

MESB BERHAD (337554-D)
Interim Financial Report for the Financial Year Ended 31 March 2013

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 year 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	-	103	87,993	1,715	89,811
Inter-segment revenue	-	(84)	-	-	(84)
External revenue	-	19	87,993	1,715	89,727

RESULTS

Segment results	-	8,266	5,110	605	13,981
Finance costs					(1,041)
Share of results of an associate					1,282
Profit/(Loss) before taxation					14,222
Income tax expenses					(1,350)
Profit/(Loss) after taxation					12,872

	Engineering & Construction RM'000	Investment holding RM'000	Retailing RM'000	Discontinued Operations RM'000	Group RM'000
OTHER INFORMATION					
Assets					
Segment assets	-	35,249	53,639	-	88,888
Disposal group	-	1,612	-	21	1,633
					90,521
Investment in an associates					6,830
Tax recoverable					153
					<u>97,504</u>
Segment liabilities					
Segment liabilities	-	1,218	29,356	-	30,574
Disposal group	-	-	-	3	3
					30,577
Provision for taxation					488
Unallocated liabilities					264
					<u>31,329</u>
Capital expenditure	-	(6)	(2,657)	(20)	(2,683)
Depreciation	-	188	1,696	433	2,317

A9. VALUATIONS OF PROPERTY, 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 year ended 31 March 2013.

A11. CHANGES IN COMPOSITION OF THE GROUP

On 27 May 2013, the Company entered into Sale & Purchase Agreement with Leong Chee Chung and Koh Keng Keat to dispose of its 100% equity interest in MESB Development Sdn Bhd "MDSB" for a total cash consideration of RM56,000.

A12. CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 31 March 2013 are as follows :-

	As at 31/03/2013 RM'000	As at 31/03/2012 RM'000
Corporate guarantees given to licensed bank for Banking facilities granted to subsidiaries	20,271	22,852

A13. RELATED PARTY TRANSACTIONS

The related party transactions of the Group for the year ended 31 March 2013 are as follows:

Transaction parties	Nature of transaction	As at 31/3/2013 RM'000	As at 31/03/2012 RM'000
MX Too Sdn Bhd	Royalty and Sale of products	2,636	2,303
Roncato Sdn Bhd	Sale of products	1,560	2,340
MRZ Car Seat Sdn Bhd	Rental	-	34
Orlando Corporation Sdn Bhd	Sale of products	189	-
MESB Technology Sdn Bhd	Sale of products	15	-

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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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

During the quarter under review, the Group recorded increase of RM2.41million in revenue to RM22.59million as compared to the revenue of RM20.18million in the preceding year's corresponding quarter. The increase was mainly contributed from the business trading in leather products.

However, The Group reported a loss before taxation of RM0.56million in the current quarter, a decline of 183% compared with the profit before taxation profit of RM0.68million in the preceding year's corresponding quarter. It was mainly due to the increase in operating expenses. However there was a non-operating profit recorded for the disposal of subsidiary recognized in the preceding year's corresponding quarter.

- b) Performance of current 12 months' period against the preceding year's corresponding period

For the financial year ended 31 March 2013, posted a revenue of RM89.73million, representing an increase of 13% against the last year financial year of RM79.61million. The higher revenue was mainly attributed to the consignment sales in retailing business.

During the financial year, The Group reported a gain on disposal of subsidiary of RM10.29million, which largely accounted for the increase on profit before taxation of RM14.22million for the financial year ended 31 March 2013 as compared to the profit before taxation of RM4.04million for the financial year ended 31 March 2012.

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 recorded a revenue of RM22.59million, a decline of 12% compared with revenue of RM25.82 in preceding quarter. The decline was mainly due to the lower sale volume during the shorter festive season period.

Therefore, due to the lower revenue posted by retailing division as elaborated above as well as increase in administrative expenses, The Group achieved a loss before taxation of RM0.56million as compared to the preceding quarter's profit before taxation of RM3.07million

B3. COMMENTARY ON PROSPECTS

The outlook for the future economy is still uncertain due to the prolonged and on-going economic problems in Europe and the world-wide rate of consumption remaining stagnant

In view of these volatility and uncertainties, the Group remains cautious on its business outlook and will continue to take various measures to improve on its core business performance for the coming 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	94	1,503
- deferred tax	-	-
In respect of prior year		
- income tax	-	(153)
- deferred tax	-	-
	<u>94</u>	<u>1,350</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 :

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 March 2013 are as follow :

	Proposed Utilisation	Actual Utilisation	Balance Proceeds	Deviation		Intended Timeframe for utilisation	Explanations
	RM'000	RM'000	RM'000	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 March 2013 are as follow:-

Short Term	RM'000	RM'000
Hire purchase creditors	287	
Bill payable & Revolving credit	15,552	
Term loans	768	
Bank overdraft	-	16,607
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Long Term		
Hire purchase creditors	652	
Term Loans	3,950	4,602
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	Total	21,209

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 year ended 31 March 2013.

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	(299)	12,655
-Discontinued operations	(360)	(42)
	(659)	12,613
Number of ordinary shares in issue (in thousand)	42,000	42,000
Basic earnings per share (sen) :		
-Continuing operations	(0.71)	30.13
-Discontinued operations	(0.86)	(0.10)

B11. DISCLOSURE OF REALISED AND UNREALISED PROFIT

	As at 31/03/2013 RM'000	As at 31/03/2012 RM'000
Total retained profits of the Company and its subsidiaries :		
- Realised	18,188	6,894
- Unrealised	(267)	(262)
	<u>17,921</u>	<u>6,632</u>
Total share of retained profit from associates		
- Realised	6,830	5,548
- Unrealised	(618)	(660)
	<u>6,212</u>	<u>4,888</u>
The Group's retained profit as per consolidated accounts	<u>24,133</u>	<u>11,520</u>

B12. PROFIT FOR THE PERIOD

	Current Quarter RM'000	Financial Year to Date RM'000
This is arrived at after (charging)/crediting :-		
Interest Income	71	231
Other income	177	798
Gain on disposal of equipments	-	1,166
Gain on disposal of a subsidiary	-	10,279
Interest expenses	(289)	(1,041)
Depreciation and amortization	(482)	(2,319)
Allowance for impairment losses of receivable	(30)	(30)
Inventories written off	(92)	(92)
Write off of equipments	(4)	(153)
	<u>(649)</u>	<u>8,839</u>

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
29 May 2013