

**FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2023**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME <sup>(1)</sup>**

*(The figures have not been audited)*

|   | Note | <-- Individual Quarter -->                           |  | <-- Cumulative Quarter -->                           |  |
|---|------|--|--|--|--|
|   |      | Current<br>year quarter<br>30 June<br>2023<br>RM'000 | Preceding<br>year quarter<br>30 June<br>2022<br>RM'000 | Current<br>year quarter<br>30 June<br>2023<br>RM'000 | Preceding<br>year quarter<br>30 June<br>2022<br>RM'000 |
| Revenue   | A7   | 37,805   | 24,132   | 64,700   | 45,541   |
| Cost of Sales   |      | (29,303)   | (20,251)   | (50,401)   | (37,420)   |
| Gross Profit  |      | 8,502  | 3,881  | 14,299   | 8,121  |
| Other income  |      | 145  | 620  | 303  | 850  |
| Finance income  |      | 49   | 114  | 203  | 261  |
| Selling and distribution<br>expenses                                  |      | (206)  | (183)  | (434)  | (410)  |
| Administrative expenses   |      | (2,493)  | (2,267)  | (5,076)  | (5,021)  |
| Other operating expenses  |      | (1)  | (6)  | (54)   | (73)   |
| Finance costs   |      | (483)  | (135)  | (886)  | (153)  |
| Profit before taxation  |      | 5,513  | 2,024  | 8,355  | 3,575  |
| Taxation  | B5   | (1,500)  | -  | (1,800)  | (200)  |
| <b>Profit for the financial<br/>period</b>                            |      | <b>4,013</b>   | <b>2,024</b>   | <b>6,555</b>   | <b>3,375</b>   |
| Attributable to:  |      |  |  |  |  |
| - Owners of the Company   |      | 4,018  | 2,011  | 6,576  | 3,387  |
| - Non-controlling interests   |      | (5)  | 13   | (21)   | (12)   |
|   |      | 4,013  | 2,024  | 6,555  | 3,375  |
| Earnings per share<br>attributable to owners of<br>the Company (sen): |      |  |  |  |  |
| - Basic <sup>(2)</sup>  | B10  | 0.41   | 0.21   | 0.66   | 0.36   |
| - Diluted <sup>(3)</sup>  | B10  | 0.38   | 0.21   | 0.62   | 0.36   |

**Notes:**

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income are disclosed in Note A1 and the accompanying explanatory notes attached to this interim financial report.
- (2) Basic earnings per share is calculated based on the weighted average number of ordinary shares in issuance for the comparative current quarter and cumulative quarter.
- (3) Diluted earnings per share of the Groupe have been calculated by dividing the Group's earnings attributable to owners of the Company for the financial year by the weighted average number of ordinary shares that would have been in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares.

**MESTRON HOLDINGS BERHAD**  
**Registration No: 201801018716 (1280732 – K)**  
(Incorporated in Malaysia)

**FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2023**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME <sup>(1)</sup>**

