

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

FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2024

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ⁽¹⁾

(The figures have not been audited)

	Note	<-- Individual Quarter -->		<-- Cumulative Quarter -->	
		Current year quarter 30 June 2024 RM'000	Preceding year quarter 30 June 2023 RM'000	Current year quarter 30 June 2024 RM'000	Preceding year quarter 30 June 2023 RM'000
Revenue	A7	36,839	37,805	66,627	64,700
Cost of Sales		(32,056)	(29,303)	(54,349)	(50,401)
Gross Profit		4,783	8,502	12,278	14,299
Other income		1,023	145	1,223	303
Finance income		71	49	112	203
Selling and distribution expenses		(235)	(206)	(637)	(434)
Administrative expenses		(2,383)	(2,493)	(6,244)	(5,076)
Other operating expenses		-	(1)	(16)	(54)
Finance costs		(586)	(483)	(1,368)	(886)
Profit before taxation		2,673	5,513	5,348	8,355
Taxation	B5	(600)	(1,500)	(1,200)	(1,800)
Profit for the financial period		2,073	4,013	4,148	6,555
Attributable to:					
- Owners of the Company		2,073	4,018	4,152	6,576
- Non-controlling interests		-	(5)	(4)	(21)
		2,073	4,013	4,148	6,555
Earnings per share attributable to owners of the Company (sen):					
- Basic ⁽²⁾	B10	0.20	0.41	0.41	0.66
- Diluted ⁽³⁾	B10	0.18	0.38	0.40	0.62

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.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024 ⁽¹⁾

(The figures have not been audited)

	Note	(Unaudited) As at 30 June 2024 RM'000	(Audited) As at 31 December 2023 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		52,564	45,733
Right-of-use assets		27,546	28,229
Goodwill on consolidation		3,035	3,035
TOTAL NON-CURRENT ASSETS		83,145	76,998
CURRENT ASSETS			
Inventories		27,687	29,307
Trade receivables		46,155	46,460
Other receivables		3,716	19,395
Fixed deposit with licensed banks		1,135	1,543
Cash and bank balances		18,644	16,619
Assets held for sale		-	10,162
TOTAL CURRENT ASSETS		97,337	123,487
TOTAL ASSETS		180,482	200,485
EQUITY AND LIABILITIES			
EQUITY			
Share capital		103,450	102,478
Merger deficit		(29,100)	(29,100)
Retained earnings		63,951	59,799
Total shareholders' funds		138,301	133,177
Non-controlling interests		912	916
TOTAL EQUITY		139,213	134,093
NON-CURRENT LIABILITIES			
Borrowings	B7	17,602	18,117
Lease liabilities	B7	3,763	3,719
Deferred tax liabilities		1,430	1,430
Government grants		156	156
TOTAL NON-CURRENT LIABILITIES		22,951	23,422

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024 (cont'd) ⁽¹⁾

(The figures have not been audited)

		(Unaudited)	(Audited)
		As at	As at
		30 June	31 December
		2024	2023
	Note	RM'000	RM'000
CURRENT LIABILITIES			
Trade payables		5,254	13,166
Other payables		1,649	4,922
Borrowings	B7	10,157	22,257
Lease liabilities	B7	1,208	2,083
Government grants		50	50
Current tax liabilities		-	376
Liabilities held for sale		-	115
TOTAL CURRENT LIABILITIES		18,318	42,970
TOTAL LIABILITIES		41,269	66,392
TOTAL EQUITY AND LIABILITIES		180,482	200,485
Net assets per share (RM) ⁽²⁾		0.14	0.13

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 1,000,765,900 shares and 997,358,400 as at 30 June 2024 and 31 December 2023 respectively.

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FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2024

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ⁽¹⁾

(The figures have not been audited)

	←-Non-distributable-→		Distributable		Non-controlling interests RM'000	Total Equity RM'000
	Share Capital RM'000	Merger Deficit RM'000	Retained Earnings RM'000	Total RM'000		
As at 1 January 2024	102,478	(29,100)	59,799	133,177	916	134,093
Total comprehensive income for the year	-	-	4,152	4,152	(4)	4,148
<i>Transactions with owners:-</i>						
Issuance of ordinary shares	972	-	-	972	-	972
Total transaction with owners	972	-	-	972	-	972
As at 30 June 2024	103,450	(29,100)	63,951	138,301	912	139,213

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 2024

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS ⁽¹⁾

(The figures have not been audited)

