

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	CURRENT QUARTER ENDED 30/06/2020 RM'000	COMPARATIVE QUARTER ENDED 30/06/2019 RM'000	12 months CUMULATIVE TO 30/06/2020 RM'000	9 Months CUMULATIVE TO 30/06/2019 RM'000
CONTINUING OPERATIONS				
Revenue	20,374	N/A	147,852	N/A
Operating Expenses	(47,445)	N/A	(173,269)	N/A
Other Income	723	N/A	1,165	N/A
Profit/(loss) from Operations	(26,348)	N/A	(24,252)	N/A
Finance costs	(154)	N/A	(1,839)	N/A
Share of results of an associate	-	N/A	-	N/A
Profit/(loss) before tax	(26,502)	N/A	(26,091)	N/A
Taxation	296	N/A	(570)	N/A
Profit/(loss) after taxation from continuing operations	(26,206)	N/A	(26,661)	N/A
DISCONTINUED OPERATIONS				
Profit/(loss) after taxation from discontinued operations	-	N/A	-	N/A
Profit/(loss) after taxation	(26,206)	N/A	(26,661)	N/A
Other comprehensive income	-	N/A	-	N/A
Total comprehensive income/(expenses) for the year/period	(26,206)	N/A	(26,661)	N/A
Net profit/(loss) attributable to:				
Equity holders of the parent	(26,206)	N/A	(26,661)	N/A
Minority interests	-	N/A	-	N/A
	(26,206)	N/A	(26,661)	N/A
Total comprehensive income/(expenses) attributable to:				
Owners of the Company	(26,206)	N/A	(26,661)	N/A
Minority interest	-	N/A	-	N/A
	(26,206)	N/A	(26,661)	N/A
Earnings/(Loss) per share (sen)				
(a) Basic				
- continuing operations	(30.06)	N/A	(30.58)	N/A
- discontinued operations	-	N/A	-	N/A
(b) Diluted				
- continuing operations	-	N/A	-	N/A
- discontinued operations	-	N/A	-	N/A
Note no. 1 ** - Revenue consists of the following :-				
- continuing operations	20,374	N/A	147,852	N/A
- discontinued operations	-	N/A	-	N/A
	20,374	N/A	147,852	N/A

(The above Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial period ended 30 June 2019)

MESB BERHAD [Registration No.: 199501008356 (337554-D)]

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	AS AT 30/06/2020 RM'000	AS AT 30/06/2019 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	5,286	6,477
Investment property	2,694	2,757
Right-use assets	1,257	0
Deferred Tax Assets	354	182
Intangible asset	0	25,168
Total non-current assets	<u>9,591</u>	<u>34,584</u>
Current Assets		
inventories	68,846	54,650
Debtors	20,298	43,065
Current tax assets	1,680	3,757
Cash and bank balances	32,324	21,779
	<u>123,148</u>	<u>123,251</u>
Total Assets	<u>132,739</u>	<u>157,835</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent :		
Share capital	55,150	51,240
Reserves	14,106	40,767
Total equity	<u>69,256</u>	<u>92,007</u>
Non-current liabilities		
Long term borrowings	1,987	2,688
Lease liabilities	250	0
	<u>2,237</u>	<u>2,688</u>
Current Liabilities		
Creditors	37,856	32,880
Short-term borrowings	22,252	28,762
Lease liabilities	1,138	0
Taxation	0	1,498
	<u>61,246</u>	<u>63,140</u>
Total liabilities	<u>63,483</u>	<u>65,828</u>
Total equity and liabilities	<u>132,739</u>	<u>157,835</u>
Net Assets per share attributable to ordinary equity holders of the parent(RM)		
	<u>0.76</u>	<u>1.12</u>

(The above Unaudited Condensed Consolidated Balance Sheets should be read in conjunction with the Audited Financial Statements for the financial period ended 30 June 2019)

MESB BERHAD [Registration No.: 199501008356 (337554-D)]

