

**MESB BERHAD (337554-D)****Interim Financial Report for the Financial Period Ended 31 December 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 :-

<b>MFRSs and IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective Date</b>
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	
	31/12/2014 RM'000	30/12/2013 RM'000	31/12/2014 RM'000	30/12/2013 RM'000
<b>Segment Revenue</b>				
- Investment Holding	24	25	76	77
- Retailing	22,630	24,885	62,720	69,452
	<u>22,654</u>	<u>24,910</u>	<u>62,796</u>	<u>69,529</u>
<b>Discontinued Operations</b>	-	-	-	-
<b>Total Revenue</b>	<u>22,654</u>	<u>24,910</u>	<u>62,796</u>	<u>69,529</u>
<b>Segment Revenue</b>				
- Investment Holding	(21)	(21)	(63)	(63)
- Retailing	(14)	-	(14)	-
	<u>(35)</u>	<u>(21)</u>	<u>(77)</u>	<u>(63)</u>
<b>Discontinued Operations</b>	-	-	-	-
<b>Inter-Segment Revenue</b>	<u>(35)</u>	<u>(21)</u>	<u>(77)</u>	<u>(63)</u>
<b>Segment Revenue</b>				
- Investment Holding	3	4	13	14
- Retailing	22,616	24,885	62,706	69,452
	<u>22,619</u>	<u>24,889</u>	<u>62,719</u>	<u>69,466</u>
<b>Discontinued Operations</b>	-	-	-	-
<b>External Revenue</b>	<u>22,619</u>	<u>24,889</u>	<u>62,719</u>	<u>69,466</u>
<b>Segment Results</b>				
- Investment Holding	(178)	(184)	(293)	2,695
- Retailing	916	1,810	1,695	3,711
	<u>738</u>	<u>1,626</u>	<u>1,402</u>	<u>6,406</u>
<b>Discontinued Operations</b>	-	(4)	-	(75)
	<u>738</u>	<u>1,622</u>	<u>1,402</u>	<u>6,331</u>
Finance costs	(155)	(263)	(420)	(731)
Share of results of an associate	368	43	801	586
Profit (Loss) before taxation	<u>951</u>	<u>1,402</u>	<u>1,783</u>	<u>6,186</u>
Taxation	(684)	(516)	(685)	(1,152)
Profit (Loss) before taxation	<u>267</u>	<u>886</u>	<u>1,098</u>	<u>5,034</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 31 December 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 31 December 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 800,000 ordinary share of RM1.00 each 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 31 December 2014 are as follows :-

	<b>As at 31/12/2014 RM'000</b>	<b>As at 31/12/2013 RM'000</b>
Corporate guarantees given to licensed bank for Banking facilities granted to subsidiary	11,495	17,033

## A13. RELATED PARTY TRANSACTIONS

The related party transactions of the Group for the period ended 31 December 2014 are as follows:

<b>Transaction parties</b>	<b>Nature of transaction</b>	<b>As at 31/12/2014 RM'000</b>	<b>As at 31/12/2013 RM'000</b>
MX Too Sdn Bhd	Royalty and Sale of products	2,157	2,575
Roncato Sdn Bhd	Sale of products	1,399	1,588
Orlando Corporation Sdn Bhd	Sale of products	165	223
Milazo Pte. Ltd.	Royalty	935	-
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 31 December 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	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
	RM'000	RM'000	RM'000	RM'000
<b>Segment Revenue</b>				
- Investment Holding	3	4	13	14
- Retailing	22,616	24,885	62,706	69,452
	<u>22,619</u>	<u>24,889</u>	<u>62,719</u>	<u>69,466</u>
<b>Discontinued Operations</b>	-	-	-	-
	<u>22,619</u>	<u>24,889</u>	<u>62,719</u>	<u>69,466</u>
<b>Segment Results</b>				
- Investment Holding	(178)	(184)	(293)	2,695
- Retailing	916	1,810	1,695	3,711
	<u>738</u>	<u>1,626</u>	<u>1,402</u>	<u>6,406</u>
<b>Discontinued Operations</b>	-	(4)	-	(75)
	<u>738</u>	<u>1,622</u>	<u>1,402</u>	<u>6,331</u>

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

For the current quarter ended 31 December 2014, the Company reported revenue from its continuing operation of RM22.62 million, a decrease of 9.12% from RM24.89 million in the preceding year's corresponding quarter. Corresponding, profit before taxation from its continuing operation has declined by 32.36% to RM0.95 million as compared to the preceding year's corresponding quarter of RM1.41 million. The decrease in profit before taxation was driven by lower sale registered in retailing segment.