	<-- Cumulative Quarter -->	
	30 June 2024 RM'000	31 December 2023 RM'000
Cash Flows From Operating Activities		
Profit before tax	5,348	15,755
Adjustments for:-		
Bad debts written off	-	10
Depreciation of property, plant and equipment	1,600	2,911
Depreciation of right-of-use asset	420	919
Amortisation of government grants	-	(50)
Interest expenses	1,368	1,728
Interest income	(112)	(132)
Gain on disposal of property, plant and equipment	-	(114)
Share of result of an associate	-	(884)
Reversal of allowance for expected credit losses on receivables	-	(20)
Impairment loss on investment in an associate	-	918
Impairment loss on goodwill on consolidation	-	938
Operating profit before working capital changes	8,624	21,978
Changes in working capital:-		
Inventories	1,620	(7,335)
Receivables	15,984	(16,952)
Payables	(11,185)	(32,205)
Cash generated from operations	15,043	(34,514)
Interest received	112	132
Tax paid	(1,600)	(3,625)
Net cash generated from operating activities	13,555	(38,007)
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment	4,100	119
Proceeds from disposal of investment in associates	6,000	-
Withdrawal/(Placement) of fixed deposits pledged	408	(1,413)
Purchase of property, plant and equipment	(6,759)	(8,199)
Purchase of right-of-use assets	(1,679)	(6,122)
Net cash used in investing activities	2,071	(15,615)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd) ⁽¹⁾
(The figures have not been audited)

	<-- Cumulative Quarter -->	
	30 June	31 December
	2024	2023
	RM'000	RM'000
Cash Flows From Financing Activities		
(Repayment to)/Advances from directors	(66)	15
Proceeds from issuance of share capital	972	18,256
Share issuance expenses	-	(144)
Repayment of lease liabilities	(599)	(1,870)
Drawdown of borrowings	5,000	32,950
Repayment of borrowings	(17,540)	(8,908)
Interest paid	(1,368)	(1,728)
Dividend paid	-	(1,471)
Net cash generated from financing activities	<u>(13,601)</u>	<u>37,099</u>
Cash and cash equivalents		
Net changes	2,025	(16,524)
At the beginning of the year	16,619	33,143
At the end of the year	<u>18,644</u>	<u>16,619</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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FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2024

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 Main 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 2023 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 2023. 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 2024

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 2023 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 2024 is as follows:-

(a) Analysis of revenue by business segments

	<-- Individual Quarter -->		<-- Cumulative Quarter -->	
	(Unaudited) 30 June 2024 RM'000	(Unaudited) 30 June 2023 RM'000	(Unaudited) 30 June 2024 RM'000	(Unaudited) 30 June 2023 RM'000
Manufacturing	26,772	34,031	49,849	57,933
Trading	9,812	3,774	15,817	6,767
Renewable energy	255	-	961	-
Total	36,839	37,805	66,627	64,700

(b) Analysis of revenue by geographical location

	<-- Individual Quarter -->		<-- Cumulative Quarter -->	
	(Unaudited) 30 June 2024 RM'000	(Unaudited) 30 June 2023 RM'000	(Unaudited) 30 June 2024 RM'000	(Unaudited) 30 June 2023 RM'000
Malaysia	34,122	22,421	61,376	42,877
Australia	427	970	967	1,624
Korea	-	1	23	1
Singapore	2,284	658	4,255	957
Others	6	82	6	82
Total	36,839	26,895	66,627	26,895

A8. Dividends Paid

There were no dividends paid as at 30 June 2024.

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 2024.

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 2024

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) 30 June 2024 RM'000	(Unaudited) 30 June 2023 RM'000	Changes %	(Unaudited) 30 June 2024 RM'000	(Unaudited) 30 June 2023 RM'000	Changes %
Revenue	36,839	37,805	(2.56)	66,627	64,700	2.98
Gross profit	4,783	8,502	(43.74)	12,278	14,299	(14.13)
Profit before tax	2,673	5,513	(51.51)	5,348	8,355	(35.99)
Profit after tax	2,073	4,013	(48.34)	4,148	6,555	(36.72)

Current quarter (3 months)

For the current financial quarter ended 30 June 2024, the Group recorded revenue of RM36.84 million as compared to the revenue of RM37.81 million recorded for the previous year's financial quarter ended 30 June 2023. The decrease in revenue was mainly due decrease in the sales demand for specialty and telecommunication poles for the current year's financial quarter ended 30 June 2024.

The Group's revenue was principally derived from the manufacturing segment which accounts for approximately 72.7% of the total revenue for the current financial quarter ended 30 June 2024. The revenue from manufacturing segment is mainly driven by the sale of standard poles and decorative poles.

