

MESB BERHAD (337554-D)
Interim Financial Report for the Period Ended 31 March 2010

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 Main Market 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 period ended from 1 January 2008 to 31 March 2009.

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 financial period ended 31 March 2009 except for the following new Financial Reporting Standards (“FRS”) and Interpretations were issued but not yet effective and have not been applied by the Group :

		Effective for financial Period beginning on or after
Amendments to FRS 1 & FRS 127	Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 2	Vesting Conditions and Cancellations	1 January 2010
Amendments FRS7, FRS132, FRS139 and IC Interpretation 9	Improvements to Accounting for Financial Instruments	1 January 2010
FRS4	Insurance Contracts	1 January 2010
FRS7	Financial Instruments: Disclosures	1 January 2010
FRS8	Operating Segments	1 July 2009
FRS123	Borrowing costs	1 January 2010
FRS139	Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation11	FRS 2: Group and Treasury Share Transactions	1 January 2010
IC Interpretation13	Customer Loyalty Programmes	1 January 2010
IC Interpretation14	FRS 119: The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction	1 January 2010

The adoption of the above FRS and interpretations does not have any significant financial impact on the Group upon its initial application except as follows :-

The possible impacts of FRS7 (including the subsequent amendments) and the revised FRS139(2010) on the financial statements upon their initial applications are not disclosed by virtue of the exemptions given in these standards

A2. AUDIT REPORT QUALIFICATION

The audit report on the financial statements for the period ended 31 March 2009 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 period under review.

A8. SEGMENTAL INFORMATION

	Engineering & Construction RM'000	Investment holding RM'000	Retailing RM'000	Group RM'000
REVENUE				
External revenue	12,349	128	82,136	94,613
Inter-segment revenue	(2,146)	(105)	(316)	(2,567)
	<u>10,203</u>	<u>23</u>	<u>81,820</u>	<u>92,046</u>

RESULTS

Segment results	958	(1,275)	6,807	6,490
Finance costs	(996)	(0)	(1,626)	(2,622)
Share of results of an associate	0	949	0	949
Profit/(Loss) before taxation	(38)	(326)	5,181	4,817
Taxation	(449)	(662)	(1,615)	(2,726)
Profit/(Loss) after taxation	(487)	(988)	3,566	2,091

Attributable to:

Equity holders of the parent	(1,149)	(988)	2,988	851
Minority interests	662	0	578	1,240
	(487)	(988)	3,566	2,091

	Engineering & Construction RM'000	Investment holding RM'000	Retailing RM'000	Group RM'000
OTHER INFORMATION				
Segment assets	31,660	7,190	62,404	101,254
Segment liabilities	25,425	5,869	22,718	54,012
Capital expenditure	(2,557)	0	(2,226)	(4,783)
Depreciation	1,443	60	1,623	3,126

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 period as at 26 May 2010

A11. CHANGES IN COMPOSITION OF THE GROUP

On 5 January 2010, Miroza Leather (M) Sdn Bhd, a wholly-owned subsidiary of the Company has completed disposal of 5,055,360 ordinary shares of RM1.00 each representing 80% equity interest in A.D. Trends Sdn Bhd to Target Fashion Sdn Bhd for a cash consideration of RM11.20 million.

A12. CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 31 March 2010 are as follows :-

	As at 31/3/2010 RM'000	As at 31/03/2009 RM'000
1. Corporate guarantees given to licensed bank for Banking facilities granted to subsidiaries	32,113	97,220
2. Claim under litigation*	7,283	-
	<u>39,396</u>	<u>97,220</u>

* The Group and its subsidiary are defending the claim under litigation, through their solicitor, the outcomes of which are subject matter for the Court to eventually determine.

A13. RELATED PARTY TRANSACTIONS

The related party transactions of the Group for the period ended 31 March 2010 are as follows:

Transaction parties	Nature of transaction	As at 31/3/2010 RM'000	As at 31/03/2009 RM'000
MX Too Sdn Bhd	Royalty	644	714
Roncato Sdn Bhd	Sale of products	1,916	1,188
Fook Cheong Trading	Sale of products	1	47
MRZ Car Seat Sdn Bhd	Rental	50	63

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.

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

B1. PERFORMANCE REVIEW

No comparison was disclosed against the previous corresponding period ended as the Group has changed its financial year end from 31 December to 31 March.

B2. COMMENT ON MATERIAL CHANGES IN PROFIT BEFORE TAXATION

The Group recorded a profit before tax of RM0.50 million for the current quarter as compared with the preceding quarter's profit before tax of RM1.22million. The lower profit was mainly attributed to the provision of allowance of doubtful debts.

B3. COMMENTARY ON PROSPECTS

Despite the weak economic conditions, the Group's operations are expected to remain challenging. The Group continued to remain cautious of its core business environment for the financial year ending 31 March 2010.

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>1,179</u>	<u>2,726</u>

B6. UNQUOTED INVESTMENTS AND PROPERTIES

- (1) There was 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 2010.

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 2010 as follow:-

	RM'000	RM'000
Short Term		
Hire purchase creditors	470	
Bill payable & Revolving credit	7,396	
Term loans	4,560	
Bank overdraft	<u>411</u>	12,837
Long Term		
Hire purchase creditors	1,033	
Term Loans	<u>13,927</u>	14,960
	Total	<u>27,797</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 26 May 2010.

B11. CHANGES IN MATERIAL LITIGATIONS**Leader Cable Industry Berhad “ Plaintiff vs Maintenance Engineering Sdn Bhd**

On 8 April 2010, Maintenance Engineering Sdn Bhd, a wholly-owned subsidiary of the Company had received a Notice of Discontinuance dated 1 April 2010 of the above suit from Leader Cable Industry Berhad.

Zelleco Engineering Sdn Bhd vs Maintenance Engineering Sdn Bhd”ME”

On 19 March 2010, Maintenance Engineering Sdn Bhd”ME”, a wholly-owned subsidiary of the Company had been served with a notice pursuant to Section 218 of the Companies Act, 1965 by Messrs Vazeer

Akbar Masjid & Co (“VAMC”), advocates & Solicitors acting for Zelleco Engineering Sdn Bhd demanding the payment of RM7,282,756.68.

The Company and ME are seeking legal advice to challenge the claim and the hearing for the said case has been fixed on 8 July 2010.

B12. DIVIDEND

No dividend has been declared nor recommended for the current period ended 31 March 2010.

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'000)	(424)	851
Number of ordinary shares in issue (in thousand)	42,000	42,000
Basic earnings/(loss) per share (sen)	(1.01)	2.03

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 Directors.

BY ORDER OF THE BOARD

Lim Ming Toong
Lai Chee Wah (Carine)
Company Secretaries

Kuala Lumpur
26 May 2010