

MESB BERHAD [Registration No.: 199501008356 (337554-D)]
Interim Financial Report for the Financial Year Ended 30 June 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 quarter ended 30 June 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 – June 2023	31,502
As at 30 June 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	
	30/06/23	30/06/22	30/06/23	30/06/22
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
- Investment Holding	-	-	-	-
- Waste Recycling	3,451	2,665	10,785	10,684
- Retailing	37,666	50,697	150,744	149,073
Total Revenue	41,117	53,362	161,529	159,757
Segment Revenue				
- Investment Holding	-	-	-	-
- Waste Recycling	(15)	-	(15)	-
- Retailing	13	(533)	(2,076)	(746)
Inter-Segment Revenue	(2)	(533)	(2,091)	(746)
Segment Revenue				
- Investment	-	-	-	-
- Waste Recycling	3,436	2,665	10,770	10,684
- Retailing	37,679	50,164	148,668	148,327
External Revenue	41,115	52,829	159,438	159,011
Segment profit/(Loss)				
- Investment Holding	1,450	(217)	(237)	(643)
- Waste Recycling	272	318	787	1,406
- Retailing	3,921	8,951	18,478	22,747
	5,643	9,052	19,028	23,510
Finance costs	(107)	(151)	(332)	(641)
		-		
Consolidated profit/(loss) before taxation	5,536	8,901	18,696	22,869

	As at 30/06/23 RM'000	As at 30/06/22 RM'000
Segment assets (i)		
- Investment Holding	55,114	4,381
- Waste Recycling	14,828	3,075
- Retailing	104,301	108,850
	<u>174,243</u>	<u>116,306</u>

(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

(ii) Segment assets for 30.06.2022 excluding discontinued operation.

(ii) **Discontinued operations**

	Individual Quarter		Cumulative Quarters	
	16/06/23	30/06/22	16/06/23	30/06/22
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
- Investment	13	12	81	50
- Waste Recycling	-	-	-	-
- Retailing	12,928	16,748	40,936	39,972
Total Revenue	<u>12,941</u>	<u>16,760</u>	<u>41,017</u>	<u>40,022</u>
Segment Revenue				
- Investment	-	-	-	-
- Waste Recycling	-	-	-	-
- Retailing	(50)	(125)	(255)	(535)
Inter-Segment Revenue	<u>(50)</u>	<u>(125)</u>	<u>(255)</u>	<u>(535)</u>
Segment Revenue				
- Investment	13	12	81	50
- Waste Recycling	-	-	-	-
- Retailing	12,878	16,623	40,681	39,437
External Revenue	<u>12,891</u>	<u>16,635</u>	<u>40,762</u>	<u>39,487</u>
Segment profit/(Loss)				
- Investment	(2)	(2)	7	(31)
- Waste Recycling	-	-	-	-
- Retailing	(926)	(12,247)	(594)	(10,495)
	<u>(928)</u>	<u>(12,249)</u>	<u>(587)</u>	<u>(10,526)</u>
Finance costs	(73)	(43)	(139)	(138)
		-		
Consolidated profit/(loss) before taxation	<u>(1,001)</u>	<u>(12,292)</u>	<u>(726)</u>	<u>(10,664)</u>

	As at 16/06/23 RM'000	As at 30/06/22 RM'000
Segment assets (ii)		
- Investment	2,496	2,516
- Waste Recycling	-	-
- Retailing	39,715	32,339
	<u>42,211</u>	<u>34,855</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 2023.

A11. CHANGES IN COMPOSITION OF THE GROUP

There were material changes in the composition of the Group during the financial year ended 30 June 2023 .

The list of subsidiaries of Mesb Berhad :-

- Miroza Leather (M) Sdn Bhd
- MESB Resources Sdn Bhd
- N.U. Recycle Sdn Bhd
- Formidex Sdn Bhd
- Waier Trading Sdn Bhd

A12. CONTINGENT LIABILITIES

The Group does not have any contingent liabilities as at 30 June 2023.

A13. RECURRENT RELATED PARTY TRANSACTIONS

The recurrent related party transactions of the Group for the financial year ended 30 June 2023 are as follows:

Transaction parties	Nature of transaction	Current Quarter 30/06/2023 RM'000	Cumulative Year to Date 30/06/2023 RM'000
Expert Resource Management Sdn Bhd	Trading of plastic, scrap and scrap ferrous metal	892	3,323
Earthwise Resources Sdn Bhd	Trading of wastepaper, plastic scrap and scrap ferrous metal	107	611
Sing Foong Niap Engineering Sdn Bhd	Rental of factory & lorry & Provision of sludge waste disposal	450	844
Primahir Recycle Sdn Bhd	Commission	33	145
Ria Insan Sdn Bhd	Transportation	78	93
Jordone Corporation Sdn Bhd	Rental of warehouse and office	23	23
Active Fit Sdn Bhd	Rental of office ,advertising and Consignment sales	13	13

