

MESB BERHAD [Registration No.: 199501008356 (337554-D)]  
Interim Financial Report for the Financial Period Ended 30 September 2022

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 2022.

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 2022 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 2023***

- *MFRS 17, Insurance Contracts*
- *Amendments to MFRS 17, Insurance Contracts – Initial application of MFRS 17 and MFRS 9- Comparative Information.*
- *Amendments to MFRS 101, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and disclosures of Accounting Policies .*
- *Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- *Amendments to MFRS 112, Income Taxes-Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

#### A2. AUDIT REPORT QUALIFICATION

The audit report on the financial statements for the financial year ended 30 June 2022 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**

For the current quarter ended 30 September 2022, the changes in debts and equity securities are as follow :

	Allotment Date	No. of Shares '000
Issued and Paid-up Capital As at 01 July 2022		112,792
Issued during the year via exercise of Warrants	July 2022 – September 2022	6,790
As at 30 September 2022		119,582

#### **Warrants 2017/2022**

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 RM0.30 per ordinary shares .

#### **A7. DIVIDENDS PAID**

There were no dividends paid during the year .

## A8. SEGMENTAL INFORMATION

	Individual Quarter		Cumulative Quarters	
	30/09/22 RM'000	30/09/21 RM'000	30/09/22 RM'000	30/09/21 RM'000
<b>Segment Revenue</b>				
- Investment Holding	29	11	29	11
- Waste Recycling	2,305	1,928	2,305	1,928
- Retailing	34,980	9,360	34,980	9,360
<b>Total Revenue</b>	<b>37,314</b>	<b>11,299</b>	<b>37,314</b>	<b>11,299</b>

<b>Segment Revenue</b>				
- Investment Holding	-	-	-	-
- Waste Recycling	-	-	-	-
- Retailing	(1,567)	(28)	(1,567)	(28)
<b>Inter-Segment Revenue</b>	<b>(1,567)</b>	<b>(28)</b>	<b>(1,567)</b>	<b>(28)</b>

<b>Segment Revenue</b>				
- Investment Holding	29	11	29	11
- Waste Recycling	2,305	1,928	2,305	1,928
- Retailing	33,413	9,332	33,413	9,332
<b>External Revenue</b>	<b>35,747</b>	<b>11,271</b>	<b>35,747</b>	<b>11,271</b>

<b>Segment profit/(Loss)</b>				
- Investment Holding	(223)	(112)	(223)	(112)
- Waste Recycling	188	436	188	436
- Retailing	510	(3,195)	510	(3,195)
	475	(2,871)	475	(2,871)
Finance costs	(100)	(157)	(100)	(157)
<b>Consolidated profit/(loss) before taxation</b>	<b>375</b>	<b>(3,028)</b>	<b>375</b>	<b>(3,028)</b>

As at      As at  
30/09/22   30/09/21  
RM'000    RM'000

<b>Segment assets (i)</b>		
- Investment Holding	9,003	7,136
- Waste Recycling	2,787	1,047
- Retailing	140,257	129,450
	<b>152,047</b>	<b>137,633</b>

(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

	<-- 3 Months Ended 30 September 2022-->				<--3 Months Ended 30 September 2021-->			
	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
<b>Profit or loss</b>								
Total profit/(loss) for reportable segments	510	(223)	188	475	(3,195)	(112)	436	(2,871)
Finance costs	(100)	-	-	(100)	(157)	-	-	(157)
Consolidated profit/(loss) before tax	410	(223)	188	375	(3,352)	(112)	436	(3,028)

	<-- 3 Months Ended 30 September 2022-->				<--3 Months Ended 30 September 2021-->			
	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
<b>Assets</b>								
Total assets for reporting segments	140,257	9,003	2,787	152,047	129,450	7,136	1,047	137,633
Elimination of inter-segment balances	-	-	-	-	-	(2,891)	-	(2,891)
Consolidated total assets	140,257	9,003	2,787	152,047	129,450	4,245	1,047	134,742

### 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 30 September 2022.

### A11. CHANGES IN COMPOSITION OF THE GROUP

There were no material changes in the composition of the Group during the current financial period ended 30 September 2022.

### A12. CONTINGENT LIABILITIES

The Group does not have any contingent liabilities as at 30 September 2022.

### A13. RECURRENT RELATED PARTY TRANSACTIONS

The recurrent related party transactions of the Group for the financial period ended 30 September 2022 are as follows:

<b>Transaction parties</b>	<b>Nature of transaction</b>	<b>Current Quarter 30/09/2022 RM'000</b>	<b>Cumulative Year to Date 30/09/2022 RM'000</b>
Expert Resource Management Sdn Bhd	Trading of plastic, scrap and scrap ferrous metal	597	597
Earthwise Resources Sdn Bhd	Trading of wastepaper, plastic scrap and scrap ferrous metal	223	223
Sing Foong Niap Engineering Sdn Bhd	Rental of factory & lorry	132	132
Primahir Recycle Sdn Bhd	Commission	42	42
Ria Insan Sdn Bhd	Transportation	1	1

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.

