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

FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME [1]
(The figures have not been audited)

		<-- Individual Quarter -->		<-- Cumulative Quarter -->	
		Current year quarter 31 March 2020	**Preceding year quarter 31 March 2019**	**Current year quarter 31 March 2020**	**Preceding year quarter 31 March 2019**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	A7	11,127	17,014	11,127	17,014
Cost of Sales		(7,529)	(11,200)	(7,529)	(11,200)
Gross Profit		3,598	5,814	3,598	5,814
Other income		24	92	24	92
Finance income		98	-	98	-
Selling and distribution expenses		(216)	(230)	(216)	(230)
Administrative expenses		(2,171)	(2,051)	(2,171)	(2,051)
Other operating expenses		(1)	(44)	(1)	(44)
Finance costs		(113)	(273)	(113)	(273)
Profit before taxation		1,219	3,308	1,219	3,308
Taxation	B5	(415)	(837)	(415)	(837)
Profit for the financial period		804	2,471	804	2,471
Other comprehensive income		-	-	-	-
Total comprehensive income for the financial period		**804**	**2,471**	**804**	**2,471**
Number of ordinary shares in issue ('000)	B10	790,000	632,000	790,000	632,000
Earnings per share attributable to owners of the Company (sen):					
- Basic [2]	B10	0.10	0.40	0.10	0.40
- Diluted [3]	B10	0.10	0.40	0.10	0.40

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

FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME [(1)]
(The figures have not been audited)

Notes:

(1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income are disclosed in Note A1 and the accompanying explanatory notes attached to this interim financial report.

(2) Basic earnings per share is calculated based on the number of ordinary shares in issuance for the financial year.

(3) Diluted earnings per share of the Group for the current quarter and cumulative quarter ended 31 March 2020 is equivalent to the basic earnings per share as the Group does not have convertible securities as at the end of the reporting period.

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

FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 March 2020 (1)
(The figures have not been audited)

	Note	(Unaudited) As at 31 March 2020 RM'000	(Audited) As at 31 December 2019 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		13,655	13,644
Right-of-use assets		17,326	16,979
TOTAL NON-CURRENT ASSETS		30,981	30,623
CURRENT ASSETS			
Inventories		14,284	10,494
Trade receivables		16,551	18,223
Other receivables		583	1,955
Tax recoverable		1,145	938
Cash and bank balances		15,667	22,323
TOTAL CURRENT ASSETS		48,230	53,933
TOTAL ASSETS		79,211	84,556
EQUITY AND LIABILITIES			
EQUITY			
Share capital		55,496	55,496
Merger deficit		(29,100)	(29,100)
Retained earnings		34,887	34,083
TOTAL EQUITY		61,283	60,479
NON-CURRENT LIABILITIES			
Borrowings	B7	7,734	8,180
Lease liabilities	B7	931	887
Deferred tax liabilities		533	533
TOTAL NON-CURRENT LIABILITIES		9,198	9,600

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 March 2020 (cont'd) [(1)]
(The figures have not been audited)

	Note	(Unaudited) As at 31 March 2020 RM'000	(Audited) As at 31 December 2019 RM'000
CURRENT LIABILITIES			
Trade payables		5,630	9,561
Other payables		1,176	1,691
Dividend payable		-	1,580
Borrowings	B7	816	597
Lease liabilities	B7	1,108	1,048
TOTAL CURRENT LIABILITIES		8,730	14,477
TOTAL LIABILITIES		17,928	24,077
TOTAL EQUITY AND LIABILITIES		79,211	84,556
Net assets per share (RM) [(2)]		0.08	0.08

Notes:

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

(2) Net assets per share is calculated based on the ordinary shares in MHB in issuance of 790,000,000 shares.

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

FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY [(1)]
(The figures have not been audited)

	←-Non-distributable-→		Distributable	
	Share Capital RM'000	**Merger Deficit RM'000**	**Retained Earnings RM'000**	**Total Equity RM'000**
As at 1 January 2020	55,496	(29,100)	34,083	60,479
Total comprehensive income for the period	-	-	804	804
As at 31 March 2020	55,496	(29,100)	34,887	61,283

Notes:

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

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

FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS [(1)]
(The figures have not been audited)

