



MST GOLF GROUP BERHAD

(Formerly known as M S T Golf (Asia) Sdn. Bhd.)

Registration No. 199301009307 (264044-M)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

INTERIM FINANCIAL REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

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

	Note	CURRENT QUARTER		YEAR-TO-DATE	
		30.9.2023	30.9.2022	30.9.2023	30.9.2022
		Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
Revenue	A9	82,343	N/A	244,567	N/A
Cost of sales		(46,076)	N/A	(137,736)	N/A
Gross profit		36,267	N/A	106,831	N/A
Other income		687	N/A	1,640	N/A
Administrative and other expenses ⁽²⁾		(30,062)	N/A	(78,069)	N/A
Selling and distribution expenses		(2,232)	N/A	(5,660)	N/A
Operating profit		4,660	N/A	24,742	N/A
Finance cost		(1,579)	N/A	(4,257)	N/A
Finance Income		290	N/A	290	N/A
Profit before tax	B5	3,371 ⁽²⁾	N/A	20,775 ⁽²⁾	N/A
Tax expense	B6	(1,743)	N/A	(6,345)	N/A
Profit for the financial period		1,628 ⁽²⁾	N/A	14,430 ⁽²⁾	N/A
Other comprehensive income:-					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation		170	N/A	2,094	N/A
Other comprehensive income for the financial period		170	N/A	2,094	N/A
Total comprehensive income for the financial period		1,798	N/A	16,524	N/A
Profit for the financial period attributable to:-					
Shareholders of the Company		1,628	N/A	14,430	N/A
Non-controlling interests		-	N/A	-	N/A
		1,628	N/A	14,430	N/A
Total comprehensive income attributable to:-					
Shareholders of the Company		1,798	N/A	16,524	N/A
Non-controlling interests		-	N/A	-	N/A
		1,798	N/A	16,524	N/A
Basic earnings per share ("Basic EPS") (sen) ⁽³⁾	B12	0.21	N/A	2.05	N/A
Diluted earnings per share ("Diluted EPS") (sen) ⁽⁴⁾	B12	0.21	N/A	2.05	N/A

This is the third interim financial report announced in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad. There are no comparative figures for the preceding year corresponding quarter and year to date financial period as there is no interim financial report prepared for the comparative quarter and financial period concerned.

Notes:

N/A means "Not applicable"

- (1) The basis of preparation of the Condensed Consolidated Statement 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.
- (2) Included in the "Administrative expenses and other expenses" is one-off listing expenses of RM4.39 million in the current quarter and year-to-date period ended 30 September 2023 respectively. The normalised PBT excluding the one-off listing expense of RM4.39 million in current quarter and year-to-date would have been RM7.76 million and RM25.17 million respectively whereas PAT would be RM6.02 million and RM18.82 million respectively.
- (3) Basic EPS for current quarter and year-to-date period ended 30 September 2023 are computed based on profit attributable to shareholders of MST Golf Group Berhad divided by the weighted average number of ordinary shares in issue of 787,825,122 and 703,652,483 respectively for the financial period, after the completion of the Initial Public Offering ("IPO") of the company on 20 July 2023.
- (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 and financial period to date.

**INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION⁽¹⁾

	Note	Unaudited as at 30.9.2023 RM'000	Audited as at 31.12.2022 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		47,019	44,024
Right-of-use assets		48,859	46,111
Intangible assets		1,417	1,417
Other Investment		17	17
Deferred tax assets		530	219
Total non-current assets		<u>97,842</u>	<u>91,788</u>
Current assets			
Inventories		154,774	113,567
Trade receivables		14,790	8,506
Other receivables		17,428	15,979
Tax recoverable		873	7
Fixed deposits with licensed banks		73,504	2,059
Cash and bank balances		33,535	26,825
Total current assets		<u>294,904</u>	<u>166,943</u>
TOTAL ASSETS		<u>392,746</u>	<u>258,731</u>
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to equity shareholders of the Company:-			
Share capital		165,902	39,836
Foreign exchange reserve		5,220	3,126
Retained earnings		67,084	52,654
TOTAL EQUITY		<u>238,206</u>	<u>95,616</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		41,432	38,728
Borrowings	B9	18,185	15,478
Deferred tax liabilities		824	805
Total non-current liabilities		<u>60,441</u>	<u>55,011</u>
Current liabilities			
Trade payables		18,125	17,240
Other payables		10,916	13,984
Contract liabilities		5,951	4,417
Dividend payable	A8	-	12,500
Borrowings	B9	45,768	45,713
Lease liabilities		11,415	10,682
Tax payable		1,924	3,568
Total current liabilities		<u>94,099</u>	<u>108,104</u>
TOTAL LIABILITIES		<u>154,540</u>	<u>163,115</u>
TOTAL EQUITY AND LIABILITIES		<u>392,746</u>	<u>258,731</u>
Net assets per share attributable to shareholders of the Company (RM)⁽²⁾		<u>0.29</u>	<u>0.14</u>
Number of outstanding ordinary shares in issue		<u>820,868,600</u>	<u>660,868,600</u>

