2013

ANNUAL REPORT

Laporan Tahunan

MESB

BERHAD

337554-D

RETAIL DIVISION

MIROZA LEATHER

242474-V

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Contents

Notice of the Eighteenth Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of **MESB Berhad** will be held at Swan 1, 7th Floor, Pearl International Hotel, Batu 5, Jalan Klang Lama, 58000 Kuala Lumpur on Wednesday, 18 September 2013 at 9.30 a.m. for the following purposes:

AGENDA

1. To lay the Audited Financial Statements for the financial year ended 31 March 2013 together with the Reports of the Directors and Auditors thereon. *Please refer to Note A*

2. To re-elect the following Directors who are retiring pursuant to Article the Articles of Association of the Company:

   (i) Ng Chee Leong – Article 78 *Ordinary Resolution 1*

   (ii) Tan Yew Kim – Article 78 *Ordinary Resolution 2*

   (iii) Tan Sok Gim – Article 85 *Ordinary Resolution 3*

   (iv) Yam Sing Lam @ Yam Seng Lam – Article 85 *Ordinary Resolution 4*

3. To approve the payment of Directors' fees amounting to RM107,000 for the financial year ended 31 March 2013. *Ordinary Resolution 5*

4. To re-appoint Messrs Crowe Horwath as Auditors of the Company and to authorise the Directors to fix their remuneration. *Ordinary Resolution 6*

AS SPECIAL BUSINESS

To consider and if thought fit, pass the following Ordinary / Special Resolutions with or without modifications:

5. **ORDINARY RESOLUTION**
   - **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposal")** *Ordinary Resolution 7*

   "**THAT**, subject always to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiary companies to enter into all arrangements and/or transactions as specified in Section 2.4 of the Circular to Shareholders dated 27 August 2013, provided that such arrangements and/or transactions are:

   (i) recurrent transactions of a revenue or trading nature;

   (ii) necessary for the day-to-day operations;

   (iii) carried out on arm's length basis, in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to the public; and

   (iv) are not to the detriment of the minority shareholders.

Notice of the Eighteenth Annual General Meeting (Cont'd)

AND THAT the authority conferred by this resolution shall commence immediately upon the passing of this resolution and shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting of the Company at which time it will lapse, unless by a resolution passed by the shareholders of the Company in a general meeting;

(b) the expiration of the period within which the next Annual General Meeting of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or

(c) revoked or varied by resolution passed by shareholders in general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby empowered and authorised to complete and to do all such acts, deeds and things as they may consider expedient or necessary or in the best interest of the Company to give effect to the Proposal, with full power to assent to any condition, modification, variation and/or amendment (if any) as may be imposed or permitted by the relevant authorities."

6. **ORDINARY RESOLUTION** *Ordinary Resolution 8*
Continuing in Office as Independent Non-Executive Director

"**THAT** the authority be and is hereby given to Encik Saffie bin Bakar who had served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years to continue act as an Independent Non-Executive Director of the Company."

7. **SPECIAL RESOLUTION** *Special Resolution*
- Proposed Amendments to the Articles of Association of the Company

"**THAT** the proposed amendments to the Articles of Association of the Company as contained in the Appendix A attached to the 2013 Annual Report be and are hereby approved and adopted AND THAT the Directors and Secretary of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all steps as may be considered necessary to give full effect to the Proposed Amendments to the Articles of Association of the Company."

By Order of the Board

LIM LEE KUAN (MAICSA 7017753)
PANG CHIA TYNG (MAICSA 7034545)
Company Secretaries

Kuala Lumpur
27 August 2013

Notes:

A. This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders and hence, is not put forward for voting.

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. The provisions of Section 149(1)(b) of the Act shall not apply to the Company and there shall be no restriction as to the qualification of the proxy.

2. A member shall be entitled to appoint more than one proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his holdings to be represented by each proxy.

3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint only one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

4. Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.

5. If no name is inserted in the space provided for the name of your proxy, the Chairman of the meeting will act as your proxy.

6. The instrument appointing a proxy must be deposited at Symphony Share Registrars Sdn Bhd, Level 6 Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

7. If the appointor is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of its attorney.

8. The Date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and speak at the meeting will be Wednesday, 11 September 2013.

9. Explanatory Notes on Special Business:

   (i) **Ordinary Resolution 7**
   - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposal")

   Further information on the Proposal is set out in the Circular to Shareholders dated 27 August 2013 which is circulated together with the 2013 Annual Report of the Company.

Notice of the Eighteenth Annual General Meeting (Cont'd)

(ii) **Ordinary Resolution 8**
- Continuing in Office as Independent Non-Executive Director

The Nomination Committee and the Board of Directors had assessed the independence of Encik Saffie bin Bakar who had served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years, and recommended Encik Saffie bin Bakar to continue act as an Independent Non-Executive Director of the Company based on the following justifications:

a. he fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Securities, and thus, he would able to provide check and balance and bring an element of objectivity to the Board;

b. he was not appointed by the current controlling shareholder and hence the issue on special relationship with or loyalty to the controlling shareholder does not arise;

c. he had devoted sufficient time and attention to his professional obligations for informed and balanced decision making by actively participated in board discussion and provided an independent voice to the Board; and

d. he had exercised due care during his tenure as Independent Non-Executive Director of the Company and carried out his professional duties in the best interest of the Company and the shareholders.

(iii) **Special Resolution**
Proposed Amendments to the Articles of Association of the Company

The proposed Special Resolution, if passed, will streamline the Company's Articles of Association to be in line with the latest Main Market Listing Requirements of Bursa Malaysia Securities Berhad, prevailing regulatory requirements and market practices as well as to render clarity and consistency throughout.

Appendix A

- **PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY**

"That the following Existing Articles in the Articles of Association of the Company be deleted in its entirety and the following Proposed Articles be substituted in lieu thereof:

Existing Article	Proposed Article
Article 72 - Instrument appointing proxy to be in writing The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company and there shall be no restriction as to the qualification of the proxy. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demand or join in demanding a poll. A member shall not be entitled to appoint one (1) proxy to attend and vote at the same meeting and where the member appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportion of his holdings to be represented by each proxy.	**Article 72 - Instrument appointing proxy to be in writing** The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a member of the Company. ~~**and**~~ The provisions of Section 149(1)(b) of the Act shall not apply to the Company and there shall be no restriction as to the qualification of the proxy. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demand or join in demanding a poll. A member shall ~~**not**~~ be entitled to appoint **only** one (1) proxy to attend and vote at the same meeting ~~and where the member appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportion of his holdings to be represented by each proxy.~~
Article 72A(2) – Proxy of authorised nominees Appointment of multiple proxies where a member of the company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each.	**Article 72A(2) – Appointment of multiple proxies** ~~Appointment of multiple proxies~~ Where a member of the company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each **omnibus account it holds. Where the exempt authorised nominee appoints two (2) or more proxies to attend and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportion of his holdings to be represented by each proxy.**
Nil	**New Article 131A - Dividend Reinvestment Scheme** **Subject to the approval being obtained from the members of the Company and the Listing Requirements, the Company may issue shares pursuant to a Dividend Reinvestment Scheme to all its members who are entitled to the dividend in accordance with the provisions of the Act and any rules, regulations and guidelines issued by the Exchange and any other relevant authorities in respect thereof.**

Appendix A (Cont'd)

Existing Article	Proposed Article
Article 140 – Payment by cheque Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the register of members or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent, and the payment of any such cheque or warrant shall operate as a good discharge to the Company in respect of the dividend represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Every such cheque or warrant shall be sent at the risk of the person entitled to the money thereby represented.	**Article 140 – Payment by cheque or electronic means** Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or **paid via direct credit, bank transfer or such other mode of electronics means (subject to the provision of the Act, the Central Depositories Act, the Rules, the Listing Requirements and/or regulatory authorities) to the bank account of the holders provided by the member entitled thereto and whose names appear in the register of members or Record of Depositors respectively.** ~~in the case of joint holders, to the registered address of that one of the joint holders who is first named on the register of members or to such person and to such address as the holder or joint holders may in writing direct.~~ Every such cheque or warrant **or such other electronic transfer or remittance** shall be made payable to the order of the person to whom it is sent, and the payment of any such cheque or warrant **or electronic transfer or remittance** shall operate as a good discharge to the Company in respect of the dividend represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Every such cheque or warrant **or electronic transfer or remittance** shall be sent at the risk of the person entitled to the money thereby represented. **The Company reserves the rights to deduct from the dividends any costs (where applicable) incurred for the crediting of the dividends into member's specified account.**
Article 144 – Service of notice A notice may be given by the Company to any Member either personally or by sending it by post to him in a prepaid letter addressed to him at his registered address as appearing in the Record of Depositors in Malaysia or (if he has no registered address within Malaysia) to the address, if any, within Malaysia supplied by him to the Company for the giving of notices to him.	**Article 144 – Service of notice** A notice may be given by the Company to any Member either personally or by sending it by post to him in a prepaid letter addressed to him at his registered address as appearing in the **register of members or** Record of Depositors in Malaysia or (if he has no registered address within Malaysia) to the address, if any, within Malaysia supplied by him to the Company for the giving of notices to him. **Any notice or other document, so far as allowed by the Act, the Rules the Listing Requirements or such other regulatory authorities, may also be given by the Company to any member by sending it via facsimile, short message service (sms), electronic mail or other electronic means to such address or number supplied by such member to the Company, if any, or through publication in the Company's official website.**

