

MESB BERHAD [Registration No.: 199501008356 (337554-D)]  
Interim Financial Report for the Financial Period Ended 30 September 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 2023.

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 2023 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 2024***

- *Amendments to MFRS 16, Lease Liability in a Sale and Leaseback*
- *Amendments to MFRS 101, Classification of Liabilities as Current or Non-current*
- *Amendments to MFRS 101, Non-current Liabilities with Covenants*
- *Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements*
- *Amendments to MFRS 121, Lack of Exchangeability*

#### A2. AUDIT REPORT QUALIFICATION

The audit report on the financial statements for the financial year ended 30 June 2023 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

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

## A7. DIVIDENDS PAID

There were no dividends paid during the year .

## A8. SEGMENTAL INFORMATION

	Individual Quarter		Cumulative Quarters	
	30/09/23 RM'000	30/09/22 RM'000	30/09/23 RM'000	30/09/22 RM'000
<b>Segment Revenue</b>				
- Investment Holding	-	-	-	-
- Waste Recycling	9,570	2,305	9,570	2,305
- Retailing	23,998	28,645	23,998	28,645
<b>Total Revenue</b>	<b>33,568</b>	<b>30,950</b>	<b>33,568</b>	<b>30,950</b>
<b>Segment Revenue</b>				
- Investment Holding	-	-	-	-
- Waste Recycling	(54)	-	(54)	-
- Retailing	-	(1,484)	-	(1,484)
<b>Inter-Segment Revenue</b>	<b>(54)</b>	<b>(1,484)</b>	<b>(54)</b>	<b>(1,484)</b>
<b>Segment Revenue</b>				
- Investment Holding	-	-	-	-
- Waste Recycling	9,516	2,305	9,516	2,305
- Retailing	23,998	27,161	23,998	27,161
<b>External Revenue</b>	<b>33,514</b>	<b>29,466</b>	<b>33,514</b>	<b>29,466</b>
<b>Segment profit/(Loss)</b>				
- Investment Holding	(241)	(233)	(241)	(233)
- Waste Recycling	1,557	188	1,557	188
- Retailing	(626)	2,023	(626)	2,023
	690	1,978	690	1,978
Finance costs	(83)	(83)	(83)	(83)
<b>Consolidated profit/(loss) before taxation</b>	<b>607</b>	<b>1,895</b>	<b>607</b>	<b>1,895</b>

	As at	As at
	30/09/23	30/09/22
	RM'000	RM'000

**Segment assets**

- Investment Holding	55,122	6,482
- Waste Recycling	16,182	2,787
- Retailing	111,706	107,065
	<u>183,010</u>	<u>116,334</u>

**Remark :**

1. On June 16,2023 ,the First Tranche of Share Sale Agreement was completed, for comparison purpose , the corresponding quarter September 2022 was excluding the disposal subsidiaries.

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

	<--- 3 Months Ended 30 September 2023--->				<--- 3 Months Ended 30 September 2022--->			
	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
<b><u>Profit or loss</u></b>								
Total profit/(loss) for reportable segments	(241)	1,557	(626)	690	(233)	188	2,023	1,978
Finance costs	-	(21)	(62)	(83)	-	-	(83)	(83)
Consolidated profit/(loss) before tax	<u>(241)</u>	<u>1,536</u>	<u>(688)</u>	<u>607</u>	<u>(233)</u>	<u>188</u>	<u>1,940</u>	<u>1,895</u>

	<--- 3 Months Ended 30 September 2023--->				<--- 3 Months Ended 30 September 2022--->			
	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
<b><u>Assets</u></b>								
Total assets for reporting segments	55,122	16,192	111,706	183,020	6,482	2,787	107,065	116,334
Elimination of inter-segment balances	-	(10)	-	(10)	-	-	-	-
Consolidated total assets	<u>55,122</u>	<u>16,182</u>	<u>111,706</u>	<u>183,010</u>	<u>6,482</u>	<u>2,787</u>	<u>107,065</u>	<u>116,334</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 2023.

