



ZANTAT HOLDINGS BERHAD
(Registration No: 202101040483 (1440783-X))
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2024**

ZANTAT HOLDINGS BERHAD
Registration No.: 202101040483 (1440783-X)
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME⁽¹⁾⁽²⁾
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024**

	Note	Quarter Ended		Year-To-Date Ended	
		30.6.2024 Unaudited RM'000	30.6.2023 Unaudited RM'000	30.6.2024 Unaudited RM'000	30.6.2023 Unaudited RM'000
Revenue		22,540	N/A	51,297	N/A
Cost of sales		(13,767)	N/A	(30,537)	N/A
Gross profit		8,773	N/A	20,760	N/A
Other income		254	N/A	892	N/A
Selling and distribution expenses		(4,377)	N/A	(9,896)	N/A
Administrative expenses ⁽³⁾		(2,884)	N/A	(6,635)	N/A
Other expenses		(442)	N/A	(738)	N/A
Finance costs		(228)	N/A	(485)	N/A
Profit before taxation		1,096	N/A	3,898	N/A
Income tax expense	B5	(444)	N/A	(1,315)	N/A
Profit after taxation/ Total comprehensive income for the financial period		652	N/A	2,583	N/A
Profit after taxation/ Total comprehensive income for the financial period attributable to:					
Owners of the Company		652	N/A	2,583	N/A
Earnings per share ("EPS")	B11				
- Basic (sen) ⁽⁴⁾		0.2	N/A	1.0	N/A
- Diluted (sen) ⁽⁵⁾		0.2	N/A	1.0	N/A

Notes:

- (1) The above Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 6 March 2024 in relation to its initial public offering ("**IPO**"), as well as the Group's audited financial statements for the financial year ended 31 December 2023 and the accompanying explanatory notes attached to this interim financial report.
- (2) This is the third interim financial report announced in compliance with the ACE Market Listing Requirements ("**Listing Requirements**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**"). There are no comparative figures for the preceding corresponding quarter and year-to-date as the Company was listed on the ACE Market of Bursa Securities on 27 March 2024 and no interim financial report was prepared for the comparative financial period concerned.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME⁽¹⁾⁽²⁾
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024 (CONTINUED)**

- (3) Administrative expenses included non-recurring listing expenses of approximately RM0.9 million. For illustration purposes only, the Group's normalised financial performance after adjusting for the non-recurring listing expenses is as follows:

	Quarter Ended		Year-To-Date Ended	
	30.6.2024	30.6.2023	30.6.2024	30.6.2023
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	1,096	N/A	3,898	N/A
Add: Listing expenses	-	N/A	943	N/A
Adjusted profit before taxation	1,096	N/A	4,841	N/A

- (4) Basic EPS for the current quarter is calculated based on the weighted average number of ordinary shares of the Company of 280,000,000.

Basic EPS for the current financial year-to-date is calculated based on the weighted average number of ordinary shares of the Company of 253,538,462.

- (5) Diluted EPS is equal to the basic EPS as there is no dilutive instrument for the current quarter and current financial year-to-date.

N/A Not applicable.

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ZANTAT HOLDINGS BERHAD
Registration No.: 202101040483 (1440783-X)
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION⁽¹⁾
AS AT 30 JUNE 2024