Appendix A (Cont'd)

Existing Article	Proposed Article
<u>Article 145 – When service effected</u> Any notice or other document, if served or sent by post or telegram, shall be deemed to have been served or delivered at the time when the letter or telegram containing the same would in the ordinary course be delivered, and in proving such service or sending it shall be sufficient to prove that the letter containing the notice or document was properly addressed and put into the post office as a pre-paid letter or that the telegram was properly addressed and handed into the post office for dispatch.	**<u>Article 145 – When service effected</u>** Any notice or other document, if served or sent by post or telegram, shall be deemed to have been served or delivered at the time when the letter or telegram containing the same would in the ordinary course be delivered, and in proving such service or sending it shall be sufficient to prove that the letter containing the notice or document was properly addressed and put into the post office as a pre-paid letter or that the telegram was properly addressed and handed into the post office for dispatch. **Any notice or other documents if served or delivered by facsimile, sms, electronic mail or other electronic means shall be deemed served on delivery or transmission. In case of publication on the Company's official website, it shall be deemed served or delivered to members at the time of publication.**

Corporate Information

DIRECTORS

Saffie Bin Bakar
(Senior Independent Non-Executive Director)

Ng Chee Leong
(Executive Director)

Tan Yew Kim
(Independent Non-Executive Director)

Teoh Hwa Peng
(Chief Executive Officer)

Tan Sok Gim
(Executive Director)

Yam Sing Lam @ Yam Seng Lam
(Independent Non-Executive Director)

AUDIT COMMITTEE

Tan Yew Kim
(Chairman of Audit Committee)
Saffie Bin Bakar
Yam Sing Lam @ Yam Seng Lam

NOMINATION COMMITTEE

Saffie Bin Bakar
(Chairman of Nomination Committee)
Tan Yew Kim
Yam Sing Lam @ Yam Seng Lam

REMUNERATION COMMITTEE

Ng Chee Leong
(Chairman of Remuneration Committee)
Saffie Bin Bakar
Yam Sing Lam @ Yam Seng Lam

RISK MANAGEMENT COMMITTEE

Ng Chee Leong
(Chairman of Risk Management Committee)
Saffie Bin Bakar
Tan Yew Kim
Teoh Hwa Peng
Tan Sok Gim
Yam Sing Lam @ Yam Seng Lam

HOMEPAGE

www.mesbbhd.com

REGISTERED OFFICE

10th Floor, Menara Hap Seng
No. 1 & 3, Jalan Ramlee
50250 Kuala Lumpur
Tel : 03-2382 4288
Fax : 03-2382 4170

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6 Symphony House
Block D13, Pusat Dagang Dana 1
Jalan PJU1A/46, 47301 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7841 8000
Fax : 03-7841 8008

COMPANY SECRETARIES

Pang Chia Tyng (MAICSA 7034545)
Lim Lee Kuan (MAICSA 7017753)

AUDITORS

Crowe Horwath
Level 16 Tower C, Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur

PRINCIPAL BANKERS

Standard Chartered Bank Malaysia Berhad
Public Bank Berhad
Bank Muamalat Malaysia Berhad

STOCK EXCHANGE LISTING

Main Market
Bursa Malaysia Securities Berhad
Sector : Trading/Services
Stock short name : MESB
Stock Code: 7234

SUBSIDIARIES

Miroza Leather (M) Sdn Bhd
MESB Capital & Development Sdn Bhd *(formerly known as Maintenance Capital & Development Sdn Bhd)*
Crystal United Sdn Bhd
MESB Agriculture Sdn Bhd

MESB GROUP OF COMPANIES
Corporate Structure

MESB BERHAD

100% **MIROZA LEATHER (M) SDN BHD**
242474-V

100% **MESB CAPITAL & DEVELOPMENT SDN BHD**
206455-X

100% **CRYSTAL UNITED SDN BHD**
183473-U

100% **MESB AGRICULTURE SDN BHD**
784056-K

40% **PDC TELECOMMUNICATION SERVICES SDN BHD**
9761-V

Profile of Directors

SAFFIE BIN BAKAR JMN, SMP, AMP, PJK	*Senior Independent Non-Executive Director*

- *60 years of age*
- *Malaysian*
- *Chairman of Nomination Committee*
- *Member of Remuneration Committee*
- *Member of Audit Committee.*
- *Member of Risk Management Committee*

He was appointed to the Board on 19 March 2004. He graduated from University of Malaya with a B.A (Honours) majoring in Geography in 1977 and subsequently received a Postgraduate Diploma in Public Admin.(DPA) from the Faculty of Economics and Administration,University of Malaya in 1978. In 1988, he obtained a MBA degree from US International University in San Diego,California, USA.

He has more than 35 years of management expertise especially in the areas of project planning, business development ,property development, human resources management, project management, cross border investments, mining exploration, corporate advisory transactions including Initial Public Offerings (IPOs), Reverse Takeovers (RTOs), Mergers and Acquisitions (M&As) and General Offer (GO).

From May 1978 to August 1983, he was attached to the Perlis State Government. He was involved in Economic Planning and served as Assistant State Secretary. Prior to his optional retirement from Government Service in August 1994, he held the position of Business Development Manager in Perlis State Economic Development Corporation (SEDC) since September 1983.

He had undergone various training programmes with the World Bank, UNDP, UNCTC, University of California, Berkeley, U.S.A.,University of Hong Kong and Catholic University of Leuven,Belgium. Between August 1978 and March 1981, he received in house training in the “State and Rural Development Project” (SRDP), which was funded by the Economic Planning Unit (EPU) and organized by UNDP and the World Bank. In addition he becomes Local Counterpart to the Regional Planning Advisor, the Industrial Project Advisor and the Infrastructure Project Advisor who are all World Bank experts.

He is an Associate Member of Certified System Investigator (CSI) World Headquarters, Singapore, a Member of Malaysian Institute of Corporate Governance (MICG), Transparency International - Malaysia (TI-M), Malaysia Crime Prevention Foundation (MCPF), a life member of Malaysian Drug Prevention Association, a Chartered Audit Committee Director (CACD) of The Institute of Internal Auditors Malaysia (IIAM), a Committee Member of Malaysian Exporters Association (MEXPA) and Co-Chairman of the Special Task Forces to Facilitate Business (PEMUDAH) for Perlis State.

Other posts held by him are the Corporate Advisor to Shorubber (Malaysia) Sdn.Bhd, a Japanese OBM manufacturer and exporter of industrial gloves. He is also a Director and Audit Committee Member of AE Multi Holdings Berhad (AEM), YEN Global Berhad, Perlis State Economic Development Corporation (SEDC) and a director cum corporate advisor of few private limited companies in Malaysia.

Profile of Directors (Cont'd)

TAN YEW KIM	*Independent Non-Executive Director*

- *55 years of age*
- *Malaysian*
- *Chairman of Audit Committee*
- *Member of Nomination Committee*
- *Member of Risk Management Committee*

He was appointed to the Board on 10 February 2010. He is a fellow member of the Chartered Association of Certified Accountants ("ACCA"), UK, an associate member of the Malaysian Institute of Certified Public Accountants and a member of the Malaysian Institute of Accountants ("MIA").

He is the senior partner of his own public accounting firm, Y.K. Tan, Lee & Associates, and he also a director of several private limited companies.

Mr. Tan is also member of the committee of various associations and board of governor of two primary schools.

YAM SING LAM@YAM SENG LAM	*Independent Non-Executive Director*

- *67 years of age*
- *Malaysian*
- *Member of Audit Committee*
- *Member of Nomination Committee*
- *Member of Remuneration Committee*
- *Member of Risk Management Committee*

He was appointed to the Board on 7 August 2013 . He graduated with a Bachelor of Engineering (Civil) from the Adelaide University, South Australia in 1970. He is a Professional Engineer (PE) registered with the Board of Engineers Malaysia and a Corporate Member (MIEM) of the Institute of Engineers Malaysia.

Upon graduation, Mr. Yam worked for a year in the Civil Works Design Office of the South Australian Electricity Trust. Mr Yam returned to Malaysia in 1972 and served in the JKR Pahang. His last served in the JKR was the District Executive Engineer, JKR Jerantut District. He later worked in Sumatra, Indonesia, as the Project Manager of a Transmigration Land Scheme between 1978-1980.

After returning from Indonesia, he worked short periods in design office and construction sites as Resident Engineer and Project Coordinator. This was followed by a few years as the Civil Works Maintenance Superintendent from 1982 to 1985 at the Malayawata Steel Mill.

In 1985 he joined the UEM as the Construction Manager and later promoted to the General Manager position before he was appointed as the Managing Director of UE Construction Sdn Bhd, a subsidiary and major construction arm of the UEM Group in 1991. This is the position he held until his retirement from the UEM Group in 2001. He had also served on the Boards of Ho Hup Construction Bhd and Propel Bhd.

After his retirement from the UEM Group, he worked for a few years as the Managing Director of Johnson Fluid Engineering Sdn Bhd. Mr. Yam is currently active in private consultancy services and has served as committee members of several Investigation Committees set up by the Board of Engineers.