### A11. CHANGES IN COMPOSITION OF THE GROUP

There were material changes in the composition of the Group during the financial period ended 30 September 2023 .

### A12. CONTINGENT LIABILITIES

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

### A13. RECURRENT RELATED PARTY TRANSACTIONS

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

<b>Transaction parties</b>	<b>Nature of transaction</b>	<b>Current Quarter 30/09/2023 RM'000</b>	<b>Cumulative Year to Date 30/09/2023 RM'000</b>
Expert Resource Management Sdn Bhd	Trading of plastic,scrap and scrap ferrous metal	1,381	1,381
Earthwise Resources Sdn Bhd	Trading of wastepaper, plastic scrap and scrap ferrous metal	244	244
Sing Foong Niap Engineering Sdn Bhd	Rental of factory ,lorry and provision of sludge waste disposal	1,184	1,184
Primahir Recycle Sdn Bhd	Commission	37	37
Ria Insan Sdn Bhd	Transportation	264	264
Asia KG Fibre Supplier Sdn Bhd	Trading of wastepaper,plastic scrap and scrap ferrous metal	56	56
Future Recycle Sdn Bhd	Trading of wastepaper,plastic scrap and scrap ferrous metal	3	3

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	
	30/09/23 RM'000	30/09/22 RM'000	30/09/23 RM'000	30/09/22 RM'000
<b>Segment Revenue</b>				
- Investment Holding	0	0	0	0
- Waste Recycling	9,516	2,305	9,516	2,305
- Retailing	23,998	28,645	23,998	28,645
- Sales to disposed subsidiaries	0	(1,484)	0	(1,484)
	<u>33,514</u>	<u>29,466</u>	<u>33,514</u>	<u>29,466</u>
<b>Segment profit/(Loss)</b>				
- Investment Holding	(241)	(233)	(241)	(233)
- Waste Recycling	1,557	188	1,557	188
- Retailing	(626)	2,023	(626)	2,023
	<u>690</u>	<u>1,978</u>	<u>690</u>	<u>1,978</u>

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

For the current quarter under review, the Group achieved a revenue of RM33.51 million, representing an increase of 13.74% compared to the corresponding quarter of the previous year, which had garnered RM29.47 million in revenue. Despite the heightened revenue in this quarter, the Group reported a profit before taxation RM0.61 million, as compared to RM1.90 million recorded in the same quarter of the previous year.

**Retail Segment**

The Retail segment reported a revenue of RM24.0 million, indicating a decrease of 16.23% in comparison to the RM28.65 million achieved in the corresponding quarter of the prior year. The rise in the cost of living, leading to reduce disposable income for consumers to allocate towards non essential products emerged as the primary factor contributing to the decline in sales. Consequently, the profit of retail segment was decline in line of decrease in sales, shifting from a profit of RM2.02 million to a loss of RM0.63 million.

### Waste Recycling Segment

The Waste Recycling segment reported notable improvement in this quarter compared to same quarter of last year . The revenue increase 312% from RM2.31 million to RM9.52 million, Similarly, the segment's profit exhibited a remarkable increase of 728%, escalating from RM0.19 million to RM1.56 million. This substantial enhancement was primarily attributed to the additional contributions from three newly acquired companies

### Investment Holding Segment

The Investment Holding Segment incurred a loss of RM0.24 million for the current quarter under review, slightly higher than the loss of RM0.23 million reported in the corresponding quarter of the previous year.

#### (ii) Discontinued operations

	QUARTER ENDED 30/9/2022 RM'000	FOR THE PERIOD ENDED 30/9/2022 RM'000
Revenue	6,364	6,364
Operating Expenses	(7,669)	(7,669)
Other Income	48	48
Profit/(loss) from Operations	(1,257)	(1,257)
Finance costs	(17)	(17)
Profit/(loss) before tax	(1,274)	(1,274)
Taxation	0	0
Profit/(loss) after taxation from continuing operations	(1,274)	(1,274)

No comparison for current quarter as the First Tranche of Share Sale Agreement was completed on June 16,2023.

