

MESB BERHAD (337554-D)
Interim Financial Report for the Financial Year Ended 31 March 2015

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	
	31//3/2015 RM'000	31/03/2014 RM'000	31//3/2015 RM'000	31/03/2014 RM'000
Segment Revenue				
- Investment Holding	21	2,943	97	3,020
- Retailing	24,185	21,779	86,905	91,231
	<u>24,206</u>	<u>24,722</u>	<u>87,002</u>	<u>94,251</u>
Discontinued Operations	-	-	-	-
Total Revenue	<u>24,206</u>	<u>24,722</u>	<u>87,002</u>	<u>94,251</u>
Segment Revenue				
- Investment Holding	(21)	(2,938)	(84)	(3,001)
- Retailing	(207)	-	(221)	-
	<u>(228)</u>	<u>(2,938)</u>	<u>(305)</u>	<u>(3,001)</u>
Discontinued Operations	-	-	-	-
Inter-Segment Revenue	<u>(228)</u>	<u>(2,938)</u>	<u>(305)</u>	<u>(3,001)</u>
Segment Revenue				
- Investment Holding	-	5	13	19
- Retailing	23,978	21,779	86,684	91,231
	<u>23,978</u>	<u>21,784</u>	<u>86,697</u>	<u>91,250</u>
Discontinued Operations	-	-	-	-
External Revenue	<u>23,978</u>	<u>21,784</u>	<u>86,697</u>	<u>91,250</u>
Segment Results				
- Investment Holding	(411)	(372)	(704)	2,323
- Retailing	558	10,107	2,253	13,818
	<u>147</u>	<u>9,735</u>	<u>1,549</u>	<u>16,141</u>
Discontinued Operations	-	-	-	(75)
	<u>147</u>	<u>9,735</u>	<u>1,549</u>	<u>16,066</u>
Finance costs	(398)	(194)	(818)	(925)
Share of results of an associate	398	314	1,199	900
Profit (Loss) before taxation	<u>147</u>	<u>9,855</u>	<u>1,930</u>	<u>16,041</u>
Taxation	(254)	307	(939)	(845)
Profit (Loss) before taxation	<u>(107)</u>	<u>10,162</u>	<u>991</u>	<u>15,196</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 year ended 31 March 2015.

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 March 2015 :-

- 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 March 2015 are as follows :-

	As at 31/03/2015 RM'000	As at 31/03/2014 RM'000
Corporate guarantees given to licensed bank for Banking facilities granted to subsidiary	15,109	16,930

A13. RELATED PARTY TRANSACTIONS

The related party transactions of the Group for the year ended 31 March 2015 are as follows:

Transaction parties	Nature of transaction	As at 31/03/2015 RM'000	As at 31/03/2014 RM'000
MX Too Sdn Bhd	Royalty and Sale of products	2,969	3,350
Roncato Sdn Bhd	Sale of products	2,086	2,006
Orlando Corporation Sdn Bhd	Sale of products	216	289
Milazo Pte. Ltd.	Royalty	1,386	345
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.

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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//3/2015 RM'000	31/03/2014 RM'000	31//3/2015 RM'000	31/03/2014 RM'000
Segment Revenue				
- Investment Holding	-	5	13	19
- Retailing	23,978	21,779	86,684	91,231
	<u>23,978</u>	<u>21,784</u>	<u>86,697</u>	<u>91,250</u>
Discontinued Operations	-	-	-	-
	<u>23,978</u>	<u>21,784</u>	<u>86,697</u>	<u>91,250</u>
Segment Results				
- Investment Holding	(411)	(372)	(704)	2,323
- Retailing	558	10,107	2,253	13,818
	<u>147</u>	<u>9,735</u>	<u>1,549</u>	<u>16,141</u>
Discontinued Operations	-	-	-	(75)
	<u>147</u>	<u>9,735</u>	<u>1,549</u>	<u>16,066</u>

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

The Group's revenue from its continuing operation increased by 10.09% from RM21.78 million for the preceding year's corresponding quarter ended 31 March 2014 to RM23.98 million for the current quarter ended 31 March 2015. Despite the increase in revenue, the Group reported profit before taxation of RM0.15 million for the current quarter ended 31 March 2015, a decline by 98.51% as compared to the preceding year's corresponding quarter's profit before taxation of RM9.85 million. The decrease was mainly due to the decline in other income (declined by RM10.30 million or 98.88%). The decline in other income during the current quarter was largely derived from the gain on disposal of property and equipment.