*(The figures have not been audited)*

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023 <sup>(1)</sup>**

*(The figures have not been audited)*

|                                      | (Unaudited)<br>As at<br>30 June<br>2023 | (Audited)<br>As at<br>31 December<br>2022 |
|--------------------------------------|---|---|
| Note                                 | RM'000                                  | RM'000                                    |
| <b>ASSETS</b>                        |   |   |
| <b>NON-CURRENT ASSETS</b>            |   |   |
| Property, plant and equipment        | 53,647                                  | 47,248                                    |
| Right-of-use assets                  | 23,655                                  | 14,360                                    |
| Land held for property development   | 3,862                                   | 3,862                                     |
| Investment in associates             | 6,034                                   | 6,034                                     |
| Goodwill on consolidation            | 3,973                                   | 3,973                                     |
| <b>TOTAL NON-CURRENT ASSETS</b>      | <b>91,171</b>                           | <b>75,477</b>                             |
| <b>CURRENT ASSETS</b>                |   |   |
| Inventories                          | 23,048                                  | 21,971                                    |
| Trade receivables                    | 31,607                                  | 30,251                                    |
| Other receivables                    | 11,173                                  | 18,942                                    |
| Fixed deposit with licensed banks    | 132                                     | 130                                       |
| Cash and bank balances               | 28,863                                  | 33,143                                    |
| Tax recoverable                      | 1,941                                   | 730                                       |
| <b>TOTAL CURRENT ASSETS</b>          | <b>96,764</b>                           | <b>105,167</b>                            |
| <b>TOTAL ASSETS</b>                  | <b>187,935</b>                          | <b>180,644</b>                            |
| <b>EQUITY AND LIABILITIES</b>        |   |   |
| <b>EQUITY</b>                        |   |   |
| Share capital                        | 99,998                                  | 84,365                                    |
| Merger deficit                       | (29,100)                                | (29,100)                                  |
| Retained earnings                    | 55,431                                  | 50,326                                    |
| Total shareholders' funds            | 126,329                                 | 105,591                                   |
| Non-controlling interests            | 943                                     | 964                                       |
| <b>TOTAL EQUITY</b>                  | <b>127,272</b>                          | <b>106,555</b>                            |
| <b>NON-CURRENT LIABILITIES</b>       |   |   |
| Borrowings                           | 14,508                                  | 12,827                                    |
| Lease liabilities                    | 4,378                                   | 4,389                                     |
| Deferred tax liabilities             | 1,303                                   | 1,303                                     |
| Government grants                    | 206                                     | 206                                       |
| <b>TOTAL NON-CURRENT LIABILITIES</b> | <b>20,395</b>                           | <b>18,725</b>                             |

**FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2023**

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2023 (cont'd) <sup>(1)</sup>**  
*(The figures have not been audited)*

|  |             | <b>(Unaudited)</b> | <b>(Audited)</b>   |
|--|-------------|--------------------|--------------------|
|  |             | <b>As at</b>       | <b>As at</b>       |
|  |             | <b>30 June</b>     | <b>31 December</b> |
|  |             | <b>2023</b>        | <b>2022</b>        |
|  | <b>Note</b> | <b>RM'000</b>      | <b>RM'000</b>      |
| <b>CURRENT LIABILITIES</b>               |             |                    |                    |
| Trade payables                           |             | 21,395             | 26,894             |
| Other payables                           |             | 16,323             | 23,500             |
| Borrowings                               | B7          | 1,200              | 3,504              |
| Lease liabilities                        | B7          | 1,300              | 1,416              |
| Government grants                        |             | 50                 | 50                 |
| <b>TOTAL CURRENT LIABILITIES</b>         |             | <b>40,268</b>      | <b>55,364</b>      |
| <b>TOTAL LIABILITIES</b>                 |             | <b>60,663</b>      | <b>74,089</b>      |
| <br>                                     |             |                    |                    |
| <b>TOTAL EQUITY AND LIABILITIES</b>      |             | <b>187,935</b>     | <b>180,644</b>     |
| <br>                                     |             |                    |                    |
| Net assets per share (RM) <sup>(2)</sup> |             | 0.13               | 0.11               |

**Notes:**

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Financial Position are disclosed in Note A1 and the accompanying explanatory notes attached to this interim financial report.
- (2) Net assets per share is calculated based on the ordinary shares in Mestron of 987,727,900 shares and 933,301,000 as at 30 June 2023 and 31 December 2022 respectively.

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**FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2023**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY <sup>(1)</sup>**

*(The figures have not been audited)*

|   | ←-Non-distributable-→   |                          | Distributable               |                 | Non-controlling interests<br>RM'000 | Total Equity<br>RM'000 |
|---|-------------------------|--------------------------|-----------------------------|-----------------|-------------------------------------|------------------------|
|   | Share Capital<br>RM'000 | Merger Deficit<br>RM'000 | Retained Earnings<br>RM'000 | Total<br>RM'000 |                                     |                        |
| As at 1 January 2023                    | 84,365                  | (29,100)                 | 50,326                      | 105,591         | 964                                 | 106,555                |
| Total comprehensive income for the year | -                       | -                        | 6,576                       | 6,576           | (21)                                | 6,555                  |
| <i>Transactions with owners:-</i>       |                         |                          |                             |                 |                                     |                        |
| Issuance of ordinary shares             | 15,633                  | -                        | -                           | 15,633          | -                                   | 15,633                 |
| Dividend                                | -                       | -                        | (1,471)                     | (1,471)         | -                                   | (1,471)                |
| Total transaction with owners           | 15,633                  | -                        | (1,471)                     | 14,162          | -                                   | 14,162                 |
| As at 30 June 2023                      | 99,998                  | (29,100)                 | 55,431                      | 126,329         | 943                                 | 127,272                |

**Note:**

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Changes in Equity are disclosed in Note A1 and the accompanying explanatory notes attached to this interim financial report.