Profile of Directors (Cont'd)

NG CHEE LEONG	*Executive Director*

- *49 years of age*
- *Malaysian*
- *Chairman of Remuneration Committee*
- *Chairman of Risk Management Committee*

He was appointed to the Board on 27 August 2008. He holds an active role in the management of Group's retailing division and is responsible in overseeing the business policies and strategies of Group's retailing business.

He has more than 20 years' experience in Men's fashion wear business as well in consignment and retail industry. His experience is not restricted to the marketing and merchandising areas but envelops the whole business organizational and corporate development.

Prior to joining the Board of the Company, he served with men's fashion company marketing the "Playboy" brand of men's wear in Malaysia. Later, he was promoted to Marketing Manager and was then headhunted to join MCL Bhd as Marketing Director in charge of some eleven brands.

He was a cofounder and executive director of A.D. Trends Sdn Bhd "ADSB", a former subsidiary of the Company that has ceased operations from the group in year 2009. ADSB principally involved in garment trading business.

Currently, He is also a director of Orlando Corporation Sdn. Bhd. engaged in the wholesale and retail of ready made menswear and related accessories.

TEOH HWA PENG	*Chief Executive Director*

- *46 years of age*
- *Malaysian*
- *Member of Risk Management Committee*
- *Chief Executive Officer*
- *Chief Financial Controller*

He was appointed to the Board on 22 June 2006. He had an illustrious career spanning more than 20 years in the leather industry. He set up his own factory in manufacturing leather products for third party brands in Malaysia and overseas. Following the success of his manufacturing business, he founded Miroza Leather (M) Sdn Bhd ("Miroza"), a 100% owned subsidiary of the Company, principally involved in the manufacture and marketing of internationally renowned brands under exclusive licensing. The brands included Pierre Cardin, Pierre Balmain, Alain Delon, GIAMAX' and 'GMX, as well as its own inhouse brand, "Giossardi".

Mr Teoh, was redesignated as Chief Executive Officer and Chief Financial Controller of the Group on 1 March 2013.

He is responsible for formulating the Group's strategic direction along with the rest of the Board. He is widely acknowledged as the driving force behind the Group's growth and success in its core business of leather products and handbag retailing.

He also a director of several private limited companies in Malaysia involved in various industry.

Profile of Directors (Cont'd)

TAN SOK GIM	*Executive Director*

- *43 years of age*
- *Malaysian*
- *Member of Risk Management Committee*

She was appointed to the Board of MESB Berhad on the 5 April 2013. Prior to her appointment, she is also on the Board of the subsidiaries of the Company, namely Miroza Leather (M) Sdn Bhd" Miroza" and Crystal United Sdn. Bhd.

She is a businesswomen, a director of various private limited companies in Malaysia. She has more than 20 years working experience in the retailing sector.

In 1987, Madam Tan started work as an accounts clerk in various retail organizations in Kangar. In 1991 she switched to be a sales promoter with a local well known brand of apparels. In 1994, she joined Miroza Leather (M) Sdn Bhd"Miroza" (a subsidiary of the Company) as one of the pioneering staff in charge of the purchasing section. In 1996 she headed Miroza's marketing section dealing with consignment sales when Miroza started on consignment sales with the various departmental stores in Malaysia. In 1999 she was charged with the responsibility of the whole retail sales operations of Miroza. From 2007, she volunteered and moved laterally in the organisation to head Miroza's human resource department. In mid 2009 she stepped down from active executive functions with the company in order to pay more attention to her fast growing children's educational needs.

Notes to the Directors' Profiles:

1. Family Relationship

   Teoh Hwa Peng is the spouse to Tan Sok Gim, who are both major shareholders of the Company.

   Save as disclosed above, the Directors do not have any other family relationship with any Directors and/or major shareholders of the Company.

2. Conviction of Offences

   None of the Directors have been convicted for any offences (other than traffic offences) within the past 10 years.

3. Conflict of Interest

   Save for related party disclosures as disclosed under Note 38 to the Audited Financial Statements in this Annual Report and the Circular to Shareholders dated 27 August 2013, which is dispatched together with this Annual Report, the Directors have no conflict of interest with the Company and its subsidiaries.

4. Attendance at Board Meetings

   The details of attendance of the Directors at the Board Meetings are set out in the Statement of Corporate Governance on page 19 of this Annual Report.

5. Directors' Shareholdings

   The details of Directors' interest in securities of the Company are set out in the Analysis of Shareholdings on page 105 of this Annual Report.

6. Directorship in other public companies

   Save for Saffie Bin Bakar, none of the other directors hold any directorship in public companies.

Audit Committee Report

The Board of Directors of MESB Berhad is pleased to present the Audit Committee Report for the financial year ended 31 March 2013.

COMPOSITION AND MEETINGS

In line with the Terms of Reference of the Audit Committee and in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), as at the date of this Annual Report, the Audit Committee comprises three (3) Independent Non-Executive Directors as follows:

Chairman
Tan Yew Kim - Independent Non-Executive Director

Members
Saffie Bin Bakar - Senior Independent Non-Executive Director

Yam Sing Lam @
Yam Seng Lam - Independent Non-Executive Director

During the financial year ended 31 March 2013, the Audit Committee met five (5) times to discuss the quarterly results, ad-hoc matters as well as internal and external audit matters. The attendance of the members of the Audit Committee is set out in table below:

Name of Audit Committee Chairman/Members	No. of meetings attended
Chairman	
Tan Yew Kim (re-designated as the Chairman on 1.3.2013) *(Independent Non-Executive Director)*	3/5
Members	
Saffie Bin Bakar (re-designated as the member on 1.3.2013) *(Senior Independent Non-Executive Director)*	5/5
Mr Yam Sing Lam @ Yam Seng Lam (appointed on 7.8.2013) *(Independent Non-Executive Director)*	N/A
Mr Yam Kin Lum (resigned on 31.05.2013) *(Independent Non-Executive Director)*	5/5

The Company Secretary act as the Audit Committee secretary in all Audit Committee meetings. Audit Committee meetings were also attended by the Group Accountant, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"). The Directors of subsidiaries may be invited to attend the meeting, where considered necessary. AC had numerous private sessions with the external auditors and internal auditors without the Management's presence, covering areas such as annual audit plan and review memorandum for Audit Committee's review and discussion and report same to the Board.

The agenda of the meetings and the meeting papers were distributed with sufficient notification to the Audit Committee members.

SUMMARY OF TERMS OF REFERENCE

1. **Composition**

The Audit Committee shall be appointed from amongst the Board and shall comprise no fewer than three (3) members, a majority of whom shall be independent directors and all members should be non-executive directors.

No alternate director shall be appointed as a member of the Committee.

In the event of any vacancy with the result that the number of members is reduced to below three, the vacancy shall be filled within three (3) months.

The terms of office and performance of an audit committee and each of its members must be reviewed by the Board of Directors annually to determine whether such audit committee and members have carried out their duties in accordance with their terms of reference.

2. **Chairman**

The Chairman, who shall be elected by the Audit Committee, shall be an independent director.

3. **Secretary**

The Company Secretary or any authorised person shall be the secretary of the Audit Committee.

4. **Meetings**

The Audit Committee shall meet at least four (4) times in each financial year and may regulate its own procedure in lieu of convening a formal meeting by means of video or teleconference.

The quorum for a meeting shall be the majority of members present, who shall be independent directors.

The CEO and the CFO may attend the quarterly meetings upon the invitation of the Audit Committee although they do not have any voting rights.

All decisions at such meeting shall be decided on a show of hands on a majority of votes and that the Chairman shall have the casting vote should a tie arise.

5. **Rights**

In conducting its duties and responsibilities, the Audit Committee shall have the authority to investigate any matter within its terms of reference and to seek full and unrestricted access to information, records and documents relevant to the Group and seek any information it requires from any employee. It shall also have direct communication channels with the External and Internal Auditors, as well as have the authority to engage, consult and obtain independent professional advice whenever it deems fits and able to secure the attendance of other Directors, employees and outsiders with relevant experience and expertise for consultation if it considers necessary.

6. **Duties**

a. **Risk Management & Internal Control**

Review the adequacy of and recommend such measures to the Board on the effectiveness of the Company's risk management and risk assurance process and evaluate the quality and effectiveness of the Company's Internal Control system and management information systems.

Audit Committee Report (Cont'd)

b. **Financial Reporting**

Review the quarterly results and annual financial statements before recommendation to the Board for approval for release to Bursa Securities in compliance with approved accounting standards, stock exchange and other regulatory requirements; and Compliance with applicable financial reporting standards.

c. **External Audit**

Recommend the appointment or re-appointment of the external auditors and audit fee to your Board; review and discuss the nature and scope of the external audit strategy and plan for the year; review and discuss issues arising from external auditors' interim and final letters of recommendation to management, including management responses and the external auditor's evaluation of the system of internal control.

d. **Internal Audit**

Review the adequacy of the scope, functions, competency, resources and authority of the internal audit function in carrying out its work, review the risk-based internal audit plans and programmes; and review the major findings reported by internal audit and follow up on management's implementation of the recommended actions.

e. **Related Party Transactions**

To monitor related party transactions entered into by the Company or the Group and to determine if such transactions are undertaken on an arm's length basis and normal commercial terms and on terms not more favourable to the related parties than those generally available to the public and to review conflicts of interest that may arise within the Company or the Group.