	Note	As at 30.6.2024 Unaudited RM'000	As at 31.12.2023 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		45,988	47,802
Right-of-use assets		7,050	7,338
Total non-current assets		<u>53,038</u>	<u>55,140</u>
Current assets			
Inventories		7,526	7,928
Trade receivables		14,559	20,416
Other receivables, deposits and prepayments		4,662	1,553
Current tax assets		811	283
Short-term investment		11,474	1,412
Fixed deposits with licensed banks		3,306	4,138
Cash and bank balances		2,898	4,996
Total current assets		<u>45,236</u>	<u>40,726</u>
TOTAL ASSETS		<u><u>98,274</u></u>	<u><u>95,866</u></u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		70,355	57,411
Meger deficit		(4,100)	(4,100)
Reorganisation deficit		(51,411)	(51,411)
Retained profits		60,651	62,268
TOTAL EQUITY		<u>75,495</u>	<u>64,168</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		3,412	3,412
Long-term borrowings	B8	1,359	4,768
Lease liabilities		228	447
Total non-current liabilities		<u>4,999</u>	<u>8,627</u>
Current liabilities			
Trade payables		5,328	7,464
Other payables and accruals		6,990	8,375
Short-term borrowings	B8	4,997	6,809
Lease liabilities		433	423
Current tax liabilities		32	-
Total current liabilities		<u>17,780</u>	<u>23,071</u>
TOTAL LIABILITIES		<u>22,779</u>	<u>31,698</u>
TOTAL EQUITY AND LIABILITIES		<u><u>98,274</u></u>	<u><u>95,866</u></u>
Net assets per ordinary share attributable to owners of the Company (RM) ⁽²⁾		<u>0.27</u>	<u>0.29</u>

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

Notes:

- (1) The above Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 6 March 2024 in relation to its IPO, as well as the Group's audited financial statements for the financial year ended 31 December 2023 and the accompanying explanatory notes attached to this interim financial report.
- (2) Net assets per ordinary share as at 30 June 2024 is calculated based on the Company's share capital of 280,000,000 ordinary shares.

Net assets per ordinary share as at 31 December 2023 is calculated based on the Company's share capital of 224,000,000 ordinary shares before the IPO (refer to Note A7).

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ZANTAT HOLDINGS BERHAD
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY⁽¹⁾⁽²⁾
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024

	<----- Non-distributable ----->			Distributable	
	Share capital RM'000	Merger deficit RM'000	Reorganisation deficit RM'000	Retained profits RM'000	Total equity RM'000
At 1 January 2024 (Audited)	57,411	(4,100)	(51,411)	62,268	64,168
Profit after taxation/ total comprehensive income for the financial period	-	-	-	2,583	2,583
Transactions with owners					
Dividends	-	-	-	(4,200)	(4,200)
Issuance of shares pursuant to IPO ⁽³⁾	14,000	-	-	-	14,000
Share issuance expenses ⁽⁴⁾	(1,056)	-	-	-	(1,056)
	12,944	-	-	(4,200)	8,744
At 30 June 2024 (Unaudited)	70,355	(4,100)	(51,411)	60,651	75,495

Notes:

- (1) The above Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 6 March 2024 in relation to its IPO, as well as the Group's audited financial statements for the financial year ended 31 December 2023 and the accompanying explanatory notes attached to this interim financial report.
- (2) This is the third interim financial report announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding corresponding quarter and year-to-date available as no interim financial report was prepared for the comparative financial period concerned.
- (3) Issuance of new shares pursuant to the IPO as disclosed in Note A7.
- (4) Listing expenses incurred pursuant to the IPO as disclosed in Note A7 that has been set-off against the equity.

ZANTAT HOLDINGS BERHAD
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS⁽¹⁾⁽²⁾
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024

	Year-To-Date Ended 30.6.2024 Unaudited RM'000	Year-To-Date Ended 30.6.2023 Unaudited RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,898	N/A
Adjustments:		
Depreciation of property, plant and equipment	2,823	N/A
Depreciation of right-of-use assets	287	N/A
Equipment written off	#	N/A
Interest expense on lease liabilities	24	N/A
Interest expense	298	N/A
Fair value gain on short-term investment	(73)	N/A
Gain on disposal of plant and equipment	(104)	N/A
Interest income	(146)	N/A
Unrealised gain on foreign exchange	(392)	N/A
Operating profit before working capital changes	6,615	N/A
Decrease in inventories	401	N/A
Decrease in trade and other receivables	6,396	N/A
Decrease in trade and other payables	(3,528)	N/A
CASH FROM OPERATIONS	9,884	N/A
Income tax paid	(1,811)	N/A
Interest paid	(322)	N/A
NET CASH FROM OPERATING ACTIVITIES	7,751	N/A
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	146	N/A
Increase in short-term investment	73	N/A
Proceeds from disposal of plant and equipment	104	N/A
Purchase of property, plant and equipment	(4,381)	N/A
NET CASH USED IN INVESTING ACTIVITIES	(4,058)	N/A
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(4,200)	N/A
Net drawdown in bankers' acceptances	1,056	N/A
Net repayment in post shipment buyer loan	(588)	N/A
Net repayment in term loans	(4,445)	N/A
Net repayment in hire purchase payables	(1,244)	N/A
Proceeds from issuance of ordinary shares	14,000	N/A
Payment of share issuance expenses	(1,056)	N/A
Payment of lease liabilities	(208)	N/A
NET CASH FROM FINANCING ACTIVITIES	3,315	N/A