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**FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2023**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS <sup>(1)</sup>**

*(The figures have not been audited)*

|   | <b>&lt;-- Cumulative Quarter --&gt;</b> |                             |
|---|---|-----------------------------|
|   | <b>30 June<br/>2023</b>                 | <b>31 December<br/>2022</b> |
|   | <b>RM'000</b>                           | <b>RM'000</b>               |
| <b>Cash Flows From Operating Activities</b>                     |   |                             |
| Profit before tax   | 8,355                                   | 11,988                      |
| <b>Adjustments for:-</b>  |   |                             |
| Bad debts written off   | -                                       | 203                         |
| Depreciation of property, plant and equipment                   | 3,000                                   | 2,485                       |
| Depreciation of right-of-use asset                              | 113                                     | 470                         |
| Amortisation of government grants                               | -                                       | (99)                        |
| Gain on disposal of property, plant and equipment               | -                                       | (92)                        |
| Interest expenses   | 611                                     | 707                         |
| Interest income   | (182)                                   | (45)                        |
| Share of result of an associate                                 | -                                       | (34)                        |
| Waiver of debts   | -                                       | (104)                       |
| Reversal of allowance for expected credit losses on receivables | -                                       | (48)                        |
| Operating profit before working capital changes                 | <u>11,897</u>                           | <u>15,431</u>               |
| Changes in working capital:-                                    |   |                             |
| Inventories   | (1,077)                                 | (6,207)                     |
| Receivables   | 6,413                                   | (26,677)                    |
| Payables  | (15,006)                                | 26,368                      |
| Cash generated from operations                                  | <u>2,227</u>                            | <u>8,915</u>                |
| Interest received   | 182                                     | 45                          |
| Tax refunded  | -                                       | 51                          |
| Tax paid  | (681)                                   | (1,725)                     |
| Net cash generated from operating activities                    | <u>1,728</u>                            | <u>7,286</u>                |
| <b>Cash Flows From Investing Activities</b>                     |   |                             |
| Acquisition of subsidiaries and associates, net of cash         | -                                       | (6,000)                     |
| Proceeds from disposal of property, plant and equipment         | -                                       | 100                         |
| Proceeds from government grants                                 | -                                       | 355                         |
| Placement of fixed deposits                                     | (2)                                     | (2)                         |
| Purchase of property, plant and equipment                       | (17,986)                                | (14,438)                    |
| Purchase of land held for property development                  | -                                       | (340)                       |
| Net cash used in investing activities                           | <u>(17,988)</u>                         | <u>(20,325)</u>             |

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd) <sup>(1)</sup>**  
*(The figures have not been audited)*

|  | <b>&lt;-- Cumulative Quarter --&gt;</b> |                    |
|--|---|--------------------|
|  | <b>30 June</b>                          | <b>31 December</b> |
|  | <b>2023</b>                             | <b>2022</b>        |
|  | <b>RM'000</b>                           | <b>RM'000</b>      |
| <b>Cash Flows From Financing Activities</b>  |   |                    |
| Repayment to directors                       | -                                       | 28                 |
| Proceeds from issuance of share capital      | 15,633                                  | 813                |
| Drawdown of lease liabilities                | -                                       | 6,033              |
| Repayment of lease liabilities               | (948)                                   | (1,049)            |
| Drawdown of borrowings                       | 6,874                                   | 16,870             |
| Repayment of borrowings                      | (7,497)                                 | (4,888)            |
| Interests paid                               | (611)                                   | (707)              |
| Dividend paid                                | (1,471)                                 | (1,210)            |
| Net cash generated from financing activities | <u>11,980</u>                           | <u>15,890</u>      |
| <b>Cash and cash equivalents</b>             |   |                    |
| Net changes                                  | (4,280)                                 | 2,851              |
| At the beginning of the year                 | 33,143                                  | 30,292             |
| At the end of the year                       | <u>28,863</u>                           | <u>33,143</u>      |

**Note:**

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Cash Flows are disclosed in Note A1 and the accompanying explanatory notes attached to this interim financial report.

