

MESB BERHAD [Registration No.: 199501008356 (337554-D)]  
Interim Financial Report for the Financial Period Ended 31 December 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 year ended 30 June 2020.

The accounting policies adopted by the Group and the Company are consistent with those of the audited financial statements for the financial year ended 30 June 2020 except for the following adoption of new standards, amendments and interpretation that have been issued by the Malaysian Accounting Standards:

***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 Reform*

The initial application of the accounting standards, interpretations or amendments is not expected to have any material financial impact to the current period and prior period financial statements of the Group and of the Company.

**A2. AUDIT REPORT QUALIFICATION**

The audit report on the financial statements for the financial year ended 30 June 2020 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**

	Individual Quarter		Cumulative Quarters	
	31/12/20 RM'000	31/12/19 RM'000	31/12/20 RM'000	31/12/19 RM'000
<b>Segment Revenue</b>				
- Investment Holding	11	11	11	22
- Retailing	29,782	53,925	64,164	86,358
<b>Total Revenue</b>	<u>29,793</u>	<u>53,936</u>	<u>64,175</u>	<u>86,380</u>
<b>Segment Revenue</b>				
- Investment Holding	-	-	-	-
- Retailing	(168)	(191)	(298)	(409)
<b>Inter-Segment Revenue</b>	<u>(168)</u>	<u>(191)</u>	<u>(298)</u>	<u>(409)</u>
<b>Segment Revenue</b>				
- Investment Holding	11	11	11	22
- Retailing	29,614	53,734	63,866	85,949
<b>External Revenue</b>	<u>29,625</u>	<u>53,745</u>	<u>63,877</u>	<u>85,971</u>
<b>Segment profit/(Loss)</b>				
- Investment Holding	(292)	(276)	(347)	(350)
- Retailing	1,615	4,604	5,415	1,037
	1,323	4,328	5,068	687
Finance costs	(252)	(426)	(632)	(899)
<b>Consolidated profit/(loss) before taxation</b>	<u>1,071</u>	<u>3,902</u>	<u>4,436</u>	<u>(212)</u>

	As at 31/12/2020	As at 31/12/2019
	RM'000	RM'000
<b>Segment assets <sup>(i)</sup></b>		
- Investment Holding	6,914	33,615
- Retailing	137,419	135,528
	<u>144,333</u>	<u>169,143</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

	<--- 6 Months Ended 31 December 2020--->			<--6 Months Ended 31 December 2019-->		
	Trading	Investment Holding	Total	Trading	Investment Holding	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b><u>Profit or loss</u></b>						
Total profit/(loss) for reportable segments	5,415	(347)	5,068	1,037	(350)	687
Finance costs	(632)	-	(632)	(899)	-	(899)
Consolidated profit/(loss) before tax	<u>4,783</u>	<u>(347)</u>	<u>4,436</u>	<u>138</u>	<u>(350)</u>	<u>(212)</u>

	<--- 6 Months Ended 31 December 2020--->			<--6 Months Ended 31 December 2019-->		
	Trading	Investment Holding	Total	Trading	Investment Holding	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b><u>Assets</u></b>						
Total assets for reporting segments	137,418	6,914	144,332	135,528	33,615	169,143
Elimination of inter-segment balances	-	(3,246)	(3,246)	-	(1,738)	(1,738)
Consolidated total assets	<u>137,418</u>	<u>3,668</u>	<u>141,086</u>	<u>135,528</u>	<u>31,877</u>	<u>167,405</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

Save for Note B6 below, there were no material events subsequent to the financial period ended 31 December 2020.

#### A11. CHANGES IN COMPOSITION OF THE GROUP

The Company's wholly-owned subsidiary of Crystal United Sdn Bhd, incorporated in Malaysia under the Company Act 2016, has been struck off from Companies Commission of Malaysia on 4 December 2020.

The Company has incorporated a new wholly-owned subsidiary, MESB Resources Sdn Bhd in Malaysia under the Companies Act 2016 on 5 February 2021.

#### A12. CONTINGENT LIABILITIES

Save as disclosed below, the Group does not have any other contingent liabilities as at 31 December 2020:-

	<b>As at 31/12/2020 RM'000</b>	<b>As at 31/12/2019 RM'000</b>
Litigation arising as disclosed in Note B8	5,243	5,243

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.

#### A13. RECURRENT RELATED PARTY TRANSACTIONS

The recurrent related party transactions of the Group for the financial period ended 31 December 2020 are as follows:

<b>Transaction parties</b>	<b>Nature of transaction</b>	<b>Current Quarter 31/12/2020 RM'000</b>	<b>Cumulative Year to Date 31/12/2020 RM'000</b>
Branded Platform Sdn Bhd	Sale of products	246	582

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.

**MESB BERHAD [Registration No.: 199501008356 (337554-D)]**  
**Interim Financial Report for the Financial Period Ended 31 December 2020**

**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**

	Individual Quarter			Cumulative Quarters		
	31/12/20 RM'000	31/12/19 RM'000	Variance	31/12/20 RM'000	31/12/19 RM'000	Variance
<b>Segment Revenue</b>						
- Investment Holding	11	11	-	11	22	(50.91)
- Retailing	29,614	53,734	(44.89)	63,866	85,949	(25.69)
	<u>29,625</u>	<u>53,745</u>	<u>(44.89)</u>	<u>63,877</u>	<u>85,971</u>	<u>(76.60)</u>
<b>Segment profit/(Loss)</b>						
- Investment Holding	(292)	(276)	5.80	(347)	(350)	(0.86)
- Retailing	1,615	4,604	(64.92)	5,415	1,037	422.18
	<u>1,323</u>	<u>4,328</u>	<u>(59.12)</u>	<u>5,068</u>	<u>687</u>	<u>421.32</u>

**a) Current quarter against the preceding year's corresponding quarter**

For 2<sup>nd</sup> quarter under review, the Group recorded a revenue of RM29.63 million, a decline of 44.89% as compared to the previous year corresponding quarter of RM53.75 million. The Group reported lower profit before taxation of RM1.07 million compared to RM3.90 million for previous year's corresponding quarter.

