



NESTCON BERHAD

**[Registration No. 202001008684 (1365004-W)]
(Incorporated in Malaysia)**

**Unaudited Interim Financial Report
For the Second Quarter Ended
30 June 2023**

NESTCON BERHAD

Registration No. 202001008684 (1365004-W)

• Unaudited Interim Financial Report For The Second (2nd) Quarter Ended 30 June 2023

• Page 2

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

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Unaudited Current Year Quarter 30.06.2023 RM'000	Unaudited Preceding Year Corresponding Quarter 30.06.2022 RM'000	Unaudited Current Year-to-date 30.06.2023 RM'000	Unaudited Preceding Year Corresponding Year-to-date 30.06.2022 RM'000
Revenue		183,989	105,109	330,671	199,372
Cost of sales		(176,283)	(97,144)	(315,787)	(183,696)
Gross profit		7,706	7,965	14,884	15,676
Other income		1,035	486	1,471	1,009
Administrative expenses		(4,350)	(2,852)	(8,216)	(6,764)
Other operating expenses		(13)	(13)	(17)	(27)
Profit from operations		4,378	5,586	8,122	9,894
Finance costs		(3,206)	(1,741)	(5,996)	(3,222)
Profit before tax	B12	1,172	3,845	2,126	6,672
Tax expense	B5	(278)	(1,160)	(619)	(2,218)
Profit after tax/Total comprehensive income for the financial period		894	2,685	1,507	4,454
Profit/(Loss) after tax/ Total comprehensive income/(loss) for the financial period attributable to:					
Owners of the Company		1,314	2,766	1,832	4,535
Non-controlling interest		(420)	(81)	(325)	(81)
		894	2,685	1,507	4,454
Earnings Per Share attributable to Owners of the Company					
Basic/Diluted ⁽²⁾ (sen)	B11	0.19	0.43	0.27	0.70

NESTCON BERHAD

Registration No. 202001008684 (1365004-W)

- Unaudited Interim Financial Report For The Second (2nd) Quarter Ended 30 June 2023
 - Page 3
-

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME⁽¹⁾ (CONTINUED)**Notes:**

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income is disclosed in Note A1 and should be read in conjunction with the Group's audited financial statements for financial year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial report.
- (2) Basic and diluted earnings per share are calculated based on the Company's share capital of 682,072,000 ordinary shares (30 June 2022: 643,822,000 ordinary shares).

(The remainder of this page is intentionally left blank)

NESTCON BERHAD

Registration No. 202001008684 (1365004-W)

• Unaudited Interim Financial Report For The Second (2nd) Quarter Ended 30 June 2023

• Page 4

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION⁽¹⁾

	Note	Unaudited As at 30.06.2023 RM'000	Audited As at 31.12.2022 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		89,176	81,778
Investment properties		2,472	2,499
Goodwill		1,075	1,075
Other investments		2,063	2,039
Deferred tax assets		3,031	2,522
		97,817	89,913
Current Assets			
Trade receivables		217,361	173,813
Other receivables, deposits and prepayments		19,589	20,200
Contract assets		181,417	126,459
Inventories		1,576	1,004
Tax recoverable		2,363	2,709
Other investments		2,119	2,081
Fixed deposits with financial institution		39,682	31,898
Cash and bank balances		70,976	74,253
		535,083	432,417
TOTAL ASSETS		632,900	522,330
EQUITY AND LIABILITIES			
Equity			
Share capital		115,592	110,953
Merger reserve		(47,544)	(47,544)
Retained earnings		60,050	58,218
		128,098	121,627
Non-controlling interests		2,496	396
Total Equity		130,594	122,023
Non-Current Liabilities			
Bank borrowings	B8	19,522	21,099
Lease liabilities		25,137	17,054
Deferred tax liabilities		1	738
		44,660	38,891
Current Liabilities			
Trade payables		251,857	204,891
Other payables and accruals		6,226	7,509
Contract liabilities		30,360	6,239
Bank borrowings	B8	158,402	128,566
Lease liabilities		10,801	14,211
		457,646	361,416
Total Liabilities		502,306	400,307
TOTAL EQUITY AND LIABILITIES		632,900	522,330
NET ASSETS PER SHARE (RM)⁽²⁾		0.19	0.18

