

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

	Note	Current quarter 3 months ended		Cumulative quarter 6 months ended	
		30.06.2023	30.06.2022	30.06.2023	30.06.2022
		Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
Revenue		15,019	14,141	23,455	22,570
Cost of sales		<u>(10,247)</u>	<u>(9,437)</u>	<u>(17,778)</u>	<u>(17,602)</u>
Gross profit		4,772	4,704	5,677	4,968
Other operating income		822	366	1,039	827
Administrative expenses		(3,817)	(3,668)	(7,646)	(6,966)
Other operating expenses		<u>(344)</u>	<u>(348)</u>	<u>(665)</u>	<u>(654)</u>
Operating profit/(loss)		1,433	1,054	(1,595)	(1,825)
Finance costs		<u>(170)</u>	<u>(171)</u>	<u>(326)</u>	<u>(360)</u>
Profit/(loss) before tax	10	1,263	883	(1,921)	(2,185)
Income tax expense	11	<u>(356)</u>	<u>(466)</u>	<u>(494)</u>	<u>(30)</u>
Profit/(loss) for the period, net of tax		<u>907</u>	<u>417</u>	<u>(2,415)</u>	<u>(2,215)</u>
Profit/(loss) for the period attributable to:					
Owners of the parent		<u>907</u>	<u>417</u>	<u>(2,415)</u>	<u>(2,215)</u>
Earnings/(loss) per share attributable to owners of the parent (sen per share)					
- Basic	12	<u>0.66</u>	<u>0.30</u>	<u>(1.75)</u>	<u>(1.60)</u>
- Diluted	12	<u>0.63</u>	<u>0.29</u>	<u>(1.68)</u>	<u>(1.54)</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 2022 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 SIX-MONTH PERIOD ENDED 30 JUNE 2023 (CONTINUED)

	Current quarter		Cumulative quarter	
	3 months ended		6 months ended	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Note	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
Profit/(loss) for the period, net of tax	907	417	(2,415)	(2,215)
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	35	(151)	(50)	6
Net gain on remeasurement of defined benefit obligations	-	33	-	33
Other comprehensive income/(loss) for the period, net of tax	35	(118)	(50)	39
Total comprehensive income/(loss) for the period, net of tax	942	299	(2,465)	(2,176)
Total comprehensive income/(loss) for the period, net of tax attributable to:				
Owners of the parent	942	299	(2,465)	(2,176)

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 2022 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 JUNE 2023

	Note	30.06.2023 Unaudited RM'000	31.12.2022 Audited RM'000
Assets			
Non-current assets			
Property, plant and equipment	14	13,947	14,309
Right-of-use assets		23,783	24,149
Investment properties		18,872	19,053
Biological assets		1,337	1,099
Intangible assets		1,098	973
Goodwill	15	-	-
Investment in associates		3,925	3,925
Deferred tax assets		-	149
Investment securities	16	1,151	1,200
		<u>64,113</u>	<u>64,857</u>
Current assets			
Inventories		8,604	4,717
Trade and other receivables		21,091	16,053
Tax recoverable		3,005	2,325
Cash and bank balances	17	10,699	23,391
		<u>43,399</u>	<u>46,486</u>
Total assets		<u>107,512</u>	<u>111,343</u>
Equity and liabilities			
Equity			
Share capital	18	81,664	81,664
Retained earnings		14,531	16,946
Other reserves		(20,575)	(20,683)
Total equity		<u>75,620</u>	<u>77,927</u>
Non-current liabilities			
Retirement benefit obligations		6,933	6,844
Deferred tax liabilities		339	-
Borrowings	19	6,967	7,953
Lease liabilities		54	13
		<u>14,293</u>	<u>14,810</u>
Current liabilities			
Retirement benefit obligations		571	1,075
Borrowings	19	4,302	1,995
Lease liabilities		27	39
Trade and other payables		12,699	15,497
		<u>17,599</u>	<u>18,606</u>
Total liabilities		<u>31,892</u>	<u>33,416</u>
Total equity and liabilities		<u>107,512</u>	<u>111,343</u>
Net assets per share attributable to owners of the parent ("RM")		0.55	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 2022 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 SIX-MONTH PERIOD ENDED 30 JUNE 2023**