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**Interim Financial Report for the Financial Period Ended 30 September 2022**

**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	
	30/09/22	30/09/21	30/09/22	30/09/21
	RM'000	RM'000	RM'000	RM'000
<b>Segment Revenue</b>				
- Investment Holding	29	11	29	11
- Waste Recycling	2,305	1,928	2,305	1,928
- Retailing	33,413	9,332	33,413	9,332
	<u>35,747</u>	<u>11,271</u>	<u>35,747</u>	<u>11,271</u>
<b>Segment profit/(Loss)</b>				
- Investment Holding	(223)	(112)	(223)	(112)
- Waste Recycling	188	436	188	436
- Retailing	510	(3,195)	510	(3,195)
	<u>475</u>	<u>(2,871)</u>	<u>475</u>	<u>(2,871)</u>

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

For the current quarter under review, the Group recorded a revenue of RM35.75 million, representing an increase of 217.16% as compared to the previous year's corresponding quarter of RM11.27 million. The Group reported a profit before taxation of RM 0.38 million compared to a loss before taxation of RM3.03 million in the previous year's corresponding quarter.

**Retail Segment**

For the current quarter under review, the Retail segment reported significant improvement of financial performance as compared to previous year's corresponding period ended 30 September 2021. Revenue increase 258.04% to RM 33.41 million and reported a profit of RM 0.51 million as compared to loss RM 3.20 million recorded in same quarter of previous year . The improvement of financial performance was due to low base effect of poor performance of previous year's corresponding period ended 30 September 2021 in which the result was impacted by Movement Control Order imposed on that time .

### Waste Recycling Segment

The Waste Recycling Segment reported higher revenue of RM 2.31 million as compared to RM 1.93 million recorded in the same quarter of last year. Despite revenue increase, lower profit reported in this quarter RM 0.19 million as compared to RM 0.44 million recorded in previous year's corresponding quarter. The decrease in gross profit margin and higher operating cost are among the factors caused low profit contribution.

### Investment Holding Segment

The Holding Investment Segment reported loss of RM 0.22 million for the quarter under review as compared to loss of RM0.11 million recorded in previous year's corresponding quarter due to corporate advisory expenses incurred in this quarter.

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

	Current Quarter 30/09/22 RM'000	Immediate Preceding Quarter 30/06/22 RM'000	Changes	
			RM'000	%
Revenue	35,748	69,463	(33,715)	(48.54)
Profit/(Loss) from Operations before Interest and Tax	475	(3,193)	3,668	(114.88)
Profit/(Loss) before tax	375	(3,386)	3,761	(111.08)
Profit/(Loss) after tax	(62)	(4,738)	4,676	(98.69)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(62)	(4,738)	4,676	(98.69)

The Group's revenue decreased by 48.54% from RM 69.46 million in the immediate preceding quarter to RM 35.75 million in the current quarter. The decrease in revenue was due to Hari Raya festival holiday sales recorded in previous quarter.

The Group reported a profit before taxation of RM 0.38 million in current quarter as compared to loss before taxation of RM 3.39 million recorded in previous quarter in which the performance was impacted by the additional amount payable to licensor of RM 18.10 million.

**B3. COMMENTARY ON PROSPECTS**

The outlook of retailing segment remain challenging particularly for non-essential retail sector . The Board is looking forward to realise part of investment in retailing and increase investment in waste recycling business to broaden the contribution and reduce the dependency on retailing business .

**B4. PROFIT FORECAST OR PROFIT GUARANTEE**

Not applicable to the Group.

**B5. TAXATION**

The taxation charge for the period as below: :

	Current Quarter RM'000	Year-To-Date RM'000
Current period income tax	<u>437</u>	<u>437</u>

The Group's effective tax rate for the financial period was higher than the statutory tax rate of 24% mainly due to unable offset the profit with losses of the companies within the group .

**B6. CORPORATE PROPOSALS**

Save as disclosed below ,there were no outstanding corporate proposals announced but not completed within 7 days from the date of issue of this report.

On 22 September 2022 , the Company had entered into following agreements :-

- (i) a conditional share sale agreement for the proposed disposals of the entire equity interests in Active Fit Sdn Bhd and MESB Capital & Development Sdn Bhd as well as 45% equity interest in Miroza Leather (M) Sdn Bhd to Trend Navigator Sdn Bhd for a total cash consideration of RM 46,000,000 ; and
- (ii) a conditional share purchase agreement for the proposed acquisitions of the entire equity interests in N.U Recycle Sdn Bhd ,Formidex Sdn Bhd and Waier Trading Sdn Bhd from Lotus Essential Sdn Bhd ,Datuk Wong Sak Kuan and Lee Wai Fun for a total cash consideration of RM 51,000,000 .



## B7. BORROWINGS AND DEBT SECURITIES

The Group borrowings as at 30 September 2022 as follow:-

	RM'000
Short Term	
Banker's acceptance	1,073
Term loans	713
Bank Overdraft	494
	<u>2,280</u>
Long Term	
Term loans	510
Total	<u>2,790</u>

## B8. CHANGES IN MATERIAL LITIGATIONS

The Group is not engaged in any material litigation at the end of reporting period .

## B9. DIVIDEND

No dividend has been declared nor recommended for financial year ended 30 June 2022

## 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)	(62)	(62)
Weighted average number of ordinary shares (in thousand)	116,361	116,361
Basic earnings per share (sen)	(0.05)	(0.05)

## B11. PROFIT FOR THE PERIOD

	Current Quarter 30/09/22 RM'000	Cumulative Year to Date 30/09/22 RM'000
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This is arrived after(charging)/crediting :-

Interest Income	241	241
Write back/(written off) of inventories	515	515
Finance costs	-100	-100
Depreciation and amortisation	363	363
Net unrealised loss/(gain)on foreign exchange	-962	-962
	<hr/>	<hr/>
	57	57
	<hr/>	<hr/>

## 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 .