SUMMARY OF ACTIVITIES

For the financial year under review, the following activities were undertaken by the Audit Committee, including the deliberation on and review of:

(i) the unaudited quarterly report of the Group to ensure adherence to the regulatory reporting requirements and appropriate resolution prior to the submission to the Board of Directors for approval.

(ii) the annual audited financial statements of the Group and of the Company and recommend it to the Board for approval prior to the release to Bursa Securities and its shareholders.

(iii) the related party transactions to ensure that the transactions are fair and reasonable, and are not detrimental to the interests of minority shareholders.

(iv) the risk-based annual audit plan presented by the internal auditors to ensure adequate scope and coverage of the activities of the Group.

(v) the audit planning memorandum of the external auditors in terms of their scope of audit prior to their commencement of the annual audit.

(vi) the external auditors' audit review memorandum in relation to audit and accounting issues arising from the audit; matters arising from the audit of the Group in meetings with the external auditors without the presence of the executive Board members and management.

(vii) the internal audit reports, audit recommendations and implementation status of the recommendations.

(viii) the re-appointment of external auditors and their audit fees, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of their audit, before the recommendation to the Board of Directors for approval.

(ix) the Audit Committee Report and the statement of Risk Management and Internal Control for inclusion in the Annual Report and ensure the statements compliance with the Malaysian Code on Corporate Governance before recommending to the Board of Directors for approval.

INTERNAL AUDIT FUNCTIONS

The internal audit functions of the Group is outsourced to an external professional firm, which reports directly to the Audit Committee and assists the Board of Directors in monitoring the risks and reviewing the internal controls system to ensure sound internal control system as established and continue to function effectively and satisfactorily within the Group, after taking into consideration the practicability of such control mechanism.

During the financial year under review, the audit fees and field work expenses incurred for the internal audit function was RM23,000.

The outcome of the review carried out by Internal Audit team based on the approved audit plan during the financial year ended 31 March 2013 were:

- Reviewed the existing policies and procedures of the stock control system of the Group's retailing division.
- Delivered the detailed reports, findings and recommendations to the Audit Committee for discussion at the Audit Committee meeting. The Audit Committee had instructed Management to rectify and improve control procedures based on the Internal Auditor's recommendations.
- Performance follow-up audit findings.

Statement on Corporate Governance

The Board of Directors of MESB BERHAD is committed to inculcating a responsible organisation by instilling corporate conscience through excellence in corporate governance ("CG") standards , including accountability and transparency to be observed throughout the Group as a fundamental part of building a sustainable business and discharging its responsibilities to protect and enhance shareholder value and financial performance of the Group. This statement provides an insight into the CG practices of the Company pursuant to the Principles and Recommendations as set out in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012").

1. Establish Clear Roles and Responsibilities

1.1 Defined Functions of the Board and Management Delegates

The Board is responsible for formulating and reviewing the strategic plans and key policies of the Company, and charting the course of the Group's business operations whilst providing effective advice on Management's performance, risk assessment and controls over business operations.

The Board delegates and confers some of its authorities and discretion on the Chairman, Executive Directors, and Management as well as on properly constituted Board Committees comprising mainly/ exclusively Non-Executive Directors.

There is a clear division of responsibilities between the Board and the Chief Executive Officer ("CEO"). The directors as whole, leads strategic planning, while the Executive Directors are responsible for the implementation of the policies laid down and executive decision-making.

The Group's Operating Business was organised into 3 Business Segments; Trading, Investment Holding, Engineering and Construction with each segments having their own management team to support the Executive Directors and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board. However, at present the Group's focus is mainly on Trading segment.

The Board Committee is made up of the Audit Committee ("AC"), Nomination Committee ("NC"), Remuneration Committee ("RC") and Risk Management Committee ("RMC"). These committees are entrusted with specific responsibilities to oversee the Group's affairs, with authority to act on behalf of the Board in accordance with their respective Terms of Reference. At each Board meeting, minutes of the Board Committee meetings are presented to keep the Board informed. The Chairmen of the relevant Board Committees also report to the Board on key issues deliberated by the respective Board Committees at their individual meetings.

The Non-Executive Directors are independent of Management. Their roles are to constructively challenge Management and monitor the success of Management in delivering the approved targets and business plans within the risk appetite set by the Board. They have free and open contact with Management at all levels, and they engage with the external and internal auditors to address matters concerning Management and oversight of the Company's business and operations.

1.2 Clear roles and responsibilities in discharging fiduciary and leadership functions

The Board has discharged its responsibilities in the best interests of the Company. The following are among the key responsibilities of the Board:

(a) Reviewing and adopting the Company's strategic plans

The Board has in place a strategy planning process, whereby the CEO presents to the Board its recommended strategy, together with the proposed business plans for the ensuing year for the Board's review and approval. The Board will deliberate both the Management's and its own perspectives, and challenge the Management's views and assumptions to ensure the best outcome.

(b) Overseeing the conduct of the Company's business

The CEO is responsible for the day-to-day management of the business and operations of the Group in respect of both its regulatory and commercial unctions. He is supported by Management.

Management's performance, under the leadership of CEO, is assessed by the Board through monitoring the success in delivering the approved targets and business plans against the performance of the Group.

(c) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures

The RMC is established by the Board to oversee senior management's activities in managing credit, market, liquidity, operational, legal and other risks, and to ensure that the risk management process is in place and functioning effectively.

The board has an active role through its committees, in overseeing management of our risks. The board is responsible for managing strategic risk and reviews information regarding our capital, liquidity, and operations, as well as the risks associated with each, and receives an report from RMC at least annually, or whenever is required. The RMC is responsible for oversight of our risk management process, including financial risk and operational risk. The RMC provides a report on our risks and risk management processes to the Board of Director.

(d) Succession Planning

The Board shall entrust the NC with the responsibility to review candidates for the Board, CEO and CFO positions and to recommend remuneration packages for these appointments, and to formulate nomination, selection and succession policies for the Group.

(e) Overseeing the development and implementation of a shareholder communications policy for the Company

The Company strongly believes that effective and timely communication is essential in maintaining good relations with the shareholders, investors and investment community. The Company carried out its Investor Relations ("IR") activities with reference to its stated Corporate Disclosure Policy, which is available on its website.

The Company has identified En. Saffie Bin Bakar, as the Senior Independent Non-Executive Director to whom concerns of shareholders and other stakeholders may be conveyed.

In addition to the above, shareholders and investors can make inquiries about investor relations matters via dedicated e-mail addresses available on the corporate website.

(f) Reviewing the adequacy and integrity of management information and internal control system of the Company

The Board is ultimately responsible for the adequacy and integrity of the Company's internal control system. Details pertaining to the Company's internal control system and the reviews of its effectiveness are set out in the Statement on Risk Management and Internal Control of the Annual Report.

Statement on Corporate Governance (Cont'd)

1.3 Formalised ethical standards through Code of Conduct

The Board is guided by the Company's Codes of Conduct for Directors and Employees in discharging its oversight role effectively. The Codes of Conduct require all Directors to observe high ethical business standards, and to apply these values to all aspects of the Group's business and professional practice and act in good faith in the best interests of the Group and its shareholders. The Codes of Conduct was published on the corporate website.

In addition, the Company's Whistleblowing Policy as published in the Company's website seek to foster an environment where integrity and ethical behaviour are maintained and any illegal or improper action and/or wrong doing in the Company may be exposed.

1.4 Strategies promoting sustainability

The Board formalises the Company's strategies on promoting sustainability. A sustainability plan is published in the Company's corporate website.

1.5 Access to information and advice

The Directors have individual and independent access to the advice and dedicated support services of the Company Secretaries in ensuring the effective functioning of the Board. The Directors may seek advice from Management on issues under their respective purview. The Directors may also interact directly with Management, or request further explanation from them on information or updates on any aspect of the Company's operations or business concerns.

In addition, the Board may seek independent professional advice at the Company's expense, on specific issues to enable it to discharge its duties in relation to matters being deliberated.

1.6 Qualified and Competent Company Secretaries

The Company Secretaries are responsible for advising the Board on all governance matters. The Directors have access to the advice and services of the Company Secretaries.

The Board is regularly updated and apprised by the Company Secretaries on new regulation issued by the regulatory authorities. The Company Secretaries also serve notice to the Directors and Principal Officers to notify them of closed periods for trading in the Company's shares.

The Company Secretaries attend and ensure that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory register of the Company.

The Company Secretaries work closely with Management to ensure that there are timely and appropriate information flow within the Board and to the Board Committees.

1.7 Board Charter

In discharging its duties, the Board is constantly mindful of the need to safeguard the interests of the Group's stakeholders. In order to facilitate the effective discharge of its duties, the Board is guided by the Board Charter which was adopted by the Board on 25 February 2013 and the same was published on the corporate website.

The Board Charter serves to ensure that all Board members acting on the Group's behalf are aware of their expanding roles and responsibilities. It sets out the strategic intent and specific responsibilities to be discharged by the Board members collectively and individually. It also regulates on how the Board conducts business in accordance with CG principles.

