



MST GOLF GROUP BERHAD

Registration No. 199301009307 (264044-M)
(formerly known as M S T Golf (Asia) Sdn. Bhd.)

(Incorporated in Malaysia under the Companies Act, 2016)

Unaudited Interim Financial Report for the Second Quarter Ended 30 June 2023

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2023

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

	Note	Current quarter		Year-to-date	
		30.06.2023 Unaudited RM'000	30.6.2022 ⁽²⁾ Unaudited RM'000	30.06.2023 Unaudited RM'000	30.6.2022 ⁽³⁾ Audited RM'000
Revenue	A9	75,936	N/A	162,224	146,031
Cost of sales		(42,571)	N/A	(91,660)	(81,329)
Gross profit		33,365	N/A	70,564	64,702
Other income		119	N/A	953	1,569
Administrative and other expenses		(25,066)	N/A	(48,007)	(34,933)
Selling and distribution expenses		(1,588)	N/A	(3,428)	(5,370)
Operating profit		6,830	N/A	20,082	25,968
Finance cost		(1,205)	N/A	(2,678)	(2,045)
Finance Income		-	N/A	-	5
Profit before tax	B5	5,625	N/A	17,404	23,928
Tax expense	B6	(1,614)	N/A	(4,602)	(6,213)
Profit for the financial period		4,011	N/A	12,802	17,715
Other comprehensive income:- <i>Items that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation		1,426	N/A	1,923	980
Other comprehensive income for the financial period		1,426	N/A	1,923	980
Total comprehensive income for the financial period		5,437	N/A	14,725	18,695
Profit for the financial period attributable to:-					
Owners of the Company		4,011	N/A	12,802	16,212
Non-controlling interests		-	N/A	-	1,503
		4,011	N/A	12,802	17,715
Total comprehensive income attributable to:-					
Owners of the Company		5,437	N/A	14,725	16,969
Non-controlling interests		-	N/A	-	1,726
		5,437	N/A	14,725	18,695
Basic earnings per share ("Basic EPS") ⁽⁴⁾ (sen)	B12	0.61	N/A	1.94	16,212
Diluted earnings per share ("Diluted EPS") ⁽⁵⁾ (sen)	B12	0.61	N/A	1.94	16,212

Notes:

N/A means "Not applicable"

(1) The basis of preparation of the Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income is disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of MST Golf Group Berhad dated 28 June 2023 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2023

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME⁽¹⁾ (CONT'D)

- (2) No comparative figures for the preceding year's corresponding quarter are presented as this is the second interim financial report announced by MST Golf Group Berhad in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities")("Listing Requirements").
- (3) Comparative figures for year-to-date period ended 30 June 2022 are extracted from MST Golf Group Berhad Initial Public Offering ("IPO") prospectus exposure published on 11 January 2023.
- (4) Basic EPS for current quarter and year-to-date period ended 30 June 2023 are computed based on profit attributable to owners of MST Golf Group Berhad divided by the number of ordinary shares outstanding (after the completion of the Pre-IPO Reorganisation Exercise as disclosed in the Prospectus of MST Golf Group Berhad dated 28 June 2023) of 660,868,600.

Basic EPS for year-to-date period ended 30 June 2022 is computed based on profit attributable to owners of MST Golf Group Berhad divided by the number of ordinary shares outstanding (before Pre-IPO Reorganisation Exercise as disclosed in the Prospectus of MST Golf Group Berhad dated 28 June 2023) of 100,000.
- (5) Diluted EPS of MST Golf Group Berhad is equivalent to the basic EPS as the company does not have convertible securities at the end of the current quarter and financial period to date.