	<-- Cumulative Quarter -->	
	31 March 2020	**31 March 2019**
	RM'000	**RM'000**
Cash Flows From Operating Activities		
Profit before taxation	1,219	3,308
Adjustments for:-		
Depreciation of property, plant and equipment	215	205
Depreciation of right-of-use asset	303	176
Gain on disposal of property, plant and equipment	-	(25)
Amortisation of investment properties	-	6
Interest expenses	113	273
Interest income	(98)	-
Operating profit before working capital changes	1,752	3,943
Changes in working capital:-		
Inventories	(3,790)	(2,925)
Receivables	1,664	2,987
Payables	(3,160)	(1,804)
Cash (used in)/generated from operations	(3,534)	2,201
Tax paid	(621)	(929)
Net cash (used in)/generated from operating activities	(4,155)	1,272
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(225)	(5,119)
Purchase of right-of-use asset	(136)	-
Proceeds from disposal of property, plant and equipment	-	25
Interest received	98	-
Net cash used in investing activities	(263)	(5,094)
Cash Flows From Financing Activities		
Repayment of bank borrowings	(228)	(741)
Drawdown of bank borrowings	-	3,735
Repayment of finance lease payables	(317)	(108)
Interests paid	(113)	(273)
Dividend paid	(1,580)	-
Net cash (used in)/generated from financing activities	(2,238)	2,613

MESTRON HOLDINGS BERHAD
Registration No: 201801018716 (1280732 – K)
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FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2020

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

	<-- Cumulative Quarter -->	
	31 March 2020	**31 March 2019**
	RM'000	**RM'000**
Cash and cash equivalents		
Net changes	(6,656)	(1,209)
At the beginning of the period	22,323	3,931
At the end of the period	15,667	2,722

Notes:

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

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

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") No. 134: Interim Financial Reporting and Rules 9.22 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirement").

This is the first interim financial statements on the Group's unaudited condensed consolidated financial results for the first (1st) quarter ended 31 March 2020 announced by the Group in compliance with the Listing Requirements of Bursa Securities and as such, there are no comparative figures for the preceding year's corresponding period.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and accompanying notes attached to this interim financial report.

The accounting policies adopted in the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2019. The Group has adopted those standards, amendments and interpretations that have become effective and such adoptions do not have material impact on the financial position and performance of the Group.

Adoption of new and amended standard

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

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108 "Definition of Material"
- Amendments to MFRS 3 "Definition of a Business"
- Amendments to MFRS 7, MFRS 9 and MFRS 139 "Disclosures – Interest Rate Benchmark Reform

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

A1. Basis of preparation (cont'd)

Standards issued but not yet effective

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

Standards	Effective dates for financial period beginning on and after
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 101 "Classification of Liabilities as Current or Non-Current"	1 January 2022
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

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

A2. Auditors' report of preceding annual audited financial statements

The audited combined financial statements of the Group for the financial year ended 31 December 2019 was not subject to any qualification.

A3. Seasonal or cyclical factors

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

A4. Unusual items

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

A5. Material changes in estimates

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

A6. Debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter under review.

A7. Segmental information

The Group's segmental information for the current financial quarter ended 31 March 2020 is as follows:-

(a) Analysis of revenue by business segments

	<-- Individual Quarter -->		<-- Cumulative Quarter -->	
	(Unaudited) 31 March 2020 RM'000	(Unaudited) 31 March 2019 RM'000	(Unaudited) 31 March 2020 RM'000	(Unaudited) 31 March 2019 RM'000
Manufacturing	7,419	12,432	7,419	12,432
Trading	3,708	4,582	3,708	4,582
Total	**11,127**	**17,014**	**11,127**	**17,014**

(b) Analysis of revenue by geographical location

	<-- Individual Quarter -->		<-- Cumulative Quarter -->	
	(Unaudited) 31 March 2020 RM'000	(Unaudited) 31 March 2019 RM'000	(Unaudited) 31 March 2020 RM'000	(Unaudited) 31 March 2019 RM'000
Malaysia	10,455	14,621	10,455	14,621
Australia	179	335	179	335
Singapore	493	130	493	130
Korea	-	1,871	-	1,871
Others[(2)]	-	57	-	57
Total	**11,127**	**17,014**	**11,127**	**17,014**

Notes:

(1) Others include Sri Lanka and Maldives.

A8. Dividends Paid

On 17 December 2019, the Directors declared an interim single tier dividend of RM0.002 per ordinary share in Mestron Holdings Berhad in respect of the financial year ending 31 December 2019 amounting to RM1,580,000. This amount has been paid on 17 January 2020.

A9. Valuation of property, plant and equipment

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

A10. Capital commitments

There were no material capital commitments of the Group as at 31 March 2020.