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS⁽¹⁾⁽²⁾
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024 (CONTINUED)

	Year-To-Date Ended 30.6.2024 Unaudited RM'000	Year-To-Date Ended 30.6.2023 Unaudited RM'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,008	N/A
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	10,545	N/A
EFFECT OF FOREIGN EXCHANGE TRANSLATION	125	N/A
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	17,678	N/A
Cash and cash equivalents at the end of the financial period represented by:		
Fixed deposits with licensed banks	3,306	N/A
Cash and bank balances	2,898	N/A
Short-term investment	11,474	N/A
	17,678	N/A

Notes:

- (1) The above Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 6 March 2024 in relation to its IPO, as well as the Group's audited financial statements for the financial year ended 31 December 2023 and the accompanying explanatory notes attached to this interim financial report.
- (2) This is the third interim financial report announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding corresponding quarter and year-to-date available as no interim financial report was prepared for the comparative financial period concerned.

N/A Not applicable.

Less than RM500.

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A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS 134, INTERIM FINANCIAL REPORTING

A1. Basis of Preparation

This condensed consolidated interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Rule 9.22 and Appendix 9B of Listing Requirements of Bursa Securities.

This is the Company's third interim financial report on the unaudited condensed consolidated financial results for the financial period ended 30 June 2024 announced by the Company in compliance with the Listing Requirements of Bursa Securities and as such, there are no comparative figures for the preceding year's corresponding period.

This interim financial report should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 6 March 2024 in relation to its IPO, as well as the Group's audited financial statements for the financial year ended 31 December 2023 and the accompanying explanatory notes attached to this interim financial report.

A2. Significant Accounting Policies

The significant accounting policies adopted by the Group in this interim financial report are consistent with those adopted for the Group's audited financial statements for the financial year ended 31 December 2023.

The Group has also adopted the following amendments to MFRS and IC Interpretations that came into effect on 1 January 2024 which did not have any significant impact to the unaudited condensed consolidated financial statements upon their initial application:

- Amendments to MFRS 16: Lease liability in a Sales and Leaseback
- Amendments to MFRS 101: Classification of Liabilities as Current or Non-current
- Amendments to MFRS 101: Non-current Liabilities with Covenants
- Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements

The Group has not applied in advance the following accounting standards that have been issued by MASB but are not yet effective for the current financial period:

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 121: Lack of Exchangeability	1 January 2025
Amendments to MFRS 9 and MFRS 7: Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
MFRS 18: Presentation and Disclosure in Financial Statements	1 January 2027
MFRS 19: Subsidiaries without Public Accountability: Disclosures	1 January 2027

The adoption of the above accounting standards is expected to have no material impact on the financial statements of the Group upon their initial application.

A3. Auditors' Report on Preceding Annual Financial Statements

There were no qualifications on the audited financial statements of the Group for the financial year ended 31 December 2023.

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS 134, INTERIM FINANCIAL REPORTING (CONTINUED)

A4. Seasonal or Cyclical Factors

The Group's operation was not significantly affected by any unusual seasonal or cyclical factors in the current quarter and financial year-to-date under review.

A5. Unusual Items Due to Their Nature, Size or Incidence

There were no extraordinary and exceptional items of unusual nature affecting assets, liabilities, equity, net income, or cash flows in the current quarter and financial year-to-date under review.

A6. Material Changes in Estimates

There were no material changes in estimates in the current quarter and financial year-to-date under review.

