

MESB BERHAD [Registration No.: 199501008356 (337554-D)]  
Interim Financial Report for the Financial Year Ended 30 June 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 2020.

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 2020 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 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*
- *Amendments to MFRS 16, Leases – Covid 19 Related Rent Concessions*

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 2020 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**

##### **Private Placement**

On 24 September 2020, the Company has issued 15,000,000 new ordinary shares at RM0.22 per share via its private placement to eligible investors for a total cash consideration of RM3.30 million.

##### **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 each.

During the financial year ended 30 June 2021, 650,000 units of warrant were converted into ordinary shares at the 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	
	30/06/21	30/06/20	30/06/21	30/06/20
	RM'000	RM'000	RM'000	RM'000
<b>Segment Revenue</b>				
- Investment Holding	4	11	27	43
- Waste Recycling	1,098	-	1,098	-
- Retailing	37,293	20,369	136,002	148,357
<b>Total Revenue</b>	<b>38,395</b>	<b>20,380</b>	<b>137,127</b>	<b>148,400</b>
<b>Segment Revenue</b>				
- Investment Holding	-	-	-	-
- Waste Recycling	-	-	-	-
- Retailing	(128)	(49)	(545)	(591)
<b>Inter-Segment Revenue</b>	<b>(128)</b>	<b>(49)</b>	<b>(545)</b>	<b>(591)</b>
<b>Segment Revenue</b>				
- Investment Holding	4	11	27	43
- Waste Recycling	1,098	-	1,098	-
- Retailing	37,165	20,320	135,457	147,766
<b>External Revenue</b>	<b>38,267</b>	<b>20,331</b>	<b>136,582</b>	<b>147,809</b>
<b>Segment profit/(Loss)</b>				
- Investment Holding	(235)	(193)	(787)	(732)
- Waste Recycling	119	-	113	-
- Retailing	6,533	(26,309)	13,016	(23,674)
	6,417	(26,502)	12,342	(24,406)
Finance costs	(203)	(151)	(1,187)	(1,837)
Consolidated profit/(loss) before taxation	6,214	(26,653)	11,155	(26,243)

	As at	
	6/30/2021	6/30/2020
	RM'000	RM'000
<b>Segment assets (i)</b>		
- Investment Holding	3,898	3,699
- Waste Recycling	659	-
- Retailing	142,855	129,261
	<b>147,412</b>	<b>132,960</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

	<-- 12 Months Ended 30 June 2021-->				<--12 Months Ended 30 June 2020-->			
	Retailing	Investment	Waste	Total	Retailing	Investment	Waste	Total
	RM'000	Holding	Recycling		RM'000	RM'000	RM'000	
<b>Profit or loss</b>								
Total profit/(loss) for reportable segments	13,016	(787)	113	12,342	(23,674)	(732)	-	(24,406)
Finance costs	(1,187)	-	-	(1,187)	(1,837)	-	-	(1,837)
Consolidated profit/(loss) before tax	11,829	(787)	113	11,155	(25,511)	(732)	-	(26,243)

	<-- 12 Months Ended 30 June 2021-->				<--12 Months Ended 30 June 2020-->			
	Retailing	Investment	Waste	Total	Retailing	Investment	Waste	Total
	RM'000	Holding	Recycling		RM'000	RM'000	RM'000	
<b>Assets</b>								
Total assets for reporting segments	142,855	6,743	659	150,257	129,261	4,055	-	133,316
Elimination of inter-segment balances	-	(2,845)	-	(2,845)	-	(356)	-	(356)
Consolidated total assets	142,855	3,898	659	147,412	129,261	3,699	-	132,960

### 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 2021.

### A11. CHANGES IN COMPOSITION OF THE GROUP

- a) The Company's wholly-owned subsidiary of Crystal United Sdn Bhd, incorporated in Malaysia under the Company Act 2016, has been deregistered from the Registrar of the Companies Commission of Malaysia ("CCM") on 4 December 2020.
- b) The Company has incorporated a new wholly-owned subsidiary, MESB Resources Sdn Bhd in Malaysia under the Companies Act 2016 on 5 February 2021.

## A12. CONTINGENT LIABILITIES

Save as disclosed below, the Group does not have any other contingent liabilities as at 30 June 2021-

	<b>As at 30/06/2021 RM'000</b>	<b>As at 30/06/2020 RM'000</b>
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 year ended 30 June 2021 are as follows:

<b>Transaction parties</b>	<b>Nature of transaction</b>	<b>Current Quarter 30/06/2021 RM'000</b>	<b>Cumulative Year to Date 30/06/2021 RM'000</b>
Branded Platform Sdn Bhd	Sale of products	24	652
Expert Resource Management Sdn Bhd	Purchase plastic, scrap and ferrous metal	211	211
Sing Foong Niap Engineering Sdn Bhd	Rental	30	30