2.0 Strengthen Composition

2.1 Nomination Committee

The NC comprises a majority of Non-Executive Directors:

- En Saffie Bin Bakar – Chairman , Senior Independent Non-Executive Director
- Tan Yew Kim – Member, Independent Non-Executive Director
- Yam Sing Lam@Yam Seng Lam – Member, Independent Non-Executive Director

The NC is guided by specific terms of reference and the NC's duties are as follows:

- To recommend candidates for all directorships to be filled by shareholders or the Board;
- To recommend candidates to fill the seats on Board Committees;
- To assess the contribution of each individual Director;
- To review annually the Board structure, size, composition and the balance between Executive Directors, Non-Executive Directors and Independent Directors to ensure that the Board has the appropriate mix of skills and experience including core competencies which Directors should bring to the Board and other qualities to function effectively and efficiently;
- To take the necessary steps to ensure that women candidates are sought as part of the Company's recruitment exercise to meet its gender diversity policy;
- To review annually the independence of Independent Directors;
- To ensure existence of an appropriate framework;
- To establish and implement processes for assessing the effectiveness of the Board as a whole, the Committees of the Board and assessing the contribution of each Director; and
- To consider other matters as referred to the Committee by the Board.

2.2 Senior Independent Non-Executive Director

The Board has identified the Independent Non-Executive Director, Saffie Bin Bakar, as the Senior Independent Non-Executive Director to whom concerns of shareholders and other stakeholders may be conveyed. The NC was chaired by him.

2.3 Develop, maintain and review criteria for recruitment and annual assessment of Directors

Board appointment process

The NC is responsible for identifying and recommending suitable candidates for Board membership and also for assessing the performance of the Directors on an ongoing basis. The Board will have the ultimate responsibility and final decision on the appointment. This process shall ensure that the Board membership was accurately reflects the long-term strategic direction and needs of the Company and determines skills matrix to support strategic direction and needs of the Company.

The NC evaluates and matches the criteria of the candidate, and will consider diversity, including gender, where appropriate, and recommends to the Board for appointment.

Consideration will be given to those individuals possessing the identified skill, talent and experience.

The NC will contact those persons identified to determine interest in serving the Company. This communication will ensure that prospective Board members have clarity regarding the nominating process as well as Director/Board profiles, roles and responsibilities, expectations of time commitments and other information as required.

According to the Articles of Association of the Company, all Directors who are appointed by the Board are subject to re-election by shareholders at the first opportunity after their appointment. The Articles also provide that at least one third (1/3) of the remaining Directors be subjected to re-election by rotation at each AGM and that all directors shall retire once at least in each three (3) years but shall be eligible for re-election.

Statement on Corporate Governance (Cont'd)

The new Director(s) duly appointed by the Board are then recommended for re-election at the AGM.

The Company is encouraged to evaluate the directors training needs on regular basis, shall then provide orientation and on-going education to the Board.

In making the selection, the Board is assisted by the NC to consider the following aspects:

- Probity, personal integrity and reputation – the person must have the personal qualities such as honesty, integrity, diligence and independence of mind and fairness.

- Competence and capability – the person must have the necessary skills, ability and commitment to carry out the role.

Annual Assessment

The Board reviews and evaluates its own performance and the performance of its Committees on an annual basis. The Board evaluation comprises a Board Assessment, an Individual Peer Assessment and an Assessment of Independence of Independent Directors.

The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committee and the Chairman's role and responsibilities.

For Individual Peer Assessment, the assessment criteria include contribution to interaction, quality of inputs, and understanding of role.

The results of the assessment would form the basis of the NC's recommendation to the Board for the re-election of Directors at the next AGM.

The NC also undertakes yearly evaluation of the performance of the Directors whose remuneration is directly linked to performance, based on his score sheet. For this purpose, the performance evaluation for the year 2012 of the CFO was reviewed by the NC in May 2013.

Gender diversity policy

In line with MCCG 2012 recommendations. The Company has one (1) female director for the time being, and shall continually encourage the recruitment and retention of talented women at all levels. Nonetheless, the Company will endeavour to achieve a higher target through the progressive refreshing of the Board as it implements the nine-year policy for Independent Non-Executive Directors.

2.4 Remuneration Policies and Procedures

The RC and the Board ensure that the Company's remuneration policy remains supportive of the Company's corporate objectives and is aligned with the interest of shareholders, and further that the remuneration packages of Directors and key Senior Management Officers are sufficiently attractive to attract and to retain persons of high calibre.

The RC reviews annually the performance of the Executive Directors and submits recommendations to the Board on specific adjustments in remuneration and/or reward payments that reflect their respective contributions for the year, and which are depend on the performance of the Group, achievement of the goals and/or quantified organisational targets as well as strategic initiatives set at the beginning of each year.

The remuneration package of the Executive Directors consists of monthly salary, director fee and benefits-in-kind, such as company car and the benefit of Directors and Officers Liability Insurance in respect of any liabilities arising from acts committed in their capacity as Directors and Officers of the Company.

All directors are entitled to the Director fee and any meeting allowance for Board or Board Committee Meetings they attend. The Board as a whole determines the remuneration of Non-Executive Directors and recommends the Board members' Director fees for shareholders' approval.

The details of Directors' remuneration of directors during the financial year ended 31 March 2013:-

	RM'000
Executive directors:	
- salaries , bonus and allowances	839
- fees	35
- Benefits in kind	5
	879
Non-executive directors:	
- allowances	20
- fees	72
	92
	971

The number of Directors whose remuneration falls within the following bands is tabulated as below:

Range of Remuneration (RM)	Executive Directors	Non-Executive Directors
50,000 and below	1	3
50,001 to 100,000	1	–
150,001 to 250,000	1	–
300,001 to 350,000	–	–
400,001 to 550,000	1	–

3.0 Reinforce Independence

3.1 Annual Assessment of Independence

The Board, through the NC, assesses the independence of Independent Directors annually. The criteria for assessing the independence of an Independent Director include the relationship between the Independent Director and the Company and his involvement in any significant transaction with the Company.

Based on the above assessment in 2012, the Board is generally satisfied with the level of independence demonstrated by all the Independent Directors, and their ability to bring independent and objective judgement to board deliberations.

Mr Tan Yew Kim, one (1) of the Independent Non-Executive Directors, is seeking for re-election at the forthcoming AGM. The NC is satisfied that Mr Tan Yew Kim has demonstrated that he is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement. The Board therefore recommends and supports his proposed re-appointment.

3.2 Tenure of Independent Directors

The Board has adopted a nine-year policy for Independent Non-Executive Directors. An Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. Otherwise, the Board will justify and seek shareholders' approval at the AGM in the event it retains the director as an Independent Director.

None of the Independent Non-Executive Directors except for En. Saffie bin Bakar had served more than 9 years in the Company.

3.3 Shareholders' approval for the Continuance in Office as Independent Directors

The Board would seek shareholders' approval at the AGM if an Independent Director who has served in that capacity for more than 9 years shall remain as an Independent Director.

The NC will assess the independence of the Independent Director based on the assessment criteria developed by the NC, and recommended to the Board for recommendation to shareholders for approval.

Accordingly, the Board will seek shareholders' approval at the AGM to continue the office of En. Saffie bin Bakar who has served the Company for more than 9 years as an Independent Director.

3.4 The roles Chairman and the CEO

In view of the current size of the Group's operation, the Board has recommended that it is not necessary for the time being, to appoint the Chairman or define the role of a Chairman, instead, the Directors as a whole lead the Board in the determination of its strategy and in the achievement of its objectives.

The Executive Director, Mr Teoh Hwa Peng also serves as the CEO of the Group. The role of the CEO is heads the management and oversees the execution of the Company and its subsidiaries' corporate and business strategies and policies, and the conduct of its business.

These is clear division of responsibilities between the Board and the CEO, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

3.5 Composition of the Board

The Board of Directors currently comprises Six (6) members, of whom three (3) are Independent Non-Executive Directors, and three (3) Executive Directors. The composition of the Board has met the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on the minimum requirement of 1/3 independent directors. The Independent Non-Executive Directors do not participate in the day-to-day management of the group and do not involve themselves in business transactions or relationships with the group, in order not to compromise their objectivity. In staying clear of any potential conflict of interest, the Independent Non-Executive Directors remain in a position to discharge their responsibility to provide check and balance to the Board.

The Independent Non-Executive Directors are of the caliber necessary to provide an independent judgment on the issues of strategy, performance and resource allocation. They carry sufficient weight in Board decisions to ensure long-term interest of the shareholders, employees, customers and other stakeholders.

The Six (6) members of the Board are persons of high calibre and integrity, and they possess the appropriate skills and provide a wealth of knowledge, experience and skills in the key areas of accountancy, business operations and development, finance and risk management, amongst others.

The profile of each of the Member of the Board is presented on the pages 11 to 14 of this Annual Report.

