

MESB BERHAD [Registration No.: 199501008356 (337554-D)]  
Interim Financial Report for the Financial Period Ended 30 September 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 2021.

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 2021 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 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement, MFRS 7, Financial Instruments: Disclosures, MFRS 4, Insurance Contracts and MFRS 16, Leases – Interest Rate Benchmark Reform – Phase 2

***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 April 2021***

- Amendment to MFRS 16, Leases – Covid-19-Related Rent Concessions beyond 30 June 2021

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 2021 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, the changes in debts and equity securities are as follows:

	<u>Allotment Date</u>	<u>No of Shares</u> <u>'000</u>
<u>Issued and Paid-up Share Capital</u> <u>As at 01 July 2021</u>		106,750
Issued during the year via exercise of Warrants	<u>July2021-</u> <u>September 2021</u>	1,530
<u>As at 30 September 2021</u>		108,280

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 RM 0.30 per ordinary shares.

#### A7. DIVIDENDS PAID

There were no dividends paid during the year.

## A8. SEGMENTAL INFORMATION

	Individual Quarter		Cumulative Quarters	
	30/09/21	30/09/20	30/09/21	30/09/20
	RM'000	RM'000	RM'000	RM'000
<b>Segment Revenue</b>				
- Investment Holding	11	-	11	-
- Waste Recycling	1,928	-	1,928	-
- Retailing	9,360	34,382	9,360	34,382
<b>Total Revenue</b>	<b>11,299</b>	<b>34,382</b>	<b>11,299</b>	<b>34,382</b>
<b>Segment Revenue</b>				
- Investment Holding	-	-	-	-
- Waste Recycling	-	-	-	-
- Retailing	(28)	(130)	(28)	(130)
<b>Inter-Segment Revenue</b>	<b>(28)</b>	<b>(130)</b>	<b>(28)</b>	<b>(130)</b>
<b>Segment Revenue</b>				
- Investment Holding	11	-	11	-
- Waste Recycling	1,928	-	1,928	-
- Retailing	9,332	34,252	9,332	34,252
<b>External Revenue</b>	<b>11,271</b>	<b>34,252</b>	<b>11,271</b>	<b>34,252</b>
<b>Segment profit/(Loss)</b>				
- Investment Holding	(112)	(55)	(112)	(55)
- Waste Recycling	436	-	436	-
- Retailing	(3,195)	3,800	(3,195)	3,800
	(2,871)	3,745	(2,871)	3,745
Finance costs	(157)	(380)	(157)	(380)
Consolidated profit/(loss) before taxation	(3,028)	3,365	(3,028)	3,365
	As at	As at		
	30/9/2021	30/9/2020		
	RM'000	RM'000		
<b>Segment assets (i)</b>				
- Investment Holding	7,136	7,308		
- Waste Recycling	1,047	-		
- Retailing	129,450	125,277		
	<b>137,633</b>	<b>132,585</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.

## A8. SEGMENTAL INFORMATION (CONT')

### Reconciliations of reportable segment profit or loss and assets

	<--- 3 Months Ended 30 September 2021--->				<--3 Months Ended 30 September 2020-->			
	Retailing	Investment	Waste	Total	Retailing	Investment	Waste	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b><u>Profit or loss</u></b>								
Total profit/(loss) for reportable segments	(3,195)	(112)	436	(2,871)	3,800	(55)	-	3,745
Finance costs	(157)	-	-	(157)	(380)	-	-	(380)
Consolidated profit/(loss) before tax	<u>(3,352)</u>	<u>(112)</u>	<u>436</u>	<u>(3,028)</u>	<u>3,420</u>	<u>(55)</u>	<u>-</u>	<u>3,365</u>

	<--- 3 Months Ended 30 September 2021--->				<--3 Months Ended 30 September 2020-->			
	Retailing	Investment	Waste	Total	Retailing	Investment	Waste	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b><u>Assets</u></b>								
Total assets for reporting segments	129,450	7,136	1,047	137,633	125,277	7,308	-	132,585
Elimination of inter-segment balances	-	(2,891)	-	(2,891)	-	(362)	-	(362)
Consolidated total assets	<u>129,450</u>	<u>4,245</u>	<u>1,047</u>	<u>134,742</u>	<u>125,277</u>	<u>6,946</u>	<u>-</u>	<u>132,223</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 period ended 30 September 2021.

