

MESB BERHAD [Registration No.: 199501008356 (337554-D)]
Interim Financial Report for the Financial Period Ended 31 December 2021

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 2021.

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 2021 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 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement, MFRS 7, Financial Instruments: Disclosures, MFRS 4, Insurance Contracts and MFRS 16, Leases – Interest Rate Benchmark Reform – Phase 2

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 April 2021

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

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 2021 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

Save as disclosed below, there was no issuance, cancellation, repurchase, resale or repayment of debt and equity securities in the financial period under review .

On 2 January 2018, the Company issued 40,950,000 free Warrants to all the entitled shareholders of the Company on the basis of one (1) free Warrant for every two (2) existing ordinary shares held in the Company. The Warrants can only be exercised commencing on and including the date from the second anniversary date of the first issue of the Warrants i.e. 2 January 2020 to 30 December 2022 at an exercise price of RM 0.30 per ordinary shares .

	<u>Allotment Date</u>	<u>No of Shares</u> <u>'000</u>
<u>Issued and Paid-up Share Capital</u> <u>As at 1 July 2021</u>		106,750
Issued during the year via exercise of Warrants	July 2021 - December 2021	1,530
<u>As at 31 December 2021</u>		108,280

A7. DIVIDENDS PAID

There were no dividends paid during the year .

A8. SEGMENTAL INFORMATION

	Individual Quarter		Cumulative Quarters	
	31/12/21	31/12/20	31/12/21	31/12/20
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
- Investment Holding	4	11	15	11
- Waste Recycling	3,160	-	5,088	-
- Retailing	58,995	29,782	68,355	64,164
Total Revenue	62,159	29,793	73,458	64,175
Segment Revenue				
- Investment Holding	-	-	-	-
- Waste Recycling	-	-	-	-
- Retailing	(237)	(168)	(264)	(298)
Inter-Segment Revenue	(237)	(168)	(264)	(298)
Segment Revenue				
- Investment Holding	4	11	15	11
- Waste Recycling	3,160	-	5,088	-
- Retailing	58,758	29,614	68,091	63,866
External Revenue	61,922	29,625	73,194	63,877
Segment profit/(Loss)				
- Investment Holding	(309)	(292)	(422)	(347)
- Waste Recycling	240	-	676	-
- Retailing	10,560	1,615	7,365	5,415
	10,491	1,323	7,619	5,068
Finance costs	(151)	(252)	(308)	(632)
Consolidated profit/(loss) before taxation	10,340	1,071	7,311	4,436

	As at	As at
	31/12/2021	31/12/20
	RM'000	RM'000
Segment assets (i)		
- Investment Holding	5,768	6,914
- Waste Recycling	2,645	-
- Retailing	141,607	137,419
	150,020	144,333

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

Reconciliations of reportable segment profit or loss and assets

	<--- 6 Months Ended 31 December 2021--->				<---6 Months Ended 31 December 2020--->			
	Retailing	Investment Holding	Waste Recycling	Total	Retailing	Investment Holding	Waste Recycling	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit or loss								
Total profit/(loss) for reportable segments	7,365	(422)	676	7,619	5,415	(347)	-	5,068
Finance costs	(308)	-	-	(308)	(632)	-	-	(632)
Consolidated profit/(loss) before tax	7,057	(422)	676	7,311	4,783	(347)	-	4,436

	<--- 6 Months Ended 31 December 2021--->				<---6 Months Ended 31 December 2020--->			
	Retailing	Investment Holding	Waste Recycling	Total	Retailing	Investment Holding	Waste Recycling	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Total assets for reporting segments	141,607	5,768	2,645	150,020	137,418	6,914	-	144,332
Elimination of inter-segment balances	-	(2,045)	-	(2,045)	-	(3,246)	-	(3,246)
Consolidated total assets	141,607	3,723	2,645	147,975	137,418	3,668	-	141,086

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 period ended 31 December 2021.

A11. CHANGES IN COMPOSITION OF THE GROUP

There were no material changes in the composition of the Group during the current financial period ended 31 December 2021

A12. CONTINGENT LIABILITIES

Save as disclosed below, the Group does not have any other contingent liabilities as at 31 December 2021:-

	As at 31/12/2021 RM'000	As at 31/12/2020 RM'000
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 2021 are as follows:

Transaction parties	Nature of transaction	Current Quarter 31/12/2021 RM'000	Cumulative Year to Date 31/12/2021 RM'000
Expert Resource Management Sdn Bhd	Trading of plastic scrap and scrap ferrous metal	842	1,304
Earthwise Resources Sdn Bhd	Trading of wastepaper ,plastic scrap and scrap ferrous metal	840	951
Future Recycle Sdn Bhd	Purchase of plastic scrap	1	3
Sing Foong Niap Engineering Sdn Bhd	Rental	90	153

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

	Individual Quarter		Cumulative Quarters	
	31/12/21	31/12/20	31/12/21	31/12/20
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
- Investment Holding	4	11	15	11
- Waste Recycling	3,160	0	5,088	0
- Retailing	58,758	29,614	68,091	63,866
	<u>61,922</u>	<u>29,625</u>	<u>73,194</u>	<u>63,877</u>
Segment profit/(Loss)				
- Investment Holding	(309)	(292)	(422)	(347)
- Waste Recycling	240	0	676	0
- Retailing	10,560	1,615	7,365	5,415
	<u>10,491</u>	<u>1,323</u>	<u>7,619</u>	<u>5,068</u>

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

For the 2nd quarter under review, the Group recorded a revenue of RM61.92 million, representing an increase of 209.02% as compared to the previous year's corresponding quarter of RM29.63 million. The Group reported a profit before taxation of RM10.34 million compared to a profit before taxation RM1.07 million in the previous year's corresponding quarter.