	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	RM'000
Opening balance at 1 January 2023	77,927	81,664	16,946	(20,683)	102	1,262	(22,718)	671
Loss for the period	(2,415)	-	(2,415)	-	-	-	-	-
Other comprehensive income								
- Net loss on fair value changes of FVTOCI financial assets	(50)	-	-	(50)	(50)	-	-	-
Total comprehensive loss	(2,465)	-	(2,415)	(50)	(50)	-	-	-
<u>Transaction with owners</u>								
- Share-based payment under the LTIP: Grant of ESOS	158	-	-	158	-	-	-	158
Closing balance at 30 June 2023	75,620	81,664	14,531	(20,575)	52	1,262	(22,718)	829
Opening balance at 1 January 2022	70,100	81,664	8,874	(20,438)	213	1,262	(22,718)	805
Loss for the period	(2,215)	-	(2,215)	-	-	-	-	-
Other comprehensive income								
- Net gain on fair value changes of FVTOCI financial assets	6	-	-	6	6	-	-	-
- Net gain on remeasurement of defined benefit obligations	33	-	33	-	-	-	-	-
Total comprehensive (loss)/income	(2,176)	-	(2,182)	6	6	-	-	-
<u>Transaction with owners</u>								
- Share-based payment under the LTIP: Grant of ESOS	177	-	-	177	-	-	-	177
Closing balance at 30 June 2022	68,101	81,664	6,692	(20,255)	219	1,262	(22,718)	982

These condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2022 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 SIX-MONTH PERIOD ENDED 30 JUNE 2023

	Note	6 months ended	
		30.06.2023 Unaudited RM'000	30.06.2022 Unaudited RM'000
Operating activities			
Loss before tax		(1,921)	(2,185)
<u>Adjustments for:</u>			
Interest income	7	(106)	(12)
Dividend income	7	(208)	(9)
Interest expenses	7	326	360
Gain on disposal of property, plant and equipment	7	(111)	(43)
Depreciation of:			
- Property, plant and equipment	7	908	892
- Investment properties	7	219	230
- Right-of-use assets	7	365	443
Reversal of allowance for impairment of trade and other receivables	7	(97)	(329)
Amortisation of intangible assets	7	1,240	847
Share-based payment under the LTIP:			
- Grant of ESOS	7	158	177
Provision for retirement benefits	7	355	350
Total adjustments		<u>3,049</u>	<u>2,906</u>
Operating cash flows before changes in working capital		1,128	721
<u>Changes in working capital</u>			
(Increase)/decrease in inventory		(3,887)	151
(Increase)/decrease in trade and other receivables		(4,941)	533
Decrease in trade and other payables		(2,798)	(2,244)
Total changes in working capital		<u>(11,626)</u>	<u>(1,560)</u>
Interest paid		(324)	(360)
Income taxes paid		(686)	(2,150)
Retirement benefits paid		(770)	(156)
Total changes in working capital		<u>(1,780)</u>	<u>(2,666)</u>
Net cash flows used in operating activities		<u>(12,278)</u>	<u>(3,505)</u>
Investing activities			
Purchase of property, plant and equipment	14	(471)	(1,147)
Proceeds from disposal of property, plant and equipment		119	53
Purchase of investment securities		-	(594)
Cost incurred on biological assets		(238)	(245)
Dividend received		208	9
Addition of intangible assets		(1,365)	(794)
Interest received		106	12
Net cash flows used in investing activities		<u>(1,641)</u>	<u>(2,706)</u>
Financing activities			
Contractual lease payment		(14)	(14)
Drawdown of borrowings		741	1,628
Repayment of borrowings		(1,450)	(2,247)
Net cash flows used in financing activities		<u>(723)</u>	<u>(633)</u>
Net decrease in cash and cash equivalents		(14,642)	(6,844)
Cash and cash equivalents at 1 January		22,146	14,550
Cash and cash equivalents at 30 June		<u>7,504</u>	<u>7,706</u>

These condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2022 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 SIX-MONTH PERIOD ENDED 30 JUNE 2023**

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 the requirement of the Companies Act 2016 in Malaysia 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 2022 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 2022, 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 2023, the Group adopted the following new and amended MFRSs and IC Interpretation mandatory for annual periods beginning on or after 1 January 2023:

Description	Effective for annual periods beginning on or after
MFRS 17: <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17: <i>Insurance Contracts</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 112: <i>Income Taxes - Deferred Tax Related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023

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

4. Standards issued but not yet effective

As at the date of authorisation of this financial statement, the following standards and interpretation are issued but not yet effective to the Group.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 116 Leases: <i>Lease Liability in Sale and Leaseback</i>	1 January 2024
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to 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 standards and interpretations is not expected to any material financial impact to the financial statements.

