

MESB BERHAD [Registration No.: 199501008356 (337554-D)]
Interim Financial Report for the Financial Period Ended 31 March 2023

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 period ended 31 March 2023, 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 – March 2023	31,502
As at 31 March 2023		144,294

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. The exercise rights of the Warrants had been expired at 5.00 p.m on 30 December 2022.

A7. DIVIDENDS PAID

There were no dividends paid during the year.

A8. SEGMENTAL INFORMATION

(i) Continuing operations

	Individual Quarter		Cumulative Quarters	
	31/03/23	31/03/22	31/03/23	31/03/22
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
- Investment Holding	-	-	-	-
- Waste Recycling	2,694	2,931	7,334	8,019
- Retailing	41,165	43,414	113,078	98,376
Total Revenue	43,859	46,345	120,412	106,395
Segment Revenue				
- Investment Holding	-	-	-	-
- Waste Recycling	-	-	-	-
- Retailing	(76)	(213)	(2,090)	(213)
Inter-Segment Revenue	(76)	(213)	(2,090)	(213)
Segment Revenue				
- Investment	-	-	-	-
- Waste Recycling	2,694	2,931	7,334	8,019
- Retailing	41,089	43,201	110,988	98,163
External Revenue	43,783	46,132	118,322	106,182
Segment profit/(Loss)				
- Investment Holding	(457)	(145)	(1,689)	(548)
- Waste Recycling	169	413	515	1,089
- Retailing	5,852	7,219	14,385	13,902
	5,564	7,487	13,211	14,443
Finance costs	(89)	(252)	(224)	(523)
		-		
Consolidated profit/(loss) before taxation	5,475	7,235	12,987	13,920

(ii) Discontinued operations

	Individual Quarter		Cumulative Quarters	
	31/03/23	31/03/22	31/03/23	31/03/22
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
- Investment	18	23	68	38
- Waste Recycling	-	-	-	-
- Retailing	11,450	9,832	28,008	23,224
Total Revenue	<u>11,468</u>	<u>9,855</u>	<u>28,076</u>	<u>23,262</u>
Segment Revenue				
- Investment	-	-	-	-
- Waste Recycling	-	-	-	-
- Retailing	(68)	(146)	(205)	(410)
Inter-Segment Revenue	<u>(68)</u>	<u>(146)</u>	<u>(205)</u>	<u>(410)</u>
Segment Revenue				
- Investment	18	23	68	38
- Waste Recycling	-	-	-	-
- Retailing	11,382	9,686	27,803	22,814
External Revenue	<u>11,400</u>	<u>9,709</u>	<u>27,871</u>	<u>22,852</u>
Segment profit/(Loss)				
- Investment	(3)	(10)	9	(28)
- Waste Recycling	-	-	-	-
- Retailing	725	1,084	505	1,765
	<u>722</u>	<u>1,074</u>	<u>514</u>	<u>1,737</u>
Finance costs	(40)	(26)	(66)	(63)
		-		
Consolidated profit/(loss) before taxation	<u>682</u>	<u>1,048</u>	<u>448</u>	<u>1,674</u>

(iii) Segment Assets

	9 Months Ended 31 March 2023						30.06.2022
	Continuing operations			Discontinued operations		Total	Total
	Retailing RM'000	Investment Holding RM'000	Waste Recycling RM'000	Retailing RM'000	Investment RM'000		
Segment Assets							
Total assets for reporting segments	116,355	12,194	2,918	43,843	2,520	177,830	150,846
Elimination of inter-segment balances	-	-	-	(32)	-	(32)	(85)
Consolidated total assets	<u>116,355</u>	<u>12,194</u>	<u>2,918</u>	<u>43,811</u>	<u>2,520</u>	<u>177,798</u>	<u>150,761</u>

(Discontinued operations solely comprise of Mesb Capital & Development Sdn Bhd and Active Fit Sdn Bhd)

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 March 2023.

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 March 2023

A12. CONTINGENT LIABILITIES

The Group does not have any contingent liabilities as at 31 March 2023 .

