

MESB BERHAD (337554-D)
Interim Financial Report for the Period Ended 30 June 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 year ended 31 March 2010.

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 year ended 31 March 2010 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
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 :-

FRS139: Financial Instruments : Recognition and Measurement

FRS 139 establishes principles for recognizing and measuring financial assets and financial liabilities. The Group has adopted FRS 139 prospectively on 1 April 2010. In accordance with the transitional provisions, the effect arising from the adoption of this Standard has been accounted for by adjusting the

opening balances of retained earnings as at 1 April 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS139 are as below :-

i) Financial assets

The Group classifies its financial assets into the following specified categories: financial assets 'at fair value through profit or loss, 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Non current receivables and other receivables

Non current receivables and other receivables were previously recognized at their cost and subsequently stated at cost less allowance for doubtful debts. With the adoption of FRS 139, an impairment loss is recognized and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted using the effective interest method.

ii) Financial liabilities

Financial liabilities are classified as fair value through profit or loss and amortized using the effective interest method.

The Group classified trade and other payables, customer deposits and borrowings as other financial liabilities, These recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

In accordance with the transitional provisions of FRS 139, the above changes are applied prospectively and the comparative figures of the Group as at 31 March 2010 are not restated. Instead , the changes have been accounted for by restating the following balance in the statement of financial position as at 1 April 2010.

	←----- At 1 April 2010 -----→		
	As previously stated RM'0000	Effects of FRS139 RM'000	As Restated RM'000
Assets			
Other assets			
Non current receivables	3,549	(497)	3,052
Other receivables, deposits and prepayments	3,605	(136)	3,469
Liabilities			
Other payables and accruals	6,971	(652)	6,319
Equity			
Retained profits	2,587	(233)	2,354
Minority Interest	2,267	252	2,519

A2. AUDIT REPORT QUALIFICATION

The audit report on the financial statements for the period ended 31 March 2010 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	1,695	26	13,319	15,040
Inter-segment revenue	-	(21)	-	(21)
	<u>1,695</u>	<u>5</u>	<u>13,319</u>	<u>15,019</u>
RESULTS				
Segment results	730	(91)	684	1,323
Finance costs	(225)	0	(225)	(450)
Share of results of an associate	-	379	-	379
Profit/(Loss) before taxation	<u>505</u>	<u>288</u>	<u>459</u>	<u>1,252</u>
Taxation	(27)	0	(120)	(147)
Profit/(Loss) after taxation	<u>478</u>	<u>288</u>	<u>339</u>	<u>1,105</u>

Attributable to:

Equity holders of the parent	179	288	339	806
Minority interests	299	-	-	299
	<u>478</u>	<u>288</u>	<u>339</u>	<u>1,105</u>

	Engineering & Construction RM'000	Investment holding RM'000	Retailing RM'000	Group RM'000
<u>OTHER INFORMATION</u>				
Segment assets	30,398	9,059	59,738	99,195
Segment liabilities	25,130	5,917	19,751	50,798
Capital expenditure	(374)	-	(177)	(551)
Depreciation	<u>366</u>	<u>9</u>	<u>309</u>	<u>684</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 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 25 August 2010.

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

Details of contingent liabilities of the Group as at 30 June 2010 are as follows :-

	As at 30/6/2010 RM'000	As at 30/6/2009 RM'000
Corporate guarantees given to licensed bank for Banking facilities granted to subsidiaries	34,310	97,010

A winding-up petition ("the Petition") was filed by a supplier in the Kuala Lumpur High Court for a sum of RM7,282,757 inclusive interest of 1.5% per annum against Maintenance Engineering Sdn Bhd "ME", a wholly-owned subsidiary of the Company.

ME has filed the Affidavits in Opposition to the Petition and the application to strike out the Petition. This matter is pending hearing of the application to strike out the Petition which has been postponed to 27 August 2010.

The directors, based on legal advice, are of the opinion that ME has a good chance of success in striking out the Petition.

A13. RELATED PARTY TRANSACTIONS

The related party transactions of the Group for the period ended 30 June 2010 are as follows:

Transaction parties	Nature of transaction	As at 30/6/2010 RM'000	As at 30/6/2009 RM'000
MX Too Sdn Bhd	Royalty	158	140
Roncato Sdn Bhd	Sale of products	543	441
MRZ Car Seat Sdn Bhd	Rental	13	13

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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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

The Group recorded a profit before taxation of RM1.25million for the period ended 30 June 2010 as compared to the profit before taxation of RM0.87million in the corresponding period. The improvement in profit before taxation was mainly due to lower finance costs incurred.

B2. COMMENT ON MATERIAL CHANGES IN PROFIT BEFORE TAXATION

The Group recorded a profit before taxation of RM1.25million for the current quarter, as compared to the loss before taxation of RM0.14million for the preceding quarter. The increase in profit before tax was due to lower operating costs incurred and higher profit from its associate company.

B3. COMMENTARY ON PROSPECTS

Despite the weak economic conditions, the financial performance of the Group for the financial year ending 31 March 2011 is expected to remain challenging.

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	147	147

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 30 June 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 30 June 2010 as follow:-

	RM'000	RM'000
Short Term		
Hire purchase creditors	519	
Bill payable & Revolving credit	7,398	
Term loans	4,577	
Bank overdraft	<u>1,477</u>	13,971
Long Term		
Hire purchase creditors	1,223	
Term Loans	<u>12,579</u>	13,802
Total		<u>27,773</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 August 2010.

B11. CHANGES IN MATERIAL LITIGATIONS

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 inclusive interest of 1.5% per annum.

ME has filed the Affidavits in Opposition to the Petition and the application to strike out the Petition. This matter is pending hearing of the application to strike out the Petition which has been postponed to 27 August 2010.

B12. DIVIDEND

No dividend has been declared nor recommended for the current period ended 30 June 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)	806	806
Number of ordinary shares in issue (in thousand)	42,000	42,000
Basic earnings/(loss) per share (sen)	1.92	1.92

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
Company Secretaries

Kuala Lumpur
25 August 2010