## 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 2021

## A12. CONTINGENT LIABILITIES

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

	<b>As at 30/09/2021 RM'000</b>	<b>As at 30/09/2020 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 period ended 30 September 2021 are as follows:

<b>Transaction parties</b>	<b>Nature of transaction</b>	<b>Current Quarter 30/09/2021 RM'000</b>	<b>Cumulative Year to Date 30/09/2021 RM'000</b>
Expert Resource Management Sdn Bhd	Purchase of plastic, scrap and scrap ferrous metal	462	462
Earthwise Resources Sdn Bhd	Purchase of plastic	5	5
Earthwise Resources Sdn Bhd	Sales of paper	106	106
Furture Reycle Sdn Bhd	Purchase of plastic	2	2
Sing Foong Niap Engineering Sdn Bhd	Rental	63	63

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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**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	
	30/09/21 RM'000	30/09/20 RM'000	30/09/21 RM'000	30/09/20 RM'000
<b>Segment Revenue</b>				
- Investment Holding	11	-	11	-
- Waste Recycling	1,928	-	1,928	-
- Retailing	9,332	34,252	9,332	34,252
	<u>11,271</u>	<u>34,252</u>	<u>11,271</u>	<u>34,252</u>
<b>Segment profit/(Loss)</b>				
- Investment Holding	(112)	(55)	(112)	(55)
- Waste Recycling	436	-	436	-
- Retailing	(3,195)	3,800	(3,195)	3,800
	<u>(2,871)</u>	<u>3,745</u>	<u>(2,871)</u>	<u>3,745</u>

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

For the current quarter under review, the Group recorded a revenue of RM11.27 million, representing a decrease of 67.09% as compared to the previous year's corresponding quarter of RM34.25 million. The Group reported a loss before taxation of RM3.03 million compared to a profit before taxation RM3.37 million in the previous year's corresponding quarter.

**Retail Segment**

The Movement Control Order (MCO) restricted and lockdown imposed have resulted in a sharp drop in revenue of 72.75% as compared to the preceding year's corresponding quarter ended 30 September 2020. Consequently, the Segment reported a loss of RM3.20 million in the current quarter as compared to a profit of RM3.80 million in the preceding year's corresponding quarter.

**Waste Recycling Segment**

The Waste Recycling Segment reported a revenue of RM1.93 million and a profit of RM 0.44 million respectively, for the quarter under review. Waste Management Segment was commenced its operations in the 4<sup>th</sup> quarter of financial year ended 30 June 2021. As such, there are no comparative figures for the preceding year corresponding periods.

**Investment Holding Segment**

The Holding Investment Segment reported loss of RM0.11 million for the quarter under review compared to RM0.06 million for previous year's corresponding quarter.

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

	Current Quarter 30/9/2021 RM'000	Immediate Preceding Quarter 30/6/2021 RM'000	Changes	
			RM'000	%
Revenue	11,271	38,266	-26,995	-70.55
Profit/(Loss) from Operations before Interest and Tax	-2,871	6,775	-9,646	-142.38
Profit/(Loss) before tax	-3,028	6,582	-9,610	-146.00
Profit/(Loss) after tax	-3,138	5,914	-9,052	-153.06
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	-3,138	5,914	-9,052	-153.06

During the current quarter under review, the Group revenue was decreased 70.55% to RM11.27 million, due to Hari Raya festival fall in the immediate preceding quarter.

The decline in revenue in the Group's retail segment has resulted the Group reported a loss before taxation of RM3.03 million in the current quarter as compared to a profit before taxation of RM6.58 million in the immediate preceding quarter ended 30 June 2021.

## B3. COMMENTARY ON PROSPECTS

The Group's core businesses will continue to face challenges in the near future. Recovery is highly dependent on the number of daily positive Covid-19 cases as well as government policies on movement restrictions and social distancing.

The Group continues to prioritize and optimize spending and deferred the business plans that would not bring value in the current environment.

## 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	110	110

The Group's effective tax rate for the financial period was higher than the statutory tax rate mainly due to losses from subsidiaries not utilise to offset the profit of other subsidiary .

## 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 2021 as follow:-

	RM'000
Short Term	
Banker's acceptance	8,495
Term loans	1,463
Bank Overdraft	<u>0</u>
	9,958
Long Term	
Term loans	1,200
Total	<u>11,158</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. Further to case management on 8 November 2021 , the Court vacated the hearing date fixed on 18 November 2021 and fixed the hearing for appeal on 13 January 2022.

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. Further to pre-trial case management on 22 November 2021, The High Court of Kuala Lumpur has directed further pre-trial case management on 20 January 2022 and trial of the matter on 1<sup>st</sup> ,2<sup>nd</sup> , 5<sup>th</sup>,6<sup>th</sup>,7<sup>th</sup>,8<sup>th</sup> & 9<sup>th</sup> December 2022 .



#### B9. DIVIDEND

No dividend has been declared nor recommended for financial period ended 30 September 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 loss attributable to ordinary equity holders of the Company (RM'000)	(3,138)	(3,138)
Weighted average number of ordinary shares (in thousand)	107,260	107,260
Basic loss per share (sen)	(2.93)	(2.93)

#### B11. PROFIT FOR THE PERIOD

	Current Quarter 30/9/2021 RM'000	Cumulative Year to Date 30/9/2021 RM'000
This is arrived after(charging)/crediting :-		
Other Income	1,236	1,236
Interest Income	135	135
Write back/(written off) of inventories	-555	-555
Finance costs	-157	-157
Depreciation and amortisation	-408	-408
	<u>251</u>	<u>251</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.