4.0 Foster Commitment

4.1 Time Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at Board Meetings, as set out in the table.

Name of Director	Designation	No of Meetings Attended
Saffie Bin Bakar	Senior Independent Non-Executive Director	5/5
Tan Yew Kim	Independent Non-Executive Director	3/5
Ng Chee Leong	Executive Director	5/5
Teoh Hwa Peng	Executive Director	4/5
Tan Sok Gim (1)	Executive Director	N/A
Teoh Wah Leong (2)	Executive Director	4/5
Yam Kin Lum	Independent Non-Executive Director	5/5
Yam Sing Lam @ Yam Seng Lam (4)	Independent Non-Executive Director	N/A

(1) Mdm Tan was appointed as new Director of the Company on 5 April 2013.
(2) Mr Teoh had resigned as Director of the Company on 25 February 2013.
(3) Mr Yam Kin Lum had resigned as Director of the Company on 31 May 2013.
(4) Mr Yam Sing Lam@Yam Seng Lam was appointed as new Director of the Company on 7 August 2013.

The Board conduct at least four (4) regularly schedule meetings annually to coincide with the quarterly announcement of the Group. The Board also meets on an ad-hoc basis to deliberate issues or matter that requires expeditious board direction or approval.

To ensure that the Directors have the time to focus and fulfil their roles and responsibilities effectively, the Directors must not hold directorships at more than five (5) public listed companies and shall notify the Board before accepting any new directorship.

To facilitate the Directors' time planning, the regularly meetings schedules are proposed in advance, as well as the tentative closed periods for dealings in securities by Directors based on the targeted dated of announcements of the Group's quarterly results.

4.2 Training

All Directors including the newly appointed Directors have completed the Mandatory Accreditation Programme ("MAP") as prescribed by Bursa Securities. The Company will continue to identify suitable training for the Directors to equip and update themselves with the necessary knowledge in discharging their duty and responsibilities as Directors.

The Directors are encouraged to attend various briefing, conferences, forums, trade fairs, seminars and training not only to enhance their knowledge to enable them to discharge their duties efficiently as the directors of the Company but also to keep abreast with the latest developments in the industry.

Statement on Corporate Governance (Cont'd)

During the financial year ended 31 March 2013, the Directors have attended the following training, seminars and conferences which they considered vital in keeping abreast with changes in laws and regulation, business environment, and corporate governance development:-

No.	Name of Director	Course Attended	Date
1.	Saffie Bin Bakar	Smart Money Management	24/04/2012
		Effective Dispute Resolution for Corporate Malaysia	25/04/2012
		Lecture on Current Economics & Financial Crisis	28/04/2012
		A Developed State by 2012	30/04/2012
		Perlis as Electronic Industry : Empowering Global Economy Through Technology	15/05/2012
		Invest Malaysia 2012 – Capitalise on ASEAN's Multinational Marketplace	29/05/2012 to 30/05/2012
		Appointed by Perlis State Government as a "Steering Committee Member for Perlis State Strategic Development Plan 2012-3030	12/06/2012
		Governance Risk Management and Compliance : What Directors Should Know	08/08/2012
		MITI Dialogue Session Between The Honourable Minister MITI and 1-InnoCERT Companies	09/08/2012
		FMM Perlis Regional Committee Networking	08/11/2012
2.	Tan Yew Kim	Governance, Risk Management and Compliance: What Directors Should Know	08/08/2012
3.	Ng Chee Leong	Governance, Risk Management and Compliance: What Directors Should Know	08/08/2012
4.	Teoh Hwa Peng	Governance, Risk Management and Compliance: What Directors Should Know	08/08/2012

5.0 Uphold Integrity in Financial Reporting

5.1 Compliance with applicable financial reporting standards

The Board is committed to provide a balanced, clear and meaningful assessment of the financial performance and prospects of the Company via all disclosures and announcements made.

The Board is assisted by the AC to oversee and scrutinise the process and quality of the financial reporting, includes reviewing and monitoring the integrity of the financial statements and the appropriateness of the Company's accounting policies to ensure accuracy, adequacy and completeness of the report, as well as in compliance with the relevant accounting standards.

5.2 Assessment of suitability and independence of external auditors

The AC is responsible for reviewing audit, recurring audit-related and non-audit services provided by the external auditors. These recurring audit-related and non-audit services comprise regulatory reviews and reporting, tax advisory and compliance services.

The terms of engagement for services provided by the external auditors are reviewed by the AC prior to submission to the Board for approval.

The AC shall formalise the requirement for written assurance from the external auditors confirming that are independent and abided by other guidelines on the engagement of the external auditor for non-audit work.

The external auditors can be engaged to perform non-audit services that are not, and are not perceived to be, in conflict with the role of the external auditors. All engagements of the external auditors to perform non-audit services are required AC's approval.

The Board maintains a close and transparent relationship with the external Auditors through its AC in seeking professional advice and ensuring the Group's financial statements comply with applicable financial reporting standards.

Having satisfied itself with Messrs Crowe Horwath's performance, the AC will recommend their re-appointment to the Board, upon which the shareholders' approval will be sought at the AGM.

6.0 Recognise and manage risks

6.1 Sound framework to manage risks

The Board oversees, reviews and monitors the operation, adequacy and effectiveness of the Group's system of internal controls.

The Board defines the level of risk appetite, approving and overseeing the operation of the Group's Risk Management Framework, assessing its effectiveness and reviewing any major/ significant risk facing the Group.

The RMC oversees the risk management framework of the Group and advises the Board on areas of high and medium risks faced by the Group and the adequacy of compliance and control throughout the organisation. The RMC would review the action plan implemented and makes relevant recommendations to the Board to manage residual risks.

The Company continues to maintain and review its internal control procedures to ensure the protection of its assets and its shareholders' investment.

6.2 Internal Audit Functions

The Company has outsourced its Internal audit functions to a professional services firm to assist the AC in discharging its duties and responsibilities in respect of reviewing the adequacy and effectiveness of the Group's risk management and internal control systems.

The Statement on Risk Management and Internal Control as included on page 30 of this Annual Report provides the overview of the internal control framework adopted by the Company during the financial year ended 31 March 2013.

7.0 Ensure timely and high quality disclosure

7.1 Corporate Disclosure Policy and Procedures

The Company has put in place a Corporate Disclosure Policy with the objective to ensure communications to the public are timely, factual, accurate, complete, broadly disseminated and where necessary, filed with regulators in accordance with applicable laws.

The Board is ultimately responsible for determining materiality of information and ensuring timely, complete and accurate disclosure of material information to the investing public in accordance with securities laws and stock exchange rules and regulations, monitoring compliance with this policy and overseeing the disclosure controls and procedures.

Sufficient information would be provided to the Company Secretary for drafting of necessary announcement.

Statement on Corporate Governance (Cont'd)

The Board is mindful that information which is expected to be material must be announced immediately, and that the confidential information should be handled properly to avoid leakage and improper use of such information.

7.2 Leverage on information technology for effective dissemination of information

MESB's website provides all relevant corporate information and it is accessible by the public. The Company's website contains corporate information,all announcements made via Bursa link as well as the corporate governance of MESB.

Through the Company's website, the stakeholders are able to direct queries to the CEO.

8.0 Strengthen relationship between Company and Shareholders

8.1 Encourage shareholder participation at general meetings

In an effort to encourage greater shareholders' participation at AGMs, the Board takes cognisance in serving longer than the required minimum notice period for AGMs, when possible. The Senior Independent Directors ensure that the Board is accessible to shareholders and an open channel of communication is cultivated

MESB encloses the Annual Report together with the Circulars to Shareholders and notice of AGM with regard to, amongst others, details of the AGM, their entitlement to attend the AGM, the right to appoint proxy and also qualification of proxy.

If any shareholder is unable to attend, the Articles of the Company have made provision for shareholder to appoint a proxy who may not be a member of the Company. The Proxy shall have the same rights as the member to vote and speak at the AGM.

8.2 Encourage poll voting

At the AGM of the Company, all resolutions put forth for shareholders' approval at the meeting were voted on by show of hands.

The Chairman would ensure that shareholders were informed of their rights to demand a poll vote at the commencement of the AGM.

8.3 Effective communication and proactive engagement

At the AGM, Directors were present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company. The Board is available to respond to shareholders' queries concerning the Company and Group. External auditors are also invited to attend the AGM and will assist the Board in addressing relevant queries made by shareholders.

From the Company's perspective, the AGM also serves as a forum for Directors and CEO to engage with the shareholders personally to understand their needs and seek their feedback. The Board welcomes questions and feedback from shareholders during and at the end of shareholders' meeting and ensures their queries are responded in a proper and systematic manner.

COMPLIANCE STATEMENT

The Board is satisfied that the Company has in 2012/2013 complied with the principles and recommendations of the MCCG 2012.

The Company will continue enhance its corporate governance system accordingly.

This statement is made in accordance with the resolution of the Board dated 27 May 2013.

Statement on Risk Management and Internal Control

Introduction

Pursuant to paragraph 15.26(b) of Bursa Malaysia Securities Berhad and the Malaysian Code on Corporate Governance, the Board of Directors ("the Board") of MESB Berhad is pleased to present its Statement on Risk Management and Internal Control for financial year ended 31st March 2013, which has been prepared by taking into consideration the Statement on Risk Management and Internal Control - Guidance for Directors of Public Listed Companies issued by the Task Force on Internal Control with the support and endorsement of the Bursa Malaysia Securities Berhad.

Responsibility

The Board acknowledges its overall responsibility for the Group's risk management and system of internal control, which includes the continuous review of its adequacy and effectiveness to ensure that the Group's assets and shareholders' interest are safeguarded.