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

### (i) Continuing operations

	Current Quarter 30/09/23 RM'000	Immediate Preceding Quarter 30/06/23 RM'000	Changes	
			RM'000	%
Revenue	33,514	41,101	(7,587)	-18.46%
Profit/(Loss) from Operations before Interest and tax	690	4,810	(4,120)	-85.65%
Profit/(Loss) before tax	607	4,625	(4,018)	-86.88%
Profit/(Loss) after tax	283	3,717	(3,434)	-92.39%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	593	3,721	(3,128)	-84.06%

The Group's revenue experienced an 18.49% decline, transitioning from RM41.10 million in the immediate preceding quarter to RM33.51 million in the current quarter. The heightened sales in the immediate quarter were attributed to the inclusion of festive season sales during Hari Raya Aidilfitri. Correspondingly, the profit before taxation mirrored the decrease in sales, dropping from RM4.63 million to RM0.61 million.

### (ii) Discontinued operations

	Immediate Preceding Quarter 30/06/23 RM'000
Revenue	12,941
Profit/(Loss) from Operations before Interest and Tax	(145)
Profit/(Loss) before tax	(164)
Profit/(Loss) after tax	(379)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(543)

No comparison for current quarter as the First Tranche of Share Sale Agreement was completed on June 16,2023.

### B3. COMMENTARY ON PROSPECTS

The Board holds an optimistic outlook for the long-term prospects of the recycling business segment, buoyed by the recent acquisition of three waste recycling companies. This strategic move is expected to bolster efficiency and generate synergistic benefits. For the retailing segment, the strategic expansion involves establishing several standalone shops under the prestigious brand name of Ducati. This initiative aims to enhance our comprehension of market dynamics, thereby informing future planning. Concurrently, the Board maintains a steadfast focus on optimizing operational efficiency and managing working capital effectively

### 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	<u>323</u>	<u>323</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 offset profit with losses of the company within the group .

### B6. CORPORATE PROPOSALS

Save as disclosed below, there were no outstanding corporate proposals announced but not completed within 7 days from the date of issue of this report.

On 22 September 2022 , the Company had entered into following agreements :-

- (i) a conditional share sale agreement for the proposed disposals of the entire equity interests in Active Fit Sdn Bhd and MESB Capital & Development Sdn Bhd as well as 45% equity interest in Miroza Leather (M) Sdn Bhd to Trend Navigator Sdn Bhd for a total cash consideration of RM 46,000,000 ; and
- (ii) a conditional share purchase agreement for the proposed acquisitions of the entire equity interests in N.U Recycle Sdn Bhd ,Formidex Sdn Bhd and Waier Trading Sdn Bhd from Lotus Essential Sdn Bhd ,Datuk Wong Sak Kuan and Lee Wai Fun for a total cash consideration of RM 51,000,000 .

On 16 June 2023, the proposed acquisitions and the disposals of the First Tranche Sale Shares has been completed.



(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 September 2023 RM'000	Balance available RM'000
(i) Part settlement of the purchase consideration for the Purchase Consideration	44,700	24 months	42,700	42,700	*2,000
(ii) Estimated expenses	1,300	Upon completion of the Proposal	1,300	1,300	Nil

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

## B7. BORROWINGS AND DEBT SECURITIES

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

	RM'000
Short Term	
Banker's acceptance	982
Term loans	451
Hire purchase	294
	<hr/>
	1,727
Long Term	
Hire purchase	352
	<hr/>
Total	<u>2,079</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 period ended 30 September 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 :-

	Current Quarter	Year-To- Date
Net profit attributable to ordinary equity holders of the Company (RM'000)	593	593
Weighted average number of ordinary shares (in thousand)	144,294	144,294
Basic earnings per share (sen)	0.41	0.41

## B11. PROFIT FOR THE PERIOD

	Current Quarter 30/09/23 RM'000	Cumulative Year to Date 30/09/23 RM'000
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This is arrived after(charging)/crediting :-

Interest Income	298	298
Write back/(written off) of inventories	43	43
Finance costs	(83)	(83)
Depreciation and amortisation	(517)	(517)
	<u>(259)</u>	<u>(259)</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 .