

MESB BERHAD (337554-D)
Interim Financial Report for the Financial Year Ended 31 March 2014

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 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 2013, which have been prepared in compliance with Malaysia Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

The signification accounting policies and methods of computation adopted for interim financial report are consistent with those adopted for the audited financial statement for the financial year ended 31 March 2013.

The adoption of the following accounting standards and interpretations (including the consequential amendments) effective for annual periods beginning on or after 1 January 2013 :-

- MFRS 10 Consolidated Financial Statements
- MFRS 11 Joint Arrangements
- MFRS 12 Disclosure of Interests in Other Entities
- MFRS 13 Fair Value Measurement
- MFRS 119 Employee Benefits
- MFRS 127 Separate Financial Statements
- MFRS 128 Investments in Associates and Joint Ventures
- Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 10, MFRS 11 and MFRS 12: Transition Guidance
- Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income
- IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
- Annual Improvements to MFRSs 2009 – 2011 Cycle

The above accounting standards and interpretations did not have any financial impact on the Group’s financial Statement.

The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board but are not yet effective for the current financial year :-

- MFRS 9 Financial Instruments (effective on or after 1 January 2014)
- Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities (effective from 1 January 2014)
- Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures (effective from 1 January 2015)
- Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities (effective from 1 January 2014)

Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities (effective from 1 January 2014)

A2. AUDIT REPORT QUALIFICATION

The audit report on the financial statements for the financial year ended 31 March 2013 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

	Individual Quarter		Cumulative Quarters	
	31/03/2014 RM'000	31/03/2013 RM'000	31/03/2014 RM'000	31/03/2013 RM'000
Segment Revenue				
- Investment Holding	2,943	26	3,020	103
- Retailing	21,779	22,575	91,231	87,993
	<u>24,722</u>	<u>22,601</u>	<u>94,251</u>	<u>88,096</u>
Discontinued Operations	-	-	-	1,715
Total Revenue	<u>24,722</u>	<u>22,601</u>	<u>94,251</u>	<u>89,811</u>
Segment Revenue				
- Investment Holding	(2,938)	(21)	(3,001)	(84)
- Retailing	-	11	-	-
	<u>(2,938)</u>	<u>(10)</u>	<u>(3,001)</u>	<u>(84)</u>
Discontinued Operations	-	-	-	-
Inter-Segment Revenue	<u>(2,938)</u>	<u>(10)</u>	<u>(3,001)</u>	<u>(84)</u>
Segment Revenue				
- Investment Holding	5	5	19	19
- Retailing	21,779	22,586	91,231	87,993
	<u>21,784</u>	<u>22,591</u>	<u>91,250</u>	<u>88,012</u>
Discontinued Operations	-	-	-	1,715
External Revenue	<u>21,784</u>	<u>22,591</u>	<u>91,250</u>	<u>89,727</u>
Segment Results				
- Investment Holding	(372)	(459)	2,323	8,269
- Retailing	10,226	(37)	13,937	5,024
	<u>9,854</u>	<u>(496)</u>	<u>16,260</u>	<u>13,293</u>
Discontinued Operations	-	(126)	(75)	600
	<u>9,854</u>	<u>(622)</u>	<u>16,185</u>	<u>13,893</u>
Finance costs	(314)	(202)	(1,045)	(954)
Share of results of an associate	315	258	901	1,282
Profit (Loss) before taxation	<u>9,855</u>	<u>(566)</u>	<u>16,041</u>	<u>14,221</u>
Taxation	27	(94)	(1,125)	(1,350)
Profit (Loss) before taxation	<u>9,882</u>	<u>(660)</u>	<u>14,916</u>	<u>12,871</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 annual 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 2014

A11. CHANGES IN COMPOSITION OF THE GROUP

Other than disclosed below, there were no other material changes in the composition of the Group for the year ended 31 March 2014

On 11 June 2013, the Company had completed disposal of MESB Development Sdn Bhd to Leong Chee Chung and Koh Keng Keat as announced on 28 May 2013.

On 23 December 2013, MESB Agriculture Sdn Bhd ("MESB Agriculture"), a wholly-owned subsidiary of MESB has submitted an application to the Companies Commission of Malaysia ("CCM") for the striking-off of the name of MESB Agriculture from the register pursuant to Section 308 of the Companies Act, 1965 as announced on 24 December 2014. Notice pursuant to Section 308(1) of the Companies Act, 1965 dated 31 January 2014 had been issued by the CCM.

A12. CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 31 March 2014 are as follows :-

	As at 31/03/2014 RM'000	As at 31/3/2013 RM'000
Corporate guarantees given to licensed bank for Banking facilities granted to subsidiary	16,930	20,270

A13. RELATED PARTY TRANSACTIONS

The related party transactions of the Group for the year ended 31 March 2014 are as follows:

Transaction parties	Nature of transaction	As at 31/03/2014 RM'000	As at 31/03/2013 RM'000
MX Too Sdn Bhd	Royalty charge and Sale of products	3,350	2,636
Milazo Pte. Ltd.	Royalty charge	345	-
Roncato Sdn Bhd	Sale of products	2,006	1,560
Orlando Corporation Sdn Bhd	Sale of products	289	189
MESB Technology Sdn Bhd	Sale of products	2	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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Interim Financial Report for the Financial Year Ended 31 March 2014

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

	Individual Quarter		Cumulative Quarters	
	31/03/2014 RM'000	31/03/2013 RM'000	31/03/2014 RM'000	31/03/2013 RM'000
Segment Revenue				
- Investment Holding	5	5	19	19
- Retailing	21,779	22,586	91,231	87,993
	<u>21,784</u>	<u>22,591</u>	<u>91,250</u>	<u>88,012</u>
Discontinued Operations	-	-	-	1,715
	<u>21,784</u>	<u>22,591</u>	<u>91,250</u>	<u>89,727</u>
Segment Results				
- Investment Holding	(372)	(459)	2,323	8,269
- Retailing	10,226	(37)	13,937	5,024
	<u>9,854</u>	<u>(496)</u>	<u>16,260</u>	<u>13,293</u>
Discontinued Operations	-	(126)	(75)	600
	<u>9,854</u>	<u>(622)</u>	<u>16,185</u>	<u>13,893</u>

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

The Group registered revenue from continuing operations of RM21.78 million in current quarter, representing a decline of 3.57%, compared to the preceding year corresponding quarter's revenue from continuing operations of RM22.59 million. The decline in revenue was mainly affected by challenging market environments.