Segment Operating Performance

Retail segment revenue increased by 10.11% to RM23.98 million in the current quarter from RM21.78 million in the preceding year's corresponding quarter, while segment profit declined by 94.48% to RM0.59 million in the current quarter from RM10.11 million in the preceding year's corresponding quarter. The decline in the segment profit was mainly due to the decline in other income as elaborated above.

Holding Segment recorded an increase in the segment loss by 10.48% from RM0.37 million to RM0.41 million. The increase in segment loss was mainly attributed to the decrease in rental income and increase in administrative expenses.

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

On a year-to-year basis, the Company reported revenue from its continuing operation of RM86.70 million for the financial year ended 31 March 2015, a decrease by 4.99% as compared to RM91.25 million reported in the preceding year's corresponding period ended 31 March 2014. The decrease in revenue was attributed to the lower sale volume reported in retailing segment.

The Group has reported a non-recurring income of RM13.52 million related to the disposal of properties and equipment in previous financial year ended 31 March 2014. Excluding this non-recurring income, the Group profit reduced by 25.48% to RM1.93 million in the current financial year ended 31 March 2015 from RM2.59 million (after excluded the non-recurring income as elaborated above) in the previous financial year ended 31 March 2014. This decrease was mainly attributed to the lower revenue registered in retailing segment.

Segment Operating Performance

Excluding the non-recurring income of RM10.31 million in related to the disposal of property and equipment as reported in previous financial year ended 31 March 2014, Retail segment profit declined by 35.90% from RM3.51 million (after excluded the non-recurring income) for the previous financial year ended 31 March 2014 to RM2.25 million for the current financial year for the current financial ended 31 March 2015, while the revenue declined by 4.98% to RM86.68 million as compared to RM91.23 million in the preceding year's corresponding year ended 31 March 2014.

Investment Holding Segment's revenue declined by RM6,000 or 31.59% as compared to the last year. Excluding the non-recurring income of RM3.22 million from the same nature as reported in the Retailing Segment. The Investment Holding Segment's loss declined by 21.14% from RM0.89 million (after excluded non-recurring income) for the previous financial year ended 31 March 2014 to RM0.71 million for the current financial year ended 31 March 2015.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

The Group revenue increased 6.01% to RM23.98 million in the current quarter as compared to RM22.62 million in the immediate preceding quarter. The increase was mainly attributed to the higher revenue achieved during festival seasons and pre-Goods and Services Tax (GST) purchasing rush.

Despite an increase in revenues, profit before taxation decreased by 84.54% to RM0.15 million in the current quarter from RM0.95 million in the immediate preceding quarter. The decrease in profit before taxation was mainly attributed to the higher administrative expenses and finance cost incurred in the current quarter.

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 2016 will remain challenging. Consumers becoming increasingly cautious in their spending over fears of higher inflation post goods and services tax (GST). Behavioral change in consumer spending coupled with devaluation of Ringgit will impact the Group's core businesses and 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	278	1,124
- deferred tax	-	-
In respect of prior year		
- income tax	(24)	(185)
- deferred tax	-	-
	<u>254</u>	<u>939</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 unutilised 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 March 2015:-

	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	(4,208)	5,792	-	-	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	(9,542)	5,458				

(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 March 2015 as follow:-

	RM'000	RM'000
Short Term		
Hire purchase creditors	186	
Bill payable & Revolving credit	13,858	
Term loans	371	
Bank overdraft	0	14,415
Long Term		
Hire purchase creditors	253	
Term Loans	509	762
	Total	15,177

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 2015

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)	1,250
-Discontinued operations	-	-
	(1)	1,250
Number of ordinary shares in issue (in thousand)	42,000	42,000
Basic earnings per share (sen) :		
-Continuing operations	0.00	2.98
-Discontinued operations	-	-

B11. DISCLOSURE OF REALISED AND UNREALISED PROFIT

	As at 31.03.2015 RM'000	As at 31.03.2014 RM'000
Total retained profits of the Company and its subsidiaries :		
- Realised	28,417	29,272
- Unrealised	(43)	(43)
	<u>28,374</u>	<u>29,229</u>
Total share of retained profit from associates		
- Realised	8,677	7,588
- Unrealised	(408)	(518)
	<u>8,269</u>	<u>7,070</u>
	<u>36,643</u>	<u>36,299</u>
Add : Consolidated adjustments	3,935	3,029
The Group's retained profit as per consolidated accounts	<u>40,578</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	122	587
Other income	28	96
Bad debts recovered	-	107
Gain/(loss) on disposal of equipment	(29)	7
Interest expenses	(398)	(818)
Depreciation and amortisation	(451)	(1,734)
Writeback/(writedown) of inventories	106	57
Write of equipment	(63)	(201)
	<u>685</u>	<u>(1,899)</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.