NESTCON BERHAD

Registration No. 202001008684 (1365004-W)

- Unaudited Interim Financial Report For The Second (2nd) Quarter Ended 30 June 2023
 - Page 5
-

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION⁽¹⁾
(CONTINUED)****Notes:**

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Financial Position is disclosed in Note A1 and should be read in conjunction with the Group's audited financial statements for financial year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial report.
- (2) Net assets per ordinary share is calculated based on the Company's number of ordinary shares as at 30 June 2023 of 682,072,000 shares (31 December 2022: 669,072,000 shares).

(The remainder of this page is intentionally left blank)

NESTCON BERHAD

Registration No. 202001008684 (1365004-W)

- Unaudited Interim Financial Report For The Second (2nd) Quarter Ended 30 June 2023
- Page 6

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY⁽¹⁾

	Attributable to Owners of the Company			Total	Non-controlling interest	Total Equity
	Non-distributable	Distributable				
	Share capital	Merger reserves	Retained earnings	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2022 (Audited)	101,029	(47,544)	74,056	127,541	-	127,541
<i>Contributions by and distribution to owners of the Company</i>						
- Acquisition of a subsidiary	-	-	-	-	(1,033)	(1,033)
- Effect on changes in stakes	-	-	(490)	(490)	1,617	1,127
	-	-	(490)	(490)	584	94
Total comprehensive income/(loss) for the financial period	-	-	4,535	4,535	(81)	4,454
Balance as at 30 June 2022 (Unaudited)	101,029	(47,544)	78,101	131,586	503	132,089

(The remainder of this page is intentionally left blank)

NESTCON BERHAD

Registration No. 202001008684 (1365004-W)

- Unaudited Interim Financial Report For The Second (2nd) Quarter Ended 30 June 2023
- Page 7

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY⁽¹⁾ (CONTINUED)

	Attributable to Owners of the Company			Total RM'000	Non- controlling interest RM'000	Total Equity RM'000
	Non-distributable	Distributable				
	Share capital RM'000	Merger reserves RM'000	Retained earnings RM'000			
Balance as at 1 January 2023 (Audited)	110,953	(47,544)	58,218	121,627	396	122,023
<i>Contributions by and distribution to owners of the Company</i>						
- Issuance of shares in subsidiary to non-controlling interest	-	-	-	-	2,425	2,425
- Issuance of shares	4,680	-	-	4,680	-	4,680
- Share issuance expenses	(41)	-	-	(41)	-	(41)
	4,639	-	-	4,639	2,425	7,064
Total comprehensive income/(loss) for the financial period	-	-	1,832	1,832	(325)	1,507
Balance as at 30 June 2023 (Unaudited)	115,592	(47,544)	60,050	128,098	2,496	130,594

Note:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Changes in Equity is disclosed in Note A1 and should be read in conjunction with the Group's audited financial statements for financial year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS⁽¹⁾

	Unaudited Current Year-to-date 30.06.2023 RM'000	Unaudited Preceding Year Corresponding Year-to-date 30.06.2022 RM'000
Cash Flows From Operating Activities		
Profit before tax	2,126	6,672
Adjustments for:		
Depreciation of property, plant and equipment	8,200	7,113
Depreciation of investment properties	27	27
Gain on disposal of property, plant and equipment	(60)	(523)
Loss on remeasurement of lease liabilities	69	13
Interest expenses	5,996	3,222
Interest income	(674)	(419)
Operating profit before changes in working capital	15,684	16,105
Increase in inventories	(572)	-
(Increase)/Decrease in trade and other receivables	(42,937)	2,308
Increase in trade and other payables	45,683	9,349
Increase in contract assets	(54,958)	(29,564)
Increase in contract liabilities	24,121	3,139
Cash (used in)/generated from operations	(12,979)	1,337
Interest received	276	175
Income tax paid	(1,519)	(1,493)
Net cash (used in)/generated from operating activities	(14,222)	19
Cash Flows From Investing Activities		
Addition of other investments	(24)	(24)
Interest received	25	25
Acquisition of a subsidiary, net of cash acquired	-	(1,840)
Proceeds from disposal of property, plant and equipment	75	1,135
Purchase of property, plant and equipment	(15,684)	(25,380)
Net cash used in investing activities	(15,608)	(26,084)
Cash Flows From Financing Activities		
Interest paid	(5,996)	(3,222)
Interest received	373	219
Proceeds from issuance of shares, net of share issuance expenses	4,639	-
Proceeds from issuance of shares in subsidiary to non-controlling interest	2,425	-
Placement of pledged deposits with financial institution	(7,784)	(670)
Movement in restricted cash at bank	(2,854)	(2,074)
Net drawdown of term loans	7,444	4,416
Net drawdown of lease liabilities	4,673	14,136
Net drawdown of short-term borrowings	2,204	13,611
Net cash generated from financing activities	5,124	26,416

