

MESB BERHAD [Registration No.: 199501008356 (337554-D)]
Interim Financial Report for the Financial Year Ended 30 June 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 the estimates of amounts reported in prior financial years that had a material effect on the current quarter and financial year-to-date, except for the goodwill arising from the acquisition of three waste recycling companies in June 2023. Following an assessment conducted by our auditor's expert on the Purchase Price Allocation (PPA) performed by the valuer, the identified intangible asset was reassessed with a fair value of RM1.59 million as of the acquisition date, based on the multi-period excess earnings method. Consequently, the Group has retrospectively adjusted the prior year's financial information to reflect this intangible asset. Accordingly, the fair value of the consideration, right-of-use (ROU) assets, deferred tax liabilities, and lease liabilities has also been reassessed.

As stipulated by MFRS 3, the PPA report must be completed within 12 months from the acquisition date.

A6. DEBTS AND EQUITY SECURITIES

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

A7. DIVIDENDS PAID

There were no dividends paid during the financial year ended 30 June 2024.

A8. SEGMENTAL INFORMATION

	Individual Quarter		Cumulative Quarters	
	30/06/24 RM'000	30/06/23 RM'000	30/06/24 RM'000	30/06/23 RM'000
Segment Revenue				
- Investment Holding	-	-	-	-
- Waste Recycling	12,480	3,451	46,904	10,785
- Retailing	29,961	37,666	140,751	150,744
Total Revenue	42,441	41,117	187,655	161,529
Segment Revenue				
- Investment Holding	-	-	-	-
- Waste Recycling	(88)	(15)	(215)	(15)
- Retailing	-	(237)	-	(2,327)
Inter-Segment Revenue	(88)	(252)	(215)	(2,342)
Segment Revenue				
- Investment Holding	-	-	-	-
- Waste Recycling	12,392	3,436	46,689	10,770
- Retailing	29,961	37,429	140,751	148,417
External Revenue	42,353	40,865	187,440	159,187
Segment profit/(Loss)				
- Investment Holding	85	1,017	(589)	(672)
-* Waste Recycling	1,229	281	8,477	796
- Retailing	916	3,986	11,946	18,371
	2,230	5,284	19,834	18,495
Finance costs	(259)	(185)	(575)	(409)
Consolidated profit/(loss) before taxation	1,971	5,099	19,259	18,086

*The Waste Recycling segment's profit for the current quarter and year includes a consolidated adjustment for the amortization of intangible asset amounting to RM1.47 million.

	As at	As at
	30/06/24 RM'000	30/06/23 RM'000
Segment assets		
- Investment Holding	51,010	55,270
- Waste Recycling	21,890	14,806
- Retailing	106,950	104,325
	179,850	174,401

Reconciliations of reportable segment profit or loss and assets

	<--- 12 Months Ended 30 June 2024--->				<--- 12 Months Ended 30 June 2023--->			
	Investment Holding	Waste Recycling	Retailing	Total	Investment Holding	Waste Recycling	Retailing	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit or loss								
Total profit/(loss) for reportable segments	(589)	8,477	11,946	19,834	(672)	796	18,371	18,495
Finance costs	-	(217)	(358)	(575)	-	(5)	(404)	(409)
Consolidated profit/(loss) before tax	(589)	8,260	11,588	19,259	(672)	791	17,967	18,086

	<--- 12 Months Ended 30 June 2024--->				<--- 12 Months Ended 30 June 2023--->			
	*Investment Holding	*Waste Recycling	Retailing	Total	*Investment Holding	Waste Recycling	Retailing	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Total assets for reporting segments	51,010	21,915	106,950	179,875	55,270	14,823	104,325	174,418
Elimination of inter-segment balances	-	(25)	-	(25)	-	(17)	-	(17)
Consolidated total assets	51,010	21,890	106,950	179,850	55,270	14,806	104,325	174,401

*Investment Holding segment's assets include goodwill from consolidated adjustment.