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020**

	<-- Attributable to equity holders of the parent -->				Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Retained Earnings RM'000	Capital Reserve RM'000	
At 1 July 2019 : -	51,240	-	40,767	-	92,007
Issued of shares pursuant to the private placement	3,910				3,910
Profit/(loss) after taxation /Total comprehensive income/(expenses) for the financial year	-	-	(26,661)	-	(26,661)
At 30 June 2020	<u>55,150</u>	<u>-</u>	<u>14,106</u>	<u>-</u>	<u>69,256</u>

(The above Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial period ended 30 June 2019)

MESB BERHAD [Registration No.: 199501008356 (337554-D)]

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

12 Months
ENDED
30/06/2020
RM'000

CASH FLOWS FROM OPERATING ACTIVITIES

Profit/loss before taxation	(26,091)
Adjustments for :-	
Impairment losses on receivables	63
Depreciation and amortisation	3,039
Impairment losses on goodwill	24,688
Impairment losses on assets	500
Net unrealised loss on foreign exchange	147
Finance costs	1,839
Written off plant and equipment	216
Inventories written down/(back)	(341)
Gain on disposal of property and equipment	-
Net unrealised foreign exchange loss/(gain)	-
Finance income	(510)
Operating profit before working capital and non-current assets changes	3,530
Changes in inventories	(13,855)
Changes in trade and other receivables	22,704
Changes in trade and other payables	4,829
Cash from/(for) operating activities	17,208
Income tax(paid)/ refunded	(163)
Interest paid	(1,839)
Net cash from/(used in) operating activities	15,206

Cash Flow From Investing Activities

Acquisition of property, plant and equipment	(783)
Interest received	510
Upliftment/(Placement) of fixed deposits pledged	(3,798)
Proceeds from disposal of property, plant and equipment	-
Net cash/(used in) from investing activities	(4,071)

Net Cash Flow from/(used in) financing activities

Drawdown/(repayment) of bankers' acceptances	(523)
Repayment of finance lease liabilities	(74)
(Repayment)/drawdown of term loans	(1,269)
Issue shares pursuant a private placement	3,910
Payment of lease liabilities	(1,215)

NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	11,964
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Cash and cash equivalents at beginning of the year	(968)
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Cash and cash equivalents at end of the period	10,996
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Note :

The Cash & Cash Equivalents comprise of the following :-

12 Months
ENDED
30/06/2020
RM'000

Deposits with licensed banks	19,687
Less Pledged deposits	(19,687)
Cash and bank balances	12,459
Highly liquid investments with financial institutions	178
Bank Overdraft	(1,641)
	10,996

(The above Unaudited Condensed Consolidated Cash Flow Statements should be read in conjunction with the Audited Financial Statements for the financial period ended 30 June 2019)

MESB BERHAD [Registration No.: 199501008356 (337554-D)]
Interim Financial Report for the Financial Year Ended 30 June 2020

The figures have not been audited.

NOTES TO THE INTERIM FINANCIAL REPORT

PART A – EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134 (“FRS 134”)

A1. ACCOUNTING POLICIES AND METHODS OF COMPUTATION

The interim financial report is unaudited and has been prepared in accordance with the requirements of MFRS 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board and applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial period ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial statements.

These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial period ended 30 June 2019.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Refor*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)
- Amendments to MFRS 3, Business Combinations – Reference to the Conceptual Framework
- Amendments to MFRS 9, Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)
- Amendments to Illustrative Examples accompanying MFRS 16, Leases (Annual Improvements to MFRS Standards 2018–2020)
- Amendments to MFRS 101, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current
- Amendments to MFRS 116, Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to MFRS 141, Agriculture (Annual Improvements to MFRS Standards 2018–2020)

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group adopted MFRS 16 using modified retrospective approach and measured the right-of-use assets equals to the lease liabilities at 1 July 2019 with no restatement of comparative information.