NESTCON BERHAD

Registration No. 202001008684 (1365004-W)

• Unaudited Interim Financial Report For The Second (2nd) Quarter Ended 30 June 2023

• Page 9

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS⁽¹⁾ (CONTINUED)

	Unaudited Current Year-to-date 30.06.2023 RM'000	Unaudited Preceding Year Corresponding Year-to-date 30.06.2022 RM'000
Net (decrease)/increase in cash and cash equivalents	(24,706)	351
Cash and cash equivalents at beginning of the financial period	27,042	64,143
Cash and cash equivalents at end of the financial period	2,336	64,494
Cash and cash equivalents comprise of:		
Cash and bank balances	70,976	104,365
Other investment	2,119	6,048
Fixed deposits with financial institution	39,682	22,505
	112,777	132,918
Less: Bank overdrafts	(46,016)	(31,289)
Less: Pledged deposits with financial institution	(39,682)	(22,505)
Less: Restricted cash at bank	(24,743)	(14,630)
	2,336	64,494

Note:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Cash Flows is disclosed in Note A1 and should be read in conjunction with the Group's audited financial statements for financial year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial report.

(The remainder of this page is intentionally left blank)

PART A – EXPLANATORY NOTES ON COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING**A1. Basis of Preparation**

The interim financial report of Nestcon Berhad (“**Nestcon**” or “**the Company**”) and its subsidiaries (“**the Group**”) are unaudited and have been prepared in accordance with the requirements of MFRS No. 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“**MASB**”) and Rule 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”).

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

A2. Significant Accounting Policies

The significant accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in preparation of the Group’s audited financial statements for the financial year ended 31 December 2022, except for the adoption of the following new MFRSs and/or IC interpretations (including The Consequential Amendments) which became effective for the financial year beginning on or after 1 January 2023:

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Initial Application of MFRS 17 and MFRS 9 <i>Comparative Information</i>	1 January 2023
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to MFRS 101 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS 16 <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to MFRS 101 <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be announced

The adoption of the abovementioned accounting standards, amendments and interpretations, where applicable, do not have any material impact to the unaudited condensed consolidated financial statements of the Group upon their initial application.

A3. Auditors’ Report on Preceding Annual Financial Statements

There was no qualification on the audited financial statements of the Group for financial year ended 31 December 2022.

A4. Seasonal or Cyclical Factors

The Group’s performance has not been materially affected by any seasonal or cyclical factors during the current financial quarter under review.

PART A – EXPLANATORY NOTES ON COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING (CONTINUED)

A5. Items or Incidence of an Unusual Nature

There were no unusual items affecting the assets, liabilities, equity, net income and cash flows during the current financial quarter under review.

A6. Material Changes in Accounting Estimates

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

A7. Debt and Equity Securities

Save as disclosed in Note B6, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter under review.

A8. Dividends Paid

There were no dividends paid during the current financial quarter under review.

A9. Segment Information

The Group’s operating and reportable segments comprised of:

- (a) the provision of construction services for building and infrastructure; and
- (b) renewable energy activities and maintenance works.

The Group operates predominantly in Malaysia and hence, no geographical segment presented.