However, the Board recognises that any system of internal control has its inherent limitations. It is designed to manage rather than to eliminate risks that may hinder the achievement of the Group's corporate and business objectives. In addition, the effectiveness of an internal control system may vary over time due to the ever changing circumstances and conditions. Consequently, the system can only provide a reasonable rather than absolute assurance against material misstatement or loss.

Assurance from Management

The Board received reasonable assurance from the Chief Executive Officer cum Chief Financial Officer that the existing internal control system is operating adequately and effectively, in all material aspects, to meet the Groups' objectives.

Risk Management Framework

On a day-to-day basis, respective heads of department are responsible for ongoing process of identifying, evaluating and managing risks of their departments. Significant risks identified and the corresponding implementation of internal controls are discussed at periodic senior management meetings attended by the Executive Director and heads of department. The results of the discussions are tabled at the Board scheduled meetings to ensure relevant decisions and actions in maintaining the level of risk at an acceptable level.

The Board also recognises and acknowledges that the development of an appropriate risk management framework and effective internal control system is an ongoing process.

During the financial year under review and up to the date of this statement, a Risk Management Committee has been established to look into incorporating an appropriate risk management framework, to undertake risk assessment exercises and draw up risk management action plans in order to identify, evaluate and manage the significant risks faced by the Group and its associate.

Internal Audit Function

The Group's internal audit function is outsourced to an independent professional firm which reports directly to Audit Committee. Internal auditors are required to table their Internal Audit Planning Memorandum to the Audit Committee for review and approval to ensure adequate coverage. Findings of the internal audit were presented to the Audit Committee and appropriately communicated to the respective parties for necessary actions. In this way, the Audit Committee could assist the Board in reviewing the adequacy and effectiveness of the risk management and internal control system of the Group.

The cost incurred for the internal audit function was RM23,000/-.

Statement on Risk Management and Internal Control (Cont'd)

Other key elements of internal control

Other key elements of internal control include :

- the Audit Committee holds regular meetings to deliberate on findings and recommendations for improvement on the state of the internal control system and report to the Board.
- the Audit Committee and the Board review the Group's performance, financial results and cash flows regularly.
- senior management meetings are held periodically to deliberate and discuss on operational issues and improvement on any weaknesses.
- defined organisational structure with clear line of responsibility and delegation of authority to ensure proper identification of accountabilities and segregation of duties.
- the Risk Management Committee meets quarterly to update any risk element of the engineering and retailing divisions.

Conclusion

The Board continues to take measures to strengthen the controls environment and framework. During the financial year, there were no major weaknesses in internal controls which resulted in material losses, contingencies or uncertainties.

Pursuant to paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with Recommended Practice Guide ("RPG") 5 issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the internal control system of the Group. RPG 5 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Additional Compliance Information

1. **UTILISATION OF PROCEEDS**

   The balance of unutilized proceeds of RM6.93 million arising from disposal of 275,000 ordinary shares of RM1.00 each representing 55% equity interest in Dynamic Communication Link Sdn Bhd is expected to be fully utilized within the timeframe as set out in the Circular to Shareholders dated 20 January 2012.

2. **SHARE BUY-BACKS**

   During the financial year ended 31 March 2013, the Company did not have a scheme to buy back its own shares.

3. **OPTION, WARRANTS OR CONVERTIBLE SECURITIES**

   The Company did not issue any warrants or convertible securities during the financial year under review.

4. **AMERICAN DEPOSITORY RECEIPTS ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR")**

   During the financial year ended 31 March 2013, the Company did not sponsor any ADR or GDR programme.

5. **IMPOSITION OF SANCTIONS/PENALTIES**

   There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by any regulatory bodies during the financial year ended 31 March 2013.

6. **NON-AUDIT FEES**

   For the financial year under review, the non-audit fees incurred by the Company to the External Auditors, Messrs Crowe Horwath was RM5,000.

7. **VARIATION IN RESULTS**

   There were no variances of 10% or more between the unaudited results for the financial year ended 31 March 2013 as announced on 29 May 2013, as compared to the audited results for the financial year ended 31 March 2013. The Company did not make or release any profit estimate, forecast or projection for the financial year under review.

8. **PROFIT GUARANTEE**

   There were no profit guarantees received by the Company and its subsidiaries during the financial year ended 31 March 2013

9. **MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS**

   Other than the recurrent related party transactions of a revenue or trading nature as disclosed under related party disclosures set out in Note 38 of the financial statements, there were no other material contracts entered into by the Company and/or it subsidiary companies which involved Directors' and major shareholders' interests, either still subsisting at the end of previous financial year or which were entered into since the end of the previous financial year.

Message from The Board of Directors

The Board of Directors of **MESB Berhad** is pleased to present the Annual Report and the audited financial statements of the Company and the Group for the financial year ended 31 March 2013.

FINANCIAL PERFORMANCE

For the financial year ended 31 March 2013, the Group generated revenue of RM89.73million, compared to RM79.61million for the financial year ended 31 March 2012, representing an increase of 13%, mainly contributed from our core retailing business, trading in leather goods.

The pre-tax profit of the Group increased to RM14.22million for current financial year ended 31 March 2013, representing a growth of 252%, as compared to the previous financial year where pre-tax profit was RM4.04million. The higher percentage increase in pre-tax profit was largely attributed to the gain on disposal of a subsidiary amounting to RM10.28million and the better performance, achieved by retailing business as elaborated above.

The Group's net profit attributable to shareholders increased 841% from 3.19 sen in FY2012 to 30.03sen in FY2013.

The Group continued to maintain a strong balance sheet, with a healthy cash position of RM17.26million as at 31 March 2013. Shareholders' equity increased further to RM66.18million. With this strong balance sheet, we are well-positioned to pursue further growth opportunities in our core business.

Subsequent to the disposal of the main subsidiary in the engineering division, the Group's engineering and construction segment has remained dormant.

DIVIDENDS

No dividend has been declared for the financial year ended 31 March 2013.

PROSPECTS

Malaysia's economy is expected to grow steadily at 5%-6% in 2013. This growth spurt in gross domestic product (GDP) would be on account of a relatively robust growth in domestic demand on the back of the implementation of projects under various economic programmes, robust private investment and a better global outlook.

The retail industry is anticipated to enjoy a strong performance at 6%. Consumers will continue to be encouraged to purchase by various promotional activities by retailers. The Malaysian government will demonstrate continuous efforts to promote retailing activities through various activities. Events such as these will allow retailers to conduct price reduction promotions in stores, which in turn will help to stimulate the performance of retailing business.

Despite the challenging global economic conditions, the Group will continue to remain cautious on its business outlook and pursue strategies of focusing on its core business of trading in leather goods products.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Group recognizes that it has responsibilities to all stakeholders which include the interests of employees; the need to foster the Group's business relationships with customers, suppliers and others and the impact of the Group's operations on the surrounding environment where it operates. Employees are highly regarded and valued, and their employment and other rights are respected. The Group is committed to the important principle of equal opportunity which is reflected in the Group's recruitment and disciplinary policies. The Group is dedicated to supplying products of high quality to meet its customers' needs.

The Group continues its promotion and support of practices for the use of resources in an environmentally friendly manner. The employees were encouraged to maximize efficiency and opportunities, and to minimize environmental impact through our working practices.

Apart from these, the Group has also made contributions and sponsorship to various charitable events.

ACKNOWLEDGEMENT

On behalf of MESB Group, we would like to thank our business partners, associates and shareholders for their unwavering support in the past year.

With the support of our shareholders, management and staff as well as business associates, we believe MESB Group is well-positioned to take on greater challenges ahead and scale new heights in this ever changing business environment.

It has been a great pleasure to welcome onto the Board, Madam Tan Sok Gim and Mr Yam Sing Lam @ Yam Seng Lam who were appointed as the Executive Director and Independent Non-Executive Director on 5 April 2013 and 7 August 2013 respectively.

In closing, we wish to extend our deepest appreciation to the former fellow Board members Mr Teoh Wah Leong and Mr Yam Kin Lum who resigned on 25 February 2013 and 31 May 2013 respectively, for their invaluable insights and guidance. We would also like to acknowledge the hard work, commitment and dedication of the management and staff of MESB Group.

Sincerely,

The Board of Directors

Financial Statements

Directors' Report

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2013.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year except for the discontinuance of certain business activities arising from discontinued operations as disclosed in Note 32 to the financial statements.

RESULTS

	The Group RM'000	The Company RM'000
Profit after taxation	12,871	12,719
Attributable to:-		
Owners of the Company	12,612	–
Non-controlling interests	259	–
	12,871	12,719

DIVIDENDS

No dividend was declared or paid since the end of the previous financial year and the directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year,

(a) there were no changes in the authorised and issued and paid-up share capital of the Company; and

(b) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

Directors' Report (Cont'd)

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

The contingent liability of the Company is disclosed in Note 41 to the financial statements. At the date of this report, there does not exist:-

(a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year.