Notes:

(1) The basis of preparation of the Condensed Consolidated Statement 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 respective period's total equity attributable to equity shareholders of the Company divided by the number of outstanding ordinary shares in issue of 820,868,600 as at 30 September 2023 and 660,868,600 as at 31 December 2022 respectively.

INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY⁽¹⁾

Unaudited	Non-distributable		Distributable	Total RM'000
	Share capital RM'000	Foreign exchange reserve RM'000	Retained earnings RM'000	
Balances as at 1 January 2023	39,836	3,126	52,654	95,616
Total comprehensive income for the financial period				
Profit for the financial period	-	-	14,430	14,430
Other comprehensive income for the financial period	-	2,094	-	2,094
	-	2,094	14,430	16,524
Transactions with shareholders of the Company:-				
Issuance of ordinary shares pursuant to Initial Public Offering	129,600	-	-	129,600
Share issuance expenses	(3,534)	-	-	(3,534)
	126,066	-	-	126,066
Balances as at 30 September 2023	<u>165,902</u>	<u>5,220</u>	<u>67,084</u>	<u>238,206</u>

Notes:

- (1) The basis of preparation of the Condensed Consolidated Statement 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.

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INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS⁽¹⁾

	YEAR-TO-DATE		
	Unaudited 30.9.2023 RM'000	Unaudited 30.09.2022 RM'000	
OPERATING ACTIVITIES			
Profit before tax	20,775		NA
Adjustments for:-			
Depreciation on property, plant and equipment	5,926		NA
Depreciation on right-of-use assets	9,964		NA
Property, plant and equipment written off	1		NA
Gain on lease modification	(15)		NA
Loss on disposal of property, plant and equipment	5		NA
Allowance for slow moving inventories	194		NA
Interest income	(290)		NA
Interest expenses	4,257		NA
Unrealised loss on foreign exchange	176		NA
Operating profit before working capital changes	40,993		NA
Inventories	(41,400)		NA
Payables	(2,313)		NA
Receivables	(7,780)		NA
Contract liabilities	1,534		NA
Cash used in operations	(8,966)		NA
Tax paid	(9,241)		NA
Net cash used in operating activities	(18,207)		NA
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(8,765)		NA
Proceeds from disposal of property, plant and equipment	169		NA
Interest income	290		NA
Placement of fixed deposits pledged with licensed bank	(450)		NA
Net cash used in investing activities	(8,756)		NA
FINANCING ACTIVITIES			
Proceeds from issuance of ordinary shares	129,600		NA
Shares issuance expenses	(3,534)		NA
Interest paid	(4,257)		NA
Dividend paid	(12,500)		NA
Drawdown of trust receipts	9,539		NA
Repayment of trust receipts	(9,270)		NA
Drawdown of term loans	4,224		NA
Repayment of term loans	(1,666)		NA
Payment of principal portion of lease liabilities	(9,160)		NA
Drawdown on bankers' acceptance	65,193		NA
Repayment of bankers' acceptance	(68,850)		NA
Drawdown of invoice financing	8,478		NA
Repayment of invoice financing	(6,684)		NA
Net cash generated from financing activities	101,113		NA
CASH AND CASH EQUIVALENTS			
Net changes	74,150		NA
Effect of foreign exchange rate changes	2,417		NA
Brought forward	17,585		NA
Carried forward	94,152		NA

