

MESB BERHAD [Registration No.: 199501008356 (337554-D)]
Interim Financial Report for the Financial Period Ended 31 MARCH 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 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 MFRS107 and MFRS 7: Supplier Finance Arrangements*
- *Amendments to MFRS121, 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	
	31/03/24 RM'000	31/03/23 RM'000	31/03/24 RM'000	31/03/23 RM'000
Segment Revenue				
- Investment Holding	-	-	-	-
- Waste Recycling	13,050	2,694	34,424	7,334
- Retailing	49,652	41,165	110,790	113,078
Total Revenue	<u>62,702</u>	<u>43,859</u>	<u>145,214</u>	<u>120,412</u>
Segment Revenue				
- Investment Holding	-	-	-	-
- Waste Recycling	(22)	-	(127)	-
- Retailing	-	(76)	-	(2,090)
Inter-Segment Revenue	<u>(22)</u>	<u>(76)</u>	<u>(127)</u>	<u>(2,090)</u>
Segment Revenue				
- Investment Holding	-	-	-	-
- Waste Recycling	13,028	2,694	34,297	7,334
- Retailing	49,652	41,089	110,790	110,988
External Revenue	<u>62,680</u>	<u>43,783</u>	<u>145,087</u>	<u>118,322</u>
Segment profit/(Loss)				
- Investment Holding	(221)	(456)	(674)	(1,687)
- Waste Recycling	3,353	169	7,248	515
- Retailing	7,964	5,984	11,030	14,857
	<u>11,096</u>	<u>5,697</u>	<u>17,604</u>	<u>13,685</u>
Finance costs	(140)	(90)	(316)	(225)
Consolidated profit/(loss) before taxation	<u>10,956</u>	<u>5,607</u>	<u>17,288</u>	<u>13,460</u>

	As at 31/03/24 RM'000	As at 31/03/23 RM'000
Segment assets		
- Investment Holding	54,318	12,194
- Waste Recycling	19,871	2,900
- Retailing	125,429	116,322
	<u>199,618</u>	<u>131,416</u>

Remark :

- On June 16, 2023, the First Tranche of Share Sale Agreement was completed, for comparison purpose, the corresponding quarter and period was excluding the disposal subsidiaries.

Reconciliations of reportable segment profit or loss and assets

	<--- 9 Months Ended 31 March 2024--->				<--- 9 Months Ended 31 March 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
<u>Profit or loss</u>								
Total profit/(loss) for reportable segments	(674)	7,248	11,030	17,604	(1,687)	515	14,857	13,685
Finance costs	-	(53)	(263)	(316)	-	-	(225)	(225)
Consolidated profit/(loss) before tax	<u>(674)</u>	<u>7,195</u>	<u>10,767</u>	<u>17,288</u>	<u>(1,687)</u>	<u>515</u>	<u>14,632</u>	<u>13,460</u>

	<--- 9 Months Ended 31 March 2024--->				<--- 9 Months Ended 31 March 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
<u>Assets</u>								
Total assets for reporting segments	54,318	19,876	125,429	199,623	12,194	2,900	116,322	131,416
Elimination of inter-segment balances	-	(5)	-	(5)	-	-	-	-
Consolidated total assets	<u>54,318</u>	<u>19,871</u>	<u>125,429</u>	<u>199,618</u>	<u>12,194</u>	<u>2,900</u>	<u>116,322</u>	<u>131,416</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 31 March 2024.

A11. CHANGES IN COMPOSITION OF THE GROUP

There were material changes in the composition of the Group during the financial period ended 31 March 2024.

A12. CONTINGENT LIABILITIES

The Group does not have any contingent liabilities as at 31 March 2024.

A13. RECURRENT RELATED PARTY TRANSACTIONS

The recurrent related party transactions of the Group for the financial period ended 31 March 2024 are as follows:

Transaction parties	Nature of transaction	Current Quarter 31/03/2024 RM'000	Cumulative Year to Date 31/03/2024 RM'000
Expert Resource Management Sdn Bhd	Trading of plastic, scrap and scrap ferrous metal	972	3,666
Earthwise Resources Sdn Bhd	Trading of wastepaper, plastic scrap and scrap ferrous metal	141	625
Primahir Recycle Sdn Bhd	Commission	56	120
Sing Foong Niap Engineering Sdn Bhd	Rental of factory & provision of sludge waste disposal	1,511	4,065
Ria Insan Sdn Bhd	Transportation	304	868
Asia KG Fibre Supplier Sdn Bhd	Trading of wastepaper, plastic scrap and scrap ferrous metal	0	307
Future Recycle Sdn Bhd	Trading of wastepaper, plastic scrap and scrap ferrous metal	7	26

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	
	31/03/24 RM'000	31/03/23 RM'000	31/03/24 RM'000	31/03/23 RM'000
Segment Revenue				
- Investment Holding	0	0	0	0
- Waste Recycling	13,028	2,694	34,297	7,334
- Retailing	49,652	41,165	110,790	113,078
- Sales to disposed subsidiaries	0	(76)	0	(2,090)
	<u>62,680</u>	<u>43,783</u>	<u>145,087</u>	<u>118,322</u>
Segment profit/(Loss)				
- Investment Holding	(221)	(456)	(674)	(1,687)
- Waste Recycling	3,353	169	7,248	515
- Retailing	7,964	5,984	11,030	14,857
	<u>11,096</u>	<u>5,697</u>	<u>17,604</u>	<u>13,685</u>

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

During the quarter under review, the Group achieved a revenue of RM62.68 million, marking a significant increase of 43.16% compared to the RM43.78 million reported in the corresponding quarter of the previous year. Along with this revenue growth, the Group also reported a higher profit before taxation of RM10.96 million, up from RM5.61 million in the same quarter last year.