A11. Changes in the composition of the Group

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

A12. Contingent liabilities and contingent assets

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

A13. Material events subsequent to the end of the quarter

There were no other material events subsequent to the end of the current quarter

A14. Related party transactions

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

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B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Review of performance

	<-- Individual Quarter -->			<-- Cumulative Quarter -->		
	(Unaudited) 31 March 2020 RM'000	(Unaudited) 31 March 2019 RM'000	Changes %	(Unaudited) 31 March 2020 RM'000	(Unaudited) 31 March 2019 RM'000	Changes %
Revenue	11,127	17,014	-34.6	11,127	17,014	-34.6
Gross profit	3,598	5,814	-38.1	3,598	5,814	-38.1
Profit before tax	1,219	3,308	-63.1	1,219	3,308	-63.1
Profit after tax	804	2,471	-67.5	804	2,471	-67.5

Current quarter (3 months)

The Group recorded revenue of RM11.13 million for the current financial quarter ended 31 March 2020.

The Group's revenue was principally derived from the manufacturing segment which accounts for approximately 66.7% of the total revenue for the current financial quarter ended 31 March 2020. The revenue from manufacturing segment is mainly driven by the sales of standard poles, decorative poles and trading of outdoor lighting products. The Group's revenue from the manufacturing segment experienced a marginal slowdown mainly due to the completion of an international project for the supply of specialty poles in the oil and gas sector to our Korean customer and there being comparatively lower demand for manufactured products due to the ripple effect of the global outbreak of Covid-19. The lower revenue was also attributable to the temporary halt in our business operations as a result of the implementation of Movement Control Order.

The Malaysian market still remains as the largest market contributing to the Group's revenue accounting for approximately 94.0% of the total revenue for the current financial quarter ended 31 March 2020.

Overall, the Group registered a lower profit before tax of RM1.22 million in the current financial quarter under review as compared with a profit before tax of RM1.42 million recorded in previous financial quarter ended 31 December 2019.

B2. Comparison with immediate preceding quarter's results

	<-- Individual Quarter -->		<-- Changes -->	
	(Unaudited) 31 March 2020 RM'000	(Unaudited) 31 December 2019 RM'000	RM'000	%
Revenue	11,127	15,658	-4,531	-28.9
Profit before tax	1,219	1,417	-198	-14.0

For the current financial quarter ended 31 March 2020, the Group recorded lower revenue of RM11.13 million and a lower profit before tax of RM1.22 million as compared to RM 15.66 million and profit before tax of RM1.42 million respectively in the immediate preceding financial quarter ended 31 December 2019 mainly due to the following:

(i) Temporary slowdown due to Chinese New Year;
(ii) lower demand for manufactured products due to the ripple effect of the global outbreak of Covid-19 temporary halt in our business operations as a result of the implementation of Movement Control Order ("MCO").

B3. Prospects and outlook

The recent outbreak of the COVID-19 virus since the end of 2019 had disrupted the global operating environments and restricting global travelling and the outbreak had soften economic growth both in Malaysia and internationally.

The World Health Organisation had on 11 March 2020 declared the outbreak to be a pandemic and the Malaysian Government had imposed the Movement Control Order ("MCO") commencing 18 March 2020 and has since further extended to 9 June 2020. The measures undertaken by the Government, such as international and domestic travel restrictions, control of non-essential services, reduced operating hours and work force, are necessary to curb and slow down the spread of the COVID-19.

However, such measures have affected both the international and domestic demand, which has curtailed economic activities and resulted in marginal economic growth. This had prompted the Bank Negara Malaysia ("BNM") to revise the growth rate of Gross Domestic Product to between negative 2% to 0.5% in 2020 due to weak global demand, disruption in the supply chains and global COVID-19 containment measures.

Whilst the Government has gradually eased the restriction and businesses are allowed to operate under strict standard operating procedures, the recovery of our economy, as well as the return to our normal social behaviour will require more time and efforts from all stakeholders.

With the current uncertainty in the local and international economy due to the COVID-19 outbreak, the performance of the Group for the financial year ending 31 December 2020 will remain challenging. However, the Group will exercise extra vigilance in the business and hope to navigate through this business environment filled with uncertainties.

B4. Profit forecast or profit guarantee

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

B5. Taxation

	<-- Individual Quarter -->		<-- Cumulative Quarter -->	
	(Unaudited) 31 March 2020 RM'000	(Unaudited) 31 March 2019 RM'000	(Unaudited) 31 March 2020 RM'000	(Unaudited) 31 March 2019 RM'000
Income tax expense:				
Current tax expense	415	837	415	837
Total tax expense	415	837	415	837
Effective tax rate (%)	34.0	25.3	34.0	25.3

Notes:

(1) The Group's effective tax rate is higher than the statutory income tax rate due to non-deductible expenses such as depreciation and interest expenses.