Unaudited Current Year Quarter 30.06.2023	Building and Infrastructure RM’000	Renewable Energy RM’000	Total RM’000
Revenue	182,005	1,984	183,989
Results			
Depreciation of property, plant and equipment			(4,221)
Depreciation of investment properties			(14)
Interest expenses			(3,206)
Interest income			354
Gain on disposal of property, plant and equipment			-
Other income			681
Unallocated expenses			(176,411)
Profit before tax			1,172
Tax expense			(278)
Profit after tax			894

NESTCON BERHAD

Registration No. 202001008684 (1365004-W)

• Unaudited Interim Financial Report For The Second (2nd) Quarter Ended 30 June 2023

• Page 12

PART A – EXPLANATORY NOTES ON COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING (CONTINUED)**A9. Segment Information (Continued)**

Unaudited Current Year-to-date 30.06.2023	Building and Infrastructure RM'000	Renewable Energy RM'000	Total RM'000
Revenue	326,203	4,468	330,671
Results			
Depreciation of property, plant and equipment			(8,200)
Depreciation of investment properties			(27)
Interest expenses			(5,996)
Interest income			674
Gain on disposal of property, plant and equipment			60
Other income			737
Unallocated expenses			(315,793)
Profit before tax			2,126
Tax expense			(619)
Profit after tax			1,507
Unaudited Preceding Year Corresponding Quarter 30.06.2022			
Unaudited Preceding Year Corresponding Quarter 30.06.2022	Building and Infrastructure RM'000	Renewable Energy RM'000	Total RM'000
Revenue	105,063	46	105,109
Results			
Depreciation of property, plant and equipment			(3,712)
Depreciation of investment properties			(13)
Interest expenses			(1,741)
Interest income			202
Gain on disposal of property, plant and equipment			256
Other income			28
Unallocated expenses			(96,284)
Profit before tax			3,845
Tax expense			(1,160)
Profit after tax			2,685

PART A – EXPLANATORY NOTES ON COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING (CONTINUED)**A9. Segment Information (Continued)**

Unaudited Preceding Year Corresponding Year-to- date 30.06.2022	Building and Infrastructure RM’000	Renewable Energy RM’000	Total RM’000
Revenue	199,326	46	199,372
Results			
Depreciation of property, plant and equipment			(7,113)
Depreciation of investment properties			(27)
Interest expenses			(3,222)
Interest income			419
Gain on disposal of property, plant and equipment			523
Other income			67
Unallocated expenses			(183,347)
Profit before tax			6,672
Tax expense			(2,218)
Profit after tax			4,454

A10. Valuation of Property, Plant and Equipment and Investment Properties

There was no valuation of property, plant and equipment and investment properties during the current financial quarter under review.

A11. Material Subsequent Events

There were no material events subsequent to the end of the current financial quarter under review that have not been reflected in this interim financial report.

A12. Changes in The Composition of The Group

Save as disclosed below, there were no material changes in the composition of the Group for the current financial quarter under review.

On 13 July 2023, the Company’s subsidiary, Nestcon Sustainable Solutions Sdn Bhd coupled with Energy Crest Sdn Bhd incorporated a subsidiary, N3 Solar Sdn Bhd (“**N3 Solar**”) with a paid-up capital of RM10, representing 70% and 30% equity interest, respectively. N3 Solar is an investment holding company, and principally engaged in the provision of engineering, procurement, construction and commissioning services for solar photovoltaic (“**PV**”) systems and investment in solar PV plant.

PART A – EXPLANATORY NOTES ON COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING (CONTINUED)**A13. Contingent Liabilities**

Save as disclosed below, there were no other contingent liabilities as at the date of this interim financial report.

	Unaudited As at 30.06.2023 RM’000	Audited As at 31.12.2022 RM’000
Performance guarantee for construction contracts customer	56,628	46,628
Bank guarantee given by licensed banks as security for performance bond	<u>30,501</u>	<u>30,893</u>

A14. Capital Commitments

Save as disclosed below, there were no other material capital commitments incurred or known to be incurred as at the date of this interim financial report.

