

MESB BERHAD [Registration No.: 199501008356 (337554-D)]
Interim Financial Report for the Financial Period Ended 30 September 2024

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 2024.

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 2024 except for the following adoption of new standards, amendments and interpretation that have been issued by the Malaysian Accounting Standards but are not yet effective for the current financial year :-

| MFRs and/or IC Interpretations | Effective Date |
|---|----------------|
| • <i>MFRS 18 Presentation and Disclosure In Financial Statements</i> | 1 January 2027 |
| • <i>MFRS 19 Subsidiaries without Public Accountability : Disclosures</i> | 1 January 2027 |
| • <i>Amendments to MFRS 9 and MFRS 7:Amendments to the Classification and Measurement of Financial Instruments</i> | 1 January 2026 |
| • <i>Amendments to MFRS 10 and MFRS 128:Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> | Deferred |
| • <i>Amendments to MFRS121,Lack of Exchangeability</i> | 1 January 2025 |
| • <i>Annual Improvements to MFRS Accounting Standards – Volume 11</i> | 1 January 2026 |

A2. AUDIT REPORT QUALIFICATION

The audit report on the financial statements for the financial year ended 30 June 2024 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 the estimates of amounts reported in prior financial years that had a material effect on the current quarter and financial year-to-date,

A6. DEBTS AND EQUITY SECURITIES

There was no issuance, cancellation, repurchase, resale or repayment of debt and equity securities in the financial year under review.

A7. DIVIDENDS PAID

There were no dividends paid during the financial period ended 30 September 2024.

A8. SEGMENTAL INFORMATION

| | Individual Quarter | | Cumulative Quarters | |
|--|--------------------|---------------|---------------------|---------------|
| | 30/09/24 | 30/09/23 | 30/09/24 | 30/09/23 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Segment Revenue | | | | |
| - Investment Holding | - | - | - | - |
| - Waste Recycling | 11,412 | 9,570 | 11,412 | 9,570 |
| - Retailing | 23,954 | 23,998 | 23,954 | 23,998 |
| Total Revenue | 35,366 | 33,568 | 35,366 | 33,568 |
| Segment Revenue | | | | |
| - Investment Holding | - | - | - | - |
| - Waste Recycling | (43) | (54) | (43) | (54) |
| - Retailing | - | - | - | - |
| Inter-Segment Revenue | (43) | (54) | (43) | (54) |
| Segment Revenue | | | | |
| - Investment Holding | - | - | - | - |
| - Waste Recycling | 11,369 | 9,516 | 11,369 | 9,516 |
| - Retailing | 23,954 | 23,998 | 23,954 | 23,998 |
| External Revenue | 35,323 | 33,514 | 35,323 | 33,514 |
| Segment profit/(Loss) | | | | |
| - Investment Holding | (185) | (241) | (185) | (241) |
| - Waste Recycling | 1,444 | 1,557 | 1,444 | 1,557 |
| - Retailing | (1,452) | (626) | (1,452) | (626) |
| | (193) | 690 | (193) | 690 |
| Finance costs | (63) | (83) | (63) | (83) |
| Consolidated profit/(loss) before taxation | (256) | 607 | (256) | 607 |

| | As at | As at |
|-----------------------|----------------|----------------|
| | 30/09/24 | 30/09/23 |
| | RM'000 | RM'000 |
| Segment assets | | |
| - Investment Holding | 45,926 | 55,122 |
| - Waste Recycling | 22,955 | 16,182 |
| - Retailing | 110,693 | 111,706 |
| | 179,574 | 183,010 |