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**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2023**

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		45,604	44,024
Right-of-use assets		50,751	46,111
Intangible assets		1,417	1,417
Other Investment		17	17
Deferred tax assets		272	219
Total non-current assets		98,061	91,788
Current assets			
Inventories		155,687	113,567
Trade receivables		12,314	8,506
Other receivables		16,627	15,979
Tax recoverable		7	7
Fixed deposits with licensed banks		1,954	2,059
Cash and bank balances		6,765	26,825
Total current assets		193,354	166,943
TOTAL ASSETS		291,415	258,731
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to equity shareholders of the Company:-			
Share capital		39,836	39,836
Foreign exchange reserve		5,049	3,126
Retained earnings		65,456	52,654
Total equity		110,341	95,616
LIABILITIES			
Non-current liabilities			
Lease liabilities		42,390	38,728
Borrowings	B9	18,233	15,478
Deferred tax liabilities		823	805
Total non-current liabilities		61,446	55,011
Current liabilities			
Trade payables		43,385	17,240
Other payables		9,534	13,984
Contract liabilities		4,731	4,417
Dividend payable	A8	-	12,500
Borrowings	B9	47,079	45,713
Lease liabilities		11,913	10,682
Tax payable		2,986	3,568
Total current liabilities		119,628	108,104
Total liabilities		181,074	163,115
TOTAL EQUITY AND LIABILITIES		291,415	258,731
Net assets per share⁽²⁾ (RM)		0.17	0.14

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2023**

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION⁽¹⁾ (CONT'D)

Notes:

- (1) The basis of preparation of the Condensed Consolidated Statements of Financial Position is disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of MST Golf Group Berhad dated 28 June 2023 and the accompanying explanatory notes attached to this interim financial report.
- (2) Computed based on total equity of the Group divided by the number of ordinary shares outstanding (after the completion of the Pre-IPO Reorganisation Exercise as disclosed in the Prospectus of MST Golf Group Berhad dated 28 June 2023) of 660,868,600.

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**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2023**

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY⁽¹⁾

	Non-distributable		Distributable	Total RM'000
	Share capital RM'000	Foreign exchange reserve RM'000	Retained earnings RM'000	
Group				
Balances at 1 January 2023	39,836	3,126	52,654	95,616
Total comprehensive income for the financial period				
Profit for the financial period	-	-	12,802	12,802
Other comprehensive income for the financial period	-	1,923	-	1,923
	-	1,923	12,802	14,725
Balances at 30 June 2023	<u>39,836</u>	<u>5,049</u>	<u>65,456</u>	<u>110,341</u>

Note:

- (1) The basis of preparation of the Condensed Consolidated Statements of Changes in Equity is disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of MST Golf Group Berhad dated 28 June 2023 and the accompanying explanatory notes attached to this interim financial report.

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**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2023**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS⁽¹⁾

	Note	Year-to-date	
		30.06.2023 RM'000	30.06.2022 ⁽²⁾ RM'000
OPERATING ACTIVITIES			
Profit before tax		17,404	23,928
Adjustments for:-			
Depreciation on property, plant and equipment		3,853	2,519
Depreciation on right-of-use assets		6,536	4,025
Property, plant and equipment written off		1	1
Gain on lease modification		(15)	-
Loss on disposal of property, plant and equipment		5	-
Allowance for slow moving inventories		151	-
Rent concession related to COVID-19		-	(62)
Interest income		-	(5)
Interest expenses		2,678	2,045
Unrealised loss on foreign exchange		176	51
Operating profit before working capital changes		30,789	32,502
Inventories		(42,270)	(26,382)
Payables		21,567	11,858
Receivables		(4,506)	(7,742)
Contract liabilities		314	224
Cash generated from operations		5,894	10,460
Tax paid		(5,238)	(2,728)
Net cash from operating activities		656	7,732
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(5,249)	(11,592)
Proceeds from disposal of property, plant and equipment		169	4
Interest received		-	5
Repayment from related party		-	15
Placement of fixed deposits pledged with licensed bank		(300)	(300)
Net cash used in investing activities		(5,380)	(11,868)
FINANCING ACTIVITIES			
Interest paid		(2,678)	(2,045)
Dividend paid to holding company	A8	(12,500)	(11,500)
Advances from holding company		-	12,250
Repayment to related party		-	(15)
Drawdown of trust receipts		5,808	4,145
Repayment of trust receipts		(6,463)	(3,196)
Drawdown of term loans		4,224	-
Repayment of term loans		(1,095)	(3,827)
Payment of principal portion of lease liabilities		(6,346)	(3,628)
Drawdown on bankers' acceptance		43,419	17,496
Repayment of bankers' acceptance		(41,793)	(20,282)
Drawdown of invoice financing		4,382	-
Repayment of invoice financing		(6,678)	-
Net cash used in financing activities		(19,720)	(10,602)