*Waste Recycling segment's assets include intangible asset from consolidated adjustment.

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 2024.

A11. CHANGES IN COMPOSITION OF THE GROUP

During the financial year ended 30 June 2024, the Group's composition remained unchanged, with the exception of the disposal of the remaining 20% stake in Active Fit Sdn Bhd, which was finalized by the Company on 31 May 2024.

A12. CONTINGENT LIABILITIES

The Group does not have any contingent liabilities as at 30 June 2024.

A13. RECURRENT RELATED PARTY TRANSACTIONS

The recurrent related party transactions of the Group for the financial period ended 30 June 2024 are as follows:

Transaction parties	Nature of transaction	Current Quarter 30/06/2024 RM'000	Cumulative Year to Date 30/06/2024 RM'000
Expert Resource Management Sdn Bhd	Trading of plastic, scrap and scrap ferrous metal	1,005	4,671
Earthwise Resources Sdn Bhd	Trading of wastepaper, plastic scrap and scrap ferrous metal	175	800
Primahir Recycle Sdn Bhd	Commission	39	160
Sing Foong Niap Engineering Sdn Bhd	Rental of factory & provision of sludge waste disposal	1,383	5,448
Ria Insan Sdn Bhd	Transportation	269	1,137
Asia KG Fibre Supplier Sdn Bhd	Trading of wastepaper, plastic scrap and scrap ferrous metal	3	310
Future Recycle Sdn Bhd	Trading of wastepaper, plastic scrap and scrap ferrous metal	14	40

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

Continuing operations

	Individual Quarter		Cumulative Quarters	
	30/06/24	30/06/23	30/06/24	30/06/23
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
- Investment Holding	0	0	0	0
- Waste Recycling	12,480	3,451	46,904	10,785
- Retailing	29,961	37,666	140,751	150,744
Inter-Segment Revenue	(88)	(252)	(215)	(2,342)
	<u>42,353</u>	<u>40,865</u>	<u>187,440</u>	<u>159,187</u>
Segment profit/(Loss)				
- Investment Holding	85	1,017	(589)	(672)
- Waste Recycling	1,229	281	8,477	796
- Retailing	916	3,986	11,946	18,371
	<u>2,230</u>	<u>5,284</u>	<u>19,834</u>	<u>18,495</u>

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

For the quarter under review, the Group achieved a revenue of RM42.35 million, reflecting a marginal increase of 3.64% compared to the RM40.87 million reported in the corresponding quarter of the previous year. However, profit before taxation declined to RM1.97 million from RM5.10 million in the same quarter of the previous year, primarily due to reduced contributions from the Retail segment and a consolidated adjustment for the amortization of intangible asset amounting to RM 1.47 million.

Retail Segment

The Retail segment reported a revenue of RM29.96 million, reflecting a 20.46% decrease from the RM37.67 million recorded in the corresponding quarter of the previous year. This decline was primarily due to the early celebration of Hari Raya Aidilfitri, which resulted in a portion of festive season sales being recorded in the previous quarter. Consequently, the segment's profit fell from RM3.97 million to RM0.92 million.

Waste Recycling Segment

The significant performance improvement in the Waste Recycling segment was primarily driven by additional contributions from three waste recycling companies acquired in June 2023. On a quarter-to-quarter basis, revenue surged by 260.65%, increasing from RM3.44 million to RM12.39 million. This substantial revenue growth led to a rise in the segment's profit, which climbed from RM0.28 million to RM1.23 million after accounting for the consolidated adjustment of a RM1.47 million intangible asset amortization.

Investment Holding Segment

The Investment Holding segment reported a segment's profit of RM0.09 million, compared to RM1.02 million in the corresponding quarter of the previous year. The higher profit in the previous year was due to a disposal gained of RM1.42 million from the sale of subsidiaries.

b) Current year against preceding year

For the financial year ended 30 June 2024, profit before taxation rose to RM19.26 million, up from RM18.07 million in the previous year. This increase was driven by additional contributions from three waste recycling companies acquired in June 2023.