**Retail Segment**

Retail segment reported a revenue of RM29.61 million for the current quarter, representing a decrease of 44.89% compared to RM53.73 million for the previous year's corresponding quarter due to sharp drop in its offline sales amid the Covid-19 pandemic.

As result of the tightened restrictions enforced by Government on curb Covid-19 spread, the retail segment profit decreased by 64.92% to RM1.61 million for the current quarter compared to RM4.60 million for previous year's corresponding quarter.

**Investment Holding Segment**

The Holding Investment Segment reported loss of RM0.29 million for the quarter under review compared to RM0.28 million for previous year's corresponding quarter.

## b) Current period against the preceding year's corresponding period

Profit before taxation for the financial period ended 31 December 2020 was RM4.44 million compared a loss of RM0.21 million for the year-to-date ended 31 December 2019. The improved performance was mainly from the retailing business.

### Retail Segment

For the financial year-to-date, the Retail segment reported revenue of RM63.87 million, a decrease of 25.69% compared to RM85.95 million for last year. Despite the drop in revenue, the Retail Segment reported an increase in profit of RM5.41 million compared to RM1.04 million for last year. This was mainly due to the lower operating costs resulting from the cost reduction initiatives.

### Investment Holding Segment

The Investment Holding segment reported a similar loss of RM0.35 million for financial period ended 31 December 2020 and 31 December 2019.

## B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	Current Quarter 31/12/2020 RM'000	Immediate Preceding Quarter 30/09/2020 RM'000	Changes	
			RM'000	%
Revenue	29,625	34,252	-4,627	(13.51)
Profit/(Loss) from Operations before Interest and Tax	1,323	3,745	-2,422	(64.67)
Profit/(Loss) before tax	1,071	3,365	-2,294	(68.17)
Profit/(Loss) after tax	611	2,689	-2,078	(77.28)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	611	2,689	-2,078	(77.28)

The Group's revenue decreased by 13.51% from RM34.25 million in the immediate preceding quarter to RM29.63 million in the current quarter. As result and the downward trend in non-essential spending, the Group reported a decrease in profit before taxation RM1.07 million compared to RM3.37 million in the immediate preceding quarter.

## B3. COMMENTARY ON PROSPECTS

The Covid-19 pandemic has increased retailing sector risks significantly, particularly to the non-essential retailer. The current physical shopping limitations relax and uncertain health situation in Malaysia certainly poses some challenges ahead to the Group's core business.

Moving forward, the Group intends to diversify its existing business to include the waste recycling business as announced on 15 January 2021. The Group believes it is more prudent to reduce its heavy dependence on the retailing business and look into the diversification of the Group's revenue streams.

**B4. PROFIT FORECAST OR PROFIT GUARANTEE**

Not applicable to the Group.

**B5. TAXATION**

The taxation charge included the following:

	Current Quarter RM'000	Year-To-Date RM'000
Current period income tax	<u>460</u>	<u>1,136</u>

The Group's effective tax rate for financial period was higher than the statutory tax rate mainly due to certain expenses are not deductible for tax purposes.

**B6. CORPORATE PROPOSALS**

On 15 January 2021, the Company announced that it proposing to undertake the following proposals:

- (i) proposed diversification of the existing business of the Company and its subsidiaries to include the collection and recycling of wastepaper, plastics scrap and scrap ferrous metal ("Proposed Diversification"); and
- (ii) proposed shareholders' mandate for recurrent related party transactions expected to be entered into by the MESB Group with related parties pursuant to the Proposed Diversification.

**B7. BORROWINGS AND DEBT SECURITIES**

The Group borrowings as at 31 December 2020 as follow:-

	RM'000
Short Term	
Bankers' acceptance	12,905
Term loans	8,019
Bank overdraft	<u>1,114</u>
	<u>22,038</u>
Long Term	
Term Loans	1,514
Total	<u><u>23,552</u></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 (“Plaintiff”). 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 Company’s application to strike out a claim filed by Plaintiff was dismissed by the Kuala Lumpur High Court on 16 December 2020. Accordingly, the Company had on 8 January 2021 filed a notice of appeal to the Court of Appeal against the said dismissal. The Court of Appeal has fixed a case management on 26 February 2021.

In respect of the application of discovery proceeding filed by the Plaintiff, the Court has fixed a hearing for the said application on 1 April 2021.

## **B9. DIVIDEND**

No dividend has been declared nor recommended for financial period ended 31 December 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	Year-To- Date
Net profit/(loss) attributable to ordinary equity holders of the Company (RM'000)	611	3,300
Weighted average number of ordinary shares (in thousand)	95,157	95,157
Basic earnings/(loss) per share (sen)	0.64	3.47



**B11. PROFIT FOR THE PERIOD**

	Current Quarter RM'000	Cumulative Year To Date RM'000
Profit before tax is arrived at after charging/(crediting):-		
Interest Income	96	221
Other income	804	1,535
Write back /(written off) of inventories	(11)	201
Depreciation and amortisation	(903)	(1,549)
Finance costs	(253)	(633)
Impairment losses on receivables	(28)	(28)
Property, plant and equipment written off	-	(3)
	<u>(295)</u>	<u>(256)</u>

**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.