

**MESB BERHAD (337554-D)**

**Interim Financial Report for the Financial Period Ended 31 December 2012**

The figures have not been audited.

**NOTES TO THE INTERIM FINANCIAL REPORT**

**PART A – EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134 (“MFRS 134”)**

**A1. ACCOUNTING POLICIES AND METHODS OF COMPUTATION**

The interim financial report is unaudited and has been prepared in accordance with the requirements of MFRS 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.

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 the International Financial Reporting Standard (“IFRSs”).

These condensed consolidated interim financial statements are the Group’s first MFRS condensed consolidated financial statements for part of the period covered by the Group’s first MFRS annual financial statements for the financial year ending 31 March 2013. MFRS 1 : First-Time Adoption of Malaysian Financial Reporting Standard (“MFRS 1”) has been applied.

The transition from FRS to MFRS did not result in any substantial change to the Group’s accounting policies nor any significant impact on its financial statements, as the accounting policies adopted by the Group under the previous FRS framework are consistent with those of the MFRS framework.

**A2. AUDIT REPORT QUALIFICATION**

The audit report on the financial statements for the financial year ended 31 March 2012 was not subject to any audit 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 the festivals, school holidays and carnival sales.

**A4. EXCEPTIONAL OR EXTRAORDINARY ITEMS**

There were no items of exceptional or unusual nature that have affected the assets, liabilities, equity, net income or cash flows of the Group during the current quarter under review 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
REVENUE					
Total revenue	-	77	65,418	1,715	67,210
Inter-segment revenue	-	(63)	(11)	-	(74)
External revenue	-	14	65,407	1,715	67,136

#### RESULTS

Segment results	-	8,489	5,061	965	14,515
Finance costs					(752)
Share of results of an associate					1,024
Profit/(Loss) before taxation					14,787
Income tax expenses					(1,256)
Profit/(Loss) after taxation					13,531

	Engineering & Construction RM'000	Investment holding RM'000	Retailing RM'000	Discontinued Operations RM'000	Group RM'000
<b>OTHER INFORMATION</b>					
<b>Assets</b>					
Segment assets	-	37,137	56,498	-	93,635
Disposal group	-	-	-	-	-
					93,635
Investment in an associates					6,572
Tax recoverable					153
					<u>100,360</u>
<b>Segment liabilities</b>					
Segment liabilities	-	871	31,665	-	32,536
Disposal group	-	-	-	-	-
					32,536
Provision for taxation					723
Unallocated liabilities					267
					<u>33,526</u>
<b>Capital expenditure</b>	-	(6)	(2,187)	(20)	(2,213)
<b>Depreciation</b>	-	141	1,261	433	1,835

#### **A9. VALUATIONS OF PR OPERTY, PLANT AND EQUIPMENT**

There was no revaluation of property, plant and equipment during the current financial year. 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 2012.

#### **A11. CHANGES IN COMPOSITION OF THE GROUP**

There were no other material changes in the composition of the Group for the current quarter ended 31 December 2012.

## A12. CONTINGENT LIABILITIES

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

	<b>As at 31/12/2012 RM'000</b>	<b>As at 31/12/2011 RM'000</b>
Corporate guarantees given to licensed bank for Banking facilities granted to subsidiaries	17,836	25,633

## A13. RELATED PARTY TRANSACTIONS

The related party transactions of the Group for the period ended 31 December 2012 are as follows:

<b>Transaction parties</b>	<b>Nature of transaction</b>	<b>As at 31/12/2012 RM'000</b>	<b>As at 31/12/2011 RM'000</b>
MX Too Sdn Bhd	Royalty and Sale of products	1,774	1,786
Roncato Sdn Bhd	Sale of products	1,179	1,899
MRZ Car Seat Sdn Bhd	Rental	-	34
Orlando Corporation Sdn Bhd	Sale of products	104	-

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 31 December 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**

- a) Performance of current quarter against the preceding year's corresponding quarter

The Group posted a revenue of RM25.82 million, representing an increase of 17% against the preceding year corresponding quarter's revenue of RM22.10 million. The increase in revenue was mainly contributed by the retailing division's consignment sales from the nationwide year-end sales during the festival season.

In line with the growth in revenue, the Group achieved a higher profit before taxation of RM3.07 million as compared to the preceding year corresponding quarter's profit before taxation of RM1.67 million.

