

MESB BERHAD (337554-D)
Interim Financial Report For The Quarter ended 31 March 2007

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 FRS 134 Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of the 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 31 December 2006.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the year ended 31 December 2006 except for the following revised FRS issued by Malaysia Accounting Standard Board (“MASB”) that are applicable for the Group’s financial period beginning on 1 January 2007:

- FRS 119₂₀₀₄(Revised) Employee Benefits-Actuarial Gains and Losses, Group Plans and Disclosures.
(Adoption of 119₂₀₀₄ will not have any significant impact to the Group)
- FRS 124 Related Party Disclosures
(The disclosure requirements under FRS 124 will be presented in the annual financial statements for the financial year ending 31 December 2007.)

FRS 117 – Leases

The adoption of the revised FRS 117-Leases has resulted in a change in the accounting policy relating to the classification of leases of land and buildings.

Prior to the adoption of the revised FRS 117, leasehold land and buildings was classified as property, plant and equipment and was stated at cost or valuation less accumulated depreciation and impairment losses. FRS 117 requires that leasehold land and buildings be classified as operating finance leases in the same way as leases of other assets.

The effects on the comparatives to the Group on adoption of FRS 117 are as follows :

	As previously reported	FRS 117	As restated
As at 1 January 2007 Group			
Property, plant and equipment	21,154	(2,605)	18,549
Prepaid land lease payments		2,605	2,605
	21,154	-	21,154

A2. AUDIT REPORT QUALIFICATION

The audit report on the financial statements for the year ended 31 December 2006 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 amount reported in prior interim periods of the current financial period or changes in estimates of amounts reported in prior financial years that have a material effect in the current interim period.

A6. DEBTS AND EQUITY SECURITIES

There were no other issuance, cancellation, repurchases, resale and repayments of debt and equity securities for the current quarter.

A7. DIVIDENDS PAID

There were no dividends paid during the quarter under review.

A8. SEGMENTAL INFORMATION

	Engineering & Construction	Investment holding	Retailing	Group
REVENUE				
External revenue	8,884,861	12,900	16,335,800	25,233,561
Inter-segment revenue	(950,565)	0	(322,325)	(1,272,890)
	<u>7,934,296</u>	<u>12,900</u>	<u>16,013,475</u>	<u>23,960,671</u>

RESULTS

Segment results	440,006	(332,109)	840,243	948,140
Finance costs				(695,560)
Share of results of an associate				<u>63,357</u>
Profit before taxation				315,937
Taxation				<u>(143,091)</u>
Profit for the period				<u>172,846</u>

Attributable to:

Equity holders of the parent				68,726
Minority interests				<u>104,120</u>
				<u>172,846</u>

	Engineering & Construction	Investment holding	Retailing	Group
OTHER INFORMATION				
Segment assets	44,994,357	5,450,972	76,152,722	126,598,051
Segment liabilities	32,498,104	7,760,655	38,956,924	79,215,683
Capital expenditure	(33,509)	0	(547,964)	(581,473)
Depreciation	<u>96,220</u>	<u>15,051</u>	<u>427,533</u>	<u>538,804</u>

A9. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There was no revaluation of property, plant and equipment during the current period. 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 end of the current quarter as at 25 May 2007.

A11. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current interim period.

A12. CONTINGENT LIABILITIES

	As at 31/03/2007 RM'000	As at 31/03/2006 RM'000
Corporate guarantees given to licensed bank for Banking facilities granted to subsidiaries	52,044	103,105
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NOTES TO THE INTERIM FINANCIAL REPORT

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. PERFORMANCE REVIEW

The group recorded a higher profit before tax of RM0.31 million as compared to RM0.25 million for the corresponding quarter last year. The slightly improved performance was mainly contributed by the new associate company.

B2. COMMENT ON MATERIAL CHANGES IN PROFIT BEFORE TAXATION

The Group recorded a profit before tax of RM0.31 million for the quarter under review as compared with the preceding quarter's profit before tax of RM0.43 million. The decreased profit was mainly due to the poorer performance of the retailing division.

B3. COMMENTARY ON PROSPECTS

The Group's performance for the financial year ending 31 December 2007 will be satisfactory with the contribution from retailing division. The engineering division is expected to continue to contribute positively to Group's earnings but will face stiff competition in securing new contracts.

Overall, the Board of Directors expects the Group's performance for this year to be better than that of the previous financial year.

B4. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable to the Group.

B5. TAXATION

The taxation charge included the following:

	Current Quarter RM'000	Financial Year to Date RM'000
Current year provision	<u>143</u>	<u>143</u>

The effective tax rates for the periods presented above were higher than the statutory income tax rate in Malaysia due to losses of certain subsidiaries that were not available for set off against taxable profits of other subsidiaries and certain expenses which were not deductible for tax purposes.

B6. UNQUOTED INVESTMENTS AND PROPERTIES

- (1) There were no purchase of unquoted investment and/or property for the current quarter and the financial year to date.
- (2) There were no sales of unquoted investment and/or property for the current quarter and the financial year to date.

B7. QUOTED SECURITIES

- (1) There were no purchase and disposals of quoted securities by the Group for the current quarter and financial year to date.
- (2) There were no investments in quoted securities as at 31 March 2007.

B8. CORPORATE PROPOSAL

There were no outstanding corporate proposals announced but not completed within 7 days from the date of issue of this report.

B9. BORROWINGS AND DEBT SECURITIES

The Group borrowings as at 31 March 2007 are as follow :-

	RM'000	RM'000
Short Term		
Hire purchase creditors	431	
Bill payable & Revolving credit	35,180	
Term loans	627	
Bank overdraft	<u>2,460</u>	38,698
Long Term		
Hire purchase creditors	762	
Term Loans	<u>4,068</u>	4,830
	Total	<u>43,528</u>

The bank overdrafts, bills payable and term loans are secured over certain subsidiaries' properties, a subsidiary's directors' guarantee as well as fixed deposits placed on lien.

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no financial instruments with off balance sheet risk as at 25 May 2007.

B11. CHANGES IN MATERIAL LITIGATIONS

The Group is not engaged in any material litigation as at 25 May 2007.

B12. DIVIDEND

No dividend has been declared nor recommended for the current quarter ended 31 March 2007.

B13. EARNINGS PER SHARE

The basic earnings/(loss) 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	Financial Year to Date
Net profit/(loss) attributable to ordinary equity holders of the parent (RM)	68,725	68,725
Number of ordinary shares in issue (in thousand)	42,000	42,000
Basic earnings/(loss) per share (sen)	0.16	0.16

B14. 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 Director passed on 25 May 2007.

BY ORDER OF THE BOARD

Mah Li Chen

Tan Ley Theng

Company Secretaries

Kuala Lumpur

25 May 2007