GOLDEN PHAROS BERHAD (Company No. 1986011003051)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

5. Changes in estimates

There were no significant changes in estimates that have had a material effect in the current interim results.

6. Seasonality of operations

During the quarter under review, the Group's principal business operations were not affected by the seasonal and cyclical factors such as rainy season.

7. Unusual items due to their nature, size or incidence

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size and incidence in the current quarter.

8. Changes in the composition of the Group

There was no material changes in the composition of the Group during the current quarter and financial period under review.

9. 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 compartments;
- (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, sawmilling, sales of logs and logging compartment	Manufacturing	Others	Consolidated
	RM'000	RM'000	RM'000	RM'000
Results for 3 months ended				
30 June 2023				
Operating revenue	10,613	4,376	30	15,019
Other operating income	671	141	10	822
Expenses	(8,452)	(5,017)	(1,109)	(14,578)
Profit/(loss) before tax	2,832	(500)	(1,069)	1,263
Results for 3 months ended				
30 June 2022				
Operating revenue	8,321	5,786	34	14,141
Other operating income	273	10	83	366
Expenses	(6,363)	(6,073)	(1,188)	(13,624)
Profit/(loss) before tax	2,231	(277)	(1,071)	883

GOLDEN PHAROS BERHAD (Company No. 1986011003051)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

9. Segment information

	Harvesting, forest plantation, sawmilling, sales of logs and logging compartment RM'000	Manufacturing RM'000	Others RM'000	Consolidated RM'000
Results for 6 months ended 30 June 2023				
Operating revenue	14,152	9,245	58	23,455
Other operating income	868	152	19	1,039
Expenses	(13,922)	(10,454)	(2,039)	(26,415)
Profit/(loss) before tax	1,098	(1,057)	(1,962)	(1,921)
Results for 6 months ended 30 June 2022				
Operating revenue	10,781	11,720	69	22,570
Other operating income	568	92	167	827
Expenses	(11,372)	(12,189)	(2,021)	(25,582)
Loss before tax	(23)	(377)	(1,785)	(2,185)

10. Profit/(loss) before tax

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

	Current quarter 3 months ended		Cumulative quarter 6 months ended	
	30.06.2023 RM'000	30.06.2022 RM'000	30.06.2023 RM'000	30.06.2022 RM'000
Interest income	(90)	(7)	(106)	(12)
Dividend income	(203)	(9)	(208)	(9)
Interest expenses	170	171	326	360
Gain on disposal of property, plant and equipment	(100)	(5)	(111)	(43)
Depreciation of:				
- Property, plant and equipment	448	436	908	892
- Investment properties	116	126	219	230
- Right-of-use assets	149	225	365	443
Reversal of allowance for impairment of trade and other receivables	(87)	(163)	(97)	(329)
Amortisation of intangible assets	704	537	1,240	847
Share-based payment under the LTIP:				
- Grant of ESOS	(62)	-	158	177
Provision for retirement benefits	178	176	355	350

GOLDEN PHAROS BERHAD (Company No. 1986011003051)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

11. Income tax expense

	Current quarter 3 months ended		Cumulative quarter 6 months ended	
	30.06.2023 RM'000	30.06.2022 RM'000	30.06.2023 RM'000	30.06.2022 RM'000
Current income tax	2	41	7	47
Deferred income tax	353	475	60	309
Over provision of deferred tax in respect of previous years	-	-		
	1	(50)	427	(326)
	<u>356</u>	<u>466</u>	<u>494</u>	<u>30</u>
Effective tax rate	28.2%	52.8%	-25.7%	-1.4%

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

12. Earnings/(loss) per share

Basic earnings/(loss) 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 3 months ended		Cumulative quarter 6 months ended	
		30.06.2023	30.06.2022	30.06.2023	30.06.2022
Profit/(loss) net of tax attributable to owners of the parent used in the computation of earnings per share	(RM'000)	907	417	(2,415)	(2,215)
Weighted average number of ordinary shares in issue	(' 000)	138,079	138,079	138,079	138,079
Effect of dilution - Employee Share Option Scheme ("ESOS")	(' 000)	5,357	5,357	5,357	5,357
Weighted average number of ordinary shares for diluted loss per share	(' 000)	143,436	143,436	143,436	143,436
Profit/(loss) per share					
Basic	(sen)	0.66	0.30	(1.75)	(1.60)
Diluted	(sen)	0.63	0.29	(1.68)	(1.54)

13. Valuation of property, plant and equipment and investment properties

There were no valuation of property, plant and equipment and investment properties in the current quarter and financial period under review as the Group has not adopted a revaluation model on its property, plant and equipment and investment properties.