	Unaudited As at 30.06.2023 RM’000	Audited As at 31.12.2022 RM’000
Property, plant and equipment Authorised and contracted for	<u>5,734</u>	<u>4,106</u>

A15. Related Party Transactions

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Unaudited Current Year Quarter 30.06.2023 RM’000	Unaudited Preceding Year Corresponding Quarter 30.06.2022 RM’000	Unaudited Current Year-to-date 30.06.2023 RM’000	Unaudited Preceding Year Corresponding Year-to-date 30.06.2022 RM’000
Lease payment charged by a Director	<u>29</u>	<u>19</u>	<u>58</u>	<u>39</u>

(The remainder of this page is intentionally left blank)

PART B – EXPLANATORY NOTES PURSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**B1. Review of Performance****(a) Comparison with Preceding Year's Corresponding Quarter Results**

For the current financial quarter ended 30 June 2023 ("**2Q2023**"), the Group recorded higher revenue of RM183.99 million as compared to RM105.11 million in the preceding year's corresponding quarter ended 30 June 2022 ("**2Q2022**"). The 2Q2023 revenue was primarily contributed from our building division of RM133.70 million, civil engineering and infrastructure division of RM48.31 million and renewable energy division of RM1.98 million, respectively.

The Group registered a profit before tax ("**PBT**") of RM1.17 million in 2Q2023 as compared to RM3.85 million in 2Q2022. The decreased in PBT was mainly attributable to the revised budgeted costs for some of the existing contracts resulting from the rising of construction costs including the cost of building materials as well as the minimum wage implementation. The decreased is further contributed by the increased of finance costs by RM1.47 million due to the utilisation of new banking facilities for new contracts secured and commenced in 2022.

(b) Comparison with Preceding Year's Corresponding Year-to-date Results

For the current financial year-to-date ended 30 June 2023 ("**YTD 2Q2023**"), the Group recorded higher revenue of RM330.67 million, an increase of RM131.30 million or 65.86% from the preceding year's corresponding year-to-date ended 30 June 2022 ("**YTD 2Q2022**") of RM199.37 million. The increase in revenue was mainly due to higher level of construction activities for both building division and civil engineering and infrastructure division in YTD 2Q2023.

The Group posted lower PBT of RM2.13 million in YTD 2Q2023, a decrease of RM4.54 million from RM6.67 million in YTD 2Q2022. The performance of the Group was affected by the rising of raw material costs and labour costs together with the increased of finance costs by RM2.77 million due to the utilisation of new banking facilities for new contracts secured and commenced in 2022.

(The remainder of this page is intentionally left blank)

PART B – EXPLANATORY NOTES PURSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)**B2. Comparison with Immediate Preceding Quarter's Results**

	INDIVIDUAL QUARTER		VARIANCE	
	Unaudited Current Quarter 30.06.2023 RM'000	Unaudited Preceding Quarter 31.03.2023 RM'000	RM'000	%
Revenue	183,989	146,682	37,307	25.43
Profit before tax	1,172	954	218	22.85

The Group recorded revenue of RM183.99 million in 2Q2023 as compared to RM146.68 million in the immediate preceding quarter ended 31 March 2023 ("**1Q2023**"), an increase of RM37.31 million or 25.43% in 2Q2023. The increase in revenue was mainly due to higher level of construction activities for both building division and civil engineering and infrastructure division during the current financial quarter under review.

The Group registered a PBT of RM1.17 million in 2Q2023, an increase of RM0.22 million or 22.85% from RM0.95 million in 1Q2023. The increase in PBT was mainly attributable to higher revenue but partially offset by higher finance cost from utilisation of new banking facilities for new contracts secured.

B3. Prospects and Outlook for the Current Financial Year

The global and domestic economy is driven by resilient domestic demand supported by strong labour market conditions. Nevertheless, the global and domestic economy continues to be weighed down by elevated cost pressures and higher interest rates. Thus, the outlook of the construction sector remains challenging in 2023 resulted from the rising building materials and increasing labour costs.

Taking into consideration of the persistent inflationary pressures and rising interest rates, the Group remains vigilant to ride through this volatile environment by undertaking prudent approaches and proactive steps to manage the risks and mitigate the adverse impacts in order to improve the Group's financial performance.

The Group will continue focusing our attention on the quality of our services to our clients and efficiencies in our operation with respect to maintain our competitiveness and sustainability commitment. The Group remains prudent on the overall business conditions by promoting and growing our business in the coming years.

