

MESB BERHAD (337554-D)**Interim Financial Report for the Financial Period Ended 30 September 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 2014, 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 2014, except for the adoption of the following accounting standards and interpretations (including the consequential amendments) which are effective for the financial period commencing on 1 January 2014 :-

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 (2009) Financial Instruments)
MFRS 9 (2010) Financial Instruments) To be
MFRS 9 Financial Instruments (Hedge Accounting and Amendments to MFRS 7, MFRS 9 and MFRS 139)) announced) by MASB
Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures))
MFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities	1 January 2014
Amendments to MFRS 11 : Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions	1 July 2014
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014

Annual Improvements to MFRSs 2010 – 2012 Cycle

1 July 2014

Annual Improvements to MFRSs 2011 – 2013 Cycle

1 July 2014

The above accounting standards and interpretations are not expected to have material impact on the financial statements of the Group upon its initial application.

A2. AUDIT REPORT QUALIFICATION

The audit report on the financial statements for the financial year ended 31 March 2014 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	
	30/09/2014 RM'000	30/09/2013 RM'000	30/09/2014 RM'000	30/09/2013 RM'000
Segment Revenue				
- Investment Holding	26	26	52	52
- Retailing	21,893	23,583	40,090	44,567
	<u>21,919</u>	<u>23,609</u>	<u>40,142</u>	<u>44,619</u>
Discontinued Operations	-	-	-	-
Total Revenue	<u>21,919</u>	<u>23,609</u>	<u>40,142</u>	<u>44,619</u>
Segment Revenue				
- Investment Holding	(21)	(21)	(42)	(42)
- Retailing	-	-	-	-
	<u>(21)</u>	<u>(21)</u>	<u>(42)</u>	<u>(42)</u>
Discontinued Operations	-	-	-	-
Inter-Segment Revenue	<u>(21)</u>	<u>(21)</u>	<u>(42)</u>	<u>(42)</u>
Segment Revenue				
- Investment Holding	5	5	10	10
- Retailing	21,893	23,583	40,090	44,567
	<u>21,898</u>	<u>23,588</u>	<u>40,100</u>	<u>44,577</u>
Discontinued Operations	-	-	-	-
External Revenue	<u>21,898</u>	<u>23,588</u>	<u>40,100</u>	<u>44,577</u>
Segment Results				
- Investment Holding	(42)	2,928	(115)	2,879
- Retailing	1,451	1,000	779	1,901
	<u>1,409</u>	<u>3,928</u>	<u>664</u>	<u>4,780</u>
Discontinued Operations	-	(2)	-	(71)
	<u>1,409</u>	<u>3,926</u>	<u>664</u>	<u>4,709</u>
Finance costs	(112)	(220)	(265)	(468)
Share of results of an associate	274	(65)	433	543
	<u>1,571</u>	<u>3,641</u>	<u>832</u>	<u>4,784</u>
Profit (Loss) before taxation	1,571	3,641	832	4,784
Taxation	5	(327)	(1)	(636)
	<u>1,576</u>	<u>3,314</u>	<u>831</u>	<u>4,148</u>
Profit (Loss) before taxation	<u>1,576</u>	<u>3,314</u>	<u>831</u>	<u>4,148</u>

A9. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

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 period ended 30 September 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 period ended 30 September 2014.

- a) On 11 June 2014, the Company had incorporated a 51% owned subsidiary known as PC Global Trends Sdn Bhd ("PCGT") with an initial issued and paid up capital of RM100.00. The issued and paid up capital of PCGT subsequently increased to RM454,439 of which the Company's proportion of shareholding of 51% in PCGT is remain unchanged.

The principal activity of PCGT is to carry on business of importers, exporters, retailers agent of boots, leather shoes, track shoes, rubber soled shoes in all kind of leather hides, rubber soles, skins and etc.