Reconciliations of reportable segment profit or loss and assets

| | <--- 3 Months Ended 30 September 2024---> | | | | <--- 3 Months Ended 30 September 2023---> | | | |
|---|---|---------------------------|---------------------|-----------------|---|---------------------------|---------------------|-----------------|
| | Investment Holding RM'000 | Waste Recycling RM'000 | Retailing RM'000 | Total RM'000 | Investment Holding RM'000 | Waste Recycling RM'000 | Retailing RM'000 | Total RM'000 |
| Profit or loss | | | | | | | | |
| Total profit/(loss) for reportable segments | (185) | 1,444 | (1,452) | (193) | (241) | 1,557 | (626) | 690 |
| Finance costs | - | (13) | (50) | (63) | - | (21) | (62) | (83) |
| Consolidated profit/(loss) before tax | (185) | 1,431 | (1,502) | (256) | (241) | 1,536 | (688) | 607 |

| | <--- 3 Months Ended 30 September 2024---> | | | | <--- 3 Months Ended 30 September 2023---> | | | |
|---------------------------------------|---|---------------------------|---------------------|-----------------|---|---------------------------|---------------------|-----------------|
| | Investment Holding RM'000 | Waste Recycling RM'000 | Retailing RM'000 | Total RM'000 | Investment Holding RM'000 | Waste Recycling RM'000 | Retailing RM'000 | Total RM'000 |
| Assets | | | | | | | | |
| Total assets for reporting segments | 45,926 | 22,955 | 110,693 | 179,574 | 55,122 | 16,192 | 111,706 | 183,020 |
| Elimination of inter-segment balances | - | - | - | - | - | (10) | - | (10) |
| Consolidated total assets | 45,926 | 22,955 | 110,693 | 179,574 | 55,122 | 16,182 | 111,706 | 183,010 |

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 September 2024.

A11. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the financial period ended 30 September 2024.

A12. CONTINGENT LIABILITIES

The Group does not have any contingent liabilities as at 30 September 2024.

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A13. RECURRENT RELATED PARTY TRANSACTIONS

The recurrent related party transactions of the Group for the financial period ended 30 September 2024 are as follows:

| Transaction parties | Nature of transaction | Current Quarter 30/09/2024 RM'000 | Cumulative Year to Date 30/09/2024 RM'000 |
|-------------------------------------|---|--|--|
| Expert Resource Management Sdn Bhd | Trading of plastic, scrap and scrap ferrous metal | 1,124 | 1,124 |
| Earthwise Resources Sdn Bhd | Trading of wastepaper, plastic scrap and scrap ferrous metal | 104 | 104 |
| Primahir Recycle Sdn Bhd | Commission | 39 | 39 |
| Sing Foong Niap Engineering Sdn Bhd | Rental of factory, lorry & provision of sludge waste disposal | 1,436 | 1,436 |
| Ria Insan Sdn Bhd | Transportation | 292 | 292 |
| Asia KG Fibre Supplier Sdn Bhd | Trading of wastepaper, plastic scrap and scrap ferrous metal | 18 | 18 |

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 | |
|------------------------------|--------------------|--------------------|---------------------|--------------------|
| | 30/09/24 RM'000 | 30/09/23 RM'000 | 30/09/24 RM'000 | 30/09/23 RM'000 |
| Segment Revenue | | | | |
| - Investment Holding | 0 | 0 | 0 | 0 |
| - Waste Recycling | 11,412 | 9,570 | 11,412 | 9,570 |
| - Retailing | 23,954 | 23,998 | 23,954 | 23,998 |
| - Sales to subsidiaries | (43) | (54) | (43) | (54) |
| | <u>35,323</u> | <u>33,514</u> | <u>35,323</u> | <u>33,514</u> |
| Segment profit/(Loss) | | | | |
| - Investment Holding | (185) | (241) | (185) | (241) |
| - Waste Recycling | 1,444 | 1,557 | 1,444 | 1,557 |
| - Retailing | (1,452) | (626) | (1,452) | (626) |
| | <u>(193)</u> | <u>690</u> | <u>(193)</u> | <u>690</u> |

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

During the quarter under review, the Group recorded a revenue of RM35.32 million, reflecting a 5.40% increase compared to RM33.51 million in the corresponding quarter of the previous year. However, the Group reported a loss before taxation of RM0.26 million for this quarter, a decline from the RM0.61 million profit achieved in the same period last year. This downturn was primarily attributed to higher losses incurred in the Retail Segment.