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2023**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS⁽¹⁾ (CONT'D)

	Note	Year-to-date	
		30.06.2023	30.06.2022 ⁽²⁾
		RM'000	RM'000
CASH AND CASH EQUIVALENTS			
Net changes		(24,444)	(14,738)
Effect of foreign exchange rate changes		2,155	908
Brought forward		17,585	35,967
Carried forward		<u>(4,704)</u>	<u>22,137</u>

NOTE TO STATEMENTS OF CASH FLOWS

Cash and cash equivalents included in the statements of cash flows comprise the following:-

	Year-to-date	
	30.06.2023	30.06.2022 ⁽²⁾
	RM'000	RM'000
Cash and bank balances	6,765	21,728
Fixed deposits with licensed banks	1,954	1,359
Less: Bank overdraft	(11,469)	-
	<u>(2,750)</u>	<u>23,087</u>
Less: Fixed deposits pledged with licensed banks	<u>(1,954)</u>	<u>(950)</u>
	<u>(4,704)</u>	<u>22,137</u>

N/A means "Not applicable"

- (1) The basis of preparation of the Condensed Consolidated Statements of Cash Flows is disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of MST Golf Group Berhad dated 28 June 2023 and the accompanying explanatory notes attached to this interim financial report.
- (2) Comparative figures for year-to-date period ended 30 June 2022 are extracted from MST Golf Group Berhad IPO prospectus exposure published on 11 January 2023.

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A. NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2023

A1. Basis of Preparation

The interim financial report of MST Golf Group Berhad (“the Company”) and its subsidiaries (“the Group”) are unaudited and have been prepared in accordance with Paragraph 9.22 as well as Appendix 9B of the Listing Requirements, requirements of the Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”).

This is the second interim financial report on MST Golf Group Berhad’s unaudited consolidated results for the second quarter ended 30 June 2023 announced by MST Golf Group Berhad in compliance with the Listing Requirements and as such, there are no comparative figures for the preceding corresponding period.

This interim financial report does not include all the information required for a full annual financial statement and should be read in conjunction with the Accountants’ Report as disclosed in the Prospectus of MST Golf Group Berhad dated 28 June 2023 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 the audited consolidated financial statements for the financial year ended 31 December 2022.

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group’s financial statements are disclosed below. The Group intend to adopt these new and amended standards and interpretations, if applicable, when they become effective in the respective financial period.

Effective for financial period beginning on or after 1 January 2023

- MFRS 17 Insurance Contracts and Amendments to MFRS 17 Insurance Contracts*
- Amendments to MFRS 17 – Initial Application of MFRS 17 and MFRS 9 Comparative Information*
- Amendments to MFRS 101 Presentation of Financial Statements - Disclosure of Accounting Policies
- Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates
- Amendments to MFRS 112 Income Taxes - International Tax Reform: Pillar Two Model Rules
- Amendments to MFRS 112 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Effective for financial period beginning on or after 1 January 2024

- Amendments to MFRS 16 Leases - Lease Liability in a Sale and Leaseback
- Amendments to MFRS 101 Presentation of Financial Statements - Non-Current Liabilities with Covenants
- Amendments to MFRS 101 Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current
- Amendments to MFRS 107 Statement of Cash Flows and MFRS 7 Financial Instruments-Disclosure.

Deferred to a date to be determined by the MASB

- Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

* Not applicable to the Group’s operations.

The initial application of the above accounting standards, interpretations and amendments are not expected to have any financial impact on the interim financial report of the Group for the current period and prior period.