Retail Segment

The Retail segment reported a revenue of RM49.65 million, reflecting a 20.61% increase compared to the RM41.17 million recorded in the corresponding quarter of the previous year. This revenue growth was primarily driven by the strong performance during the Chinese New Year festive season and the early celebration of Hari Raya Aidilfitri, which contributed part of festive season sales being reported in this quarter. Consequently, the segment's profit increased from RM5.98 million to RM7.96 million.

Waste Recycling Segment

The significant performance improvement in the Waste Recycling segment was primarily driven by the additional contributions from three newly acquired companies. In a quarter-to-quarter comparison, revenue surged by 483.59%, rising from RM2.69 million to RM13.03 million. Corresponding to this substantial revenue growth, the segment's profit increased from RM0.17 million to RM3.35 million.

Investment Holding Segment

The Investment Holding Segment reported a reduced loss of RM0.22 million, compared to a loss of RM0.46 million in the corresponding quarter of the previous year. This improvement was attributed to lower operating expenses.

b) Current period against preceding year's corresponding period

For the financial period ending 31 March 2024, the profit before taxation was RM17.28 million, up from RM13.46 million in the same period the previous year. This increase in profit was attributed to the additional contributions from three acquired waste recycling companies.

Retail Segment

For the financial period under review, the Retail Segment reported a revenue of RM110.79 million, reflecting a 2.02% decrease compared to the RM113.08 million recorded in the corresponding period of the previous year. This decline was primarily due to an increased cost of living, prompting consumers to be more cautious in spending on non-essential products. Due to lower sales, decrease in profit margin and increase in operating expenses, the segment's profit plummeted from RM14.86 million to RM11.03 million.

Waste Recycling Segment

The Waste Recycling segment reported a significant increase in revenue, reaching RM34.30 million compared to RM7.33 million in the same period of the previous year. Correspondingly, the segment's profit surged from RM0.52 million to RM7.25 million. This impressive performance was primarily driven by the additional contributions from three acquired companies.

Investment Holding Segment

The Investment Holding Segment incurred a loss of RM0.67 million, compared to a loss of RM1.69 million in the corresponding period of the previous year. The higher losses reported last year were due to corporate advisory expenses.

(ii) Discontinued operations

	QUARTER ENDED 31/03/23 RM'000	FOR THE PERIOD ENDED 31/03/23 RM'000
Revenue	11,468	28,076
Operating Expenses	(10,947)	(27,876)
Other Income	46	140
Profit/(loss) from Operations	567	340
Finance costs	(40)	(66)
Profit/(loss) before tax	527	274
Taxation	(725)	(725)
Profit/(loss) after taxation from continuing operations	(198)	(451)

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

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	Current Quarter 31/03/24 RM'000	Immediate Preceding Quarter 31/12/23 RM'000	Changes	
			RM'000	%
Revenue	62,679	48,893	13,786	28.20%
Profit/(Loss) from Operations before Interest and Tax	11,097	5,818	5,279	90.74%
Profit/(Loss) before tax	10,957	5,725	5,232	91.39%
Profit/(Loss) after tax	8,469	3,996	4,473	111.94%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	5,697	2,899	2,798	96.52%

The Group's revenue increased by 28.20%, rising from RM48.89 million in the immediate preceding quarter to RM62.68 million in the current quarter. This surge in sales was attributed to the inclusion of Chinese New Year festive season sales and partial Hari Raya Aidilfitri season sales due to the early celebration. Consequently, profit before taxation also improved, increasing from RM5.73 million to RM10.96 million.

B3. COMMENTARY ON PROSPECTS

The Board is optimistic about the long-term potential of the recycling business segment and will continue to enhance efficiency and leverage synergistic benefits from the recently acquired companies. For the retailing segment, the Board remains focused on optimizing operational efficiency and effectively managing working capital.

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	2,488	4,541

The Group's effective tax rate for the financial period was higher than the statutory tax rate of 24% mainly due to under provision of tax of previous year.

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 31 March 2024 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	Nil
(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 31 March 2024 as follow:-

	RM'000
Short Term	
Banker's acceptance	4,740
Hire purchase	284
	<u>5,024</u>
Long Term	
Hire purchase	288
	<u>288</u>
Total	<u>5,312</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 31 March 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)	5,697	9,189
Weighted average number of ordinary shares (in thousand)	144,294	144,294
Basic earnings per share (sen)	3.95	6.37

B11. PROFIT FOR THE PERIOD

	Current Quarter 31/03/24 RM'000	Cumulative Year to Date 31/03/24 RM'000
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This is arrived after(charging)/crediting :-

Interest Income	245	812
Write back/(written off) of inventories	(6)	257
Finance costs	(140)	(316)
Depreciation and amortisation	(698)	(1,833)
	<u>(599)</u>	<u>(1,080)</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 .