

**MESB BERHAD [Registration No.: 199501008356 (337554-D)]**  
**Interim Financial Report for the Financial Period Ended 31 March 2022**

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

Save as disclosed below, there was no issuance, cancellation, repurchase, resale or repayment of debt and equity securities in the financial period under review.

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.

	<u>Allotment Date</u>	<u>No of Shares</u> <u>'000</u>
<u>Issued and Paid-up Share Capital</u> <u>As at 1 July 2021</u>		106,750
Issued during the year via exercise of Warrants	July 2021 – March 2022	2,630
<u>As at 31 March 2022</u>		109,380

#### A7. DIVIDENDS PAID

There were no dividends paid during the year.

## A8. SEGMENTAL INFORMATION

	Individual Quarter		Cumulative Quarters	
	31/03/22	31/03/21	31/03/22	31/03/21
	RM000	RM000	RM000	RM000
<b>Segment Revenue</b>				
- Investment Holding	23	13	38	24
- Waste Recycling	2,931	-	8,019	-
- Retailing	53,245	34,544	121,600	98,709
<b>Total Revenue</b>	56,199	34,557	129,657	98,733

<b>Segment Revenue</b>				
- Investment Holding	-	-	-	-
- Waste Recycling	-	-	-	-
- Retailing	(359)	(119)	(623)	(418)
<b>Inter-Segment Revenue</b>	(359)	(119)	(623)	(418)

<b>Segment Revenue</b>				
- Investment Holding	23	13	38	24
- Waste Recycling	2,931	-	8,019	-
- Retailing	52,886	34,425	120,977	98,291
<b>External Revenue</b>	55,840	34,438	129,034	98,315

<b>Segment profit/(Loss)</b>				
- Investment Holding	(154)	(205)	(576)	(551)
- Waste Recycling	413	(6)	1,089	(6)
- Retailing	8,302	1,069	15,667	6,483
	8,561	858	16,180	5,926
Finance costs	(278)	(352)	(586)	(984)
<b>Consolidated profit/(loss) before taxation</b>	8,283	506	15,594	4,942

	As at	As at
	31/03/22	31/03/21
	RM000	RM000
<b>Segment assets (i)</b>		
- Investment Holding	6,224	6,815
- Waste Recycling	3,140	101
- Retailing	149,530	142,768
	158,894	149,684

(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

## Reconciliations of reportable segment profit or loss and assets

	<-- 9 Months Ended 31 March 2022-->				<--9 Months Ended 31 March 2021-->			
	Retailing	Investment	Waste	Total	Retailing	Investment	Waste	Total
	RM'000	Holding RM'000	Recycling RM'000		RM'000	RM'000	Holding RM'000	
<b>Profit or loss</b>								
Total profit/(loss) for reportable segments	7,365	(422)	676	7,619	6,483	(551)	(6)	5,926
Finance costs	(308)	-	-	(308)	(984)	-	-	(984)
Consolidated profit/(loss) before tax	7,057	(422)	676	7,311	5,499	(551)	(6)	4,942

	<-- 9 Months Ended 31 March 2022-->				<--9 Months Ended 31 March 2021-->			
	Retailing	Investment	Waste	Total	Retailing	Investment	Waste	Total
	RM'000	Holding RM'000	Recycling RM'000		RM'000	RM'000	Holding RM'000	
<b>Assets</b>								
Total assets for reporting segments	149,530	6,224	3,140	158,894	142,768	6,815	101	149,684
Elimination of inter-segment balances	-	(1,606)	-	(1,606)	-	(2,819)	-	(2,819)
Consolidated total assets	149,530	4,618	3,140	157,288	142,768	3,996	101	146,865

### 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 2022.

### 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 2022.

### A12. CONTINGENT LIABILITIES

Save as disclosed below, the Group does not have any other contingent liabilities as at 31 March 2022 :-

	<b>As at</b>	<b>As at</b>
	<b>31/03/2022</b>	<b>31/03/2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Litigation arising as disclosed in Note B8	-	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.

As per the announcement made on 18 February 2022, the claim vide Kuala Lumpur High Court Suit No. WA-22NCVC-579-08/2019 is now determined and concluded.

### A13. RECURRENT RELATED PARTY TRANSACTIONS

The recurrent related party transactions of the Group for the financial period ended 31 March 2022 are as follows:

<b>Transaction parties</b>	<b>Nature of transaction</b>	<b>Current Quarter 31/03/2022 RM'000</b>	<b>Cumulative Year to Date 31/03/2022 RM'000</b>
Expert Resource Management Sdn Bhd	Trading of plastic, scrap and scrap ferrous metal	712	2,016
Earthwise Resources Sdn Bhd	Trading of wastepaper ,plastic scrap and scrap ferrous metal	763	1,714
Future Recycle Sdn Bhd	Purchase of plastic scrap	2	5
Sing Foong Niap Engineering Sdn Bhd	Rental	90	243

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	
	31/03/22	31/03/21	31/03/22	31/03/21
	RM'000	RM'000	RM'000	RM'000
<b>Segment Revenue</b>				
- Investment Holding	23	13	38	24
- Waste Recycling	2,931	0	8,019	0
- Retailing	52,886	34,425	120,977	98,291
	<u>55,840</u>	<u>34,438</u>	<u>129,034</u>	<u>98,315</u>
<b>Segment profit/(Loss)</b>				
- Investment Holding	(154)	(205)	(576)	(551)
- Waste Recycling	413	(6)	1,089	(6)
- Retailing	8,302	1,069	15,667	6,483
	<u>8,561</u>	<u>858</u>	<u>16,180</u>	<u>5,926</u>

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

For the 3rd quarter under review, the Group recorded a revenue of RM55.84 million, representing an increase of 62.15% as compared to the previous year's corresponding quarter of RM34.44 million. The Group reported a profit before taxation of RM8.28 million compared to a profit before taxation RM0.51 million in the previous year's corresponding quarter.