A7. Debt and Equity Securities

Save as disclosed below, there were no issuances, cancellation, repurchase, resale or repayment of debt and equity securities in the current quarter and financial year-to-date under review.

Pursuant to the Company's listing on the ACE Market of Bursa Securities ("**Listing**"), the effect of the IPO on equity structure of the Company were allocated in the following manner:

- (I) Public Issue of 56,000,000 new ordinary shares in the Company ("**Shares**") at an issue price of RM0.25 per share allocated in the following manner ("**Public Issue**"):
- 14,000,000 new Shares available for application by the Malaysian public by way of balloting;
 - 11,200,000 new Shares available for application by the eligible directors, employees and persons who have contributed to the success of our Group; and
 - 30,800,000 new Shares by way of private placement to selected investors;

and

- (II) Offer for sale of 16,800,000 existing shares by way of private placement to selected investors.

The IPO was completed and the Company was listed on the ACE Market of Bursa Securities on 27 March 2024 with the enlarged issued share capital comprised 280,000,000 Shares.

A8. Dividend Paid

The first interim single tier dividend of 1.5 sen per ordinary share in respect of the financial year ending 31 December 2024 was declared on 23 May 2024 and paid on 25 June 2024.

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS 134, INTERIM FINANCIAL REPORTING (CONTINUED)

A9. Segmental Information

The Group's revenue is segmented as follows:

Revenue by business activities and products

	Quarter Ended		Year-To-Date Ended	
	30.06.2024 Unaudited RM'000	30.06.2023 ⁽¹⁾ Unaudited RM'000	30.06.2024 Unaudited RM'000	30.06.2023 ⁽¹⁾ Unaudited RM'000
Production of:				
GCC ⁽²⁾	17,666	N/A	42,363	N/A
CC dispersion ⁽³⁾	3,347	N/A	6,229	N/A
Kaolin dispersion	553	N/A	868	N/A
Others	974	N/A	1,837	N/A
	<u>22,540</u>	<u>N/A</u>	<u>51,297</u>	<u>N/A</u>

Revenue by business geographical markets

	Quarter Ended		Year-To-Date Ended	
	30.06.2024 Unaudited RM'000	30.06.2023 ⁽¹⁾ Unaudited RM'000	30.06.2024 Unaudited RM'000	30.06.2023 ⁽¹⁾ Unaudited RM'000
Malaysia	10,548	N/A	20,979	N/A
Foreign countries:				
India	10,017	N/A	25,001	N/A
Other foreign countries ⁽⁴⁾	1,975	N/A	5,317	N/A
	<u>22,540</u>	<u>N/A</u>	<u>51,297</u>	<u>N/A</u>

Notes:

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

(2) GCC is referring to ground calcium carbonate.

(3) CC dispersion is referring to calcium carbonate dispersion.

(4) Includes Australia, Cambodia, Fiji, Indonesia, Nepal, Papua New Guinea, Philippines, Singapore, Sri Lanka, Thailand and Vietnam.

N/A Not applicable.

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS 134, INTERIM FINANCIAL REPORTING (CONTINUED)

A10. Material Events Subsequent to the End of the Reporting Period

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

A11. Changes in the Composition of the Group

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

A12. Contingent Liabilities or Contingent Assets

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

A13. Related Party Transactions Disclosures

The related party transactions between the Group and related parties are as follows:

	Quarter Ended 30.06.2024 Unaudited RM'000	Year-To-Date Ended 30.06.2024 Unaudited RM'000
Transportation expenses charged by an entity controlled by close family members of certain directors	141	298
Transportation expenses charged by a close family member of certain directors	36	77
	<u>36</u>	<u>77</u>

A14. Capital Commitments

Save as disclosed below, there are no other material capital commitments as at the end of the current financial quarter under review.