The Malaysian market remains as the largest market contributing to the Group's revenue accounting for approximately 92.6% of the total revenue for the current financial quarter ended 30 June 2024.

Overall, the Group registered a lower profit before tax of RM2.67 million in the current financial quarter under review as compared with a profit before tax of RM5.51 million recorded in previous financial quarter ended 30 June 2023 due to there being reduction in the sales demand for specialty poles, telecommunication poles and lantern which generally command higher sales margin.

Cumulative quarter (6 months)

The Group recorded revenue of RM66.63 million as compared to the revenue of RM64.70 million recorded for the previous year's financial quarter ended 30 June 2023. The increase in revenue was mainly due increase in the sales demand for standard and decorative poles for the current year's financial quarter ended 30 June 2024.

The Group's revenue was principally derived from the manufacturing segment which accounts for approximately 74.8% of the total revenue for the current financial quarter ended 30 June 2024. The revenue from manufacturing segment is mainly driven by the sale of standard poles and decorative poles.

The Malaysian market remains as the largest market contributing to the Group's revenue accounting for approximately 92.1% of the total revenue for the current financial quarter ended 30 June 2024.

FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2024

B1. Review of performance (cont'd)

Cumulative quarter (6 months) (cont'd)

Overall, the Group registered a lower profit before tax of RM5.35 million in the current financial quarter under review as compared with a profit before tax of RM8.36 million recorded in previous financial quarter ended 30 June 2023 due to there being reduction in the sales demand for specialty poles, telecommunication poles and lantern which generally command higher sales margin.

B2. Comparison with immediate preceding quarter's results

	<-- Individual Quarter -->		<-- Changes -->	
	(Unaudited) 30 June 2024 RM'000	(Unaudited) 31 March 2024 RM'000	RM'000	%
Revenue	36,839	29,791	7,048	23.66
Profit before tax	2,673	2,678	(5)	(0.19)

For the current financial quarter ended 30 June 2024, the Group recorded higher revenue of RM36.84 million and lower profit before tax of RM2.67 million as compared to revenue of RM29.79 million and profit before tax of RM2.68 million respectively in the immediate preceding financial quarter ended 31 March 2024.

The slight decrease in profit before tax is mainly due to the reduction in the sales demand for specialty poles, telecommunication poles and lantern which generally command higher sales margin for current financial quarter ended 30 June 2024.

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 30 June 2024 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
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Income tax expense:				
Current tax expense	600	1,500	1,200	1,800
Total tax expense	600	1,500	1,200	1,800
Effective tax rate (%)	22.4	27.2	22.4	21.5

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 31 December 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.

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

Status of corporate proposals (cont'd)

Utilisation of proceeds

(a) Public Issue

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 fully utilised in 1st quarter of FY 2023.

(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 31 December 2021, Mestron has resolved to withdraw the Extension of Time ("EOT") Application. As such, the Private Placement has lapsed on 31 December 2021.

The status of the utilisation of total gross proceeds of private placement are fully utilised in 1st quarter of FY 2023.

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B7. Finance Lease Payable & Borrowings

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

	As at 30 June 2024 RM'000	As at 31 December 2023 RM'000
Secured:		
Current		
Lease liabilities	1,208	2,083
Term loan	2,483	2,533
Banker acceptance	7,674	19,724
	<u>11,365</u>	<u>24,340</u>
Secured:		
Non-current		
Lease liabilities	3,763	3,719
Term loan	17,602	18,117
	<u>21,365</u>	<u>21,836</u>
Total bank borrowings	<u>32,730</u>	<u>46,176</u>

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:-

	<-- Individual Quarter -->		<-- Cumulative Quarter -->	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	30 June	30 June	30 June	30 June
	2024	2023	2024	2023
Profit attributable to owners of the Company (RM'000)	2,073	4,018	4,152	6,576
Weighted average number of ordinary shares ('000) ⁽¹⁾	1,019,923	987,728	1,019,923	987,728
Basic earnings per share (sen) ⁽²⁾	0.20	0.41	0.41	0.66
Diluted earnings per share (sen) ⁽³⁾	0.18	0.38	0.40	0.62

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
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging/(crediting):-				
Depreciation of property, plant and equipment	800	1,516	1,600	3,000
Depreciation of right-of-use assets	200	57	420	113
Realised loss/(gain) on foreign exchange	-	(123)	50	(160)
Interest income	(71)	(48)	(112)	(182)
Interest expenses	586	215	1,368	611

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.