**INTERIM FINANCIAL REPORT
 FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023**

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

NOTE TO STATEMENT OF CASH FLOWS

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

	YEAR-TO-DATE		
	Unaudited 30.9.2023 RM'000	Unaudited 30.09.2022 RM'000	
Cash and bank balances	33,535		NA
Fixed deposits with licensed banks	73,504		NA
Less: Bank overdraft	<u>(10,782)</u>		<u>NA</u>
	96,257		NA
Less: Fixed deposits pledged with licensed banks	<u>(2,105)</u>		<u>NA</u>
	<u>94,152</u>		<u>NA</u>

This is the third interim financial report announced in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad. There are no comparative figures for the preceding year corresponding quarter as there is no interim financial report prepared for the comparative period concerned.

Notes:

- (1) The basis of preparation of the Condensed Consolidated Statement 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.

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A. NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 third interim financial report on MST Golf Group Berhad’s unaudited consolidated results for the third quarter ended 30 September 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.

Effective for financial period beginning on or after 1 January 2025

- Amendments to MFRS 121 The Effects of Changes in Foreign Exchange Rates

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.

A. NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 Item

There were no material unusual items affecting 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 during the current quarter and financial period to date.

A7. Debt and Equity Securities

	Number of ordinary shares	Amount RM'000
As at 1 January 2023	660,868,600	39,836
Initial Public Offering "IPO"	160,000,000	129,600
Share issuance expenses	-	(3,534)
As at 30 September 2023	820,868,600	165,902

On 20 July 2023, the Company was listed on the Main Market of Bursa Malaysia Securities Berhad pursuant to the Initial Public Offering of 160,000,000 new ordinary shares at IPO Price of RM0.81 per share.

Other than the above, there were no other 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. Dividend Paid

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 paid during the current quarter and financial period to date.

A. NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 September 2023 is as follows:

	Current quarter ended 30 September 2023				
	Retail	Wholesale	Golf Services	Indoor Golf	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
Sales to external customers	70,074	6,640	3,999	1,630	82,343

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

	Year-to-date period ended 30 September 2023				
	Retail	Wholesale	Golf Services	Indoor Golf	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
Sales to external customers	194,345	35,921	10,118	4,183	244,567

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

	Current quarter ended 30 September 2023		
	Malaysia's Operation	Singapore's Operation ⁽¹⁾	Total
	RM'000	RM'000	RM'000
Revenue			
Sales to external customers	56,465	25,878	82,343
Result			
Profit from operations			4,660
Finance cost			(1,579)
Finance income			290
Profit before tax			3,371
Income tax expense			(1,743)
Net profit for the financial period			1,628

A. NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023 (CONT'D)

A9. Segmental Reporting (cont'd)

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

	Year-to-date period ended 30 September 2023		
	Malaysia's Operation	Singapore's Operation ⁽¹⁾	Total
	RM'000	RM'000	RM'000
Revenue			
Sales to external customers	154,400	90,167	244,567
Results			
Profit from operations			24,742
Finance cost			(4,257)
Finance income			290
Profit before tax			20,775
Income tax expense			(6,345)
Net profit for the financial period			14,430

Note:

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

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

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

On 29 August 2023, the Group signed a shareholders' agreement with PT Sinar Eka Selaras Tbk ("SES"), a subsidiary of PT Erajaya Swasembada Tbk to regulate the rights and obligations of the Parties in respect of establishment of a joint venture company to undertake the golf business in Indonesia.

On 7 September 2023, a joint venture company named PT MST Golf Indonesia ("MGI") was incorporated under the laws of the Republic of Indonesia, to undertake the golf business in Indonesia with a proposed issued share capital of Indonesian Rupiah ("IDR") 10.1 billion (equivalent to approximately RM 3.06 million) comprising of 10,100 ordinary shares of IDR 1.0 million each.