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**NOTES TO THE INTERIM FINANCIAL REPORT**  
**EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

**A1. Basis of preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") 134 *Interim Financial Reporting* and Paragraph 9.22 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirement").

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and accompanying notes attached to this interim financial report.

The accounting policies adopted in the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2022. The Group has adopted those standards, amendments and interpretations that have become effective and such adoptions do not have material impact on the financial position and performance of the Group.

**Adoption of new and amended standard**

During the financial period, the Group has adopted the following amendments for MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial period.

- Amendments to MFRS 101 Presentation of Financial Statements – Disclosure of Accounting Policies
- Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
- Amendments to MFRS 123 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Adoption of the above standards and interpretations did not have any material impact to the financial statements of the Group.

**FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2023**

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**A1. Basis of preparation (cont'd)**

**Standards issued but not yet effective**

At the date of authorisation for issue of this interim financial report, the new and revised Standards and Amendments, which were in issue but not yet effective and have not been early adopted by the Group are as follow:-

- Amendments to MFRS 16 Leases – Lease Liability in a Sale and Leaseback
- Amendments to MFRS 10 Presentation of Financial Statements - Non-current Liabilities with Covenants

The Directors anticipate that the abovementioned Standards and Amendments will be adopted in the annual financial statements of the Group when they become effective and that the adoption of these Standards and Amendments are not expected to have any material impact on the financial statements of the Group in the period of initial application.

**A2. Auditors' report of preceding annual audited financial statements**

The audited combined financial statements of the Group for the financial year ended 31 December 2022 was not subject to any qualification.

**A3. Seasonal or cyclical factors**

The Group's operations are not significantly affected by seasonal or cyclical effects, albeit marginal slowdown during festive periods such as Chinese New Year and Hari Raya as most of the Group's customers do not operate during these periods and large lorries are not allowed to transport goods due to traffic control. Nevertheless, the impact of the marginal slowdown is unlikely to be significant to the Group.

**A4. Unusual items**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter and financial period-to-date.

**A5. Material changes in estimates**

There were no changes in the estimates in the current financial quarter under review.

**A6. Debt and equity securities**

There were no issuance and repayment of the debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the current financial year to-date.



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**A7. Segmental information**

The Group's segmental information for the current financial quarter ended 30 JUNE 2023 is as follows:-

(a) Analysis of revenue by business segments

|               | <-- Individual Quarter -->               |  | <-- Cumulative Quarter -->               |  |
|---------------|--|--|--|--|
|               | (Unaudited)<br>30 June<br>2023<br>RM'000 | (Unaudited)<br>30 June<br>2022<br>RM'000 | (Unaudited)<br>30 June<br>2023<br>RM'000 | (Unaudited)<br>30 June<br>2022<br>RM'000 |
| Manufacturing | 34,031                                   | 19,951                                   | 57,933                                   | 36,917                                   |
| Trading       | 3,774                                    | 4,181                                    | 6,767                                    | 8,624                                    |
| <b>Total</b>  | <b>37,805</b>                            | <b>24,132</b>                            | <b>64,700</b>                            | <b>45,541</b>                            |

(b) Analysis of revenue by geographical location

|              | <-- Individual Quarter -->               |  | <-- Cumulative Quarter -->               |  |
|--------------|--|--|--|--|
|              | (Unaudited)<br>30 June<br>2023<br>RM'000 | (Unaudited)<br>30 June<br>2022<br>RM'000 | (Unaudited)<br>30 June<br>2023<br>RM'000 | (Unaudited)<br>30 June<br>2022<br>RM'000 |
| Malaysia     | 36,285                                   | 22,421                                   | 61,506                                   | 42,877                                   |
| Australia    | 600                                      | 970                                      | 924                                      | 1,624                                    |
| Singapore    | 881                                      | 658                                      | 2,210                                    | 957                                      |
| Korea        | 39                                       | 1  | 60                                       | 1  |
| New Zealand  | -  | 82                                       | -  | 82                                       |
| Sri Lanka    | -  | -  | -  | -  |
| <b>Total</b> | <b>37,805</b>                            | <b>24,132</b>                            | <b>64,700</b>                            | <b>45,541</b>                            |

