

MESB BERHAD (337554-D)
Interim Financial Report for the Financial Period Ended 31 December 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 Amendments)	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 financial year 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 under review.

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	6,266	76	53,152	59,494
Inter-segment revenue	-	(63)	-	(63)
	<u>6,266</u>	<u>13</u>	<u>53,152</u>	<u>59,431</u>

RESULTS

Segment results	921	(1,169)	3,387	3,139
Finance costs	(446)	0	(640)	(1,086)
Share of results of an associate	-	1,307	-	1,307
Profit/(Loss) before taxation	<u>475</u>	<u>138</u>	<u>2,747</u>	<u>3,360</u>
Taxation	(101)	(1)	(1,036)	(1,138)
Profit/(Loss) after taxation	<u>374</u>	<u>137</u>	<u>1,711</u>	<u>2,222</u>

Attributable to:

Equity holders of the parent	(615)	138	1,711	1,234
Minority interests	988	-	-	988
	<u>373</u>	<u>138</u>	<u>1,711</u>	<u>2,222</u>

	Engineering & Construction RM'000	Investment holding RM'000	Retailing RM'000	Group RM'000
OTHER INFORMATION				
Segment assets	23,080	12,729	71,224	107,033
Segment liabilities	14,709	3,550	28,706	46,965
Capital expenditure	-	-	(998)	(998)
Depreciation	<u>1,162</u>	<u>47</u>	<u>1,003</u>	<u>2,212</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 current period ended 31 December 2011.

A11. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current interim period except for the following :-

10,002 ordinary shares of RM1.00 each representing 100% equity interest in the paid up capital of Crystal United Sdn Bhd, a wholly owned subsidiary of the Company which were held through Maintenance Engineering Sdn Bhd, another wholly owned subsidiary of the Company were transferred to the Company on 21 November 2011 for a nominal cash amount of RM2.00.

A12. CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 31 December 2011 are as follows :-

	As at 31/12/2011 RM'000	As at 31/12/2010 RM'000
Corporate guarantees given to licensed bank for Banking facilities granted to subsidiaries	25,633	27,117

A writ of Summons was filed by a supplier in Kuala Lumpur High Court on 5th July 2011 for a sum of RM7,614,227.62 inclusive interest against Maintenance Engineering Sdn Bhd , a wholly owned subsidiary of the Company as disclosed in Note B8.

A13. RELATED PARTY TRANSACTIONS

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

Transaction parties	Nature of transaction	As at 31/12/2011 RM'000	As at 31/12/2010 RM'000
MX Too Sdn Bhd	Royalty and Sale of products	1,786	472
Roncato Sdn Bhd	Sale of products	1,899	1,907
MRZ Car Seat Sdn Bhd	Rental	34	38

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.

MESB BERHAD (337554-D)

Interim Financial Report for the Financial Period Ended 31 December 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 RM1.68 million for the current quarter under review as compared to a loss before tax of RM0.18 million in the preceding year's corresponding quarter.

The Group recorded a profit before taxation of RM3.36 million for the period ended 31 December 2011, compared to RM3.60 million in the same period of last year. The decrease in profit before taxation was mainly due to the lower revenue contributed by engineering division, which for the period under review there were no new project secured by engineering division.

The retailing division continues its organic growth as planned.

B2. COMMENT ON MATERIAL CHANGES IN PROFIT BEFORE TAXATION

The Group recorded a profit before taxation of RM1.68 million for the current quarter, as compared to the profit before taxation of RM0.93 million for the preceding quarter. The favorable result is mainly due to the higher revenue achieved by retailing division during the festival seasons.

B3. COMMENTARY ON PROSPECTS

The Group continues to expect good result from the retailing business as the planned growth has taken off comfortably. However, we do not foresee any significant improvement on Engineering division's performance as this division has yet to land any profitable and sizeable construction projects except for the telecommunication tower projects in state of Melaka.