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A. NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023 (CONT'D)

A11. Changes in Composition of the Group (cont'd)

The initial issued share capital of MGI would be subscribed by the Parties in the following equity participation ratio:

	No. of MGI Shares	Value of shareholders' contribution (IDR)	Percentage of shareholding
MST Golf	5,151	5.151 billion (equivalent to approximately RM 1.56 million)	51%
SES	4,949	4.949 billion (equivalent to approximately RM 1.50 million)	49%
Total	10,100	10.100 billion (equivalent to approximately RM 3.06 million)	100%

On 11 September 2023, MGI incorporated a 99.9% owned subsidiary company under the laws of the Republic of Indonesia, named PT MST Golf Distribution ("MGD") to manage the imports of golf products from overseas suppliers for MGI. The balance 0.1% equity interest in MGD is held by SES.

Apart from the above, there were no other 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.

A13. Material Capital Commitments

	Unaudited	Audited
	as at	as at
	30.9.2023	31.12.2022
	RM'000	RM'000
Approved and contracted for: -		
- Purchase of property, plant and equipment and renovation	2,135	786

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A. NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023 (CONT'D)

A14. Significant Related Party Transactions

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

	Current Quarter		Year-to-date	
	30.9.2023 Unaudited RM'000	30.9.2022 ⁽¹⁾ Unaudited RM'000	30.9.2023 Unaudited RM'000	30.9.2022 ⁽¹⁾ Unaudited RM'000
Payment of lease liabilities to a related party	111	N/A	297	N/A
Rental expenses paid to a related party	8	N/A	23	N/A
Rental received from a related party	162	N/A	486	N/A

Notes:

N/A means "Not applicable"

(1) This is the third interim financial report announced in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad. There are no comparative figures for the preceding year corresponding quarter and year to date financial period as there is no interim financial report prepared for the comparative quarter and financial period concerned.

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 ("Q3 FY2023") and year-to-date period ended 30 September 2023 are tabled below:

	Current Quarter		Year-to-date	
	30.9.2023	30.9.2022 ⁽¹⁾	30.9.2023	30.9.2022 ⁽¹⁾
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Revenue	82,343	N/A	244,567	N/A
(a) Business sectors				
- Retail	70,074	N/A	194,345	N/A
- Wholesale	6,640	N/A	35,921	N/A
- Golf Services	3,999	N/A	10,118	N/A
- Indoor Golf	1,630	N/A	4,183	N/A
(b) Geographical locations				
- Malaysia	56,465	N/A	154,400	N/A
- Singapore	25,878	N/A	90,167	N/A
Profit before tax ("PBT")	3,371	N/A	20,775	N/A
Profit after tax ("PAT")	1,628	N/A	14,430	N/A
<u>Financial Performance excluding share listing expenses expensed out in Q3 FY2023</u>				
Normalised Profit before tax ("PBT")	7,761	N/A	25,165	N/A
Normalised Profit after tax ("PAT")	6,018	N/A	18,820	N/A

Notes:

N/A means "Not applicable"

- (1) This is the third interim financial report announced in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad. There are no comparative figures for the preceding year corresponding quarter and year to date financial period as there is no interim financial report prepared for the comparative quarter and financial period concerned.

The Group recorded a total revenue of RM82.34 million during Q3 FY2023, mainly derived from the Group's Retail segment which contributed RM70.07 million or 85.1% of the total revenue, followed by the Wholesale segment of RM6.64 million or 8.1%, Golf Services segment of RM4.00 million or 4.9% and Indoor Golf segment of RM1.63 million or 2.0%. Geographically, the Malaysia Operation contributed RM56.47 million or 68.6% of the total revenue whilst Singapore Operation contributed RM25.88 million or 31.4% of the total revenue. PBT and PAT were at RM3.37 million or 4.1% and RM1.63 million or 2.0% of the total revenue respectively.

The Group has recorded a year-to-date revenue of RM244.57 million, which mainly derived from the retail segment RM194.35 million or 79.5% of the total revenue followed by the Wholesale segment of RM35.92 million or 14.7%, Golf Services segment of RM10.12 million or 4.1% and Indoor Golf segment of RM4.18 million or 1.7%. Geographically, the Malaysia Operation contributed RM154.40 million or 63.1% of the total revenue whilst Singapore Operation contributed RM90.17 million or 36.9% of the total revenue. PBT and PAT were at RM20.78 million or 8.5% and RM14.43 million or 5.9% of the total revenue respectively.