**A8. Dividends Paid**

On 24 February 2023, the Directors declared a first interim single tier dividend of RM0.0015 per ordinary share in respect of the financial year ended 31 December 2022. The dividend has been paid on 21 April 2023 to shareholders registered in the Register of Members at the close of business on 7 April 2023.

**A9. Valuation of property, plant and equipment**

The Group has not carried out any valuation on its property, plant and equipment in the current financial quarter.

**A10. Capital commitments**

There were no material capital commitments of the Group as at 30 June 2023.

**A11. Changes in the composition of the Group**

There are no changes in the composition of the Group during the current financial quarter under review.

**FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2023**

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**A12. Contingent liabilities and contingent assets**

There are no material contingent liabilities and contingent assets to be disclosed as at the date of this interim financial.

**A13. Material events subsequent to the end of the quarter**

There are no material events subsequent to the end of the quarter to be disclosed as at the date of this interim financial.

**A14. Related party transactions**

There were no material related party transactions during the current financial quarter under review.

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**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS**

**B1. Review of performance**

|                   | <-- Individual Quarter -->               |  |              | <-- Cumulative Quarter -->               |  |              |
|-------------------|--|--|--------------|--|--|--------------|
|                   | (Unaudited)<br>30 June<br>2023<br>RM'000 | (Unaudited)<br>30 June<br>2022<br>RM'000 | Changes<br>% | (Unaudited)<br>30 June<br>2023<br>RM'000 | (Unaudited)<br>30 June<br>2022<br>RM'000 | Changes<br>% |
| Revenue           | 37,805                                   | 24,132                                   | 56.66        | 64,700                                   | 45,541                                   | 42.07        |
| Gross profit      | 8,502                                    | 3,881                                    | 119.07       | 14,299                                   | 8,121                                    | 76.07        |
| Profit before tax | 5,513                                    | 2,024                                    | 172.38       | 8,355                                    | 3,575                                    | 133.71       |
| Profit after tax  | 4,013                                    | 2,024                                    | 98.27        | 6,555                                    | 3,375                                    | 94.22        |

**Current quarter (3 months)**

For the current financial quarter ended 30 June 2023, the Group recorded revenue of RM37.81 million as compared to the revenue of RM24.13 million recorded for the previous year's financial quarter ended 30 June 2022. The increase in revenue was mainly due increase in sales demands of standard poles and specialty poles mainly for the telecommunication segment for the current year's financial quarter ended 30 June 2023.

The Group's revenue was principally derived from the manufacturing segment which accounts for approximately 90.0% of the total revenue for the current financial quarter ended 30 June 2023. The revenue from manufacturing segment is mainly driven by the sale of standard poles and specialty poles mainly for the telecommunication segment.

The Malaysian market remains as the largest market contributing to the Group's revenue accounting for approximately 96.0% of the total revenue for the current financial quarter ended 30 June 2023.

Overall, the Group registered a higher profit before tax of RM5.51 million in the current financial quarter under review as compared with a profit before tax of RM2.02 million recorded in previous financial quarter ended 30 June 2022 due to the reduction in the price of raw materials (i.e. steel plates and steel pipes) and higher sales demand for specialty poles mainly for the telecommunication segment.

**Cumulative quarter (6 months)**

The Group recorded revenue of RM64.70 million for the current financial quarter ended 30 June 2023 as compared to the revenue of RM45.54 million recorded for the previous year's financial quarter ended 30 June 2022. The increase in sales demands of standard poles and specialty poles mainly for the telecommunication segment for the current year's financial quarter ended 30 June 2023.

The Group's revenue was principally derived from the manufacturing segment which accounts for approximately 89.5% of the total revenue for the current financial quarter ended 30 June 2023. The revenue from manufacturing segment is mainly driven by the sale of standard poles and specialty poles mainly for the telecommunication segment.