GOLDEN PHAROS BERHAD (Company No. 1986011003051)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

14. Property, plant and equipment

During the six-month period ended 30 June 2023, the Group has acquired property, plant and equipment at a cost of RM471,000 (30 June 2022: RM1,147,000). As at 30 June 2023, total depreciation charged for the property, plant and equipment was RM908,000 (30 June 2022: RM892,000). There were no property, plant and equipment written off during six-month period ended 30 June 2023 and 30 June 2022.

The Group has also disposed assets with carrying amount of RM8,000 during six-month period ended 30 June 2023 (30 June 2022: RM10,000), resulting in a gain of disposal of RM111,000 (30 June 2022: RM43,000) recognised and included in other income in the statement of profit and loss and other comprehensive income.

15. Goodwill

	Goodwill RM'000
Cost:	
At 1 January 2022/31 December 2022/30 June 2023	<u>613</u>
Accumulated impairment:	
At 1 January 2022/31 December 2022/30 June 2023	<u>(613)</u>
Net carrying amount:	
At 1 January 2022/31 December 2022/30 June 2023	<u>-</u>

16. 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 June 2023				
Fair value through other comprehensive income financial assets				
Quoted investment securities:				
Equity instrument	<u>1,151</u>	<u>1,151</u>	<u>-</u>	<u>-</u>
31 December 2022				
Fair value through other comprehensive income financial assets				
Quoted investment securities:				
Equity instrument	<u>1,200</u>	<u>1,200</u>	<u>-</u>	<u>-</u>

GOLDEN PHAROS BERHAD (Company No. 1986011003051)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

16. Fair value hierarchy (continued)

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.

17. Cash and bank balances

Cash and bank balances comprised the following amounts:

	30.06.2023	31.12.2022
	RM'000	RM'000
Cash at banks and in hand	9,452	22,146
Deposits in licensed banks	1,247	1,245
	<u>10,699</u>	<u>23,391</u>
Less:		
Overdrafts	(1,948)	-
Deposits in licensed banks	(1,247)	(1,245)
Total cash and cash equivalents	<u>7,504</u>	<u>22,146</u>

18. Share capital

There were no issuances, cancellation, repurchases, resale and repayments of debts and equity securities for the financial period ended 30 June 2023.

19. Borrowings

	30.06.2023	31.12.2022
	RM'000	RM'000
Current		
Secured	4,302	1,995
Non-current		
Secured	6,967	7,953
Total borrowings	<u>11,269</u>	<u>9,948</u>

20. Dividend proposed or declared

A single tier final dividend on 140,475,470 ordinary share and 12,000,000 redeemable preference share of 1.25 sen per share in respect of the financial year ended 31 December 2022 has been approved by the Shareholders at the 36th Annual General Meeting and shall be paid on 14 July 2023 to depositors registered in the records of Depositors on 3 July 2023 at 4.30 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 2023.

GOLDEN PHAROS BERHAD (Company No. 1986011003051)
EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

21. Commitments

	30.06.2023	31.12.2022
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Plant and machinery	342	-
Motor vehicles	123	-
Office equipment	85	-
Building and renovation	36	-
Approved but not contracted for:		
Plant and machinery	5,928	6,270
Motor vehicles	1,606	1,730
Office equipment	155	240
Building and renovation	1,449	1,485
	<u>9,725</u>	<u>9,725</u>

22. 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 30 June 2023 and 31 December 2022 as well as the balances with the related parties as at 30 June 2023 and 31 December 2022:

		Management fee	Amounts owed to related parties
		RM'000	RM'000
Entities with significant influence over the Group:			
Holding company			
Terengganu Incorporated Sdn. Bhd. ("TISB")	30.06.2023	1	38
	31.12.2022	3	-
		<u>3</u>	<u>-</u>

23. Material subsequent events

ESOS exercise

On 17 July 2023, the Company has issued 300,000 ordinary shares from exercise of options under the Employees Share Option Scheme ("ESOS") at the exercise price of RM0.18 per option which amounted to RM54,000.