	30.06.2024 Unaudited RM'000	31.12.2023 Audited RM'000
Approved and contracted for:		
- Acquisition of lab equipment	2,227	-
- Acquisition of plant and machinery	2,968	2
- Acquisition of motor vehicles	273	-
- Construction of buildings	599	1,151
	<u>6,067</u>	<u>1,153</u>

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

B1. Review of Financial Performance

	Quarter Ended		Year-To-Date Ended	
	30.06.2024	30.06.2023 ⁽¹⁾	30.06.2024	30.06.2023 ⁽¹⁾
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Revenue	22,540	N/A	51,297	N/A
Gross profit	8,773	N/A	20,760	N/A
Profit before tax	1,096	N/A	3,898	N/A
Profit after tax	652	N/A	2,583	N/A
Profit attributable to owners of the Company	652	N/A	2,583	N/A

Notes:

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

N/A Not applicable.

The Group recorded revenue of RM22.5 million and RM51.3 million for the current financial quarter and year-to-date respectively mainly contributed from revenue from production of GCC which accounted for RM17.7 million and RM42.4 million, representing 78.7% and 82.7% of the total revenue for the current financial quarter and year-to-date respectively.

The Group recognised profit before tax of RM1.1 million and RM3.9 million for the current financial quarter and year-to-date respectively after deducting expenses, which are mainly attributed to selling and distribution expenses of RM4.4 million and RM9.9 million for the current financial quarter and year-to-date respectively as well as administrative expenses of RM2.9 million and RM6.6 million for the current financial quarter and year-to-date respectively.

The selling and distribution expenses mainly comprise logistic costs. The administrative expenses consist of directors' fees and remuneration; staff related costs; professional fees (IPO related expenses included in year-to-date); office and upkeep expenses; license and certification; insurance; quit rent expenses; travelling and entertainment expenses; training fee; research and development expenses; and other general and administrative expenses.

There are no comparative figures for the preceding corresponding quarter's results as this is the third interim financial report being announced by the Company in compliance with the Listing Requirements.

B. EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS (CONTINUED)

B2. Comparison with Immediate Preceding Quarter's Results

	Quarter Ended		Changes	
	30.06.2024 Unaudited RM'000	31.03.2024 Unaudited RM'000	RM'000	%
Revenue	22,540	28,757	(6,217)	(21.6)
Gross profit	8,773	11,987	(3,214)	(26.8)
Profit before tax	1,096	2,802	(1,706)	(60.9)
Profit after tax	652	1,931	(1,279)	(66.2)
Profit attributable to owners of the Company	652	1,931	(1,279)	(66.2)

The Group's revenue for the current quarter decreased by RM6.2 million or 21.6% to RM22.5 million as compared with the immediate preceding quarter of RM28.7 million. The decrease was mainly due to lower revenue contribution from production of GCC due to lower demand for GCC products, which decreased by RM7.0 million or 28.5% to RM17.7 million as compared with the immediate preceding quarter of RM24.7 million. This was partially offset by the increase in revenue contribution from production of CC dispersion and kaolin dispersion, which in total increased by RM0.7 million or 22.0% to RM3.9 million as compared with the immediate preceding quarter of RM3.2 million.

The Group recorded a profit before tax ("**PBT**") of RM1.1 million for the current quarter representing a decrease of RM1.7 million or 60.9% as compared to the immediate preceding quarter. The decrease in PBT was mainly due to unrealised foreign exchange loss of RM0.1 million recorded in the current quarter as opposed to unrealised foreign exchange gain of RM0.5 million recorded in the immediate preceding quarter, as well as lower gross profit in current quarter as compared to the immediate preceding quarter due to the decrease in revenue.

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B. EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS (CONTINUED)

B3. Prospects of the Group

In the second quarter of 2024, Zaneco, a subsidiary of Zantat Holdings, is advancing aggressively with promotional campaign for Earthya compostable bags, targeting sectors such as academic institutions, Non-Governmental Organisations (“NGOs”), and commercial spaces. As we position Earthya to lead sustainability discussions at universities, schools, and shopping malls, Zaneco aims to shift the consumer perceptions and habits towards eco-friendly alternatives. This initiative is not just a promotional strategy, but a transformative effort to redefine the plastic-dependent lifestyle in our country Malaysia, which is significantly affected by microplastic pollution ⁽¹⁾.