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2023 (CONT'D)

A3. Auditors' Report on Preceding Annual Financial Statements

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

A4. Seasonal or Cyclical Factors

The business operations of the Group would typically experience lower customer traffic, transaction value and sales during festive seasons and holidays.

A5. Material Unusual Items

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

A6. Material Changes in Estimates

There were no material changes in estimates that have a material effect in the current quarter and financial period to date.

A7. Debt and Equity Securities

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

A8. Dividends

Single tier tax-exempt dividend were paid on 20 February 2023 in respect of the financial year ended 31 December 2022, amounting to RM12,500,000.

Save for the above, there were no other dividends declared or paid during the current quarter and financial period to date.

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A. NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2023 (CONT'D)

A9. Segmental Reporting

For management purposes, the Group is organised into reportable segments based on four (4) business sectors and two (2) geographical locations of business operation.

The segmental information based on four (4) business sectors for current quarter ended 30 June 2023 ("Q2 FY2023") is as follows:

	Current quarter ended 30 June 2023				Total
	Retail	Wholesale	Golf Services	Indoor Golf	
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
Sales to external customers	62,685	8,248	3,680	1,323	75,936
Result					
Profit from operations					6,830
Finance cost					(1,205)
Profit before tax					5,625
Income tax expense					(1,614)
Net profit for the financial period					4,011

The segmental information based on four (4) business sectors for year-to-date period ended 30 June 2023 ("H1 FY2023") is as follows:

	Year-to-date period ended 30 June 2023				Total
	Retail	Wholesale	Golf Services	Indoor Golf	
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
Sales to external customers	124,270	29,281	6,119	2,554	162,224
Result					
Profit from operations					20,082
Finance cost					(2,678)
Profit before tax					17,404
Income tax expense					(4,602)
Net profit for the financial period					12,802

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A. NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2023 (CONT'D)

The segmental information based on two (2) geographical locations of business operations for current quarter ended 30 June 2023 ("Q2 FY2023") is as follows:

	Current quarter ended 30 June 2023		
	Malaysia's Operation	Singapore's Operation ⁽¹⁾	Total
	RM'000	RM'000	RM'000
Revenue			
Sales to external customers	47,788	28,148	75,936
Result			
Profit from operations			6,830
Finance cost			(1,205)
Profit before tax			5,625
Income tax expense			(1,614)
Net profit for the financial period			4,011

The segmental information based on two (2) geographical locations of business operations for year-to-date period ended 30 June 2023 ("H1 FY2023") is as follows:

	Year-to-date period ended 30 June 2023		
	Malaysia's Operation	Singapore's Operation ⁽¹⁾	Total
	RM'000	RM'000	RM'000
Revenue			
Sales to external customers	97,323	64,901	162,224
Result			
Profit from operations			20,082
Finance cost			(2,678)
Profit before tax			17,404
Income tax expense			(4,602)
Net profit for the financial period			12,802

Note:

(1) Singapore's operation includes wholesale to Indonesia and other foreign countries.

A10. Material Events Subsequent to the End of the Current Quarter

Save as disclosed in Note B7 on the "Status of Corporate Proposals", there were no other material events subsequent to the end of the current quarter that have not been reflected in this interim financial report.

A11. Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter and financial period to date.

A12. Contingent Assets and Contingent Liabilities

There were no material contingent assets or contingent liabilities as at the date of this interim financial report.

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2023 (CONT'D)

A13. Material Capital Commitments

	Unaudited as at 30.06.2023 RM'000	Audited as at 31.12.2022 RM'000
Authorised and contracted for:-		
- Purchase of property, plant and equipment and renovation	1,766	786

A14. Significant Related Party Transactions

The significant related party transactions of the Group during for current quarter and year-to-date period ended 30 June 2023 are shown below:

	Current Quarter		Year-to-date	
	30.06.2023 Unaudited RM'000	30.06.2022 ⁽¹⁾ Unaudited RM'000	30.06.2023 Unaudited RM'000	30.06.2022 ⁽²⁾ Audited RM'000
Payment of lease liabilities to a related party	111	N/A	186	186
Rental expenses paid to a related party	8	N/A	15	15
Rental received from a related party	162	N/A	324	324

Notes:

N/A means "Not applicable"

(1) No comparative figures for the preceding corresponding period are presented as this is the second interim financial report announced by MST Golf Group Berhad in compliance with the Listing Requirements.

