063,720 and 1,085,900 ordinary shares at no cost pursuant to the Company's Executive Share Grant Scheme ("ESGS") at exercise price of RM0.235 and RM0.360 per ordinary share respectively.
- (b) an issuance of 702,000 ordinary shares from exercise of options under the Employees Share Option Scheme ("ESOS") at the exercise price of RM0.27 per option which amounted to RM190,000.

	Company
	RM '000
Issued and fully paid:	
Ordinary shares	
At 1 January 2021	68,447
Issuance of shares arising from exercise of ESGS	641
Issuance of shares arising from exercise of ESOS	190
Transfer from employee share option reserves upon ESOS exercised	179
At 30 September 2021	<u><u>69,457</u></u>

15. Borrowings

	30.09.2021	31.12.2020
	RM'000	RM'000
Current		
Secured	4,922	1,832
Non-current		
Secured	9,622	10,241
Total borrowings	<u><u>14,544</u></u>	<u><u>12,073</u></u>

16. Dividend

There was no dividend declared by the Company during the financial period ended 30 September 2021 (30 September 2020: RMNil).

GOLDEN PHAROS BERHAD (Company No. 1986011003051)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

17. Commitments

	30.09.2021	31.12.2020
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Plant and machinery	388	-
Motor vehicles	120	-
Office equipment	42	-
Building and renovation	64	-
Approved but not contracted for:		
Plant and machinery	2,515	2,903
Motor vehicles	1,030	1,150
Office equipment	180	222
Building and renovation	6,128	6,192
	<u>10,467</u>	<u>10,467</u>

18. Related party transactions

The following table provides information on the transactions which have been entered into with related parties during the nine-month periods ended 30 September 2021 and 31 December 2020 as well as the balances with the related parties as at 30 September 2021 and 31 December 2020:

		Amounts owed to related parties RM'000
A corporate shareholder		
Lembaga Tabung Amanah Warisan	30.09.2021	640
Negeri Terengganu ("LTAWNT")	31.12.2020	<u>640</u>

19. Events after the reporting period

Long-term Incentive Plan

On 30 August 2021, under the LTIP, the Group has offered Employee Share Option Scheme ("ESOS") to the employees of the Company and its subsidiaries. The total number of ESOS offered was 478,000 units and the exercise price was at RM0.45 sen per share. The ESOS will be vested upon acceptance of the offer by the employees, which shall be no later than 30 days from the date of offer, 30 August 2021 (provided that the relevant vesting conditions are fulfilled on the date of acceptance of the offer)

ESOS exercise

On 13 October 2021, the Company has issued 731,000 ordinary shares from exercise of options under the Employees Share Option Scheme ("ESOS") at the exercise price of RM0.27 and RM0.18 per option which amounted to RM179,000.

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20. Performance review

(a) Current Quarter vs Corresponding Quarter of Previous Period (3Q2021 vs 3Q2020)

The Group's revenue for the current quarter was RM12.02 million, 36% lower than RM18.79 million reported in the previous year's corresponding quarter. Consequently, the Group recorded a lower profit before tax ("PBT") of RM0.41 million as compared to RM3.58 million recorded in 3Q2020.

Concurrence to the Government's imposition of Movement Control Order ("MCO") 3.0 or Total Lockdown in 1 June 2021, the Group's operations were still not operated during the early period of the current quarter. Once resumed, the operations were still facing the restrictions to operate in full capacity. This situation has mainly affected the Group's financial results in 3Q2021.

Harvesting, forest plantation and sawmilling

During the quarter under review, the harvesting, forest plantation and sawmilling segment reported a PBT of RM1.88 million, 49% lower than a PBT of RM3.67 million in the previous year's corresponding quarter. This result was in line with the reduction in segment's revenue by 39% to RM8.39 million in 3Q2021 compared with RM13.78 million reported in 3Q2020.

Sawmilling operation has affected from the restricted logs supply in the current quarter due to delay in logging license processing as a result of MCO. Production of sawn timber reduced by 54% from 3Q2020, led to the decline in segment's revenue in the current quarter. The situation was worsened by the cessation of operations and capacity restriction order on both sawmilling and logging activities during the period.

Manufacturing segment

Similarly, Group's manufacturing segment which is the manufacturing of glass, veneer and woodchip has also affected from the non-operation during MCO 3.0. The revenue declined by 28% from RM4.98 million to RM3.60 million in the current quarter. As some of operational costs remained during non-operation period, the segment's profit declined significantly to loss before tax of RM0.38 million from the PBT of RM0.74 million reported in the same quarter last year.

Other segment

Other segment which refers to the investment holding and rental activity of the Group, has recorded an increase in loss before tax due to the increase in segment's administrative expenses.