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	
	30/06/21 RM'000	30/06/20 RM'000	30/06/21 RM'000	30/06/20 RM'000
<b>Segment Revenue</b>				
- Investment Holding	4	11	27	43
- Waste Recycling	1,098	-	1,098	-
- Retailing	37,165	20,320	135,457	147,766
	<u>38,267</u>	<u>20,331</u>	<u>136,582</u>	<u>147,809</u>
<b>Segment profit/(Loss)</b>				
- Investment Holding	(235)	(193)	(787)	(732)
- Waste Recycling	119	-	113	-
- Retailing	6,533	(26,309)	13,016	(23,674)
	<u>6,417</u>	<u>(26,502)</u>	<u>12,342</u>	<u>(24,406)</u>

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

For the 4th quarter under review, the Group recorded a revenue of RM38.27 million, representing an increase of 88.22% as compared to the previous year's corresponding quarter of RM20.33 million. The Group reported a profit before taxation of RM 6.21 million compared to a loss before taxation of RM26.65 million in the previous year's corresponding quarter.

**Retail Segment**

For the current quarter under review, the Retail segment reported an increase in revenue of RM 37.17 million, backed by Hari Raya Festival, whilst the Retail Segment recorded a profit of RM6.53 million in the current quarter, from losses of RM26.31 million in preceding year's corresponding quarter. The significant turnaround with profit was mainly due to the impairment losses of intangible assets was recognized in the preceding year's corresponding quarter.

**Waste Recycling Segment**

The Waste Recycling Segment reported a revenue of RM1.10 million and a profit RM0.12 million respectively, for the quarter under review.

**Investment Holding Segment**

The Holding Investment Segment reported loss of RM0.24 million for the quarter under review compared to RM0.19 million for previous year's corresponding quarter.

**b) Current period against the preceding year's corresponding period**

The Group recorded 4th quarter revenue of RM136.58 million, a decrease of 7.60% from the same period of last year, mainly attributed to its Retail Segment. Despite decrease in revenue , the Group reported a profit before taxation of RM 11.16 million as compared to a loss before taxation of RM 26.24 million in the preceding year's corresponding period .

**Retail Segment**

For the financial year-to-date, the Retail segment reported revenue of RM135.46 million, a decrease of 8.33 % compared to RM147.77 million for the preceding year's corresponding period. The decrease in revenue was mainly due to the weak consumer sentiment affected from the prolong Covid-19 pandemic, whilst the Retail Segment recorded a profit from loss was mainly due to the non-recurring losses recognized in the preceding year's corresponding period as mentioned in Note B1(a).

**Waste Recycling Segment**

There is no comparative for the financial year ended 30 June 2021 due to the Waste Management Segment was commenced operations during the current financial year under review.

**Investment Holding Segment**

The Investment Holding segment reported a loss of RM0.76 million and RM0.73 million respectively for financial year ended 30 June 2021 and 30 June 2020 respectively.

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

	Current Quarter 30/06/2021 RM'000	Immediate Preceding Quarter 31/03/2021 RM'000	Changes	
			RM'000	%
Revenue	38,267	34,438	3,829	11.12
Profit/(Loss) from Operations before Interest and Tax	6,417	858	5,559	647.90
Profit/(Loss) before tax	6,213	506	5,707	1,127.87
Profit/(Loss) after tax	5,676	(12)	5,688	(47,400.00)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	5,676	(12)	5,688	(47,400.00)

The Group's revenue increased by 11.12% from RM34.44 million in the immediate preceding quarter to RM 38.27 million in the current quarter, driven by higher festive sales for apparels and accessories.

The Group's profit before taxation was increased by RM5.71 million from RM0.51million to RM 6.21 million, mainly due to higher revenue and lower operating costs.

## B3. COMMENTARY ON PROSPECTS

With the on-going Covid-19 pandemic, the outlook for the Group's core businesses over the next financial year remain uncertain, the Group will remain prudent and to optimize its resources and operating costs to remain competitive and sustainable.

Moving forward, the Group confidants that with the ongoing vaccine rollout by the Government, the retail and waste management industries could return pre-Covid-pandemic level and operate as normal.

## 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	537	2,191



## 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 June 2021 as follow:-

	RM'000
Short Term	
Banker's acceptance	12,191
Term loans	3,340
Bank Overdraft	178
	<u>15,709</u>
Long Term	
Term loans	1,499
Total	<u>17,208</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.

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.

## B9. DIVIDEND

No dividend has been declared nor recommended for financial year ended 30 June 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 profit attributable to ordinary equity holders of the Company (RM'000)	5,676	8,964
Weighted average number of ordinary shares (in thousand)	106,750	103,807
Basic earnings per share (sen)	5.32	8.64

## B11. PROFIT FOR THE PERIOD

	Current Quarter 30/06/2021 RM'000	Cumulative Year to Date 30/06/2021 RM'000
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This is arrived after(charging)/crediting :-

Other Income	1,816	3,843
Interest Income	121	431
Impairment losses on receivables	(38)	(66)
Property, plant and equipment written off	-	(49)
Write back/(written off) of inventories	(303)	(411)
Finance costs	(202)	(1,187)
Depreciation and amortisation	(513)	(2,681)
	<u>881</u>	<u>(120)</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.