B6. Status of corporate proposals and utilisation of proceeds

Status of corporate proposals

The Group does not have any corporate exercises which have been announced but pending completion.

Utilisation of proceeds

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

	Purpose	Proposed Utilisation	Actual Utilised	Unutilised Amount	Estimated Timeframe for utilisation (from the date of Listing)
		RM'000	RM'000	RM'000	
i)	Expansion of our Main Manufacturing Facility and acquisition of manufacturing machineries and equipment	10,500	651	9,849(2)	Within 24 months (2)
ii)	Working capital (1)	7,680	3,928	3,752(2)	Within 12 months
iii)	Repayment of bank borrowings	4,000	4,000	-	Within 6 months
iv)	Estimated listing expenses	3,100	3,100	-	Within 1 months
		25,280	9,203	13,601	

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

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

Notes:

(1) Utilisation of working capital includes purchase of raw materials mainly consisting of steel plates and pipes, outdoor lighting products and galvanising of work-in-progress steel products.

(2) The Group had on 19 May 2020 announced the variation on the utilisation of proceed raised from the initial public offering exercise. RM2.50 million of the proceeds earmarked for the expansion of the Group's main manufacturing facility and acquisition of manufacturing machineries and equipment has been reallocated for to finance the Group's working capital requirement such as fixed overhead cost and purchase of raw materials. The estimated timeframe for utilisation of proceeds allocated for expansion of the Group's main manufacturing facility and acquisition of manufacturing machineries and equipment has also been extended for an additional 6 months.

B7. Finance Lease Payable & Borrowings

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

	As at 31 March 2020 RM'000	As at 31 March 2019 RM'000
Secured:		
Current		
Lease liabilities	1,108	964
Term loan	816	477
Bankers' acceptance	-	385
	1,924	1,826
Secured:		
Non-current		
Lease liabilities	931	477
Term loan	7,734	18,205
	8,665	18,682
Total bank borrowings	10,589	20,508

Notes:

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

B8. Changes in material litigation

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

B9. Dividends Proposed

There were no dividends proposed for the current financial period under review.

B10. Earnings per share

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

	<-- Individual Quarter -->		<-- Cumulative Quarter -->	
	(Unaudited) 31 March 2020	(Unaudited) 31 March 2019	(Unaudited) 31 March 2020	(Unaudited) 31 March 2019
Profit attributable to owners of the Company (RM'000)	804	2,471	804	2,471
Number of ordinary shares ('000) (1)	790,000	632,000	790,000	632,000
Basic earnings per share (sen) (2)	0.10	0.40	0.10	0.40
Diluted earnings per share (sen) (3)	0.10	0.40	0.10	0.40

Notes:

(1) Based on the number of ordinary shares in issuance of 790,000,000 shares for the current quarter.

(2) Basic earnings per share for the current quarter and financial year is calculated based on the net profit divided by the number of ordinary shares.

(3) Diluted earnings per share of the Company for the current quarter and financial period to date ended 31 March 2020 is equivalent to the basic earnings per share as the Company does not have convertible options as at the end of the reporting period

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

	<-- Individual Quarter -->		<-- Cumulative Quarter-->	
	(Unaudited) 31 March 2020 RM'000	(Unaudited) 31 March 2019 RM'000	(Unaudited) 31 March 2020 RM'000	(Unaudited) 31 March 2019 RM'000
Profit before taxation is arrived at after charging/(crediting):-				
Depreciation of property, plant and equipment	215	205	215	205
Depreciation of right-of-use assets	303	176	303	176
Gain on disposal of property, plant and equipment	-	(25)	-	(25)
Amortisation of investment properties	-	6	-	6
Rental income	-	18	-	18
Realised loss on foreign exchange	68	4	68	4
Interest income	(98)	-	(98)	-
Interest expenses	113	273	113	273

Notes:

(1) Save as disclosed above, the other disclosure items pursuant to Paragraph 16, Part A of Appendix 9B of the Listing Requirements are not applicable. The Group does not have the following items for the financial period under review:-

(i) Provision for and write off of receivables;
(ii) provision for and write off of inventories;
(iii) gain or loss on disposal of quoted or unquoted investments or properties;
(iv) impairment of assets; and
(v) gain or loss on derivatives.