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

B1. Review of Performance (cont'd)

In assessing the financial performance, the Group calculated a normalised PBT and PAT excluding the one-off impact of RM4.39 million related to the share listing expenses expensed out in the current quarter. For the current quarter, the Group would record a normalised PBT amount of RM7.76 million or a margin of 9.4% of the total revenue. PAT on the other hand would be RM6.02 million or a margin of 7.3% for the current quarter. For the year-to-date performance, the Group would record a normalised PBT amount of RM25.16 million or a margin of 10.3%. The Group would have recorded a normalised PAT of RM18.82 million or a margin of 7.7% for the year-to-date.

B2. Comparison with the Immediate Preceding Quarter's Results

The Group's performance for current quarter ended 30 September 2023 ("Q3 FY2023") compared to the preceding quarter ended 30 June 2023 ("Q2 FY2023") are tabled below:

	Current Quarter 30.9.2023 Unaudited RM'000	Preceding Quarter 30.6.2023 Unaudited RM'000	Variance + / (-)	
			RM'000	%
Revenue	82,343	75,936	6,407	8.4%
(a) Business sectors				
- Retail	70,074	62,685	7,389	11.8%
- Wholesale	6,640	8,248	(1,608)	-19.5%
- Golf Services	3,999	3,680	319	8.7%
- Indoor Golf	1,630	1,323	307	23.2%
(b) Geographical locations				
- Malaysia	56,465	47,788	8,677	18.2%
- Singapore	25,878	28,148	(2,270)	-8.1%
Gross Profit	36,267	33,365	2,902	8.7%
Gross Margin (%)	44.0	43.9		
Profit before tax ("PBT")	3,371	5,625	(2,254)	-40.1%
Profit after tax ("PAT")	1,628	4,011	(2,383)	-59.4%
<u>Financial Performance excluding share listing expenses expensed out in Q3 FY2023</u>				
Normalised Profit before tax ("PBT")	7,761	5,625	2,136	38.0%
Normalised Profit after tax ("PAT")	6,018	4,011	2,007	50.0%

The Group recorded total revenue of RM82.34 million for Q3 FY2023, an increase of RM6.41 million or 8.4% compared to Q2 FY2023 of RM75.94 million. Revenue for all segments recorded growth except for the Wholesale segment. The Retail segment registered a growth of RM7.39 million or 11.8% followed by Golf Services at RM0.32 million or 8.7%, and Indoor Golf by RM0.31 million or 23.2%.

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

B2. Comparison with the Immediate Preceding Quarter's Results (cont'd)

The growth of the Retail segment was due to the normalization from Q2 FY2023 anticipated decline in golfing activities impacted by the Ramadhan and Raya festive season in Malaysia as well as partially contributed by the sales from 3 new outlets recently opened in the Malaysia during the period. Revenue from the Wholesale segment for the quarter experienced a decrease of RM1.61 million or 19.5% from Q2 FY2023 which was due to a decrease in orders recorded during the current quarter as most of the brands' new products launches generally take place in the first half of the year.

Revenue from the Malaysia Operation increased from Q2 FY2023 by 18.2% due to normalization from Q2 FY2023 quarter with Ramadhan and Raya festive period. Singapore Operation on the other hand saw an 8.1% decrease in revenue due to lower sales from wholesale.

The Group was also able to maintain and achieve a gross profit margin of 44.0% from 43.9% compared to Q2 FY2023. The Group however recorded lower PBT and PAT in Q3 FY2023 contributed by the higher administrative and other expenses incurred by the Group, including the one-off share listing expenses of RM4.39 million incurred in Q3 FY2023. The Group is not isolated from current macroeconomic conditions as it experiences persistent inflationary pressures. Additional costs were incurred to facilitate the Group's expansion into Indonesia.

In comparing the quarter-to-quarter normalised performance of the Group, we have calculated a normalised PBT and PAT excluding the one-off impact of RM4.39 million related to the share listing expenses. The Group would record a normalised PBT amount of RM7.76 million for Q3 FY2023 which is 38.0% higher than Q2 FY2023. PAT would be RM6.02 million for Q3 FY2023 which saw an increase of 50.0% from Q2 FY2023.