Despite the decrease in revenue, the Group achieved a higher profit before taxation from continuing operations of RM9.86 million, compared to the preceding year corresponding quarter's loss before taxation of RM0.44 million. The improvement in profit was largely attributed to higher gain on disposal of non-current asset held for sale.

For the quarter under review, the retail segment reported a higher profit of RM10.23 million compared to a loss of RM0.037 million in the preceding year's corresponding quarter. The improvement of profit was driven primarily by the non-recurring income as elaborated above.

In addition, the investment holding segment's revenue was maintained at the same level in the current quarter as compared to the preceding year's corresponding quarter whilst the segment's loss decreased to RM0.37 million as compared to the preceding year's corresponding quarter of RM0.46 million. A decrease in this segment loss was mainly due to the lower operating expenses incurred in the current quarter.

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

For the financial year ended 31 March 2014, the Group posted an increase in revenue from its continuing operation of RM91.25 million, representing an increase of 3.7% against the previous financial year of RM88.01 million. Revenue growth was mainly driven by our retailing segment.

The Group achieved a higher profit before taxation from continuing operations of RM16.12 million in the current financial year ended 31 March 2014 compared to RM13.71 million in the previous financial year ended 31 March 2013. During the financial year, the Group registered a gain on disposal of non-current asset held for sale of RM13.72 million, which largely accounted for the increase in profit before taxation.

Retailing Segment

The revenue increased by 3.7% to RM91.23 million against the previous financial year ended 31 March 2013 of RM88.0 million. The positive revenue growth was mainly attributed to the new leather goods brand.

The segment profit increased significantly to RM13.94 million in this current financial year ended 31 March 2014 against the previous financial year of RM5.02 million. The increase in profit was mainly on account of the increase in other income as elaborated above.

Investment Holding Segment

The revenue remains fairly stable at RM0.02 million for the current year ended 31 March 2014 and the preceding year. However, the segment profit reduced to RM2.30 million in the current year as compared to preceding year of RM8.27 million. The decrease in profit was primarily resulted from the recognition of non-recurring income in the preceding year.

B2. COMPARISON WITH IMMEDIATE PRECEEDING QUARTER'S RESULTS

The Group recorded a higher profit before taxation from continuing operations of RM9.86 million for the current quarter, as compared to the profit before taxation from continuing operations of RM1.41 million for the immediate preceding quarter. Again this was mainly due to the retailing segment that registered a gain on disposal of non-current asset held for sale of RM10.30 million .

B3. COMMENTARY ON PROSPECTS

The Group has anticipated that the group's business segments will remain challenging due to rising cost and a more competitive environment.

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	(22)	1,071
- deferred tax	-	-
In respect of prior year		
- income tax	(5)	54
- deferred tax	-	-
	<u>(27)</u>	<u>1,125</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.
- On 27 May 2014, the Company had announced to propose extension of time of 24 months until 20 June 2016 for the balance of utilised proceeds of RM5.87 million arising from 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 2014:-

	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Proceeds RM'000	Deviation		Intended Timeframe for utilisation	Explanations
				RM'000	%		
Working capital	4,700	(4,700)	-	-	-	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	(9,134)	5,866				

(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 2014 as follow:-

Short Term	RM'000	RM'000
Hire purchase creditors	285	
Bankers' acceptance	15,433	
Term loans	625	
Bank overdraft	<u>-</u>	16,343
Long Term		
Hire purchase creditors	362	
Term Loans	<u>872</u>	1,234
Total		<u>17,577</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 financial year ended 31 March 2014.

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	9,882	14,993
-Discontinued operations	-	(75)
	<u>9,882</u>	<u>14,918</u>
Number of ordinary shares in issue (in thousand)	42,000	42,000
Basic earnings per share (sen) :		
-Continuing operations	23.53	35.69
-Discontinued operations	-	(0.18)

B11. DISCLOSURE OF REALISED AND UNREALISED PROFIT

	As at 31.03.2014 RM'000	As at 31.03.2013 RM'000
Total retained profits of the Company and its subsidiaries :		
- Realised	32,301	18,226
- Unrealised	(324)	(264)
	<u>31,977</u>	<u>17,962</u>
Total share of retained profit from associates		
- Realised	7,589	6,788
- Unrealised	(518)	(618)
	<u> </u>	<u> </u>
The Group's retained profit as per consolidated accounts	<u>39,048</u>	<u>24,132</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	96	326
Other income	23	147
Bad debts recovered	-	45
Gain on disposal of equipment	-	-
Gain on disposal of non-current assets held for sale	10,299	13,558
Gain on disposal of a subsidiary	-	107
Interest expenses	(314)	(1,045)
Depreciation and amortisation	(452)	(1,852)
Writedown of inventories	(19)	(66)
Write off of equipment	(108)	(235)
	<u>9,625</u>	<u>10,985</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.