

MESB BERHAD (337554-D)
Interim Financial Report for the Period Ended 30 June 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 2011.

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 2011 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 :

FRSs and IC Interpretations (including the Consequential Admndments)	Effective date
FRS 1 (Revised) First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3 (Revised) Business Combinations	1 July 2010
FRS 124 (Revised) Related Party Disclosures	1 January 2012
FRS 127 (Revised) Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 1 (Revised): Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 1 (Revised): Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 1: Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 2: Scope of FRS 2 and FRS 3 (Revised)	1 July 2010
Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary	1 July 2010
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 138: Consequential Amendments Arising from FRS 3 (Revised)	1 July 2010
Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement	1 July 2011
Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and FRS 3 (Revised)	1 July 2010

FRSs and IC Interpretations (including the Consequential Admendments)	Effective date
IC Interpretation 4 Determining Whether An Arrangement Contains a Lease	1 January 2011
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 15 Agreements for the Construction of Real Estate	1 January 2012
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
IC Interpretation 18 Transfers of Assets from Customers	1 January 2011
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Annual Improvements to FRSs (2010)	1 January 2011

The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except FRS 3(Revised) and FRS127(Revised).

A2. AUDIT REPORT QUALIFICATION

The audit report on the financial statements for the period ended 31 March 2011 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	2,176	26	14,636	16,838
Inter-segment revenue	-	(21)	-	(21)
	<u>2,176</u>	<u>5</u>	<u>14,637</u>	<u>16,817</u>

RESULTS

Segment results	774	(395)	28	407
Finance costs	(155)	0	(215)	(370)
Share of results of an associate	-	717	-	717
Profit/(Loss) before taxation	<u>619</u>	<u>322</u>	<u>(187)</u>	<u>754</u>
Taxation	(28)	-	-	(28)
Profit/(Loss) after taxation	<u>591</u>	<u>322</u>	<u>(187)</u>	<u>726</u>

Attributable to:

Equity holders of the parent	261	322	(187)	396
Minority interests	330	-	-	330
	<u>591</u>	<u>322</u>	<u>(187)</u>	<u>726</u>

	Engineering & Construction RM'000	Investment holding RM'000	Retailing RM'000	Group RM'000
OTHER INFORMATION				
Segment assets	28,459	5,123	58,540	92,122
Segment liabilities	15,184	513	18,692	34,389
Capital expenditure	-	-	(255)	(255)
Depreciation	<u>385</u>	<u>39</u>	<u>319</u>	<u>743</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 23 August 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 30 June 2011 are as follows :-

	As at 30/6/2011 RM'000	As at 30/6/2010 RM'000
Corporate guarantees given to licensed bank for Banking facilities granted to subsidiaries	20,494	34,310

A13. RELATED PARTY TRANSACTIONS

The related party transactions of the Group for the period ended 30 June 2011 are as follows:

Transaction parties	Nature of transaction	As at 30/6/2011 RM'000	As at 30/06/2010 RM'000
MX Too Sdn Bhd	Royalty	158	158
Roncato Sdn Bhd	Sale of products	669	543
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 tax of RM0.75 million for the current period under review as compared to a profit before tax of RM1.25million in the corresponding period. The drop in result was mainly due to poor performance of retail division.

B2. COMMENT ON MATERIAL CHANGES IN PROFIT BEFORE TAXATION

The Group recorded a profit before taxation of RM0.75million for the current quarter, as compared to the profit before taxation of RM7.09million for the preceding quarter. The significant deterioration in performance was mainly due to the unprecedented high profit contributed from engineering division in previous quarter.

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. Despite the challenging conditions in both core businesses, the Group is focusing its efforts on the leather fashion products but will also bidding for more projects.

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	-	-
	28	28
In respect of prior year		
- income tax	-	-
- deferred tax	-	-
	<u>28</u>	<u>28</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 30 June 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 30 June 2011 as follow:-

	RM'000	RM'000
Short Term		
Hire purchase creditors	410	
Bill payable & Revolving credit	7,275	
Term loans	<u>4,079</u>	11,764
Long Term		
Hire purchase creditors	814	
Term Loans	<u>6,757</u>	7,571
Total		<u>19,335</u>

The bank above bank borrowings 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 23 August 2011.

B11. CHANGES IN MATERIAL LITIGATIONS

Syarikat Setia vs Maintenance Engineering Sdn Bhd

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.

On 5 May 2011, ME has defend of counter claim of RM806,200 inclusive of interest for the losses as result of dispute on the construction works carried by Plaintiff.

Zelleco Engineering Sdn Bhd vs Maintenance Engineering Sdn Bhd

On 19 March 2011, Zelleco Engineering Sdn Bhd("Plaintiff") had served a Notice pursuant to Section 218 of the Companies Act, 1965; whereby the announcement pertaining to the details of the Notice was released on 26th March 2010, 30th March 2010 and 1st April 2010.

On 27th August 2010, the Company released an announcement that ME had received a letter dated 27 August 2010 from Messrs Hamzah Tan, the advocates & solicitors of ME in relation to the petition to wind-up ME, has been withdrawn by Zelleco Engineering Sdn Bhd ("Petitioner") with no order as to costs. Consequently our application to strike out the Petition was withdrawn with no order as to costs. As such the petition is no longer valid and has been struck off by the Honourable Court and the parties are in the midst of preparing the order for the same.

On 21st January 2011, the Plaintiff had sent a Letter of Demand to ME requesting for the payment of the outstanding amount of RM7,897,450.42 and the claims was denied and rejected by ME. Subsequently, ME ("Defendant") had been served with a Writ of Summons on 27th July 2011 in relation to a claim filed by Zelleco Engineering Sdn Bhd (Co. No.:277451-U) ("ZESB / Plaintiff") through a firm of lawyers acting on behalf of Plaintiff. The Writs of Summons was filed at the High Court of Kuala Lumpur on 5th July 2011.

ME is seeking legal advice to defend the claim.

B12. DIVIDEND

No dividend has been declared nor recommended for the current period ended 30 June 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)	396	396
Number of ordinary shares in issue (in thousand)	42,000	42,000
Basic earnings per share (sen)	0.94	0.94

B14. DISCLOSURE OF REALISED AND UNREALISED PROFIT

	As at 30.06.2011 RM'000	As at 31.03.2011 RM'000
Total retained profits of the Company and its subsidiaries :		
- Realised		
-Unrealised	8,507 (1,840)	8,801 (1,813)
	6,667	6,988
Total share of retained profit from associates		
- Realised	4,762	4,045
-Unrealised	(853)	(853)
	6,576	6,188
The Group's retained profit as per consolidated accounts	10,576	10,180

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
23 August 2011