- b) Performance of current 9 months' period against the preceding year's corresponding period

For the 9 months ended 31 December 2012, the Group registered a revenue of RM67.14 million, 13% higher than the same period last year of RM59.43 million. The growth was mainly attributed to the consignment sales in retailing business.

The Group achieved a higher profit before tax of RM14.79 million in this current period against the preceding year's corresponding period of RM3.36 million. This significant increase was mainly due to the gain on disposal of a subsidiary of RM 10.28 million and better performance achieved by retailing business.

Subsequent to the disposal of the subsidiaries in the engineering division, the Group's engineering and construction segment has remained dormant.

**B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS**

The Group registered a profit before taxation of RM3.07 million for the current quarter, as compared to the loss before taxation of RM0.11 million in the immediate preceding quarter. This improvement was mainly attributed to the increase in revenue of the retailing business and lower operating expenses of the Company.

**B3. COMMENTARY ON PROSPECTS**

With the completion of acquisition of brand name "GIAMAX" and "GMX" by the retailing division, the acquisition will contribute positively to the revenue and the results of the Group. In addition, the cash proceeds arising from the disposal of a subsidiary, which was completed on 20 June 2012 will provide an opportunity to support the expansion of the Group's core business.

Barring any unforeseen circumstance, the group is expected to achieve satisfactory results for the remaining period of the financial 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	794	1,409
- deferred tax	-	-
In respect of prior year		
- income tax	-	(153)
- deferred tax	-	-
	<u>794</u>	<u>1,256</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.

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

The status of the utilisation of proceeds as at 31 December 2012 are as follow :

	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Proceeds RM'000	Deviation		Intended Timeframe for utilisation	Explanations
				RM'000	%		
Working capital	4,700	(3,973)	727	-	-	Within 2 years from the receipt of the proceeds	(a)
Future investments	10,000	(3,800)	6,200	-	-	Within 2 years from the receipt of the proceeds	(b)
Expenses related to the disposal	300	(634)	(334)	(334)	111	Within 1 month from the receipt of the proceeds	(c)
	15,000	(8,407)	6,593				

(a) The balance proceeds is expected to be fully utilized within the intended timeframe.

(b) After funding the shortfall of item (c), the balance of unutilised proceeds has placed into short term deposit until such relevant investment has been identified.

(c) The shortfall of the expenses was funded through item(b)

## B7. BORROWINGS AND DEBT SECURITIES

The Group borrowings as at 31 December 2012 are as follow:-

Short Term	RM'000	RM'000
Hire purchase creditors	287	
Bill payable & Revolving credit	11,723	
Term loans	756	
Bank overdraft	<u>0</u>	12,766
Long Term		
Hire purchase creditors	723	
Term Loans	<u>4,147</u>	4,870
	Total	<u>17,636</u>

The above bank borrowings are secured over certain subsidiaries' properties, corporate guarantee of the Company 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 period.

## B9. DIVIDEND

No dividend has been declared nor recommended for the current period ended 31 December 2012.

## B10. EARNINGS PER SHARE

The basic earnings 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	2,273	12,954
-Discontinued operations	-	318
	<u>2,273</u>	<u>13,272</u>
Number of ordinary shares in issue (in thousand)	42,000	42,000
Basic earnings per share (sen) :		
-Continuing operations	5.41	30.84
-Discontinued operations	-	0.76

**B11. DISCLOSURE OF REALISED AND UNREALISED PROFIT**

	As at 31/12/2012 RM'000	As at 31/03/2012 RM'000
Total retained profits of the Company and its subsidiaries :		
- Realised	19,147	6,894
-Unrealised	(267)	(262)
	<u>18,880</u>	<u>6,632</u>
Total share of retained profit from associates		
- Realised	6,572	5,548
- Unrealised	(660)	(660)
	<u>24,792</u>	<u>11,520</u>
The Group's retained profit as per consolidated accounts		

**B12. PROFIT FOR THE PERIOD**

	Current Quarter RM'000	Financial Year to Date RM'000
This is arrived at after (charging)/crediting :-		
Interest Income	69	160
Other income	180	621
Gain on disposal of equipments	3	1,166
Gain on disposal of a subsidiary	-	10,279
Interest expenses	(241)	(752)
Depreciation and amortization	(442)	(1,837)
Write off of equipments	(114)	(149)
	<u>(545)</u>	<u>9,488</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  
Lim Lee Kuan  
Company Secretaries  
Kuala Lumpur  
25 February 2013