A13. RECURRENT RELATED PARTY TRANSACTIONS

The recurrent related party transactions of the Group for the financial period ended 31 March 2023 are as follows:

Transaction parties	Nature of transaction	Current Quarter 31/03/2023 RM'000	Cumulative Year to Date 31/03/2023 RM'000
Expert Resource Management Sdn Bhd	Trading of plastic, scrap and scrap ferrous metal	1,089	2,430
Earthwise Resources Sdn Bhd	Trading of wastepaper, plastic scrap and scrap ferrous metal	133	503
Sing Foong Niap Engineering Sdn Bhd	Rental of factory & lorry	132	395
Primahir Recycle Sdn Bhd	Commission	37	112
Ria Insan Sdn Bhd	Transportation	11	16

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

-Continuing operations

	Individual Quarter		Cumulative Quarters	
	31/03/23	31/03/22	31/03/23	31/03/22
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
- Investment	0	0	0	0
- Waste Recycling	2,694	2,931	7,334	8,019
- Retailing	41,089	43,201	110,988	98,163
	<u>43,783</u>	<u>46,132</u>	<u>118,322</u>	<u>106,182</u>
Segment profit/(Loss)				
- Investment Holding	(457)	(145)	(1,689)	(548)
- Waste Recycling	169	413	515	1,089
- Retailing	5,852	7,219	14,385	13,902
	<u>5,564</u>	<u>7,487</u>	<u>13,211</u>	<u>14,443</u>

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

For the 3rd quarter under review, the Group(continuing operations) recorded a revenue of RM43.78 million, representing a decrease of 5.09% as compared to the previous year's corresponding quarter of RM46.13 million. The Group reported a profit before taxation(continuing operation) of RM5.48 million compared to RM7.24 million recorded in the previous year's corresponding quarter.

Retail Segment

The retail segment reported a revenue of RM41.09 million for the current quarter ,indicating a 4.89% decrease compared to RM43.20 million recorded in the corresponding quarter of the previous year .The decline in revenue was attributed to the rising cost of living, which has caused consumers to be more cautious with their spending particularly on non essential items, resulting in a lower sales contribution from Chinese New Year festive season. Consequently, the retail segment profit decreased by 18.94% to RM5.85 million as compared to RM7.22 million recorded in the corresponding quarter of the previous year .

Waste Recycling Segment

The Waste Recycling Segment reported lower revenue of RM 2.69 million as compared to RM 2.93 million recorded in the same quarter of last year . Lower sales contribution couple with higher operation cost resulted current quarter reporting lower profit of RM0.17 million as compared to RM0.41 million recorded in the previous year's corresponding quarter .

Investment Holding Segment

The Investment Holding Segment reported a loss of RM0.46 million for the quarter under review as compared to loss of RM0.15 million recorded in previous year's corresponding quarter due to corporate advisory expenses and higher payroll cost .

b) Current period against preceding year's corresponding period

Profit before taxation for the financial period ended 31 March 2023 was RM12.99 million as compared to RM13.92 million for the same period of previous year . The decline in profit was mainly due to higher corporate advisory expenses incurred in the period .

Retail Segment

For the financial year to date, the Retail segment reported revenue of RM110.99 million, an increase of 13.07% compared to RM98.16 million reported in last year. The increase of revenue was due to low base effect of 1st quarter of previous year in which the performance was impacted by Covid -19 Movement Control Order. Despite reported higher sales, the profit was increase slightly by RM0.48 million as the Company had received government wages subsidy and royalties rebate in the period of last year.

Waste Recycling Segment

The Waste Recycling segment reported lower revenue of RM7.33 million as compared to RM8.02 million recorded in the previous year's corresponding period. The decrease in revenue was caused by lower sales volume and resulted lesser profit reported in the current period.

Investment Holding Segment

The Investment Holding segment reported higher losses of RM1.69 million as compared to RM0.55 million recorded in the previous year's corresponding period due to the corporate advisory expenses and higher payroll cost incurred in the period.

- Discontinued operations

	Individual Quarter		Cumulative Quarters	
	31/03/23	31/03/22	31/03/23	31/03/22
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
- Investment	18	23	68	38
- Waste Recycling	0	0	0	0
- Retailing	11,382	9,686	27,803	22,814
	<u>11,400</u>	<u>9,709</u>	<u>27,871</u>	<u>22,852</u>
Segment profit/(Loss)				
- Investment	(3)	(10)	9	(28)
- Waste Recycling	0	0	0	0
- Retailing	725	1,084	505	1,765
	<u>722</u>	<u>1,074</u>	<u>514</u>	<u>1,737</u>

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

The Group's discontinued operation performance mainly contributed from retailing segment. For the 3rd quarter under review, the Group(discontinued operation) recorded a revenue of RM11.40 million, representing an increase of 17.42% as compared to the previous year's corresponding quarter of RM9.71 million. The Group(discontinued operations) reported a profit before taxation(discontinued operations) of RM0.68 million compared to RM1.05 million recorded in the previous year's corresponding quarter.