(2) Comparative figures for year-to-date period ended 30 June 2022 are extracted from MST Golf Group Berhad IPO prospectus exposure published on 11 January 2023.

A15. Derivatives

There were no derivatives used in the current quarter.

A16. Fair Value of Financial Liabilities

There were no gains or losses arising from fair value changes of the Group's financial liabilities for the current quarter.

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B. EXPLANATORY NOTES PURSUANT TO PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS

B1. Review of the Performance

The Group's performance for current quarter and year-to-date period ended 30 June 2023 are tabled below:

	Current Quarter		Year-to-date	
	30.06.2023 Unaudited RM'000	30.06.2022 ⁽¹⁾ Unaudited RM'000	30.06.2023 Unaudited RM'000	30.06.2022 ⁽²⁾ Audited RM'000
Revenue	75,936	N/A	162,224	146,031
(a) Business sectors				
- Retail	62,685	N/A	124,270	117,789
- Wholesale	8,248	N/A	29,281	22,995
- Golf Services	3,680	N/A	6,119	3,931
- Indoor Golf	1,323	N/A	2,554	1,316
(b) Geographical locations				
- Malaysia	47,788	N/A	97,323	97,008
- Singapore	28,148	N/A	64,901	49,023
Profit before tax ("PBT")	5,625	N/A	17,404	23,928
Profit after tax ("PAT")	4,011	N/A	12,802	17,715

Notes:

N/A means "Not applicable"

- (1) No comparative figures for the preceding corresponding period are presented as this is the second interim financial report announced by MST Golf Group Berhad in compliance with the Listing Requirements.
- (2) Comparative figures for year-to-date period ended 30 June 2022 are extracted from MST Golf Group Berhad IPO prospectus exposure published on 11 January 2023.

The Group recorded total revenue of RM75.94 million in Q2 FY2023, mainly derived from the Retail segment which contributed RM62.69 million or 82.6% of the total revenue, followed by Wholesales segment of RM8.25 million or 10.9%, Golf Services segment of RM3.68 million or 4.8% and Indoor Golf segment of RM1.32 million or 1.7%. Malaysia Operation segment contributed RM47.79 million or 62.9% of total revenue whilst Singapore Operation segment contributed RM28.15 million or 37.1% of total revenue.

Despite lower revenue during Ramadan and Raya festivities in Q2 FY2023 and shortfall from wholesale segment, the total revenue of the Group was buoyed by contribution from new stores. The wholesale segment was affected due to a decrease in orders from one wholesale customer driven by changes in the said customer's leadership and review of their internal procurement and inventory management policies which have affected orders to purchase not just from the Group but their other suppliers as well. This situation will likely normalise and would not reflect diminished demand for the Group's products as the Group remains the exclusive distributor for the said brand.

The Company's year-to-date revenue of RM162.22 million represents a respectable increase of 11.1%, coming from a high Covid-19 golf boom sales of the preceding year. PBT and PAT decreased by 27.3% from RM23.93 million to RM17.40 million and by 27.7% from RM17.71 million to RM12.80 million respectively.

The lower H1 FY2023 PBT and PAT recorded in comparison to the preceding corresponding period was due to amongst others the following:

- (1) Lower than expected sales during the Ramadhan and Raya festive period,
- (2) Lower orders in Wholesale segment, and
- (3) Higher operating costs including rental and staff costs for new stores.