The Malaysian market remains as the largest market contributing to the Group's revenue accounting for approximately 95.1% of the total revenue for the current financial quarter ended 30 June 2023.

**FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2023**

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**B1. Review of performance (cont'd)**

**Cumulative quarter (6 months) (cont'd)**

Overall, the Group registered a higher profit before tax of RM8.36 million in the current financial quarter under review as compared with a profit before tax of RM3.58 million recorded in previous financial quarter ended 30 June 2022 due to the reduction in the price of raw materials (i.e. steel plates and steel pipes) and higher sales demand for specialty poles mainly for the telecommunication segment.

**B2. Comparison with immediate preceding quarter's results**

|                   | <-- Individual Quarter -->               |   | <-- Changes --> |       |
|-------------------|--|---|-----------------|-------|
|                   | (Unaudited)<br>30 June<br>2023<br>RM'000 | (Unaudited)<br>31 March<br>2023<br>RM'000 | RM'000          | %     |
| Revenue           | 37,805                                   | 26,895                                    | 10,910          | 40.57 |
| Profit before tax | 5,513                                    | 2,842                                     | 2,671           | 93.98 |

For the current financial quarter ended 30 June 2023, the Group recorded higher revenue of RM37.81 million and a higher profit before tax of RM5.51 million as compared to revenue of RM26.90 million and profit before tax of RM2.84 million respectively in the immediate preceding financial quarter ended 31 March 2023.

The increase in profit before tax is mainly due to the reduction in the price of raw materials (i.e. steel plates and steel pipes). In addition, higher sales demand for specialty poles which generally command higher sales margin for current financial quarter ended 30 June 2023.

**B3. Prospects and outlook**

With the current uncertainty in the local and international economy due to the foreign exchange volatility and increase in competition with lower quality products, the performance of the Group for the financial year ending 31 December 2023 will remain challenging. However, the Group will exercise extra vigilance in the business and will strive to deliver satisfactory performance for the year. The group will explore other opportunities and is looking to diversify the business to expand our sources of revenue and include other sources of recurring income as a source of our business income.

**B4. Profit forecast or profit guarantee**

The Group does not have any profit forecast or profit guarantee for the current quarter under review in any public documents.

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**B5. Taxation**

|                            | <-- Individual Quarter --> |             | <-- Cumulative Quarter --> |             |
|----------------------------|----------------------------|-------------|----------------------------|-------------|
|                            | (Unaudited)                | (Unaudited) | (Unaudited)                | (Unaudited) |
|                            | 30 June                    | 30 June     | 30 June                    | 30 June     |
|                            | 2023                       | 2022        | 2023                       | 2022        |
|                            | RM'000                     | RM'000      | RM'000                     | RM'000      |
| <b>Income tax expense:</b> |                            |             |                            |             |
| Current tax expense        | 1,500                      | -           | 1,800                      | 200         |
| Total tax expense          | 1,500                      | -           | 1,800                      | 200         |
| Effective tax rate (%)     | 27.2                       | -           | 21.5                       | 5.6         |

**Note:**

- (1) The Group's effective tax rate is lower than the statutory income tax rate as the Group entitled for higher allowances and incentives due to completion of biogas plant and office in Gua Musang and Puchong respectively.

**B6. Status of corporate proposals and utilisation of proceeds**

**Status of corporate proposals**

On 18 August 2020, the Company had announced that the Company wishes to undertake the private placement exercise of up to 158,000,000 new ordinary shares in Mestron ("**Placement Shares**"), representing up to approximately 20% of the total number of issued shares of Mestron, to independent third-party investor(s) to be identified later at an issue price to be determined later ("**Private Placement**") ("**Announcement**").

The additional listing application for the Placement Shares was approved by Bursa Securities on 7 September 2020. The Company have since issued a total of 140,450,000 Placement Shares and raised total gross proceeds of RM28.32 million. The Private Placement has lapsed on 30 September 2021.

On 20 August 2021, the Company has completed the bonus issue of warrants exercise following the listing and quotation for 453,450,000 Warrants on the ACE Market of Bursa Securities.