- b) MESB Agriculture Sdn Bhd ("MESB Agriculture"), a wholly-owned subsidiary of MESB, has been struck off from the Register of Companies pursuant to the notice issued under Section 308(4) of the Companies Act, 1965 which was received by MESB Agriculture on 23 July 2014.

A12. CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 30 September 2014 are as follows :-

	As at 30/09/2014 RM'000	As at 30/09/2013 RM'000
Corporate guarantees given to licensed bank for Banking facilities granted to subsidiary	5,125	15,041

A13. RELATED PARTY TRANSACTIONS

The related party transactions of the Group for the period ended 30 September 2014 are as follows:

Transaction parties	Nature of transaction	As at 30/09/2014 RM'000	As at 30/09/2013 RM'000
MX Too Sdn Bhd	Royalty and Sale of products	1,346	1,540
Roncato Sdn Bhd	Sale of products	850	1,302
Orlando Corporation Sdn Bhd	Sale of products	101	154
Milazo Pte. Ltd.	Royalty	689	-
MESB Technology Sdn Bhd	Sale of products	-	2

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.

MESB BERHAD (337554-D)**Interim Financial Report for the Financial Period Ended 30 September 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	
	30/09/2014 RM'000	30/09/2013 RM'000	30/09/2014 RM'000	30/09/2013 RM'000
Segment Revenue				
- Investment Holding	5	5	10	10
- Retailing	21,893	23,583	40,090	44,567
	<u>21,898</u>	<u>23,588</u>	<u>40,100</u>	<u>44,577</u>
Discontinued Operations	-	-	-	-
	<u>21,898</u>	<u>23,588</u>	<u>40,100</u>	<u>44,577</u>
Segment Results				
- Investment Holding	(42)	2,928	(115)	2,879
- Retailing	1,451	1,000	779	1,901
	<u>1,409</u>	<u>3,928</u>	<u>664</u>	<u>4,780</u>
Discontinued Operations	-	(2)	-	(71)
	<u>1,409</u>	<u>3,926</u>	<u>664</u>	<u>4,709</u>

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

The Company reported consolidated revenue of RM21.90 million, a decrease of 7.2% as compared with consolidated revenue of RM23.59 million for the preceding year's corresponding quarter ended 30 September 2013. Revenue decline was mainly driven by our retailing segment.

The Group reported profit before taxation ("PBT") of RM1.57 million, representing a decline by 56.88% compared to the preceding year's corresponding quarter ended 30 September 2013 driven by the non-recurring income recognized in the preceding year's corresponding quarter. This non-recurring income of RM3.26 million related to the disposal of non-current asset held for sale. Excluding the non-recurring income of the above nature, PBT increased by RM1.19 million or 309.11% as compared to preceding year's corresponding quarter ended 30 September 2013. The increase in PBT was mainly on account of the decrease in operational costs as a result of on-going cost reduction activities.

Segment Operating Performance

Retail segment revenue declined by 7.2% to RM21.89 million, as compared to RM23.58 million for the preceding's year corresponding quarter ended 30 September 2013. The lower sale volume registered was impacted by cautious consumer spending.

Despite the decrease in revenue, Segment result increased by 45.1%, from RM1.0 million to RM1.45 million as compared to the same period of last year. The increase in segment result was

driven primarily by lower operating expenses and finance cost incurred during the current quarter.

Excluding the non-recurring income from preceding year's corresponding quarter as elaborated above, Investment Holding Segment reported a lower segment loss of RM0.29 million representing 87.31% as compared to the preceding year's corresponding quarter whilst the segment revenue was maintained at the same level as compared to the preceding year's corresponding quarter.

b) Performance of current 6 months' period against the preceding year's corresponding period

On a year-to-year basis, the Company reported consolidated revenue of RM40.10 million, a decrease of 10.05% as compared with consolidated revenue of RM44.58 million for the financial period ended 30 September 2013. The decrease in revenue was driven primarily by lower leather product sales.

