

**MESB BERHAD (337554-D)**  
**Interim Financial Report for the Financial Period Ended 30 June 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 2012.

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 2012 except for the following new Financial Reporting Standard (“FRS”) and interpretations were issued but not yet effective and have not been applied by the Group:

<b>FRSs and IC Interpretations (including the Consequential Amendments)</b>	<b>Effective Date</b>
FRS 9 Financial Instruments	1 January 2015
FRS 10 Consolidated Financial Statements	1 January 2013
FRS 11 Joint Arrangements	1 January 2013
FRS 12 Disclosure of Interests in Other Entities	1 January 2013
FRS 13 Fair Value Measurement	1 January 2013
FRS 119 (Revised) Employee Benefits	1 January 2013
FRS 124 (Revised) Related Party Disclosures	1 January 2012
FRS 127 (2011) Separate Financial Statements	1 January 2013
FRS 128 (2011) Investments in Associates and Joint Ventures	1 January 2013
Amendments to FRS 1 (Revised): Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
Amendments to FRS 7: Disclosures – Transfers of Financial Assets	1 January 2012
Amendments to FRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013

**FRSs and IC Interpretations (including the Consequential Amendments)  
(Cont'd)**

**Effective Date**

Amendments to FRS 9: Mandatory Effective Date of FRS 9 and Transition Disclosures	1 January 2015
Amendments to FRS 101 (Revised): Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to FRS 112: Recovery of Underlying Assets	1 January 2012
Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 15 Agreements for the Construction of Real Estate	Withdrawn on 19 November 2011
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement	1 July 2011

With effect from 1 April 2012, the Group has adopted the Malaysia Financial Reporting Standard ("MFRS") issued by Malaysia Accounting Standard Board ("MASB") that will also comply with international Financial Reporting Standard("IFRSs").As a result, the Group will not be adopting the above accounting standards and interpretations (including the consequential amendments) that are effective for annual periods beginning on or after 1 January 2012.

**A2. AUDIT REPORT QUALIFICATION**

The audit report on the financial statements for the financial year ended 31 March 2012 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	Discontinued Operations RM'000	Group RM'000
<b>REVENUE</b>					
External revenue	-	26	17,699	1,715	19,440
Inter-segment revenue	-	(21)	-	-	(21)
Total Revenue	-	5	17,699	1,715	19,419
<b>RESULTS</b>					
Segment results	-	9,573	1,014	965	11,552
Finance costs					(295)
Share of results of an associate					571
Profit/(Loss) before taxation					11,828
Taxation					110
Profit/(Loss) after taxation					11,938

	Engineering & Construction RM'000	Investmen t holding RM'000	Retailing RM'000	Discontinued Operations RM'000	Group RM'000
<b>OTHER INFORMATION</b>					
<b>Assets</b>					
Segment assets	-	42,791	42,409	-	85,200
Disposal group	-	-	-	-	-
					85,200
Investment in an associates					6,119
Tax recoverable					153
					<u>91,472</u>
<b>Segment liabilities</b>					
Segment liabilities	-	1,121	2,817	-	25,938
Disposal group	-	-	-	-	-
					25,938
Provision for taxation					142
Unallocated liabilities					267
					<u>26,347</u>
<b>Capital expenditure</b>	-	-	(370)	(20)	(390)
<b>Depreciation</b>	-	47	397	433	877

#### 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

Other than below, there were no other material changes in the composition of the Group for the current quarter ended 30 June 2012.

On 20 June 2012, the Company had completed the proposed disposal of 275,000 ordinary shares of RM1.00 each representing 55% equity interest in Dynamic Communication Link Sdn Bhd ("DCLSB") to Touch Mindscape Sdn Bhd for a total cash consideration of RM15,000,000.

## A12. CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 30 June 2012 are as follows :-

	<b>As at 30/06/2012 RM'000</b>	<b>As at 30/06/2011 RM'000</b>
Corporate guarantees given to licensed bank for Banking facilities granted to subsidiaries	17,440	20,494

## A13. RELATED PARTY TRANSACTIONS

The related party transactions of the Group for the year ended 30 June 2012 are as follows:

<b>Transaction parties</b>	<b>Nature of transaction</b>	<b>As at 30/06/2012 RM'000</b>	<b>As at 30/06/2011 RM'000</b>
MX Too Sdn Bhd	Royalty and Sale of products	486	158
Roncato Sdn Bhd	Sale of products	351	669
MRZ Car Seat Sdn Bhd	Rental	-	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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**Interim Financial Report for the Financial Period Ended 30 June 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**

Lower revenue from the construction and engineering segment was attributed to the completion of the disposal of active engineering businesses, which involved in Transmission Lines projects and Telecommunication projects.

As results of the new adoption of the new marketing strategy, the retailing business has registered higher revenue.

The Group registered total revenue of RM19.42million in current quarter compared with RM16.82million in the previous year's corresponding quarter. Higher revenue was recorded from the retailing segment.