GOLDEN PHAROS BERHAD (Company No. 1986011003051)
EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING
REQUIREMENT: CHAPTER 9, APPENDIX 9B, PART A
FOR THE SIX-MONTH PERIOD ENDED 30 June 2023

24. Performance review

(a) Current Quarter vs Corresponding Quarter of Previous Period (2Q2023 vs 2Q2022)

The Group's revenue of RM15.02 million in the current quarter ended 30 June 2023 ("2Q2023") improved slightly against RM14.14 million reported in the previous year's corresponding quarter ("2Q2022"). Correspondingly, the Group posted an improved profit before tax of RM1.26 million during the quarter under review as compared with RM0.88 million reported in 2Q2022.

The improved performance of the Group was contributed by the encouraging performance of the Group's harvesting, forest plantation, sawmilling, sales of logs and logging compartment segment during the quarter under review.

Harvesting, forest plantation, sawmilling, sales of logs and logging compartment

During the quarter under review, the harvesting, sawmilling, sales of logs and logging compartment's segment reported a profit before tax of RM2.83 million, a 27% higher than the profit before tax of RM2.23 million reported in the previous year's corresponding quarter. This was in line with the notable increase in the segment's revenue by 28% to RM10.61 million in the current quarter compared with RM8.32 million reported in 1Q2022.

The improved results in the segment's revenue and profit were contributed by the increase in the volume of logs extracted by 115% in 2Q2023 to 4,754 hoppus tonne ("hpt") from 2,214 hpt in 2Q2022 which then translated into higher sawntimber production and sales in the quarter.

Manufacturing segment

In contrast, the manufacturing segment, which consists of glass, veneer and woodchip operations, reported an adverse performance, with the loss before tax in 2Q2023 increased to RM0.50 million from RM0.28 million reported in 2Q2022.

This unfavourable performance was in line with the decline in the segment's revenue, mainly due to the veneer processing mill operated below capacity. Meanwhile, revenue contribution from glass declined as a result of slower demand from the local market amidst the forecoming election.

Other segment

Other segment which refers to the investment holding and rental activity of the Group, recorded a slight decrease in revenue due to the discontinuation of tenancy for 1 unit of the Group's premise. However, the segment's loss before tax slightly reduced, primarily contributed by the decrease in segments' administrative expenses.

(b) Current Period-to-date vs Previous Period-to-date (6M2023 vs 6M2022)

For the six-month period ended 30 June 2023 ("6M2023"), the Group recorded a revenue of RM23.46 million, an increase of 4% from RM22.57 million in the previous year's corresponding period ("6M2022"). As a result, the Group's loss before tax reduced to RM1.92 million in 6M2023 as compared to the loss before tax of RM2.19 million reported in 6M2022.

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24. Performance review (continued)

(b) Current Period-to-date vs Previous Period-to-date (6M2023 vs 6M2022) (continued)

Harvesting, forest plantation, sawmilling, sales of logs and logging compartments

The harvesting, forest plantation, sawmilling, sales of logs and logging compartment reported a notable profit before tax of RM1.10 million, a turnaround performance from the loss before tax of RM0.02 million reported in 6M2022. The improved result was in line with the increase in the segment's revenue by 31% to RM14.15 million in 6M2023 as compared with RM10.78 million reported in 6M2022.

The improvement in revenue for 6M2023 was a result of higher sales of sawn timber amounting to RM7.48 million compared to RM6.31 million in 6M2022. In addition, the Group has benefited from tender of logging compartment, whereby sales proceeds in 6M2023 increased 21% to RM5.24 million from RM4.34 million 6M2022.

Manufacturing segment

The segment reported lower operating revenue of RM9.25 million in 6M2023 against RM11.72 million reported in 6M2022. As a result, the segment posted a higher loss before tax of RM1.06 million as compared against RM0.38 million loss before tax reported in 6M2022.

The segment's performance was affected by a significant drop in veneer sales, declined from RM1.16 million in 6M2022 to RM0.27 million in 6M2023. Additionally, glass sales also saw a 12% decline, reducing from RM10.10 million in 6M2022 to RM8.84 million in 6M2023.

Other segment

Other segment which refers to the investment holding and rental activity of the Group, experienced a modest decline in revenue primarily due to the discontinuation of tenancy for 1 unit of the Group's premise. Additionally, the segment incurred an increase in loss, mainly due to 89% reduction in other operating income as a result of the decrease in the income generated from the reversal of provision for doubtful debt.

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

	Current quarter 30.06.2023 RM'000	Immediate preceding quarter 31.03.2023 RM'000
Revenue	15,019	8,436
Profit/(loss) before tax	1,263	(3,183)

The Group's performance showed remarkable improvement in the current quarter, with a profit before tax of RM1.26 million, in stark contrast to the loss before tax of RM3.18 million in the immediate preceding quarter. Moreover, the revenue demonstrated substantial growth, increasing by an impressive 79% in the current quarter.