For the six months financial period ended 30 September 2014, the Group reported PBT of RM0.83 million, as compared to RM4.86 million for the six months financial period ended 30 September 2013. Excluding non-recurring item as elaborated above, the Group's PBT decreased by RM0.76 million or 47.87% as compared to the preceding year's corresponding quarter ended 30 September 2013.

Segment Operating Performance

Retail segment revenue reduced by 10.05% to RM40.09 million. However, the segment's profit was declined by 59.02% to RM0.80 million due to the lower sale volume.

Excluding the non-recurring income from the preceding year's corresponding quarter as elaborated above, Investment Holding segment reported a loss of RM0.04 million and RM0.33 million for the six month financial period ended 30 September 2014 and 30 September 2013 respectively.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

The revenue from continuing operation increased 20.31% to RM21.90 million in the current quarter as compared to RM18.20 million in the preceding quarter mainly due to the higher consumer spending and shopping spree in conjunction with Hari Raya celebration during the current quarter.

Correspondingly, the Group's reported a PBT of RM1.57 million in the current quarter ended 30 September 2014 as compared to a loss before taxation of RM0.74 million in the preceding quarter ended 30 June 2014.

B3. COMMENTARY ON PROSPECTS

Barring any unforeseen circumstances, the Directors are of the opinion that the Group's performance for the financial year ending 31 March 2015 will remain challenging.

The rising costs of living, high household leverage, the government's subsidy rationalisation plans and downside risks from the implementation of GST in 2015 will affect the Group's performance.

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	157	6
- deferred tax	-	-
In respect of prior year		
- income tax	(162)	-
- deferred tax	-	-
	<u>(5)</u>	<u>6</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 RM5.87million 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 30 September 2014:-

	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Proceeds RM'000	Deviation		Extended Timeframe for utilisation	Explanations
				RM'000	%		
Working capital	4,700	(4,700)	-	-	-	Within 24 months until 20 June 2016	(a)
Future investments	10,000	(3,800)	6,200	-	-	Within 24 months until 20 June 2016	(b)
Expenses related to the disposal	300	(634)	(334)	(334)	111	Within 24 months until 20 June 2016	(c)
	15,000	(9,134)	5,866				

(a) The balance proceeds is expected to be fully utilized within the extended timeframe of 24 months as announced on 27 May 2014.

(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 30 September 2014 as follow:-

Short Term	RM'000	RM'000
Hire purchase creditors	240	
Bankers' acceptance	2,906	
Term loans	455	
Bank overdraft	<u>0</u>	3,601
Long Term		
Hire purchase creditors	346	
Term Loans	<u>689</u>	1,035
Total		<u>4,636</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 financial period ended 30 September 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	1,599	854
-Discontinued operations	-	-
	<u>1,599</u>	<u>854</u>
Number of ordinary shares in issue (in thousand)	42,000	42,000
Basic earnings per share (sen) :		
-Continuing operations	3.81	2.03
-Discontinued operations	-	-

B11. DISCLOSURE OF REALISED AND UNREALISED PROFIT

	As at 30.09.2014 RM'000	As at 31.03.2014 RM'000
Total retained profits of the Company and its subsidiaries :		
- Realised	29,788	29,272
- Unrealised	(43)	(43)
	<u>29,745</u>	<u>29,229</u>
Total share of retained profit from associates		
- Realised	8,022	7,588
- Unrealised	(518)	(518)
	<u>7,504</u>	<u>7,070</u>
	<u>37,249</u>	<u>36,299</u>
Less : Consolidated adjustments	2,933	3,029
The Group's retained profit as per consolidated accounts	<u>40,182</u>	<u>39,328</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	253	400
Other income	22	44
Bad debts recovered	30	30
Interest expenses	(112)	(265)
Depreciation and amortisation	(439)	(868)
Writedown of inventories	(3)	(43)
Write of equipment	(19)	(19)
	<u>(268)</u>	<u>(721)</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.