The effect of adoption of MFRS 16 to the Group as at 1 July 2019 is as follows:

Consolidated Statement of Financial Position

	As at 30 June 2019 RM'000	Adjustment RM'000	After MFRS 16 Adoption as at 1 July 2019 RM'000
Assets			
Property, plant & equipment	6,477	(126)	6,351
Right-of-use assets	-	2,461	2,461
	<u>6,477</u>	<u>2,335</u>	<u>8,812</u>
Liabilities			
Total Loans and borrowings	31,450	(202)	31,248
Lease Liabilities	-	2,537	2,537
	<u>31,450</u>	<u>2,335</u>	<u>33,785</u>

A2. AUDIT REPORT QUALIFICATION

The audit report on the financial statements for the financial period ended 30 June 2019 was not subject to any qualification.

A3. SEASONAL OR CYCLICAL FACTORS

The operations of the Group, other than the retailing division, are not subject to any seasonal or cyclical changes. The retail segment will benefit from higher consumer spending during festivals, school holidays and carnival sales.

A4. EXCEPTIONAL OR EXTRAORDINARY ITEMS

There were no items of an exceptional or unusual nature that have affected the assets, liabilities, equity, net income or cash flows of the Group during the current quarter and financial year to date.

A5. CHANGES IN ESTIMATES OF AMOUNT REPORTED PREVIOUSLY

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter and financial year-to-date.

A6. DEBTS AND EQUITY SECURITIES

There were no issuance, cancellation, repurchases, resale and repayments of debt and equity securities for the current quarter under review.

A7. DIVIDENDS PAID

There were no dividends paid during the period under review.

A8. SEGMENTAL INFORMATION

	Current Year Quarter 30/06/20 RM'000	Cumulative Year To Date 30/06/20 RM'000
Segment Revenue		
- Investment Holding	11	43
- Retailing	20,412	148,400
Total Revenue	<u>20,423</u>	<u>148,443</u>
Segment Revenue		
- Investment Holding	-	-
- Retailing	(49)	(591)
Inter-Segment Revenue	<u>(49)</u>	<u>(591)</u>
Segment Revenue		
- Investment Holding	11	43
- Retailing	20,363	147,809
External Revenue	<u>20,374</u>	<u>147,852</u>
Segment profit/(Loss)		
- Investment Holding	(193)	(732)
- Retailing	(26,155)	(23,520)
	<u>(26,348)</u>	<u>(24,252)</u>
Finance costs	(154)	(1,839)
Consolidated profit/(loss) before taxation	<u>(26,502)</u>	<u>(26,091)</u>
	As at 30/6/2020 RM'000	
Segment assets ⁽ⁱ⁾		
- Investment Holding	4,054	
- Retailing	129,041	
	<u>133,095</u>	

(i) Segment assets - The total of segment assets is measured based on all assets (including goodwill, deferred tax asset and current tax assets) of a segment

Reconciliations of reportable segment profit or loss and assets

Year ended 30 June 2020

	Trading RM'000	Investment Holding RM'000	Total RM'000
<u>Profit or loss</u>			
Total profit/(loss) for reportable segments	(23,520)	(732)	(24,252)
Finance costs	(1,839)	-	(1,839)
Consolidated profit/(loss) before tax	<u>(25,359)</u>	<u>(732)</u>	<u>(26,091)</u>

As at 30 June 2020

	Trading RM'000	Investment Holding RM'000	Total RM'000
<u>Assets</u>			
Total assets for reporting segments	129,041	4,054	133,095
Elimination of inter-segment balances	-	(356)	(356)
Consolidated total assets	<u>129,041</u>	<u>3,698</u>	<u>132,739</u>

A9. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

The valuation of land and buildings had been brought forward without amendment from the previous annual audited report.

A10. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

There were no material events subsequent to the financial year ended 30 June 2020.

A11. CHANGES IN COMPOSITION OF THE GROUP

There were no material changes in the composition of the Group during the current financial year ended 30 June 2020.