Building on this momentum, Zaneco is addressing the challenges posed by certain types of bioplastics, which have faced criticism for not adequately addressing microplastic pollution and potentially contributing to it. In response to these concerns and misleading messages, Zaneco is championing our advanced line of compostables as a market breakthrough. Our compostable products stand out because they are not only biodegradable but can also break down into nutrient-rich content that enhances soil quality and is safe for the environment. This strategic move reinforces our commitment to leading the industry towards more sustainable practices and aligns with global environmental standards. The recent governmental initiative to ban single-use plastics in every government function ⁽²⁾, further validates the market potential for our compostable product range.

Meanwhile, our Group has encountered some hurdles in the calcium carbonate segment due to the ongoing Red Sea crisis and heightened global shipping congestion ⁽³⁾. These challenges, alongside with recent U.S.-China trade tensions ⁽⁴⁾ and an increase in sea freight costs, have pressured our profit margins and revenue for this quarter. However, recent trends in the Containerized Freight Index show a promising decline in sea freight rates starting in July 2024 ⁽⁵⁾. We are optimistic that this downward trend will continue into the third quarter of 2024, potentially reducing our shipping costs and positively influencing our financial performance.

The external economic pressures have prompted us to focus even more on operational agility and strategic foresight. By enhancing our logistical frameworks and engaging with new trading partners, our Group aims to mitigate the impacts of these disruptions and continue supporting our commitment to sustainability and high-quality products.

As we continue to adapt and innovate, our Group is determined to overcome current market challenges and lead the industry towards a more sustainable and profitable future. Through strategic initiatives and a focus on products like the Earthya bags, we are setting new standards in the industry and reinforcing our leadership in environmental responsibility.

Notes:

- (1) Source: <https://www.straitstimes.com/asia/se-asia/malaysia-tops-list-of-countries-with-highest-microplastics-consumption-study>
- (2) Source: <https://thesun.my/local-news/gov-t-agencies-urged-to-implement-action-to-curb-use-of-single-use-plastics-NL12805448>
- (3) Source: <https://maritime-executive.com/article/report-singapore-port-congestion-mounts-as-ships-divert-from-red-sea>
- (4) Source: <https://asia.nikkei.com/Economy/Trade/U.S.-tariff-hikes-on-Chinese-EVs-batteries-and-chips-start-Aug.-1>
- (5) Source: <https://tradingeconomics.com/commodity/containerized-freight-index>

B. EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS (CONTINUED)

B4. Variance of Actual Profits from Profit Forecast

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

B5. Income Tax Expense

	Quarter Ended		Year-To-Date Ended	
	30.06.2024	30.06.2023 ⁽¹⁾	30.06.2024	30.06.2023 ⁽¹⁾
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Income tax expense				
- Current period	444	N/A	1,315	N/A
Effective tax rate ⁽²⁾ (%)	40.5	N/A	33.7	N/A
Statutory tax rate (%)	24.0	N/A	24.0	N/A

Notes:

- (1) This is the third interim financial report announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding corresponding quarter and year-to-date available as no interim financial report was prepared for the comparative financial period concerned.
- (2) The Group's effective tax rate for the current quarter and year-to-date was higher than the statutory tax rate mainly due to expenses incurred which were non-deductible for tax purposes.

N/A Not applicable.

B6. Status of Corporate Proposals

On 27 March 2024, the Company was admitted to the Official List of Bursa Securities and the Company's entire enlarged share capital of 280,000,000 shares was listed and quoted on the ACE Market of Bursa Securities.

Save as disclosed above, there were no other corporate proposals pending completion as at the date of this interim financial report.