Retail Segment

The relaxation of standard operating procedures has led to an increase in revenue by 98.42% to RM 58.76 million as compared to the preceding year's corresponding quarter ended 31 December 2020. Consequently, the segment profit was increased to RM10.56 million in the current quarter as compared to a profit of RM1.62 million in the preceding year's corresponding quarter.

Waste Recycling Segment

The Waste Recycling Segment reported a revenue of RM3.16 million and a profit of RM 0.24 million respectively for the quarter under review. Waste Recycling Segment was commenced its operations on the 4th quarter of financial year ended 30 June 2021. As such, there are no comparative figures for the preceding year's corresponding quarter.

Investment Holding Segment

The Holding Investment Segment reported loss of RM0.31million for the quarter under review compared to RM0.29 million for previous year's corresponding quarter.

b) Current period against preceding year's corresponding period

Profit before taxation for the financial period ended 31 December 2021 was RM 7.31 million as compared to RM 4.44 million for the same period of previous year. The improvement on the performance mainly attributed from retailing business.

Retail Segment

For the financial year to date, the Retail segment reported revenue of RM 68.09 million, an increase of 6.62% compared to RM 63.87 million reported in last year. The profit increased by RM 1.95 million from RM 5.41 million to RM 7.37 million as result of higher revenue .

Waste Recycling Segment

The Waste Recycling Segment reported revenue of RM 5.09 million and profit RM 0.68 million for the financial period under review. There is no comparative figures as Waste Recycling Segment was commenced business operation on the 4th quarter of financial year ended 30 June 2021.

Investment Holding Segment

The Investment Holding segment reported a loss of RM 0.42 million and RM 0.35 million for financial period ended 31 December 2021 and 31 December 2020.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	Current Quarter 31/12/2021 RM'000	Immediate Preceding Quarter 30/09/2021 RM'000	Changes	
			RM'000	%
Revenue	61,922	11,271	50,651	449.39
Profit/(Loss) from Operations before Interest and Tax	10,491	(2,871)	13,362	(465.41)
Profit/(Loss) before tax	10,340	(3,028)	13,368	(441.48)
Profit/(Loss) after tax	8,132	(3,138)	11,270	(359.15)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	8,132	(3,138)	11,270	(359.15)

During the current quarter under review, the Group revenue has increased 449.39% to RM61.92 million, amid easing Covid – 19 restrictions and Festival sales .

The increase in revenue in the Group's retail segment has resulted the Group reported a profit before taxation of RM10.34 million in the current quarter as compared to a loss before taxation of RM3.03 million in the immediate preceding quarter ended 30 September 2021.

B3. COMMENTARY ON PROSPECTS

Although the Group's core businesses making a recovery in the 2nd quarter of the financial year ending 30 June 2022, the fast spreading Omicron coronavirus variant could pose a challenge to the Group's businesses. The Group will continue to exercise caution in managing the its businesses. Moving forward, the Group believe that various relaxation of restrictions including interstate travel would indirectly benefit the Group's retailing business.

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	2,208	2,318

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

B6. CORPORATE PROPOSALS

There were no outstanding corporate proposals announced but not completed within 7 days from the date of issue of this report .

B7. BORROWINGS AND DEBT SECURITIES

The Group borrowings as at 31 December 2021 as follow:-

	RM'000
Short Term	
Banker's acceptance	15,363
Term loans	953
Bank Overdraft	0
	<u>16,316</u>
Long Term	
Term loans	985
Total	<u>17,301</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 further case management on 8 November 2021 and the Court hearing has been fixed on 18 November 2021. Further to case management on 8 November 2021, the Court vacated the hearing date fixed on 18 November 2021 and fixed the hearing for appeal on 13 January 2022.

In respect of the application of discovery proceeding filed by the Plaintiff, the Court has dismissed the Plaintiff's application for discovery as against the Company, with cost in the cause.

On 17 September 2021, the High Court of Kuala Lumpur has dismissed the application to stay the proceeding pending disposal of appeal filed by other defendants with costs and fixed a pre-trial case management on 22 November 2021.

The High Court Kuala Lumpur has directed further pre-trial case management on 20 January 2022 and trial of the matter on 1st, 2nd, 5th, 6th, 7th, 8th and 9th December 2022.

On 13 January 2022, the Court of Appeal of Malaysia has allowed the Company's appeal and set aside the High Court Judge's decision in dismissing the Company's application to strike out the Plaintiff's claims against 1st to 3rd Defendants with cost. Subsequently, there is no motion of leave filed by the Plaintiff thirty (30) days after the Court of Appeal's decision. In this regard, the claim vide Kuala Lumpur Court Suit No. : WA-22NCVC-579-08/2019 is now determined and concluded as per announcement made on 18 February 2022 .

B9. DIVIDEND

No dividend has been declared nor recommended for financial period ended 31 December 2021.

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 loss attributable to ordinary equity holders of the Company (RM'000)	8,132	4,993
Weighted average number of ordinary shares (in thousand)	108,280	107,823
Basic earnings per share (sen)	7.51	4.63

B11. PROFIT FOR THE PERIOD

	Current Quarter 31/12/2021 RM'000	Cumulative Year to Date 31/12/2021 RM'000
This is arrived after(charging)/crediting :-		
Other Income	558	1,976
Interest Income	130	265
Write back/(written off) of inventories	-136	-691
Finance costs	-151	-308
Depreciation and amortisation	-387	-795
	<u>14</u>	<u>447</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.