A12. CONTINGENT LIABILITIES

Save as disclosed below, the Group does not have any other contingent liabilities as at 30 June 2020:-

	As at 30/06/2020 RM'000	As at 30/06/2019 RM'000
Litigation arising as disclosed in Note B8	5,243 [#]	-
Corporate guarantees given to licensed bank for Banking facilities granted to subsidiaries	-	*

[#] The contingent liability relating to the litigation claim excludes, among other, interest claimed, legal cost, damages and other reliefs to be determined solely by the discretion of the court.

* The corporate guarantees provided by the Company to banks in respect of banking facilities granted to certain subsidiaries are no longer disclosed as contingent liability, but instead disclosed under the Financial Instruments in Note 21 of the Group's audited financial statement for the financial period ended 30 June 2019.

A13. RECURRENT RELATED PARTY TRANSACTIONS

The recurrent related party transactions of the Group for the financial year ended 30 June 2020 are as follows:

Transaction parties	Nature of transaction	Current Quarter 30/06/2020 RM'000	Cumulative Year to Date 30/06/2020 RM'000
MX Too Sdn Bhd	Sale of products	-	1
MX Too Sdn Bhd	Purchase of products	-	6
Roncato Sdn Bhd	Sale of products	3	457
Branded Platform Sdn Bhd	Sale of products	258	2,998
Branded Platform Sdn Bhd	Other income	-	57

The above transactions have been entered into in the ordinary course of business and have been established under terms that were mutually agreed between the parties.

NOTES TO THE INTERIM FINANCIAL REPORT

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. PERFORMANCE REVIEW

During the current quarter under review, the Group recorded a revenue and loss before taxation of RM20.37 million and RM26.50 million respectively. The loss before taxation in the current quarter was mainly due to the impairment losses on goodwill and assets of RM24.67 million and RM0.56 million respectively, as a consequence of the impact by COVID-19 pandemic.

The Group forecasted a slower sales growth based on the current economic conditions, coupled with the deterioration of the actual financial performance to date resulting in a lower initial base, as a result of the COVID-19 pandemic, and determined that the full impairment of goodwill is necessary as at 30 June 2020.

Retailing Segment

The Retailing Segment reported a revenue and segment loss of RM20.36 million and RM26.16 million respectively in the current quarter ended 30 June 2020. The segment loss of RM26.16 million in the current quarter was reported after accounting adjustments of an impairment losses on goodwill and its assets amid the Covid-19 pandemic.

Investment Holding Segment

The Investment Holding Segment reported a loss of RM0.19 million for the quarter under review.

The Group and the Company have changed its financial year end from 31 March to 30 June with effect from 1 April 2018. Due to the change in the financial year, Therefore, no comparison with the corresponding quarter and year in the preceding year.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	Current	Immediate	Changes	
	Quarter	Preceding		
	30/06/2020	31/03/2020	RM'000	%
	RM'000	RM'000		
Revenue	20,374	41,507	(21,133)	(50.91)
Profit/(Loss) from Operations before Interest and Tax	(26,348)	1,409	(27,757)	(1,969.98)
Profit/(Loss) before tax	(26,502)	623	(27,125)	(4,353.93)
Profit/(Loss) after tax	(26,206)	611	(26,817)	(4,389.03)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(26,206)	611	(26,817)	(4,389.03)

The Group's revenue for the current quarter ended 30 June 2020 was RM20.37million, representing 50.91% decrease compared with the immediate preceding quarter ended 31 March 2020.

The Group recorded a loss before taxation of RM26.50 million in the current quarter as compared to a profit before taxation of RM0.62 million in the immediate preceding quarter. The loss before taxation in the current quarter was mainly due to the recognition of impairment losses on goodwill and assets as mentioned in note B1.

B3. COMMENTARY ON PROSPECTS

The Group's core business will remain affected due to the unprecedented Covid-19 pandemic. Notwithstanding the significant economic disruption caused by the Covid-19 crisis, the Group believe the demand will always be there and economy will gradually improve in next year after Movement Control Order (MCO) is lifted and the containment measures are eased.