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B. EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS (CONTINUED)

B7. Utilisation of Proceeds from the Public Issue

The status of utilisation as at 30 June 2024 of the gross proceeds of RM14.0 million raised by our Company from the Public Issue is as follows:

Utilisation of proceeds	Proposed utilisation RM'000	Percentage of utilisation %	Actual utilisation RM'000	Balance to be utilised RM'000	Estimated timeframe for utilisation ⁽¹⁾
Upgrading of R&D facilities	3,830	27.4	1,280	2,550	Within 12 months
Upgrading of Calrock Perak Plant's Infrastructure	1,000	7.2	-	1,000	Within 12 months
Investment in high efficiency machine components and industrial automation	1,350	9.6	511	839	Within 6 months
Repayment of bank borrowings	3,390	24.2	3,390	-	Within 12 months
Working capital	1,430	10.2	64	1,366	Within 12 months
Estimated listing expenses	3,000	21.4	3,000	-	Immediately
	14,000	100.0	8,245	5,755	

Note:

(1) From the date of listing of the Company on 27 March 2024.

B8. Group Borrowings and Debts Securities

	30.06.2024 Unaudited RM'000	31.12.2023 Audited RM'000
Non-current:		
Secured		
Term loans	1,359	4,768
Current:		
Secured		
Bankers' acceptances	3,860	2,804
Post shipment buyer loan	-	588
Term loans	1,117	2,152
Hire purchase payables	20	1,265
	4,997	6,809
Total borrowings	6,356	11,577

The Group's borrowings are all denominated in Ringgit Malaysia.

B. EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS (CONTINUED)

B9. Material Litigations

There were no material litigations by or against the Group as at 30 June 2024.

B10. Dividends

There were no dividends proposed or declared during the current quarter.

B11. Earnings Per Share

The basic and diluted EPS for the current financial quarter under review and financial year-to-date are computed as follows:

	Quarter Ended		Year-To-Date Ended	
	30.06.2024	30.06.2023 ⁽¹⁾	30.06.2024	30.06.2023 ⁽¹⁾
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Company	652	N/A	2,583	N/A
Weighted average number of ordinary shares in issue ('000)	280,000	N/A	253,538	N/A
Basic EPS (sen) ⁽²⁾	0.2	N/A	1.0	N/A
Diluted EPS (sen) ⁽³⁾	0.2	N/A	1.0	N/A

Notes:

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

(2) Basic EPS for the current quarter is calculated based on the weighted average number of ordinary shares of the Company of 280,000,000.

Basic EPS for the current financial year-to-date is calculated based on the weighted average number of ordinary shares of the Company of 253,538,462.

(3) Diluted EPS is equal to the basic EPS as there is no dilutive instrument for the current quarter and current financial year-to-date.

N/A Not applicable.

B. EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS (CONTINUED)

B12. Notes to the Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following items have been charged/(credited) in arriving at the profit before taxation for the current quarter and for the current financial year-to-date:

	Quarter Ended		Year-To-Date Ended	
	30.06.2024	30.06.2023 ⁽¹⁾	30.06.2024	30.06.2023 ⁽¹⁾
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
After charging/ (crediting):				
Depreciation:				
- property, plant and equipment	1,413	N/A	2,823	N/A
- right-of-use assets	143	N/A	287	N/A
Equipment written off	#	N/A	#	N/A
Interest expense on financial liabilities that are not at fair value through profit or loss:				
- bankers' acceptances	38	N/A	58	N/A
- post-shipment buyer loan	16	N/A	27	N/A
- term loans	91	N/A	192	N/A
- hire purchase payables	8	N/A	21	N/A
Interest expense on lease liabilities	11	N/A	24	N/A
Fair value change on investment	(32)	N/A	(73)	N/A
Gain on disposal of plant and equipment	(#)	N/A	(104)	N/A
(Gain)/Loss on foreign exchange:				
- realised	(64)	N/A	(106)	N/A
- unrealised	70	N/A	(392)	N/A
Interest income on financial assets measured at amortised cost:				
- fixed deposits with licensed banks	(33)	N/A	(59)	N/A
- others	(1)	N/A	(2)	N/A
Interest income on financial assets measured at fair value through profit or loss:				
- short-term investment	(75)	N/A	(85)	N/A

B. EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS (CONTINUED)

B12. Notes to the Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income (Continued)

Notes:

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

N/A Not applicable.

Less than RM500.

B13. Authorisation for Issue

This interim financial report was authorised for issue by the Board on 20 August 2024.