B. EXPLANATORY NOTES PURSUANT TO PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B2. Comparison with the Immediate Preceding Quarter's Results

The Group's performance for current quarter ended 30 June 2023 ("Q2 FY2023") compared to the preceding quarter ended 31 March 2023 ("Q1 FY2023") are tabled below:

	Current Quarter		Variance + / (-)	
	30.06.2023 Unaudited RM'000	31.03.2023 Unaudited RM'000	RM'000	%
Revenue	75,936	86,288	(10,352)	(12.0)
(a) Business sectors				
- Retail	62,685	61,585	1,100	1.8
- Wholesale	8,248	21,033	(12,785)	(60.8)
- Golf Services	3,680	2,439	1,241	50.9
- Indoor Golf	1,323	1,231	92	7.5
(b) Geographical locations				
- Malaysia	47,788	49,535	(1,747)	(3.5)
- Singapore	28,148	36,753	(8,605)	(23.4)
Gross Profit	33,365	37,199	(3,834)	(10.3)
Gross Margin (%)	43.9	43.1		
Profit before tax ("PBT")	5,625	11,780	(6,155)	(52.2)
Profit after tax ("PAT")	4,011	8,791	(4,780)	(54.3)

The Group recorded total revenue of RM75.94 million for Q2 FY2023, a decrease of RM10.35 million or 12.0% from RM86.29 million recorded in Q1 FY2023. Revenue for all segments recorded growth with the exception of the Wholesale segment. The Retail segment registered higher growth by RM1.10 million or 1.8%, Golf Services segment by RM1.24 million or 50.9%, and Indoor Golf by RM0.09 million or 7.5%.

Revenue from the Retail segment showed moderate growth mainly due to sales growth from outlets in Singapore off-setting weaker sales typically experienced during the Ramadhan and Raya festive period in Malaysia. On the other hand, revenue derived from the Wholesale segment for the quarter experienced a decrease of RM12.79 million or 60.8% from Q1 FY2023. This was due to a decrease in orders from one wholesale customer driven by changes in the said customer's leadership and review of their internal procurement and inventory management policies which have affected orders to purchase not just from the Group but their other suppliers as well. This situation will likely normalise and would not reflect diminished demand for the Group's products as the Group remains the exclusive distributor for the said brand. In addition, the preceding quarter also recorded higher wholesale revenue as most new product launches generally take place in Q1 compared to Q2.

Segmental geographical revenue from Malaysia saw a slight decrease of 3.5% due to the Ramadhan and Raya festive period. Despite the higher growth in sales from its retail stores, Singapore operations saw a decrease of 23.4% in revenue mainly due to the drop in wholesale order.

The Group recorded lower gross profit, PBT and PAT in Q2 FY2023 due to lower revenue recorded. Notwithstanding the lower profits, the Group was able to maintain and see a slight increase of gross profit margins of 43.9% from 43.1% in Q1 FY 2023.

B. EXPLANATORY NOTES PURSUANT TO PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B3. Prospects

The Company is set to fortify its market leadership in Malaysia and Singapore through the execution of its expansion strategy this year. The plan involves the opening of two (2) new stores in Penang and Seremban in June and July respectively, followed by two (2) additional stores in Shah Alam and Johor Bharu targeted for this year. There are more locations in various stages of negotiations with landlords.

The Retail segment has remained stable with current business trading at post Covid-19 level based on a review of the past 52-week performance. Post Covid-19 period, golfing activities appear to remain robust as evidenced by our H1 FY2023 retail sell-through of golf balls, gloves and shoes. Notably, the Apparel product segment continues to exhibit strong growth in the post pandemic phase, reflecting a trend towards golf becoming more integrated into lifestyle choices. This shift presents us with more opportunities in our apparel business. The Group is optimistic that its revenue in H2 FY2023 will continue to grow mainly in the Retail segment.

On 18 April 2023, the Company entered into a Memorandum of Understanding (MoU) with PT Sinar Eka Selaras for a proposed joint venture aimed at establishing golf retail outlets and indoor golf centres in Indonesia. PT Sinar Eka Selaras, a subsidiary of PT Erajaya Swasembada Tbk and a public company listed on the Indonesia Stock Exchange, now called PT Sinar Eka Selaras Tbk following its successful listing on the Indonesia Stock Exchange on August 8, 2023. The finalisation of the Joint Venture Agreement between the Company and PT Sinar Eka Selaras Tbk is in concluding stages and is projected to be formalised by Q3 of 2023. Both parties intend to expedite the opening of the retail outlets aiming for debut in Indonesia this year.