Save for the Private Placement and bonus issue of warrants, the Group does not have any corporate exercises which have been announced.

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**B6. Status of corporate proposals and utilisation of proceeds (cont'd)**

**Status of corporate proposals (cont'd)**

**Utilisation of proceeds (cont'd)**

**(a) Public Issue (cont'd)**

On 26 May 2019, the Company issued its prospectus in relation to the public issue of 158,000,000 new ordinary shares ("**Public Issue**") at issue price of RM0.16 per ordinary share. The listing exercise of the Company's enlarged share capital of 790,000,000 shares on the ACE Market of Bursa Securities was completed on 18 September 2019.

The gross proceeds raised from the Public Issue amounting to RM25.28 million are intended to be utilised in the following manner:-

| <b>Purpose</b>   | <b>Proposed<br/>Utilisation</b> | <b>Actual<br/>Utilised</b> | <b>Unutilised<br/>Amount</b> | <b>Estimated Timeframe<br/>for utilisation<br/>(from the date of<br/>Listing)</b> |
|--|---------------------------------|----------------------------|------------------------------|---|
|  | <b>RM'000</b>                   | <b>RM'000</b>              | <b>RM'000</b>                |   |
| i) Expansion of our Main Manufacturing Facility and acquisition of manufacturing machineries and equipment | 10,500                          | 10,500                     | -                            | Within 30 months <sup>(1)</sup>   |
| ii) Working capital  | 7,680                           | 7,680                      | -                            | Within 12 months  |
| iii) Repayment of bank borrowings  | 4,000                           | 4,000                      | -                            | Within 6 months   |
| iv) Estimated listing expenses   | 3,100                           | 3,100                      | -                            | Within 1 months   |
|  | <u>25,280</u>                   | <u>25,280</u>              | -                            |   |

The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 23 May 2019.

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**B6. Status of corporate proposals and utilisation of proceeds (cont'd)**

**Status of corporate proposals (cont'd)**

**Utilisation of proceeds (cont'd)**

**(b) Private Placement**

Private Placement of up to 20% of the issued shares of the Company, involving up to 158,000,000 Placement Shares was approved on 7 September 2020.

140,450,000 new Placement Shares were issued pursuant to the Private Placement and were subsequently listed and quoted on the Ace Market of Bursa Malaysia Securities Berhad.

On 30 September 2021, Mestron has resolved to withdraw the Extension of Time ("EOT") Application. As such, the Private Placement has lapsed on 30 September 2021.

The status of the utilisation of total gross proceeds of private placement are as below: -

| <b>Purpose</b>                                   | <b>Proposed Utilisation</b> | <b>Actual Utilised</b> | <b>Unutilised Amount</b> | <b>Estimated Timeframe for utilisation (from the date of Listing)</b> |
|--|-----------------------------|------------------------|--------------------------|---|
|  | <b>RM'000</b>               | <b>RM'000</b>          | <b>RM'000</b>            |   |
| i) Future business projects/investments          | 12,728                      | 12,728                 | -                        | Within 24 months  |
| ii) Repayment of bank borrowings                 | 5,303                       | 5,303                  | -                        | Within 12 months  |
| iii) Working capital                             | 9,866                       | 9,866                  | -                        | Within 18 months  |
| iv) Estimated expenses for the private placement | 424                         | 424                    | -                        | Within 1 month  |
|  | <u>28,321</u>               | <u>28,321</u>          | -                        |   |

The utilisation of proceeds as disclosed above should be read in conjunction with the Announcement of the Company dated 18 August 2020.

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**B7. Finance Lease Payable & Borrowings**

The Group's finance lease payable and borrowings were as follows:-

|                              | <b>As at<br/>30 June<br/>2023<br/>RM'000</b> | <b>As at<br/>31 December<br/>2022<br/>RM'000</b> |
|------------------------------|--|--|
| <b>Secured:</b>              |  |  |
| <b>Current</b>               |  |  |
| Lease liabilities            | 1,300  | 1,416  |
| Term loan                    | 1,200  | 919  |
| Banker acceptance            | -  | 2,585  |
|                              | <u>2,500</u>                                 | <u>4,920</u>                                     |
| <b>Secured:</b>              |  |  |
| <b>Non-current</b>           |  |  |
| Lease liabilities            | 4,378  | 4,389  |
| Term loan                    | 14,508                                       | 12,827   |
|                              | <u>18,886</u>                                | <u>17,216</u>                                    |
| <b>Total bank borrowings</b> | <b><u>21,386</u></b>                         | <b><u>22,136</u></b>                             |

**Note:**

- (1) All the Group borrowings are denominated in Ringgit Malaysia and there are no foreign currency denomination borrowings.