Retail Segment

For the financial year under review, the Retail segment reported a lower revenue of RM140.75 million, a decrease of 6.63% compared to the RM150.74 million recorded in the previous year. This decline was primarily due to increased living costs, which led consumers to be more cautious in spending on non-essential products. Consequently, the segment's profit dropped from RM18.37 million to RM11.95 million due to the lower sales.

Waste Recycling Segment

With the additional contributions from three waste recycling companies acquired in June 2023, revenue surged by 333.51% to RM46.69 million, compared to RM10.77 million in the prior year. As a result, the Waste Recycling segment's profit increased to RM8.48 million, up from RM0.80 million in the previous year, even after accounting for the consolidated amortization of intangible asset amounting to RM1.47 million.

Investment Holding Segment

The Investment Holding segment incurred a segment's loss of RM0.59 million, a slight decrease compared to the RM0.67 million loss recorded in the previous year.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	Current Quarter 30/06/24 RM'000	Immediate Preceding Quarter 31/03/24 RM'000	Changes	
			RM'000	%
Revenue	42,353	62,679	(20,326)	-32.43%
Profit/(Loss) from Operations before Interest and Tax	2,230	11,097	(8,867)	-79.90%
Profit/(Loss) before tax	1,971	10,957	(8,986)	-82.01%
Profit/(Loss) after tax	1,380	8,469	(7,089)	-83.71%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	1,089	5,697	(4,608)	-80.88%

The Group's revenue decreased by 32.43%, falling from RM62.68 million in the immediately preceding quarter to RM42.35 million in the current quarter. The higher sales in the previous quarter were attributed to the inclusion of Chinese New Year festive season sales and part of the Hari Raya Aidilfitri season sales due to the early celebration. Consequently, profit before taxation also decreased in line with the sales performance, dropping from RM10.96 million to RM1.97 million.

B3. COMMENTARY ON PROSPECTS

The Board remains optimistic about the long-term potential of the Waste Recycling business segment and will continue to enhance efficiency and leverage synergies from the acquired companies in June 2023. Regarding the Retail segment, given the challenging market environment, the Board will focus 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 year as below :

	Current Quarter RM'000	Year-To-Date RM'000
Income tax	590	5,131

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

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 and Second Tranche Sale Shares was completed on 31 May 2024.

(a) 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 June 2024 RM'000	Balance available RM'000
(i) Part settlement of the purchase consideration for the Purchase Consideration	44,700	24 months	44,700	44,700	Nil
(ii) Estimated expenses	1,300	Upon completion of the Proposal	1,300	1,300	Nil

B7. BORROWINGS AND DEBT SECURITIES

The Group borrowings as at 30 June 2024 as follow:-

	RM'000
Short Term	
Banker's acceptance	1,220
Hire purchase	284
	<u>1,504</u>
Long Term	
Hire purchase	216
Total	<u>1,720</u>

B8. CHANGES IN MATERIAL LITIGATIONS

The Group is not engaged in any material litigation for the financial year ended 30 June 2024. .

B9. DIVIDEND

No dividend has been declared nor recommended for financial year ended 30 June 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)	1,089	10,278
Weighted average number of ordinary shares (in thousand)	144,294	144,294
Basic earnings per share (sen)	0.75	7.12

B11. PROFIT FOR THE PERIOD

	Current Quarter	Cumulative Year
	30/06/24	to Date
	RM'000	30/06/24
		RM'000

This is arrived after(charging)/crediting :-

Interest Income	264	1,076
Royalty rebate	909	909
Write back/(written off) of inventories	253	510
Finance costs	(259)	(575)
Depreciation and amortization	(2,174)	(4,007)
	<u>(1,007)</u>	<u>(2,087)</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 .