(b) Current Period-to-date vs Previous Period-to-date (9M2021 vs 9M2020)

During the nine-month period ended 30 September 2021 ("9M2021"), the Group's revenue stood at RM30.83 million, slightly decreased from RM31.50 million reported in the previous year's corresponding period ("9M2020"). Consequently, the Group recorded a higher loss before tax of RM6.16 million as compared to a loss before tax of RM3.08 million recorded in 9M2020.

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20. Performance review (continued)

(b) Current Period-to-date vs Previous Period-to-date (9M2021 vs 9M2020) (continued)

Harvesting, forest plantation and sawmilling

During the current period, the segment reported a loss before tax of RM2.20 million as compared to a marginal PBT registered in 9M2020. This was in line with the reduction in segment's revenue by 12% during the current period.

As reported, the main reason for the decline was due to limited number of operating days to harvest logs as a result of MCO and uncharacteristic rainy patterns during the current year. As a result, logs extraction dropped significantly from 18,913 hoppus tonne in 9M2020 to 10,913 hoppus tonne in 9M2021, that in turn has affected the sawn timber production and sales.

Manufacturing segment

During the period of 9M2021, the segment's revenue improved 16% as compared to 9M2020. However, the segment reported an increase in loss before tax from RM0.70 million to RM0.99 million in period under review, mainly due to the increase in operational costs and expenses of the segment.

Other segment

Other segment recorded an increase in loss before tax to RM2.97 million in the current period as compared against RM2.39 million reported in 9M2020. This result was mainly due to the increase in segment's expenses by 28%, mainly contributed from the impact of share-based payment under the LTIP.

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

	Current quarter 30.09.2021 RM'000	Immediate preceding quarter 30.06.2021 RM'000
Revenue	12,018	6,485
Profit/(loss) before tax	413	(5,214)

The Group's result improved significantly in the current quarter after it recorded a profit before tax of RM0.43 million as compared to a loss before tax of RM5.21 million reported in the immediate preceding quarter. This result was attributed by the increase in Group's revenue of 61% in the current quarter.

The major contribution for the improved results was from harvesting, forest plantation and sawmilling segment. The segment's revenue improved by 219%, resulted to the segment reported a profit before tax of RM1.88 million as compared to a loss before tax of RM3.28 million in the immediate preceding quarter.

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

Similarly, the manufacturing segment's results showed the improvement whereby loss before tax reduced 62% to RM0.38 million in the current quarter against RM0.99 million reported in the immediate preceding quarter. This favourable result was due saving in expenses and the increase in other operating income reported during the current quarter.

While other segment reported an increase in loss before tax by 15% from RM0.95 million reported in the immediate preceding quarter. The adverse performance in the quarter under review was due to the increase segment's administrative expenses.

22. Commentary on prospect

The Covid-19 pandemic and the imposition Total lockdown has adversely impacted the Group's financial performance after the operations were suspended for several weeks in June until August 2021.

In response to the Total Lockdown impact to our financial performance and position in the remaining quarters of 2021, the Board has identified new measures to be undertaken while continues to implement the existing measures.

- **Establishment of a new Key Performance Indicator ("KPI") on Logging Yield**

Our Board has established a new KPI on logging yield for 2021 which is substantially higher than our historical and present yields. Successful pursuit of this new KPI will help translate into higher logging yield.

- **Implementation of new logging policy**

The Board has approved the new logging policy effective 2Q2021 in order to further improve the logging yield. The implementation of this new policy is expected to produce more logs from the Group's concession area.

The strengthening of our harvesting activity through enhancing tree marking process, prioritizing high value compartments species, improvement of felling technique and initiative in data collection of timber inventory will become the Group's continuous efforts and actions plan to enhance our logging yield and efficiency.

If all the new measures can be successfully implemented, and barring any unforeseen external shocks, the Board is cautiously optimistic that the prospects for the Group for this financial year is better than last year.

23. Changes in material litigation

There was no material litigation against the Group.

24. Dividend payable

There was no dividend paid by the Company during the financial period ended 30 September 2021 (30 September 2020: RMNil).

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25. Risks and policies of derivatives

The Group did not enter into any derivative during the financial period ended 30 September 2021 or the previous financial year ended 31 December 2020.

26. Disclosure of losses/gains arising from fair value changes of financial liabilities

The Group did not have any financial liabilities measured at fair value through profit or loss as at 30 September 2021 and 31 December 2020.

27. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2020 was not qualified.

28. 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 28 November 2021.

By order of the Board

Associate Professor Dr. Mohd Zaki bin Hamzah
Executive Director