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

(i) Continuing operations

	Individual Quarter		Cumulative Quarters	
	30/06/23	30/06/22	30/06/23	30/06/22
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
- Investment	0	0	0	0
- Waste Recycling	3,436	2,665	10,770	10,684
- Retailing	37,679	50,164	148,668	148,327
	<u>41,115</u>	<u>52,829</u>	<u>159,438</u>	<u>159,011</u>
Segment profit/(Loss)				
- Investment Holding	1,450	(217)	(237)	(643)
- Waste Recycling	272	318	787	1,406
- Retailing	3,921	8,951	18,478	22,747
	<u>5,643</u>	<u>9,052</u>	<u>19,028</u>	<u>23,510</u>

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

In the fourth quarter under review, the Group's continuing operations achieved a revenue of RM41.12 million, marking a 22.17% decrease compared to the corresponding quarter of the previous year, which had a revenue of RM52.83 million. Additionally, the Group reported a profit before taxation for its continuing operations, amounting to RM5.54 million, as opposed to the RM8.90 million recorded in the same quarter of the previous year.

Retail Segment

The retail segment reported a revenue of RM37.68 million, reflecting a decline of 24.89% in comparison to the RM50.16 million achieved in the corresponding quarter of the prior year. The reduction in revenue was primarily attributed to the shifting of the Hari Raya Aidilfitri celebration to April 2023, resulting in a portion of the festive season's sales being accounted for in March 2023. Alongside the decrease in sales recorded during this quarter, the retail segment's profit also experienced a decline, dropping from RM8.95 million to RM3.92 million when contrasted with the corresponding quarter of the preceding year.

Waste Recycling Segment

The acquisition of three companies has contributed additional sales to RM3.43 million as compare to RM2.67 million recorded in the quarter of June 2022. However, the increase in operation cost has resulted lower profit be reported in this quarter RM0.27 million as compared to same quarter of last year RM0.32 million.

Investment Holding Segment

The Investment Holding Segment reported a profit of RM1.45 million for the quarter under review as compared to a loss of RM0.22 million recorded in previous year's corresponding quarter due to disposal gained from the disposed companies.

b) Current year against preceding year

Profit before taxation for the financial year ended 30 June 2023 was RM18.70 million as compared to RM22.87 million recorded in previous year. Higher profit before taxation in prior year was due to company's receipt of government wages subsidies and royalty rebates.

Retail Segment

For the financial year under review, the Retail segment reported revenue of RM148.67 similar to the sales recorded in prior year RM148.33 million. Despite, no material improvement in revenue, the profit was decreased by RM4.27 million to RM18.48 million as compare to RM 22.75 million recorded in prior year. The notable increase in segment profit in the prior year was attributed to the company's receipt of government wage subsidies and royalty rebates.

Waste Recycling Segment

Despite additional sales contribution from the new acquired companies, the Waste Recycling segment reported revenue of RM10.77 million similar to last year sales of RM 10.68 million. Lower sales volume reported by the existing operational company and higher operation cost resulted lesser profit reported in the current year RM0.79 million as compared to RM1.41 million recorded in previous year.

Investment Holding Segment

The Investment Holding segment reported a reduced loss of RM0.24 million in comparison to the RM0.64 million recorded in the preceding year, attributable to gains from the divestment of certain companies.

-Discontinued operations

	Individual Quarter		Cumulative Quarters	
	16/06/23	30/06/22	16/06/23	30/06/22
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
- Investment	13	12	81	50
- Waste Recycling	0	0	0	0
- Retailing	12,878	16,623	40,681	39,437
	<u>12,891</u>	<u>16,635</u>	<u>40,762</u>	<u>39,487</u>
Segment profit/(Loss)				
- Investment	(2)	(2)	7	(31)
- Waste Recycling	0	0	0	0
- Retailing	(926)	(12,247)	(594)	(10,495)
	<u>(928)</u>	<u>(12,249)</u>	<u>(587)</u>	<u>(10,526)</u>

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

The discontinued operation performance mainly contributed from retailing segment. For the 4th quarter under review, the Group (discontinued operation) recorded a revenue of RM12.89 million, representing a decrease of 22.53% as compared to the previous year's corresponding quarter of RM16.64 million. The Group(discontinued operations) reported a loss before taxation(discontinued operations) of RM1.0 million compared to loss RM12.29 million recorded in the previous year's corresponding quarter.

The decreased in revenue for current quarter was mainly caused by shifting calendar month of celebration Hari Raya Aidilfitri to April 2023 resulting portion of this festive season sales accounted for in March 2023. The segment loss reported a loss of RM0.93 million as compared to RM12.25 million reported in the same period of last year due to higher operating expenses arising from accrual of a licensing agreement recorded in the 4th quarter of last year.

d) Current year against preceding year

Loss before taxation(discontinued operation) for the year ended 30 June 2023 was RM0.73 million as compared to RM10.66 million recorded in previous year .The revenue was marginally increased by 3.24% to RM40.76 million as compared to RM39.49 million recorded in previous year, The segment loss decrease significantly from RM10.53 million recorded in last year to RM0.59 million reported in current year mainly due to higher accrual expenses arising from a licensing agreement in last year .