The Group achieved a profit before taxation of RM11.83 million for the current quarter under review as compared to a profit before tax of RM0.75million in the preceding year's corresponding quarter. The Group's profit before tax for the current quarter included a gain on disposal of a subsidiary of RM10.14million arising from the disposal of the Company's 55% equity interest in DCLSB, which was completed on 20 June 2012.

**B2. COMMENT ON MATERIAL CHANGES IN PROFIT BEFORE TAXATION**

The Group recorded a profit before taxation of RM11.83 million for the current quarter, as compared to the profit before taxation of RM0.75million for the preceding quarter. The higher profits recorded was mainly due to the gain on disposal of a subsidiary of RM10.14million arising from the disposal of the Company's 55% equity interest in DCLSB.

**B3. COMMENTARY ON PROSPECTS**

With the completion of the disposal of DCLSB, the Group has provided an opportunity to utilize the cash proceeds for expansion of the Group's existing retailing business and to finance future investment and new businesses, in order to enhance the earning of the Group.

**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	43	43
- deferred tax	-	-
In respect of prior year		
- income tax	(153)	(153)
- deferred tax	-	-
	<u>(110)</u>	<u>(110)</u>

**B6. CORPORATE PROPOSALS**

- a) There were no new outstanding corporate proposals announced but not completed within 7 days from the date of issue of this report.
- b) The status of utilization of proceeds as at 30 June 2012 :
- i) The Company has fully utilized the cash proceeds from the disposal of 8,000,000 ordinary shares of RM1.00 each representing 100% equity interest in Maintenance Engineering Sdn Bhd ("ME") as follow :

	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation		Intended Timeframe for utilisation
			RM'000	%	
Repayment of amount owing by MESB to ME	1,969	1,969	-	-	Within 1 month from the receipt of the proceeds
Repayment of amount owing by related companies	2,351	2,351	-	-	Within 1 month from the receipt of the proceeds
Expenses related to disposal	180	180	-	-	Within 1 month from the receipt of the proceeds
	4,500	4,500			

- ii) The status of the utilisation of proceeds from disposal of 275,000 ordinary shares of RM1.00 each representing 55% equity interest in Dynamic Communication Link Sdn Bhd("DCLSB") are as follow :

	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation		Intended Timeframe for utilisation	Explanations
			RM'000	%		
Working capital	4,700	(1,574)	3,126	67	Within 2 years from the receipt of the proceeds	(a)
Future investments	10,000	-	10,000	100	Within 2 years from the receipt of the proceeds	(b)
Expenses related to the disposal	300	(234)	66	22	Within 1 month from the receipt of the proceeds	(c)
	15,000	(1,808)	13,192			

(a) Will fully utilise within the intended timeframe;

(b) Pending for the identification of the investment, the balance of proceeds has placed in short term deposits;

(c) Will fully utilize within the intended timeframe.

## B7. BORROWINGS AND DEBT SECURITIES

The Group borrowings as at 30 June 2012 as follow:-

Short Term	RM'000	RM'000
Hire purchase creditors	275	
Bill payable & Revolving credit	8,419	
Term loans	732	
Bank overdraft	189	9,615
Long Term		
Hire purchase creditors	797	
Term Loans	4,531	5,328
	Total	14,943

The bank above bank borrowings are secured over certain subsidiaries' properties, corporate guarantee as well as fixed deposits placed on lien.



## B8. CHANGES IN MATERIAL LITIGATIONS

The Group is not engaged in any material litigation at the end of the reporting.

## B9. DIVIDEND

No dividend has been declared nor recommended for the current period ended 30 June 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	11,105	11,105
-Discontinued operations	458	458
	<u>11,563</u>	<u>11,563</u>
Number of ordinary shares in issue (in thousand)	42,000	42,000
Basic earnings per share (sen) :		
-Continuing operations	26.44	26.44
-Discontinued operations	1.09	1.09

## B11. DISCLOSURE OF REALISED AND UNREALISED PROFIT

	As at 30.06.2012 RM'000	As at 31.03.2012 RM'000
Total retained profits of the Company and its subsidiaries :		
- Realised	17,891	6,894
-Unrealised	(267)	(262)
	<u>17,624</u>	<u>6,632</u>
Total share of retained profit from associates		
- Realised	6,119	5,548
- Unrealised	(660)	(660)
	<u>5,459</u>	<u>4,888</u>
The Group's retained profit as per consolidated accounts	<u>23,083</u>	<u>11,520</u>

## B12. PROFIT FOR THE PERIOD

	Current Quarter	Financial Year to Date
This is arrived at after (charging)/crediting :-		
Interest Income	25	25
Other income	129	129
Gain on disposal of equipments	1,163	1,163
Gain on disposal of a subsidiary	10,138	10,138
Interest expenses	(295)	(295)
Depreciation and amortisation	(879)	(879)
Write off of receivables	(33)	(33)
	<hr/>	<hr/>
	10,248	10,248

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  
27 August 2012