

MESB BERHAD (337554-D)
Interim Financial Report for the Financial Year Ended 31 March 2012

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 Amendments)	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	Adjustments and eliminations RM'000	Group RM'000
REVENUE					
External revenue	8,330	18	71,263	-	79,611
Inter-segment revenue	-	84	-	(84)	-
Total Revenue	<u>8,330</u>	<u>102</u>	<u>71,263</u>	<u>-</u>	<u>79,611</u>

RESULTS

Segment results	531	(5,192)	3,690	4,469	3,798
Finance costs					(1,451)
Share of results of an associate					<u>1,977</u>
Profit/(Loss) before taxation					4,325
Taxation					<u>(2,096)</u>
Profit/(Loss) after taxation					<u>2,229</u>
Attributable to:					
Equity holders of the parent					1,340
Minority interests					<u>889</u>
					<u>2,229</u>

	Engineering & Construction RM'000	Investmen t holding RM'000	Retailing RM'000	Adjustments and eliminations RM'000	Group RM'000
OTHER INFORMATION					
Assets					
Segment assets	-	42,522	41,971	(11,193)	73,300
Disposal group	17,893	-	578	-	18,471
					91,771
Investment in an associates					5,548
Unallocated assets					-
					97,319
Segment liabilities					
Segment liabilities	-	4,187	25,427	-	29,614
Disposal group	9,665	-	-	-	9,665
					39,279
Provision for taxation					452
Unallocated liabilities					267
					39,998
Capital expenditure	-	(612)	(1,657)	-	(2,269)
Depreciation	1,969	186	1,381	-	3,536

A9. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There was no revaluation of property, plant and equipment during the current year end. 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 year ended 31 March 2012.

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 :-

On 22 March 2012, the Company had completed 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.

A12. CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 31 March 2012 are as follows :-

	As at 31/03/2012 RM'000	As at 31/03/2011 RM'000
Corporate guarantees given to licensed bank for Banking facilities granted to subsidiaries	23,364	23,277

A13. RELATED PARTY TRANSACTIONS

The related party transactions of the Group for the year ended 31 March 2012 are as follows:

Transaction parties	Nature of transaction	As at 31/03/2012 RM'000	As at 31/03/2011 RM'000
MX Too Sdn Bhd	Royalty and Sale of products	2,322	1,372
Roncato Sdn Bhd	Sale of products	2,353	2,566
MRZ Car Seat Sdn Bhd	Rental	34	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 Financial Year Ended 31 March 2012

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 RM0.96 million for the current quarter under review as compared to a profit before tax of RM7.09million in the preceding year's corresponding quarter.

The Group achieved a profit before taxation of RM4.32 million for the year ended 31 March 2012, compared to RM10.69 million in the preceding year. The decline in profit before taxation was mainly due to the non-recurring income posted by discontinued operations in the corresponding quarter of previous year

B2. COMMENT ON MATERIAL CHANGES IN PROFIT BEFORE TAXATION

The Group recorded a profit before taxation of RM0.96 million for the current quarter, as compared to the profit before taxation of RM1.67 million for the preceding quarter. The decline in performance was mainly due to the lower revenue registered by the business in leather goods and handbags trading.

B3. COMMENTARY ON PROSPECTS

With the proposed disposal of subsidiaries as announced on 1 December 2011 and 9 January 2012 respectively, the group expected additional funds for expansion of the Group's existing retailing business and as well to provide an opportunity for venture into new businesses and projects. These will enhance the group's earnings for the coming year.

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	568	1,605
- deferred tax	(281)	(197)
In respect of prior year		
- income tax	26	26
- deferred tax	-	-
	<u>313</u>	<u>1,434</u>

B6. CORPORATE PROPOSALS

- (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 disposal was approved at the Extraordinary General Meeting on 15 February 2012 and subsequently the proposed disposal has extended the completion date pursuant to the terms and conditions of the SSA .

- (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")

The proposed disposal was approved at the Extraordinary General Meeting on 19 March 2012 and has announced completed on 22 March 2012.

B7. BORROWINGS AND DEBT SECURITIES

The Group borrowings as at 31 March 2012 as follow:-

	RM'000	RM'000
Short Term		
Hire purchase creditors	275	
Bill payable & Revolving credit	12,334	
Term loans	1,371	
Bank overdraft	<u>-</u>	13,980
Long Term		
Hire purchase creditors	866	
Term Loans	<u>4,068</u>	4,934
	Total	<u>18,914</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

There were no material litigations subsequent to the completion of disposal a subsidiary as disclosed in B6(ii) .

B9. DIVIDEND

No dividend has been declared nor recommended for the current year ended 31 March 2012.

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/(loss) attributable to ordinary equity holders of the parent (RM'000) :-		
-Continuing operations	810	2,922
-Discontinued operations	(705)	(1,582)
	105	1,340
Number of ordinary shares in issue (in thousand)	42,000	42,000
Basic earnings per share (sen)	0.25	3.19

B11. DISCLOSURE OF REALISED AND UNREALISED PROFIT

	As at 31.03.2012 RM'000	As at 31.03.2011 RM'000
Total retained profits of the Company and its subsidiaries :		
- Realised	7,559	8,801
-Unrealised	(267)	(1,813)
	<u>7,292</u>	<u>6,988</u>
Total share of retained profit from associates		
- Realised	4,888	4,045
- Unrealised	(660)	(853)
	<u>4,228</u>	<u>3,192</u>
The Group's retained profit as per consolidated accounts	<u>11,520</u>	<u>10,180</u>

B12. PROFIT FOR THE PERIOD

	3 MONTHS ENDED 31/03/2012 RM'000	12 MONTHS ENDED 31/03/2012 RM'000
This is arrived at after (charging)/crediting :-		
Interest Income	58	308
Other income	792	950
Gain on disposal of equipments	1	24
Gain on disposal of a subsidiary	1,579	1,579
Interest expenses	(365)	(1,456)
Depreciation and amortisation	(1,325)	(3,542)
Foreign exchange gain	1	5
Provision for and write off of receivables	(680)	(730)
Provision for and write back/(off) of inventories	46	20
Write back for foreseeable losses	3	372
	<u>(110)</u>	<u>(2,470)</u>

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

Pang Chia Tyng
Nalini A/P Subramaniam
Company Secretaries
Kuala Lumpur
31 May 2012