Retail Segment

The Retail segment reported a comparable revenue of RM29.9 million, consistent with the same quarter of the previous year. However, segment losses increased significantly to RM1.45 million this quarter, compared to RM0.63 million in the corresponding period last year. The weaker performance was primarily driven by the clearance of old stock and markdown sales implemented to remain competitive in the market.

Waste Recycling Segment

For the quarter under review, the Waste Recycling segment achieved a revenue growth of 19.48%, increasing from RM9.52 million in the corresponding quarter of the previous year to RM11.37 million. However, the segment's profit declined from RM1.56 million to RM1.44 million, mainly caused by higher operating costs and lower profit margin.

Investment Holding Segment

The Investment Holding segment reported a reduced loss of RM0.19 million, compared to RM0.24 million in the corresponding quarter of the previous year, primarily due to lower operating costs.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

| | Current Quarter 30/09/24 RM'000 | Immediate Preceding Quarter 30/06/24 RM'000 | Changes | |
|--|--|--|----------------|----------|
| | | | RM'000 | % |
| Revenue | 35,323 | 42,352 | (7,029) | -16.60% |
| Profit/(Loss) from Operations before Interest and tax | (193) | 2,272 | (2,465) | -108.49% |
| Profit/(Loss) before tax | (256) | 1,999 | (2,255) | -112.81% |
| Profit/(Loss) after tax | (618) | 1,408 | (2,026) | -143.89% |
| Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent | 58 | 1,117 | (1,059) | -94.81% |

The Group's revenue decreased by 16.60%, falling from RM42.35 million in the immediately preceding quarter to RM35.32 million in the current quarter. The higher sales in the previous quarter were attributed to the inclusion of the Hari Raya Aidilfitri season sales. Consequently, profit before taxation also decreased in line with the sales performance, dropping from profit RM2.0 million to loss RM0.26 million.

B3. COMMENTARY ON PROSPECTS

The Board remains optimistic about the long-term growth potential of the Waste Recycling business segment and is committed to improving efficiency while leveraging synergies among the waste recycling companies. As for the Retail segment, in light of the challenging market conditions, the Board will prioritize optimizing operational efficiency and managing working capital effectively.

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 |
|------------|---------------------------|------------------------|
| Income tax | <u>362</u> | <u>362</u> |

The Group's effective tax rate for the financial period was higher than the statutory tax rate of 24% mainly due to unable to utilize the subsidiary's losses to offset with the profit from other subsidiaries.

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 30 September 2024 as follow:-

| | RM'000 |
|---------------------|------------|
| Short Term | |
| Banker's acceptance | 400 |
| Hire purchase | <u>284</u> |
| | 684 |
| Long Term | |
| Hire purchase | 146 |
| | <u>830</u> |
| Total | <u>830</u> |

B8. CHANGES IN MATERIAL LITIGATIONS

The Group is not engaged in any material litigation for the financial year ended 30 September 2024. .

B9. DIVIDEND

No dividend has been declared nor recommended for financial year ended 30 September 2024.

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 attributable to ordinary equity holders of the Company (RM'000) | 58 | 58 |
| Weighted average number of ordinary shares (in thousand) | 144,294 | 144,294 |
| Basic earnings per share (sen) | 0.04 | 0.04 |

B11. PROFIT FOR THE PERIOD

| | Current Quarter 30/09/24 RM'000 | Cumulative Year to Date 30/09/24 RM'000 |
|--|---------------------------------------|--|
| This is arrived after(charging)/crediting :- | | |
| Interest Income | 247 | 247 |
| Write back/(written off) of inventories | 123 | 123 |
| Finance costs | (63) | (63) |
| Depreciation and amortisation | (804) | (804) |
| | <u>(497)</u> | <u>(497)</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 .