**Retail Segment**

The further relaxation of standard operating procedures has led to an increase in revenue by 53.63% to RM52.87 million as compared to the preceding year's corresponding quarter ended 31 March 2021. Consequently, the segment profit was increased to RM8.30 million in the current quarter as compared to a profit of RM1.07 million in the preceding year's corresponding quarter.

**Waste Recycling Segment**

The Waste Recycling Segment reported a revenue of RM2.93 million and a profit of RM 0.41 million respectively for the quarter under review. Waste Recycling Segment was commenced its operations on the 4<sup>th</sup> quarter of financial year ended 30 June 2021. As such, there are no comparative figures for the preceding year's corresponding quarter.

**Investment Holding Segment**

The Holding Investment Segment reported loss of RM0.15 million for the quarter under review compared to RM0.21 million for previous year's corresponding quarter.

## b) Current period against preceding year's corresponding period

Profit before taxation for the financial period ended 31 March 2022 was RM15.60 million as compared to RM4.94 million for the same period of previous year. The improvement on the performance mainly attributed from retailing business.

### Retail Segment

For the financial year to date, the Retail segment reported revenue of RM120.98 million, an increase of 23.08% compared to RM98.29 million reported in last year. The profit increased by RM9.18 million from RM6.48 million to RM15.67 million as result of higher revenue .

### Waste Recycling Segment

The Waste Recycling Segment reported revenue of RM8.02 million and profit RM1.09 million for the financial period under review. There is no comparative figures as Waste Recycling Segment was commenced business operation on the 4<sup>th</sup> quarter of financial year ended 30 June 2021.

### Investment Holding Segment

The Investment Holding segment reported a loss of RM0.58 million and RM0.55 million for financial period ended 31 March 2022 and 31 March 2021.

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

	Current Quarter 31/03/22 RM'000	Immediate Preceding Quarter 31/12/2021 RM'000	Changes	
			RM'000	%
Revenue	55,841	61,922	(6,081)	(9.82)
Profit/(Loss) from Operations before Interest and Tax	8,562	10,491	(1,929)	(18.39)
Profit/(Loss) before tax	8,284	10,340	(2,056)	(19.88)
Profit/(Loss) after tax	6,415	8,132	(1,717)	(21.11)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	6,415	8,132	(1,717)	(21.11)

During the current quarter under review, the Group revenue has decreased 9.82% to RM55.84 million due to lower stock holding as compared to preceding quarter ended 31 December 2021.

The decrease in revenue in the Group's retail segment has resulted current quarter profit before taxation decreased RM1.72 million to RM6.42 million as compared to a profit before taxation of RM8.13 million in the immediate preceding quarter ended 31 December 2021.

### B3. COMMENTARY ON PROSPECTS

With the country entering the endemic phase of Covid-19. Expected further relaxation of standard operating procedures coupled with interstate travelling allowed and re-opened Malaysia international border. The Board is positively looking forward on the business recovery of retailing business.

Nonetheless, the Board remains focus on operating efficiency and optimizing working capitals to minimize the impact of inflation caused by increase in minimum wages, material cost, freight charges and other related inflation.

For waste recycling business sector, additional contribution in revenue and income will further stringent the Group financial position.

### 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	<u>1,869</u>	<u>4,187</u>

The Group's effective tax rate for the financial period was higher than the statutory tax rate mainly due to certain expenses are not tax deductible.

### 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 31 March 2022 as follow:-

	RM'000
<b>Short Term</b>	
Banker's acceptance	20,597
Term loans	939
Bank Overdraft	<u>3,248</u>
	24,784
<b>Long Term</b>	
Term loans	841
<b>Total</b>	<u>25,625</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.

The High Court 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> and 9<sup>th</sup> December 2022.

On 13 January 2022, the Court of Appeal of Malaysia has allowed the Company’s appeal and set aside the High Court Judge’s decision in dismissing the Company’s application to strike out the Plaintiff’s claims against 1st to 3rd Defendants with cost. Subsequently, there is no motion of leave filed by the Plaintiff thirty (30) days after the Court of Appeal’s decision. In this regard, the claim vide Kuala Lumpur Court Suit No. : WA-22NCVC-579-08/2019 is now determined and concluded as per announcement made on 18 February 2022.

## B9. DIVIDEND

No dividend has been declared nor recommended for financial period ended 31 March 2022 .

## 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)	6,415	11,409
Weighted average number of ordinary shares (in thousand)	108,382	108,016
Basic earnings per share (sen)	5.92	10.56

## B11. PROFIT FOR THE PERIOD

	Current Quarter 31/03/22 RM'000	Cumulative Year to Date 31/03/22 RM'000
This is arrived after(charging)/crediting :-		
Other Income	475	2,451
Interest Income	60	325
Write back/(written off) of inventories	-486	-1,177
Finance costs	-278	-586
Depreciation and amortisation	-359	-1,154
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	-588	-141

## 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.