**B8. Changes in material litigation**

As at the date of this report, the Group is not involved in any litigations or arbitrations either as a defendant or plaintiff, which has a material effect on the financial position of the Group, and the Board is not aware of any proceedings pending or of any fact likely to give rise to any proceedings.

**B9. Dividends Proposed**

There are no dividends proposed during the current financial quarter under review.



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**B10. Earnings per share**

The basic and diluted earnings per share for the current quarter and financial period is calculated as follows:-

|  | <b>&lt;-- Individual Quarter --&gt;</b> |                    | <b>&lt;-- Cumulative Quarter --&gt;</b> |                    |
|--|---|--------------------|---|--------------------|
|  | <b>(Unaudited)</b>                      | <b>(Unaudited)</b> | <b>(Unaudited)</b>                      | <b>(Unaudited)</b> |
|  | <b>30 June</b>                          | <b>30 June</b>     | <b>30 June</b>                          | <b>30 June</b>     |
|  | <b>2023</b>                             | <b>2022</b>        | <b>2023</b>                             | <b>2022</b>        |
| Profit attributable to owners of the Company (RM'000)            | 4,018                                   | 2,011              | 6,576                                   | 3,387              |
| Weighted average number of ordinary shares ('000) <sup>(1)</sup> | 987,728                                 | 930,450            | 987,728                                 | 930,450            |
| Basic earnings per share (sen) <sup>(2)</sup>                    | 0.41                                    | 0.21               | 0.66                                    | 0.36               |
| Diluted earnings per share (sen) <sup>(3)</sup>                  | 0.38                                    | 0.21               | 0.62                                    | 0.36               |

**Notes:**

- (1) Weighted average number of ordinary shares is based on the weighted average number of ordinary shares in issuance for the financial year and financial quarter.
- (2) Basic earnings per share for the current quarter and financial year is calculated based on the net profit divided by the weighted average number of ordinary shares.
- (3) Diluted earnings per share of the Groupe have been calculated by dividing the Group's earnings attributable to owners of the Company for the financial year by the weighted average number of ordinary shares that would have been in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares.

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**B11. Disclosure on selected expense/(income) items as required by the Listing Requirements**

|  | <-- Individual Quarter --> |             | <-- Cumulative Quarter--> |             |
|--|----------------------------|-------------|---------------------------|-------------|
|  | (Unaudited)                | (Unaudited) | (Unaudited)               | (Unaudited) |
|  | 30 June                    | 30 June     | 30 June                   | 30 June     |
|  | 2023                       | 2022        | 2023                      | 2022        |
|  | RM'000                     | RM'000      | RM'000                    | RM'000      |
| Profit before tax is arrived at after charging/(crediting):- |                            |             |                           |             |
| Depreciation of property, plant and equipment                | 1,516                      | 431         | 3,000                     | 856         |
| Depreciation of right-of-use assets                          | 57                         | 148         | 113                       | 296         |
| Realised (gain)/loss on foreign exchange                     | (123)                      | 52          | (160)                     | 197         |
| Interest income  | (48)                       | (113)       | (182)                     | (259)       |
| Interest expenses  | 215                        | 143         | 611                       | 149         |

**Note:**

- (1) Save as disclosed above, the other disclosure items pursuant to Paragraph 16, Part A of Appendix 9B of the Listing Requirements are not applicable. The Group does not have the following items for the financial period under review:-
- (i) amortisation of investment properties;
  - (ii) rental income;
  - (iii) provision for and write off of receivables;
  - (iv) provision for and write off of inventories;
  - (v) gain or loss on disposal of quoted or unquoted investments or properties;
  - (vi) impairment of assets; and
  - (vii) gain or loss on derivatives.