B3. Prospects

The Group is expected to maintain and strengthen its position as the market leader for both Malaysia and Singapore with a total of 48 retail locations by end of FY2023. The Group remains cautiously optimistic about its growth prospects despite the challenging market outlook with rising operation costs and uncertainties of the current global geo-political situation. This is underpinned by the Group's prominent homegrown brand and dominance in market share with a long-established relationship with its customers who are generally least affected by the economic downturn.

The Group's key growth driver is the geographical expansion on Retail segment into Indonesia, Thailand and Vietnam which remains on track with Indonesia as the first country to be set up. With our strategic partnership between the Group and PT Sinar Eka Selaras Tbk (SES), two (2) joint venture companies, PT MST Golf Indonesia and PT MST Golf Distribution were incorporated. SES is a public company in Indonesia Stock Exchange and leader in multi-brand retail and distribution of active lifestyle products in Indonesia. Leveraging on combined expertise and resources, both parties agreed to accelerate the expansion in Indonesia to efficiently capture a significant market shares of Indonesia's golf retail market over the next 3 years. Leveraging on SES's strong reputation among the property/mall owners with over 1,000 retail locations across Indonesia, five (5) strategic locations in Jakarta have been secured for MST Golf stores. The first MST Golf location is a total golf retail concept with golf retail, golf academy and indoor golf and currently is under renovation and aiming to open in December this year.

Supports from the brands have been forthcoming and excellent toward the Group's retail expansion plan into Indonesia. The brands are working with the Group to extend the brands partnership and deliver the retail experience to Indonesian golfers. The Group is well positioned to serve as a regional solution for the brands and is pursuing to gain additional brand distribution right or retailer partnership for Indonesia and the region.

The Group's expansion into Thailand is on track to open 2 stores by 2024. We have been talking to a few potential joint-venture candidates and hope to finalize this in the coming months. With regards to expansion into Vietnam, the Group is in preliminary discussions with a few potential joint venture partners with the plan to open stores by 2025.

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

B3. Prospects (cont'd)

Southeast Asia has been regarded as a key growth region by the golf industry, especially by the brands and indoor golf technology players. This is contributed by abundance of golf courses and ready golf infrastructure, dynamic and growing economy, wealth, increasing size of population, and relatively stable region. Brands are particularly focusing on this region with more frequent visits and looking for more opportunities to grow. The Group has also received inquiries from brands looking to establish their presence in Southeast Asia. With the strong growth outlook by global industry players toward Southeast Asia, the Group is in a good position and optimistic about its geographical expansion plan in the region and financial growth moving forward.

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.

B5. Profit Before Tax

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

	Current Quarter		Year-to-date	
	30.9.2023 Unaudited RM'000	30.9.2022 ⁽¹⁾ Unaudited RM'000	30.9.2023 Unaudited RM'000	30.9.2022 ⁽¹⁾ Unaudited RM'000
Depreciation of property, plant & equipment	2,073	N/A	5,926	N/A
Depreciation of right-of-use assets	3,428	N/A	9,964	N/A
Interest expense on lease liabilities	797	N/A	1,800	N/A
Interest expense on borrowings	782	N/A	2,457	N/A
Interest income	(290)	N/A	(290)	N/A
Provision for and write-off of inventories	43	N/A	235	N/A
Reversal of written-down of slow-moving inventories	-	N/A	(41)	N/A
Loss on disposal of property, plant & equipment	-	N/A	5	N/A
Realised (gain)/loss on foreign exchange	(164)	N/A	312	N/A
Unrealised loss on foreign exchange	-	N/A	176	N/A
Share listing expenses	4,390	N/A	4,390	N/A

Notes:

N/A means "Not applicable"

(1) This is the third interim financial report announced in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad. There are no comparative figures for the preceding year corresponding quarter and year to date financial period as there is no interim financial report prepared for the comparative quarter and financial period concerned.

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

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

B6. Tax Expense

	Current Quarter		Year-to-date	
	30.9.2023	30.9.2022 ⁽¹⁾	30.9.2023	30.9.2022 ⁽¹⁾
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
Income tax	2,001	N/A	6,656	N/A
Deferred tax	(258)	N/A	(311)	N/A
Total tax expense	1,743	N/A	6,345	N/A
Effective tax rate (%)	51.7	N/A	30.5	N/A
Statutory tax rate (%)	24.0	N/A	24.0	N/A

Notes:

N/A means "Not applicable"

(1) This is the third interim financial report announced in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad. There are no comparative figures for the preceding year corresponding quarter and year to date financial period as there is no interim financial report prepared for the comparative quarter and financial period concerned.