B4. Variance of Actual Profit from Forecast Profit

The Group did not issue any profit forecast or profit guarantee in the current financial quarter under review.

PART B – EXPLANATORY NOTES PURSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)**B5. Tax Expense**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Unaudited Current Year Quarter 30.06.2023 RM'000	Unaudited Preceding Year Corresponding Quarter 30.06.2022 RM'000	Unaudited Current Year-to-date 30.06.2023 RM'000	Unaudited Preceding Year Corresponding Year-to-date 30.06.2022 RM'000
In respect of current period:				
Income tax ⁽¹⁾	983	1,131	1,865	2,370
Deferred tax	(705)	29	(1,246)	(152)
Tax expense	<u>278</u>	<u>1,160</u>	<u>619</u>	<u>2,218</u>
Effective tax rate ⁽²⁾ (%)	23.72	30.17	29.12	33.24
Statutory tax rate (%)	24.00	24.00	24.00	24.00

Notes:

- (1) Income tax is recognised based on management's estimate.
- (2) The effective tax rate of the Group for the current financial quarter was slightly lower than the statutory tax rate of 24.0% mainly due to reversal of overprovision for deferred tax liabilities in prior financial year. On the other hand, the effective tax rate of the Group for the financial year-to-date was higher than the statutory tax rate mainly due to certain non-deductible expenses for tax purposes.

B6. Status of Corporate Proposals

Saved as disclosed below, there were no corporate proposals announced but not completed as at the date of this interim financial report.

On 13 July 2022, the Company had proposed to undertake a private placement of up to 64,382,000 new ordinary shares of Nestcon, representing up to 10% of the total number of issued shares in Nestcon, to independent third-party investors to be identified and at an issue price to be determined later ("**Placement Shares**"). The Company had obtained approval from Bursa Securities via its letter dated 3 August 2022. A second extension of time of six months up to 2 February 2024 was sought from Bursa Securities to complete the implementation of the private placement, and Bursa Securities had on 8 August 2023 approved the said extension of time.

As at the date of this report, the Company had completed three tranches of private placement involving a total issuance of 38,250,000 new Nestcon Shares which were listed and quoted on the ACE Market of Bursa Securities, with a total proceeds of RM14.69 million.

(The remainder of this page is intentionally left blank)

B7. Utilisation of Proceeds**(a) Initial Public Offering (“IPO”)**

As at 30 June 2023, the status of the utilisation of proceeds arising from IPO amounting to approximately RM45.07 million is stated in the following manner:

Details of Utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Unutilised RM'000	Revision of Balance Unutilised RM'000	Actual Utilisation RM'000	Unutilised Amount RM'000	Initial Timeframe for the Utilisation Upon Listing	Revised Timeline for the Utilisation
Establish IBS facility for our building division	6,000	-	6,000	(6,000) ⁽¹⁾	-	-	Within 24 months	-
Acquire machineries and equipment for our business expansion in the civil engineering and infrastructure division	6,615	(6,615)	-	-	-	-	Within 24 months	-
Upgrade software and systems	1,000	(1,000)	-	-	-	-	Within 12 months	-
Repayment of bank borrowings	16,500	(16,500)	-	6,000 ⁽¹⁾	-	6,000	Within 3 months	Within 6 months from 29 May 2023 ⁽²⁾
Working capital	10,953	(10,953)	-	-	-	-	Within 12 months	-
Estimated listing expenses	4,000	(4,000)	-	-	-	-	Within 1 month	-
Total	45,068	(39,068)	6,000	-	-	6,000		

PART B – EXPLANATORY NOTES PURSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)**B7. Utilisation of Proceeds (Continued)****(a) Initial Public Offering (“IPO”) (Continued)****Notes:**

- (1) The balance of unutilised proceeds of RM6.00 million for Establish IBS facility for our building division will be reallocate for Repayment of bank borrowings.
- (2) Being 29 months from the expiry date of the initial timeframe from the utilisation of IPO Proceeds.

The utilisation of proceeds disclosed above should be read in conjunction with the Prospectus of the Company dated 8 June 2021 and announcement of the Variation and Extension of Time dated 29 May 2023.