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

The significant improvement in the overall result has attributed to the remarkable increase in profit before tax in the harvesting, forest plantation, sawmilling, sales of logs, and logging compartment segment. In 2Q2023, this segment reported a profit before tax of RM2.83 million, a notable improvement compared to the loss before tax of RM1.74 million in 1Q2023. Additionally, the segment's revenue witnessed an impressive 200% surge, reaching RM10.61 million in 2Q2023 from RM3.54 million in 1Q2023.

This enhanced performance was primarily due to two key factors. Firstly, the substantial proceeds from logs sales through a tender of Group's concession area amounted to RM5.24 million. Secondly, there was an 87% increase in revenue generated from sawntimber sales, rising from RM2.60 million in 1Q2023 to RM4.88 million in 2Q2023. These factors played a crucial role in driving the segment's significant improvement and contributed to the overall positive outcome for the Group.

Moreover, the manufacturing segment's loss before tax has shown a reduction to RM0.50 million in the current quarter, in contrast to RM0.56 million in the immediate preceding quarter. This improvement has contributed to a marginal uptick in revenue and a slight reduction in expenses incurred during the 2Q2023.

The other segment recorded a rise in loss before tax, increased from RM0.89 million in the immediate preceding quarter to RM1.07 million. The unfavourable performance in the reviewed quarter was primarily attributed by the escalation in specific administrative expenses.

26. Commentary on prospect

To address the challenges faced by the Group's harvesting operation, the Board has taken proactive approach by establishing an Executive Committee ("EXCO") with effect from 5 September 2022. The EXCO was established as an intermediary between the Board, Board Committees and the Management with the primary mandate of ensuring all the Board decisions and instructions to the Management are implemented smoothly and efficiently.

Since its inception, the EXCO has made significant strides towards enhancing the Group's operation and performance, with the logs harvested for the 6M2023 improved by 112% as compared against 4,004 hoppus ton reported for the 6M2022 despite the bad weather.

In order to sustain this positive momentum, the EXCO's functions has been expanded to include the Group's manufacturing operations. This move underscores the Board's commitment in improving corporate governance and operational efficiency by strengthening decision-making processes and ensuring effective implementation to achieve sustainable growth and deliver long-term value to the stakeholders.

The Group's growth strategy entails a keen focus on several key drivers. First, the Group is increasing its upstream logging and harvesting activities, with the ultimate aim of securing a steady supply of logs to the timber-based subsidiaries. The Group is also enhancing the capacity of its midstream sawmilling, downstream timber and also its glass operations, a move that is aimed at improving the results and performance further.

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26. Commentary on prospect (continued)

The Board will continue to implement the existing measures as follows:

• **Realignment of business and operational focus**

The Board has established new directions on the Group's current businesses and activities going forward. These new directions involved the realignment of the Group existing businesses to be more operational focus via:

- a) Strengthening of the upstream activity for higher timber productions and faster return from forest plantation.
- b) Reinforcing of the midstream activity for higher recovery and production of sawn timber and veneer.
- c) Improving the downstream activities through the expansion of veneer production line into plywood production line and reactivation of moulding and finger-joint production lines.

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

The Board has established a new KPI on logging yield for 2022 which is substantially higher than our historical and present yields. Successful pursuit of this new KPI will help to translate into higher logging yield.

• **Implementation of new logging policy**

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

The strengthening of the harvesting activity through enhancing tree marking process, prioritising 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 to enhance its logging yield and efficiency.

Moving forward, with the positive results yielded for the full year 2022 from the action plans taken, the Board is cautiously optimistic that the Group will continue to achieve positive momentum and prospects for the full year 2023 onwards.

27. Changes in contingent liabilities and contingent assets

There was no contingent liabilities or contingent assets during the financial period ended 30 June 2023 and the previous financial year ended 31 December 2022.

28. Changes in material litigation

There was no material litigation against the Group.

29. Dividend payable

Please refer to Note 20 for details.

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30. Risks and policies of derivatives

The Group did not enter into any derivative during the financial period ended 30 June 2023 or the previous financial year ended 31 December 2022.

31. 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 2023 and 31 December 2022.

32. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2022 was not qualified.

33. 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 August 2023.

By order of the Board

Dr. Mohd Zaki bin Hamzah
Chief Executive Officer