The increased in revenue for current quarter was mainly caused by shifting calendar month of celebration Hari Raya Aidilfitri to April,2023 resulting part of this festive season sales recorded in March,2023. The segment profit reported lower profit of RM0.72 million as compared to RM1.07 million reported in the same period of last year due to higher operating expenses arising from accrual expenses of a licensing agreement.

d) Current period against preceding year's corresponding period

Profit before taxation (discontinued operation) for the financial period ended 31 March 2023 was RM0.45 million as compared to RM1.67 million for the same period of previous year. For the financial year to date, the Group (discontinued operations) reported revenue of RM27.87 million, an increase of 21.97% compared to RM22.85 million reported in last year. The increase of revenue was due to low base effect of 1st quarter of previous year in which the performance was impacted by Covid -19 Movement Control Order. Despite reported higher sales, the accrual expenses arising from a licensing agreement resulted segmental profit decrease from RM1.74 million to RM0.51 million.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

(i) Continuing operations

	Current Quarter 31/03/23 RM'000	Immediate Preceding Quarter 31/12/22 RM'000	Changes	
			RM'000	%
Revenue	43,783	45,073	(1,290)	-2.86%
Profit/(Loss) from Operations before Interest and Tax	5,564	5,925	(361)	-6.09%
Profit/(Loss) before tax	5,474	5,873	(399)	-6.79%
Profit/(Loss) after tax	4,215	3,578	637	17.80%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	4,215	3,578	637	17.80%

The Group's(continuing operations) revenue decreased slightly by 2.86% from RM45.07 million in the immediate preceding quarter to RM43.78 million in the current quarter. The profit before taxation also decreased in line of sales, from RM 5.87million to RM5.47 million.

(ii) Discontinued operations

	Current Quarter 31/03/23 RM'000	Immediate Preceding Quarter 31/12/22 RM'000	Changes	
			RM'000	%
Revenue	11,400	10,190	1,210	11.87%
Profit/(Loss) from Operations before Interest and Tax	723	1,039	(316)	-30.41%
Profit/(Loss) before tax	683	1,030	(347)	-33.69%
Profit/(Loss) after tax	(42)	1,030	(1,072)	-104.08%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(42)	1,030	(1,072)	-104.08%

The Group's (discontinued operations) revenue increased by 11.87% from RM10.19 million in the immediate preceding quarter to RM11.40 million in the current quarter. The growth in sales was mainly contributed by strong performance of kids and baby apparels. However, current quarter reported a lower profit before taxation due to higher operational costs.

B3. COMMENTARY ON PROSPECTS

The Board is looking forward to realizing a part of the investment in retailing by June 2023 and investing in waste recycling business to make better contribution to the Group. For the remaining retailing business, the Board remains focused on operating efficiency and optimizing the working capitals to minimize the impact of inflation caused by increases in minimum wages, interest rate and material costs.

B4. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable to the Group.

B5. TAXATION

The taxation (including discontinued operations) charge for the period as below: :

	Current Quarter RM'000	Year-To-Date RM'000
Current period income tax	1,984	4,716

The Group's effective tax rate for the financial period was higher than the statutory tax rate of 24% mainly due to certain expenses are not tax deductible and under provision of taxation for the financial year ended 30.06.2022.

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 31 March 2023 as follow:-

(i) Continuing operations

	RM'000
Short Term	
Banker's acceptance	3,683
Term loans	742
	<hr/>
	4,425
Long Term	
Term loans	73
	<hr/>
Total	<u>4,498</u>

(ii) Discontinued operations

	RM'000
Short Term	
Banker's acceptance	6,373
	<hr/>
Total	<u>6,373</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 period ended 31 March 2023.

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 :-

(i) Continuing operations

	Current Quarter	Year-To-Date
Net profit attributable to ordinary equity holders of the Company (RM'000)	4,216	8,996
Weighted average number of ordinary shares (in thousand)	144,225	128,961
Basic earnings per share (sen)	2.92	6.97

(ii) Discontinued operations

	Current Quarter	Year-To-Date
Net profit attributable to ordinary equity holders of the Company (RM'000)	-42	-277
Weighted average number of ordinary shares (in thousand)	144,225	128,961
Basic earnings per share (sen)	-0.03	-0.21

B11. PROFIT FOR THE PERIOD

	Current Quarter 31/03/23 RM'000	Cumulative Year to Date 31/03/23 RM'000
This is arrived after(charging)/crediting :-		
Interest Income	194	657
Write back/(written off) of inventories	-244	450
Finance costs	-130	-291
Depreciation and amortisation	-350	-1,063
	<u>-530</u>	<u>-247</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 .