(b) Private Placement

As at 30 June 2023, the status of the utilisation of proceeds arising from the three tranches of private placement are as follows:

Details of Utilisation	Proceeds Raised RM'000	Actual Utilisation RM'000	Unutilised Amount RM'000	Intended Timeframe for the Utilisation
Building, civil engineering, and infrastructure segments:				
• Rental of machineries and equipment	4,639	(4,639)	-	Within 12 months
• Purchase of reinforcement steel	4,639	(4,639)	-	
• Payment to subcontractors	5,285	(5,285)	-	
Purchase of solar panels for renewable energy segment	-	-	-	Within 12 months
Estimated expenses for the Proposed Private Placement	126	(126)	-	Within 1 month
Total	14,689	(14,689)	-	

The utilisation of proceeds disclosed above should be read in conjunction with the announcement of the Proposed Private Placement dated 13 July 2022.

(The remainder of this page is intentionally left blank)

PART B – EXPLANATORY NOTES PURSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)
B8. Bank Borrowings

	Unaudited As at 30.06.2023 RM'000	Audited As at 31.12.2022 RM'000
Current		
Term loans	14,717	5,696
Bank overdraft	46,016	27,404
Factoring payable	16,636	22,284
Invoice financing	58,123	54,255
Revolving credit	22,910	18,927
	<u>158,402</u>	<u>128,566</u>
Non-current		
Term loans	<u>19,522</u>	<u>21,099</u>

The bank borrowings are secured and denominated in Ringgit Malaysia.

B9. Material Litigation

There were no material litigations involving the Group as at 30 June 2023.

B10. Dividend

No dividend has been declared or recommended by the Board of Directors for the current financial quarter under review.

B11. Earnings Per Share

The basic and diluted earnings per share for the current financial quarter and financial year-to-date are computed as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Unaudited Current Year Quarter 30.06.2023 RM'000	Unaudited Preceding Year Corresponding Quarter 30.06.2022 RM'000	Unaudited Current Year-to-date 30.06.2023 RM'000	Unaudited Preceding Year Corresponding Year-to-date 30.06.2022 RM'000
Profit attributable to the Owners of the Company	1,314	2,766	1,832	4,535
Number of ordinary shares (in thousand)	682,072	643,822	682,072	643,822
Basic ⁽¹⁾ /Diluted ⁽²⁾ EPS (sen)	<u>0.19</u>	<u>0.43</u>	<u>0.27</u>	<u>0.70</u>

Notes:

- (1) Basic EPS is calculated based on the Company's share capital of 682,072,000 ordinary shares (30 June 2022: 643,822,000 ordinary shares).
- (2) Diluted EPS of the Company for the current financial quarter and financial year-to-date ended 30 June 2023 is equivalent to the basic earnings per share as the Company does not have any convertible options as at the end of the reporting period.

NESTCON BERHAD

Registration No. 202001008684 (1365004-W)

- Unaudited Interim Financial Report For The Second (2nd) Quarter Ended 30 June 2023
- Page 21

PART B – EXPLANATORY NOTES PURSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)**B12. Notes to the Condensed Consolidated Statement of Profit and Other Comprehensive Income**

Profit before tax is arrived after charging/(crediting):

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Unaudited Current Year Quarter 30.06.2023 RM'000	Unaudited Preceding Year Corresponding Quarter 30.06.2022 RM'000	Unaudited Current Year-to-date 30.06.2023 RM'000	Unaudited Preceding Year Corresponding Year-to-date 30.06.2022 RM'000
Depreciation of property, plant and equipment	4,221	3,712	8,200	7,113
Depreciation of investment properties	14	13	27	27
Rental of machineries	13,314	4,892	24,628	8,827
Rental of premises	27	53	60	119
Interest expenses	3,206	1,741	5,996	3,222
Loss on remeasurement of lease liabilities	15	13	69	13
Gain on disposal of property, plant and equipment	-	(256)	(60)	(523)
Interest income	(354)	(202)	(674)	(419)

B13. Authorisation for Issue

The interim financial report was authorised for issue by the Board of Directors of the Company in accordance with a resolution passed by the Board of Directors on 29 August 2023.

**BY ORDER OF THE BOARD
NESTCON BERHAD
29 AUGUST 2023**