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	555	1,054
	28	84
In respect of prior year		
- income tax	-	-
- deferred tax	-	-
	<u>583</u>	<u>1,138</u>

B6. CORPORATE PROPOSALS

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

- (i) On 1 December 2011, the Company had entered into the Share Sale Agreement with Touch Mindscape Sdn Bhd ("TMSB") for the proposed disposal of 275,000 ordinary shares of RM1.00 each representing 55% equity interest in Dynamic Communication Link Sdn Bhd ("DCLSB") for a total cash consideration of RM15,000,000 ("Proposed DCLSB Disposal").

The Proposed DCLSB Disposal was approved by the shareholders at the Extraordinary General Meeting held on 15 February 2012

- (ii) On 9 January 2012, the Company had announced the proposed disposal of 8,000,000 ordinary shares of RM1.00 each representing 100% equity interest in Maintenance Engineering Sdn Bhd ("ME") , a wholly owned subsidiary of the Company to Tepat Pesona Sdn Bhd for a total cash consideration of RM4,500,000. ("Proposed ME Disposal")

An Extraordinary General Meeting has been scheduled to be held on 19 March 2012 for the purpose of considering and if thought fit, to pass the ordinary resolution in relation to the Proposed ME Disposal.

B7. BORROWINGS AND DEBT SECURITIES

The Group borrowings as at 31 December 2011 as follow:-

	RM'000	RM'000
Short Term		
Hire purchase creditors	321	
Bill payable & Revolving credit	11,432	
Term loans	4,071	
Bank overdraft	<u>-</u>	15,824
Long Term		
Hire purchase creditors	653	
Term Loans	<u>7,857</u>	8,510
	Total	<u>24,334</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.

B8. CHANGES IN MATERIAL LITIGATIONS

Zelleco Engineering Sdn Bhd vs Maintenance Engineering Sdn Bhd ("ME")

ME had served with a writ summons on 27 July 2011 by Zelleco Engineering Sdn Bhd ("Plaintiff"). The Writ summons was filed at the High Court of Kuala Lumpur on 5 July 2011 for demand of claim sum of RM7,614,227.62 inclusive of interest

ME is seeking legal advice to defend the claim. The Summons is fixed for trial on 21 March 2012 to 22 March 2012

B9. DIVIDEND

No dividend has been declared nor recommended for the current period ended 31 December 2011.

B10. 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)	736	1,234
Number of ordinary shares in issue (in thousand)	42,000	42,000
Basic earnings per share (sen)	1.75	2.94

B11. DISCLOSURE OF REALISED AND UNREALISED PROFIT

	As at 31.12.2011 RM'000	As at 31.03.2011 RM'000
Total retained profits of the Company and its subsidiaries :		
- Realised	9,664	8,801
-Unrealised	(1,897)	(1,813)
	<u>7,767</u>	<u>6,988</u>
Total share of retained profit from associates		
- Realised	4,500	4,045
- Unrealised	(853)	(853)
	<u>3,647</u>	<u>3,192</u>
The Group's retained profit as per consolidated accounts	<u>11,414</u>	<u>10,180</u>

B12. PROFIT FOR THE PERIOD

	3 MONTHS ENDED 31/12/2011 RM'000	9 MONTHS ENDED 31/12/2011 RM'000
This is arrived at after (charging)/crediting :-		
Interest Income	120	250
Other income	280	1,719
Interest expenses	(357)	(1,091)
Depreciation and amortisation	(706)	(2,217)
Foreign exchange gain	2	4
Provision for and write off of receivables	(50)	(50)
Provision for and write off of inventories	11	(26)
Write back for foreseeable losses	-	369
	<hr/>	<hr/>
	(722)	(1,042)

Other disclosure items pursuant to Note 16 of the Appendix 9B of the Main Market Listing Requirements are not applicable.

B13. 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
Pang Chia Tyng
Company Secretaries
Kuala Lumpur
29 February 2012