The Company has re-established communication with potential joint venture partners in Thailand and is gearing up for discussions that started in October 2022. Our aim is to finalise the joint venture partner in Thailand by 2023, with intentions to enter the Thailand golf retail market by second half of 2024.

With the Group's growth drivers remaining on track and underpinned by the robustness and resilience of our business, the Company is optimistic of its future prospects.

B4. Profit Forecast or Profit Guarantee

The Group did not issue any revenue or profit estimate, forecast, projection or internal targets in any public announcement or public documents.

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B. EXPLANATORY NOTES PURSUANT TO PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B5. Profit Before Tax

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

	Current Quarter		Year-to-date	
	30.06.2023 Unaudited RM'000	30.06.2022 ⁽¹⁾ Unaudited RM'000	30.06.2023 Unaudited RM'000	30.06.2022 ⁽²⁾ Audited RM'000
Depreciation of property, plant & equipment	1,959	N/A	3,853	2,519
Depreciation of right-of-use assets	3,574	N/A	6,536	4,025
Interest expense on lease liabilities	315	N/A	1,003	949
Interest expense on borrowings	890	N/A	1,675	1,096
Interest income	-	N/A	-	5
Provision for and write-off of inventories	112	N/A	192	-
Reversal of written-down of slow-moving inventories	-	N/A	(41)	-
Loss on disposal of property, plant & equipment	1	N/A	5	-
Realised loss on foreign exchange	829	N/A	476	375
Unrealised loss on foreign exchange	-	N/A	176	51

Notes:

N/A means "Not applicable"

(1) No comparative figures for the preceding corresponding period are presented as this is the second interim financial report announced by MST Golf Group Berhad in compliance with the Listing Requirements.

(2) Comparative figures for year-to-date period ended 30 June 2022 are extracted from MST Golf Group Berhad IPO prospectus exposure published on 11 January 2023.

Save as disclosed above, the other disclosure items pursuant to Paragraph 16 of Appendix 9B of the Listing Requirements are not applicable.

B6. Tax Expense

	Current Quarter		Year-to-date	
	30.06.2023 Unaudited RM'000	30.06.2022 ⁽¹⁾ Unaudited RM'000	30.06.2023 Unaudited RM'000	30.06.2022 ⁽²⁾ Audited RM'000
In respect of current period:				
Income tax	1,356	N/A	4,655	6,265
Deferred tax	258	N/A	(53)	(52)
Total tax expense	1,614	N/A	4,602	6,213
Effective tax rate (%)	28.7	N/A	26.4	26.0
Statutory tax rate (%)	24.0	N/A	24.0	24.0

Notes:

N/A means "Not applicable"

(1) No comparative figures for the preceding corresponding period are presented as this is the second interim financial report announced by MST Golf Group Berhad in compliance with the Listing Requirements.

B. EXPLANATORY NOTES PURSUANT TO PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

The Group's effective tax rate was at 26.4% for year-to-date period ended 30 June 2023. The effective tax rate for the current financial period was slightly higher than the statutory tax rate of 24.00% mainly due to non-deductible expenses incurred mainly for the depreciation of property, plant and equipment.

- (2) Comparative figures for year-to-date period ended 30 June 2022 are extracted from MST Golf Group Berhad IPO prospectus exposure published on 11 January 2023.

B7. Status of Corporate Proposals

Save as disclosed below, there were no other corporate proposals announced by MST Golf Group Berhad but not completed as at the date of this interim financial report.

The IPO comprising the public issue of 160,000,000 new ordinary shares in the company and an offer for sale of up to 68,000,000 ordinary shares in the company at an issue price of RM0.81 per ordinary share in conjunction with the listing and quotation of the entire enlarged issued share capital of the company on the Main Market of Bursa Securities ("Listing") was completed on 20 July 2023.

