

MESB BERHAD (337554-D)
Interim Financial Report for the Year Ended 31 March 2011

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 :-

FRS117 : Leases

The Group has reassessed and determined that the leasehold land of the group in substance a finance lease and has been reclassified as property and equipment. This change in accounting policy has been made retrospectively in accordance with the transitional provision of the amendments.

The following figures have been reclassified to conform with the adoption of the amendments to FRS 117:-

Statement of Financial Position	As Restated RM'000	As Previously Reported RM'000
Property and equipment	29,347	27,167
Prepaid land lease payment	-	2,180

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 as 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	10,472	8,252	63,042	81,766
Inter-segment revenue	(932)	(8,234)	-	(9,166)
	<u>9,540</u>	<u>18</u>	<u>63,042</u>	<u>72,600</u>

RESULTS

Segment results	10,702	(1,413)	2,016	11,305
Finance costs	(776)	0	(1,174)	(1,950)
Share of results of an associate	-	1,956	-	1,956
Profit/(Loss) before taxation	<u>9,926</u>	<u>543</u>	<u>842</u>	<u>11,311</u>
Taxation	(1,003)	(712)	(900)	(2,615)
Profit/(Loss) after taxation	<u>8,923</u>	<u>(169)</u>	<u>(58)</u>	<u>8,696</u>

Attributable to:

Equity holders of the parent	8,087	(169)	(58)	7,860
Minority interests	836	-	-	836
	<u>8,923</u>	<u>(169)</u>	<u>(58)</u>	<u>8,696</u>

	Engineering & Construction RM'000	Investment holding RM'000	Retailing RM'000	Group RM'000
OTHER INFORMATION				
Segment assets	25,460	8,319	58,785	92,564
Segment liabilities	16,360	513	18,617	35,490
Capital expenditure	(1,397)	(6)	(793)	(2,196)
Depreciation	<u>1,507</u>	<u>62</u>	<u>1,086</u>	<u>2,655</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 30 May 2011.

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 31 March 2011 are as follows :-

	As at 31/03/2011 RM'000	As at 31/3/2010 RM'000
Corporate guarantees given to licensed bank for Banking facilities granted to subsidiaries	23,277	38,840

A13. RELATED PARTY TRANSACTIONS

The related party transactions of the Group for the period ended 31 March 2011 are as follows:

Transaction parties	Nature of transaction	As at 31/03/2011 RM'000	As at 31/03/2010 RM'000
MX Too Sdn Bhd	Royalty	1,372	644
Roncato Sdn Bhd	Sale of products	2,566	1,916
Fook Cheong Trading	Sale of products	-	1
MRZ Car Seat Sdn Bhd	Rental	50	50

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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Interim Financial Report for the Year Ended 31 March 2011

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 tax of RM7.72 million for the current period under review as compared to a loss before tax of RM0.14million for the preceding year's corresponding quarter.

For the year ended 31 March 2011, the group recorded a profit before tax of RM11.31million as compared to RM4.18million for the year ended 31 March 2010. Engineering Division recorded a higher contribution in operating profit due to over provisions of project costs in prior years.

B2. COMMENT ON MATERIAL CHANGES IN PROFIT BEFORE TAXATION

The Group recorded a profit before taxation of RM7.72million for the current quarter, as compared to the loss before taxation of RM0.18million for the preceding quarter. The significant increase in results was mainly attributable from engineering division and share of profit from an associate company.

B3. COMMENTARY ON PROSPECTS

The Group's prospects for the coming financial year are expected to be influenced by the competitive construction and trading conditions.

Barring unforeseen circumstances, the group anticipate continued growth in retailing division.

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
In respect of current period		
- income tax		
- deferred tax	294	1,316
	1,278	1,384
In respect of prior year		
- income tax	(185)	(185)
- deferred tax	100	100
	<u>1,487</u>	<u>2,615</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 2011.

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 2011 as follow:-

	RM'000	RM'000
Short Term		
Hire purchase creditors	450	
Bill payable & Revolving credit	7,688	
Term loans	4,548	
Bank overdraft	<u>312</u>	12,998
Long Term		
Hire purchase creditors	895	
Term Loans	<u>8,032</u>	8,927
	Total	<u>21,925</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 30 May 2011.

B11. CHANGES IN MATERIAL LITIGATIONS

Syarikat Setia vs Maintenance Engineering Sdn Bhd"ME"

On 15 April 2011, Maintenance Engineering Sdn Bhd"ME", a wholly-owned subsidiary of the Company had been served with a Writ of Summons in relation to a claim filed by Thurairatnam, doing business under the name of Syarikat Setia"(Plaintiff").The plaintiff's claim is for outstanding amount of RM246,856.89 together with interest and cost. ME did not proceed with the full payment to Plaintiff due to some dispute on the completion of works done by the Plaintiff in accordance with the terms and conditions of the contract.

B12. DIVIDEND

No dividend has been declared nor recommended for the current year ended 31 March 2011.

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 attributable to ordinary equity holders of the parent (RM'000)	6,476	7,860
Number of ordinary shares in issue (in thousand)	42,000	42,000
Basic earnings per share (sen)	15.42	18.71

B14. DISCLOSURE OF REALISED AND UNREALISED PROFIT

As at
31.03.2011
RM'000

Total retained profits of the Company and its subsidiaries :	
- Realised	13,977
-Unrealised	(1,608)
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	12,369
Total share of retained profit from associates	
- Realised	4,045
-Unrealised	(853)
Less : Consolidation adjustments	(5,347)
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The Group's retained profit as per consolidated accounts	10,214
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B15. 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
Masharum Binti Abdul Wahab
Company Secretaries

Kuala Lumpur
30 May 2011