B4. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable to the Group.

B5. TAXATION

The taxation charge included the following:

	Current Quarter	Cumulative Year To Date
	RM'000	RM'000
In respect of current period		
- income tax	(119)	865
- deferred tax	(172)	(172)
In respect of prior year		
- income tax	(5)	(123)
- deferred tax	-	-
	<u>(296)</u>	<u>570</u>

The Group's effective tax rate for financial period was higher than the statutory tax rate mainly due to certain expenses being disallowed for tax purposes.

B6. CORPORATE PROPOSALS

The status of corporate proposals announced but not completed as at the date of this report are as follow:-

On 10 October 2019, the Company ("MESB") announced that it proposed to undertake a private placement of up to 30% of the issued share capital of MESB to independent third party investor(s) to be identified at a later date ("Proposed Private Placement"). The shareholders of the Company had approved the Proposed Private Placement at an extraordinary general meeting ("EGM") of the Company held on 26 November 2019.

The Company had on 6 December 2019 completed the first tranche of the Proposed Private Placement, following the listing of and quotation for 9,200,000 Placement Shares on the Main Market of Bursa Malaysia Securities Berhad. As of 26 February 2020, RM3.91 million has been utilised for working capital, repayment of bank borrowings and expenses relating to the Private Placement purposes.

On 2 April 2020, Bursa Malaysia Securities Berhad had granted the Company an extension of time of up 4 November 2020 to implement the Private Placement.

B7. BORROWINGS AND DEBT SECURITIES

The Group borrowings as at 30 June 2020 as follow:-

	RM'000
Short Term	
Bankers' acceptance	19,706
Term loans	905
Bank overdraft	1,641
	<u>22,252</u>
Long Term	
Term Loans	1,987
Total	<u>24,239</u>

B8. CHANGES IN MATERIAL LITIGATIONS

Save as disclosed below, the Group is not engaged in any material litigation since the last balance sheet included in the annual audited financial statements up to the date of this report.

On 22 August 2019, the Company was served with a writ of summon together with statement of claim in relation to a claim filed by Zelleco Engineering Sdn. Bhd. The claim relates to a suit previously filed against Maintenance Engineering Sdn. Bhd. for an outstanding amount of approximately RM5.24 million together with interest and cost thereon, which was duly disposed by the Company on 22 March 2012 and wound up by a third party on 18 June 2013.

The decision date on 18 May 2020 for striking out application filed by the Company has been adjourned and a new decision date will be notified by the Court in due course.

B9. DIVIDEND

No dividend has been declared nor recommended for financial year ended 30 June 2020.

B10. EARNINGS PER SHARE

The basic earnings per share is arrived at by dividing the net profit/(loss) for the period attributable to ordinary equity holders of the parent by the number of ordinary shares in issue as follows :-

	Current Quarter	Cumulative Year to Date
Net profit/(loss) attributable to ordinary equity holders of the Company (RM'000)	(26,206)	(26,661)
Weighted average number of ordinary shares (in thousand)	87,179	87,179
Basic earnings/(loss) per share (sen)	(30.06)	(30.58)

B11. PROFIT FOR THE PERIOD

	Current Quarter RM'000	Cumulative Year To Date RM'000
This is arrived at after (charging)/crediting :-		
Interest Income	160	510
Other income	452	545
Inventories write back/(write down)	13	341
Loss on foreign exchange	(147)	(147)
Finance costs	(154)	(1,839)
Impairment losses on goodwill	(24,668)	(24,668)
Impairment losses on intangible asset	(500)	(500)
Impairment losses on receivables	(63)	(63)
Depreciation and amortisation	(808)	(3,039)
Write off plant and equipment	(21)	(216)
	<u>(25,736)</u>	<u>(29,076)</u>

Other disclosure items pursuant to Note 16 of the Appendix 9B of the Main Market Listing Requirements are not applicable.

B12. AUTHORISATION FOR ISSUE

The Interim Financial Statement and the accompanying notes were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors.