The Group's effective tax rate was at 30.5% for year-to-date period ended 30 September 2023. The effective tax rate was higher than the statutory tax rate of 24.0% principally due to certain expenses that were not deductible for tax purposes mainly from the share listing expenses incurred and the depreciation of property, plant and equipment.

B7. Status of Corporate Proposals

On 29 August 2023, the Group signed a shareholders' agreement with SES to regulate the rights and obligations of the Parties in respect of establishment of a joint venture company to undertake the golf business in Indonesia ("Proposed JV"). The Proposed JV has been completed.

There were no other corporate proposals announced by the Group but not completed as at the date of this interim financial report.

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

B8. Utilisation of Proceeds from the Public Issue

The status of the utilisation of proceeds from the Initial Public Offering as at 30 September 2023 is as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Unutilised RM'000	Intended Timeframe for Utilisation
Expansion in Malaysia and Singapore	62,755	12,926	49,829	Within 36 months
Expansion into new geographical markets	53,550	5,185	48,365	Within 36 months
Upgrade of digital technology facilities	3,000	250	2,750	Within 36 months
Working capital requirements	3,259	3,259	-	Within 24 months
Estimated share listing and share issuance expenses	7,036	7,036	-	Within 1 month
Total	129,600	28,656	100,944	

The utilisation of proceeds as disclosed above should be read in conjunction with the IPO Prospectus dated 28 June 2023.

B9. Borrowings

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

	As at 30.09.2023 Unaudited RM'000	As at 31.12.2022 Audited RM'000
Secured		
Non-current liability		
Term Loans	18,185	15,478
Secured		
Current liabilities		
Bankers' acceptance	18,196	21,853
Bank overdraft	10,782	9,645
Term loans	2,767	2,915
Invoice financing	4,196	2,240
Trust receipts	6,383	5,786
Revolving loan	3,444	3,274
	45,768	45,713
	63,953	61,191

All borrowings are secured and denominated in Ringgit Malaysia except for the borrowings in Singapore Dollar which total SGD 4.25 million (2022: SGD 3.45 million).

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

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 Dividend

On 22 November 2023, the Board of Directors approved the first interim single tier dividend of 0.5 sen per ordinary share amounting to RM4,104,343 in respect of financial year ending 31 December 2023 with entitlement date on 14 December 2023 and payment date on 10 January 2024 to the shareholders of the Company.

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

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

	Current Quarter		Year-to-date	
	Unaudited 30.09.2023	Unaudited 30.09.2022 ⁽¹⁾	Unaudited 30.09.2023	Unaudited 30.09.2022 ⁽¹⁾
Profit attributable to shareholders of the Group (RM'000)	1,628	N/A	14,430	N/A
Weighted average number of ordinary shares in issue	787,825,122	N/A	703,652,483	N/A
Basic EPS (sen) ⁽²⁾	0.21	N/A	2.05	N/A
Diluted EPS (sen) ⁽³⁾	0.21	N/A	2.05	N/A

Notes:

N/A means "Not applicable"

- (1) This is the third interim financial report announced in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad. There are no comparative figures for the preceding year corresponding quarter and year to date financial period as there is no interim financial report prepared for the comparative quarter and financial period concerned.
- (2) Basic EPS for current quarter and year-to-date period ended 30 September 2023 are computed based on profit attributable to shareholders of MST Golf Group Berhad divided by the weighted average number of ordinary shares in issue of 787,825,122 and 703,652,483 respectively for the financial period, after the completion of the Initial Public Offering ("IPO") of the Company on 20 July 2023.
- (3) 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.

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

B13. Approval of interim Financial Report

The interim financial report as set out above was authorized for issuance by the Board of Directors of MST Golf Group Berhad on 22 November 2023.

By Order of the Board
Queck Wai Fong (MAICSA 7023051)
Secretary
Kuala Lumpur
22 November 2023