Segment Operating Performance

Retail segment revenue declined by 9.08% to RM22.62 million, as compared to RM24.88 million for the preceding's year corresponding quarter. Corresponding, segment profit for the current quarter decreased to RM0.92 million as compared to RM1.81 million reported in the preceding year's corresponding quarter. The decrease was mainly due to lower sale volume impacted by continued inflationary pressures and weak consumer sentiment.

Holding Segment revenue declined by 25% to RM3,000 as compared to RM4,000 for the preceding's year corresponding quarter, whilst the segment loss decreased by 3.26% to RM0.18 million, as compared to the preceding's year corresponding quarter.

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

On a year-to-year basis, the Company reported revenue from its continuing operation of RM62.72 million, a decrease of 9.71% as compared to RM69.47 million reported in the preceding year's corresponding period ended 31 December 2013. The decrease in revenue was attributed to the lower volume of leather product and footwear.

The Group has reported a non-recurring income of RM3.26 million related to the disposal of non-current asset held for sale in previous financial period ended 31 December 2013. Excluding the non-recurring income from preceding year's corresponding quarter as elaborated above. The Group reported a decrease of profit before taxation by RM1.22 million representing 40.67% in the current financial period ended 31 December 2014 as compared to the last year's profit before taxation of RM3.0 million (after excluded the non-recurring income). This decrease was mainly attributed to the lower sale registered in retailing segment.

Segment Operating Performance

Retail segment revenue reduced by 9.71% to RM62.71 million as compared to the preceding year's corresponding period. However, the segment's profit was declined by 54.32% to RM1.69 million due to the lower sale volume impacted by weak consumer sentiment.

Excluding the non-recurring income from the preceding year's corresponding quarter as elaborated above, Investment Holding segment reported a loss of RM0.29 million and RM0.57 million for financial period ended 31 December 2014 and 31 December 2013 respectively.

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

The Group revenue increased 3.29% to RM22.62 million in the current quarter as compared to RM21.90 million in the preceding quarter. The increase was mainly attributed to the higher sale contributed by the retailing segment during holiday seasons and Year-End sale.

However, profit before taxation has decreased by 39.47% or RM0.95 million as compared to RM1.57 million recorded in the immediate preceding quarter mainly attributed to higher operational costs.

**B3. COMMENTARY ON PROSPECTS**

The Board of directors is of the opinion that the goods and services tax (GST) to be implemented in April 2015 and the sharp depreciation of the ringgit will impact the inflation rate and will further depress consumer sentiment in the next 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	684	847
- deferred tax	-	-
In respect of prior year		
- income tax	-	(162)
- deferred tax	-	-
	<u>684</u>	<u>685</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 31 December 2014:-

	Proposed Utilisation	Actual Utilisation	Balance Proceeds	Deviation		Extended Timeframe for utilisation	Explanations
	RM'000	RM'000	RM'000	RM'000	%		
Working capital	4,700	(4,700)	-	-	-	Within 24 months until 20 June 2016	(a)
Future investments	10,000	(4,106)	5,894	-	-	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	(9,440)	5,560				

(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 31 December 2014 as follow:-

	RM'000	RM'000
<b>Short Term</b>		
Hire purchase creditors	212	
Bill payable & Revolving credit	10,532	
Term loans	368	11,112
<b>Long Term</b>		
Hire purchase creditors	298	
Term Loans	595	893
<b>Total</b>		<b>12,005</b>

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 31 December 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	397	1,251
-Discontinued operations	-	-
	<b>397</b>	<b>1,251</b>
Number of ordinary shares in issue (in thousand)	42,000	42,000
Basic earnings per share (sen) :		
-Continuing operations	0.95	2.98
-Discontinued operations	-	-



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

	As at 31.12.2014 RM'000	As at 31.03.2014 RM'000
Total retained profits of the Company and its subsidiaries :		
- Realised	29,320	29,272
- Unrealised	(43)	(43)
	<u>29,277</u>	<u>29,229</u>
Total share of retained profit from associates		
- Realised	8,389	7,588
- Unrealised	(518)	(518)
	<u>7,871</u>	<u>7,070</u>
	<u>37,148</u>	<u>36,299</u>
Add : Consolidated adjustments	3,431	3,029
The Group's retained profit as per consolidated accounts	<u>40,579</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	65	465
Other income	24	68
Bad debts recovered	107	107
Gain on disposal of equipments	36	36
Interest expenses	(155)	(420)
Depreciation and amortisation	(415)	(1,283)
Writedown of inventories	(6)	(49)
Write of equipment	(119)	(138)
	<u>(463)</u>	<u>(1,214)</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.