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

(i) Continuing operations

	Current	Immediate	Changes	
	Quarter 30/06/23 RM'000	Preceding Quarter 31/03/23 RM'000	RM'000	%
Revenue	41,115	43,783	(2,668)	-6.09%
Profit/(Loss) from Operations before Interest and Tax	5,643	5,718	(75)	-1.31%
Profit/(Loss) before tax	5,535	5,628	(93)	-1.65%
Profit/(Loss) after tax	4,648	4,369	279	6.39%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	4,652	4,369	283	6.48%

The Group(continuing operations) revenue decreased by 6.09% from RM43.78 million in the immediate preceding quarter to RM41.12 million in the current quarter .Higher sales reported in 3rd quarter due to it include the festive season sales of Chinese New Year and Hari Raya Aidilfitri. The profit before taxation also decreased in line of sales from RM 5.63 million to RM5.54 million.

(ii) Discontinued operations

	Current	Immediate	Changes	
	Quarter 30/06/23 RM'000	Preceding Quarter 31/03/23 RM'000	RM'000	%
Revenue	12,891	11,400	1,491	13.08%
Profit/(Loss) from Operations before Interest and Tax	(928)	568	(1,496)	-263.38%
Profit/(Loss) before tax	(1,001)	529	(1,530)	-289.22%
Profit/(Loss) after tax	(1,318)	(196)	(1,122)	572.45%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(1,318)	(196)	(1,122)	572.45%

The Group(discontinued operations) revenue increased by 13.08% from RM11.40 million in the immediate preceding quarter to RM12.89 million in the current quarter mainly due to better performance of kids and baby apparels .Loss profit before taxation reported in current quarter was due to higher operation cost.

B3. COMMENTARY ON PROSPECTS

The Board is anticipating a heightened contribution from the waste recycling business following the partial divestment of investments in retailing on June 16, 2023. Regarding the residual retailing operation, the Board acknowledges the persistently challenging consumer market and intends to maintain its emphasis on operational efficiency and the optimization of working capital.

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	1,204	5,920

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

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

The Proposal announced on 22 September 2022 was completed on 16 June 2023.

(i) Utilisation of the proceeds from the Proposed Disposal

Purpose	Proposed Utilisation RM'000	Intended time frame for utilisation from 16 June 2023 RM'000	Actual proceeds raised RM'000	Actual utilisation up to 30 June 2023 RM'000	Balance available RM'000
(i) Part settlement of the purchase consideration for the Purchase Consideration	*46,000	24 months	44,000	44,000	Nil
(ii) Estimated expenses	1,300	Upon completion of the Proposal			

* Outstanding of RM2,000,000 pending completion transfer of the remaining 20% of Active Fit Sdn Bhd shares .

(ii) Financial effects arising from disposal

(a) Discontinued operation

	RM'000
Property, plant and equipment	3,560
Inventories	14,798
Trade receivables	6,270
Other receivables, Deposits and prepayments	255
Amount owing by a related company	7
Cash and cash equivalents	7,404
Fixed deposit with licensed bank	10,044
Trade payables	(1,356)
Other payables and accruals	(22,820)
Hire Purchase payables	(6)
Current tax asset	(73)
Banker acceptance	(7,506)
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Carrying amount of net assets disposed of	10,577
Less: Fair value of equity interests retained as asset held for sales	(1,619)
Less: Net disposal proceeds	(11,000)
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Loss/(Gain) on disposal share of subsidiaries	(2,042)

(b) Continuing operations

	RM'000
Decrease in company's ownership interest	38,175
Less: Net disposal proceeds	(33,000)
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Loss/(Gain) on disposal of 45% share of a subsidiary	5,175

B7. BORROWINGS AND DEBT SECURITIES

The Group borrowings as at 30 June 2023 as follow:-

	RM'000
Short Term	
Banker's acceptance	4,895
Term loans	627
Lease Liabilities (Hire Purchase)	<u>333</u>
	5,855
Long Term	
Lease Liabilities (Hire Purchase)	414
Total	<u>6,269</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 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)	4,654	13,822
Weighted average number of ordinary shares (in thousand)	144,294	132,784
Basic earnings per share (sen)	3.22	10.41

(ii) Discontinued operations

	Current Quarter	Year-To- Date
Net profit attributable to ordinary equity holders of the Company (RM'000)	-1,318	-1,768
Weighted average number of ordinary shares (in thousand)	144,294	132,784
Basic earnings per share (sen)	-0.91	-1.33

B11. PROFIT FOR THE PERIOD

	Current Quarter 30/06/23 RM'000	Financial Year Ended 30/06/23 RM'000
This is arrived after(charging)/crediting :-		
Interest Income	297	954
Write back/(written off) of inventories	434	884
Finance costs	-180	-471
Depreciation and amortisation	-353	-1,416
Disposal gained/(loss) in subsidiaries	2,041	2,041
	<hr/>	<hr/>
	2,239	1,992

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 .