B8. Utilisation of Proceeds from the Public Issue

The expected gross proceeds from the Public Issue amounting to RM129.6 million is expected to be utilised in the following manner:

Detail of the use of proceeds	RM'000	%	Estimated timeframe for the use of proceeds upon listing
Expansion in Malaysia and Singapore	62,755	48.42	Within 36 months
Expansion into new geographical markets	53,550	41.32	Within 36 months
Upgrade of digital technology facilities	3,000	2.32	Within 36 months
Working capital requirements	3,259	2.51	Within 24 months
Estimated listing expenses	7,036	5.43	Within 1 month
Total	129,600	100.00	

The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus. As at 30 June 2023, the IPO is pending completion, and therefore, the proceeds have yet to be raised and utilised.

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B. EXPLANATORY NOTES PURSUANT TO PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B9. Borrowings

The details of the Group's borrowings are as follows:

	As at 30.06.2023 Unaudited RM'000	As at 31.12.2022 Audited RM'000
Secured		
Non-current liability		
Term Loans	18,233	15,478
Secured		
Current liabilities		
Bankers' acceptance	23,479	21,853
Bank overdraft	11,469	9,645
Term loans	3,289	2,915
Invoice financing	-	2,240
Trust receipts	5,404	5,786
Revolving loan	3,438	3,274
	<u>47,079</u>	<u>45,713</u>
	65,312	61,191

All the borrowings are secured and denominated in Ringgit Malaysia and Singapore dollar.

B10. Material Litigation

As of the date of this interim financial report, the Group is not engaged in any governmental, legal or arbitration proceedings which may have or have had material or significant effects on the Group's financial position or profitability.

B11. Proposed Dividends

No dividend has been proposed or declared by the Board of Directors of MST Golf Group Berhad during the current quarter.

B12. Basic and Diluted Earnings per Share ("EPS")

The basic and diluted EPS for current quarter and year-to-date period ended 30 June 2023 are computed as follows:

	Current Quarter		Year-to-date	
	Unaudited 30.06.2023	Unaudited 30.06.2022 ⁽¹⁾	Unaudited 30.06.2023	Audited 30.06.2022 ⁽²⁾
Profit attributable to owners of the Group (RM'000)	4,011	N/A	12,802	16,212
Number of ordinary shares	660,868,600	N/A	660,868,600	100,000
Basic EPS (sen) ⁽³⁾	0.61	N/A	1.94	16,212
Diluted EPS (sen) ⁽⁴⁾	0.61	N/A	1.94	16,212

B. EXPLANATORY NOTES PURSUANT TO PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

Notes:

N/A means "Not applicable"

- (1) No comparative figures for the preceding corresponding period are presented as this is the second interim financial report announced by MST Golf Group Berhad in compliance with the Listing Requirements.
- (2) Comparative figures for year-to-date period ended 30 June 2022 are extracted from MST Golf Group Berhad IPO prospectus exposure published on 11 January 2023.
- (3) Basic EPS for current quarter and year-to-date period ended 30 June 2023 are computed based on profit attributable to owners of MST Golf Group Berhad divided by the number of ordinary shares outstanding (after the completion of the Pre-IPO Reorganisation Exercise as disclosed in the Prospectus of MST Golf Group Berhad dated 28 June 2023) of 660,868,600.

Basic EPS for year-to-date period ended 30 June 2022 is computed based on profit attributable to owners of MST Golf Group Berhad divided by the number of ordinary shares outstanding (before Pre-IPO Reorganisation Exercise as disclosed in the Prospectus of MST Golf Group Berhad dated 28 June 2023) of 100,000.

- (4) Diluted EPS of MST Golf Group Berhad is equivalent to the basic EPS as the company does not have convertible securities at the end of the current quarter.

B13. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report as set out above was approved by the Board of Directors of MST Golf Group Berhad in accordance with a resolution dated 15 August 2023.