DIRECTORS

The directors who served since the date of the last report are as follows:-

TEOH HWA PENG
SAFFIE BIN BAKAR
NG CHEE LEONG
TAN YEW KIM
TAN SOK GIM (APPOINTED ON 5.4.2013)
TEOH WAH LEONG (RESIGNED ON 25.2.2013)
YAM KIN LUM (RESIGNED ON 31.5.2013)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares in the Company and its related corporations during the financial year are as follows:-

	NUMBER OF ORDINARY SHARES OF RM1 EACH			
	AT 1.4.2012	**BOUGHT**	**SOLD**	**AT 31.3.2013**
THE COMPANY				
DIRECT INTEREST				
TEOH HWA PENG	19,071,899	–	–	19,071,899
DEEMED INTEREST				
TEOH HWA PENG *	2,125,000	–	–	2,125,000

* *Deemed interest through spouse's shareholding by virtue of Section 134(12)(c) of the Companies Act 1965 in Malaysia.*

By virtue of his interest in shares in the Company, Teoh Hwa Peng is deemed to have interest in shares in the subsidiaries to the extent of the Company's interest, in accordance with Section 6A of the Companies Act 1965 in Malaysia.

The other directors holding office at the end of the financial year did not have any interest in shares in the Company or its related corporations during the financial year.

Directors' Report (Cont'd)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with related parties as disclosed in Note 38 to the financial statements.

Neither during nor at the end of the financial year, was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 44 to the financial statements.

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED

Teoh Hwa Peng

Ng Chee Leong

Statement by Directors

We, **Teoh Hwa Peng** and **Ng Chee Leong**, being two of the directors of **MESB Berhad**, state that, in the opinion of the directors, the financial statements set out on pages 43 to 102 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 March 2013 and of their results and cash flows for the financial year ended on that date.

The supplementary information set out in Note 46, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED

Teoh Hwa Peng **Ng Chee Leong**

Statutory Declaration

I, **Teoh Hwa Peng**, I/C No. 670407-09-5017, being the director primarily responsible for the financial management of **MESB Berhad**, do solemnly and sincerely declare that the financial statements set out on pages 43 to 102 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Teoh Hwa Peng, I/C No. 670407-09-5017,
at Kuala Lumpur in the Federal Territory on this

Teoh Hwa Peng

Before me
Datin Hajah Raihela Wanchik
No. W-275
Commissioner for Oaths

Independent Auditors' Report

to the Members of MESB Berhad

Report on the Financial Statements

We have audited the financial statements of MESB Berhad, which comprise the statements of financial position as at 31 March 2013 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 43 to 102.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 March 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Independent Auditors' Report (Cont'd)

to the Members of MESB Berhad

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

The supplementary information set out in Note 46 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

1. As stated in Note 3(a) to the financial statements, MESB Berhad adopted Malaysian Financial Reporting Standards on 1 April 2012 with a transition date of 1 April 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 March 2012 and 1 April 2011, and the statement of other comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 March 2012 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 March 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 April 2012 do not contain misstatements that materially affect the financial position as of 31 March 2013 and financial performance and cash flows for the financial year then ended.

2. This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath	**Ooi Song Wan**
Firm No: AF 1018	Approval No: 2901/10/14 (J)
Chartered Accountants	Chartered Accountant

Kuala Lumpur

Statements of Financial Position

at 31 March 2013

		THE GROUP			THE COMPANY		
		31.3.2013	31.3.2012	1.4.2011	31.3.2013	31.3.2012	1.4.2011
	NOTE	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
NON-CURRENT ASSETS							
Investments in subsidiaries	5	–	–	–	35,583	35,583	44,488
Investment in an associate	6	6,830	5,548	3,852	660	660	660
Property and equipment	7	12,835	13,834	26,401	368	489	–
Other assets	8	540	40	765	40	40	40
Goodwill on consolidation	9	24,668	24,668	24,668	–	–	–
		44,873	44,090	55,686	36,651	36,772	45,188
CURRENT ASSETS							
Inventories	10	18,707	13,685	11,704	–	–	–
Amount owing by contract customers		–	–	530	–	–	–
Trade receivables	11	13,981	10,679	11,770	–	–	–
Other receivables, deposits and prepayments	12	911	1,128	2,927	6	2	2
Amount owing by subsidiaries	13	–	–	–	4,431	4,147	–
Tax recoverable		153	153	212	153	153	–
Fixed deposits with licensed banks	14	10,077	3,374	3,958	6,602	–	–
Cash and bank balances		7,170	5,616	5,835	188	1,735	1
		50,999	34,635	36,936	11,380	6,037	3
Non-current asset classified as held for sale	15	1,612	577	–	–	277	–
Assets of disposal group classified as held for sale	16	20	17,893	–	–	–	–
		52,631	53,105	36,936	11,380	6,314	3
TOTAL ASSETS		97,504	97,195	92,622	48,031	43,086	45,191

The annexed notes form an integral part of these financial statements.

Statements of Financial Position (Cont'd)

at 31 March 2013

		THE GROUP			THE COMPANY		
	NOTE	31.3.2013 RM'000	31.3.2012 RM'000	1.4.2011 RM'000	31.3.2013 RM'000	31.3.2012 RM'000	1.4.2011 RM'000
EQUITY AND LIABILITIES							
EQUITY							
Share capital	17	42,000	42,000	42,000	42,000	42,000	42,000
Share premium	18	5	5	5	5	5	5
Capital reserve	19	37	37	37	37	37	37
Retained profits/ (Accumulated losses)	20	24,132	11,520	10,180	5,211	(7,508)	(2,173)
SHAREHOLDERS' EQUITY		66,174	53,562	52,222	47,253	34,534	39,869
NON-CONTROLLING INTERESTS		–	3,759	2,870	–	–	–
TOTAL EQUITY		66,174	57,321	55,092	47,253	34,534	39,869
NON-CURRENT LIABILITIES							
Hire purchase payables	21	650	882	888	322	442	–
Term loans	22	3,950	4,715	8,023	–	–	–
Deferred taxation	23	264	267	1,751	–	–	–
		4,864	5,864	10,662	322	442	–
CURRENT LIABILITIES							
Amount owing to contract customers		–	–	20	–	–	–
Trade payables	24	6,111	3,859	4,789	–	–	–
Other payables and accruals	25	3,179	6,489	8,646	193	3,559	421
Amount owing to a subsidiary	13	–	–	–	80	4,380	4,825
Amount owing to a director	26	76	76	76	76	76	76
Provision for taxation		488	605	323	–	–	–
Hire purchase payables	21	289	258	457	107	95	–
Term loans	22	768	724	4,558	–	–	–
Bankers' acceptances	27	15,552	12,334	7,687	–	–	–
Bank overdrafts		–	–	312	–	–	–
		26,463	24,345	26,868	456	8,110	5,322
Liabilities of disposal group classified as held for sale	16	3	9,665	–	–	–	–
		26,466	34,010	26,868	456	8,110	5,322
TOTAL LIABILITIES		31,330	39,874	37,530	778	8,552	5,322
TOTAL EQUITY AND LIABILITIES		97,504	97,195	92,622	48,031	43,086	45,191

The annexed notes form an integral part of these financial statements.

Statements of Comprehensive Income

for the financial year ended 31 March 2013

		THE GROUP		THE COMPANY	
		2013	2012	2013	2012
	NOTE	RM'000	RM'000 (Restated)	RM'000	RM'000
CONTINUING OPERATIONS					
REVENUE	28	88,012	71,281	–	–
COST OF SALES	29	(33,159)	(26,969)	–	–
GROSS PROFIT		54,853	44,312	–	–
OTHER INCOME		12,501	2,563	14,886	10
		67,354	46,875	14,886	10
SELLING AND DISTRIBUTION EXPENSES		(24,639)	(19,968)	–	–
ADMINISTRATIVE AND OTHER OPERATING EXPENSES		(29,425)	(23,106)	(2,150)	(5,498)
FINANCE COSTS		(867)	(798)	(17)	–
SHARE OF PROFIT IN AN ASSOCIATE		1,282	1,696	–	–
PROFIT/(LOSS) BEFORE TAXATION	30	13,705	4,699	12,719	(5,488)
INCOME TAX EXPENSE	31	(1,050)	(1,153)	–	153
PROFIT/(LOSS) AFTER TAXATION FROM CONTINUING OPERATIONS		12,655	3,546	12,719	(5,335)
DISCONTINUED OPERATIONS					
PROFIT/(LOSS) AFTER TAXATION FROM DISCONTINUED OPERATIONS	32(a)	216	(1,317)	–	–
PROFIT/(LOSS) AFTER TAXATION		12,871	2,229	12,719	(5,335)
OTHER COMPREHENSIVE INCOME		–	–	–	–
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE FINANCIAL YEAR		12,871	2,229	12,719	(5,335)

The annexed notes form an integral part of these financial statements.

Statements of Comprehensive Income (Cont'd)

for the financial year ended 31 March 2013

		THE GROUP		THE COMPANY	
	NOTE	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		12,612	1,340	12,719	(5,335)
Non-controlling interests		259	889	–	–
		12,871	2,229	12,719	(5,335)
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) ATTRIBUTABLE TO:-					
Owners of the Company		12,612	1,340	12,719	(5,335)
Non-controlling interests		259	889	–	–
		12,871	2,229	12,719	(5,335)
EARNINGS/(LOSS) PER SHARE (SEN)					
Basic:					
- continuing operations	33	30.13 sen	8.44 sen		
- discontinued operations	33	(0.10) sen	(5.25) sen		
		30.03 sen	3.19 sen		
Diluted:					
- continuing operations	33	Not applicable	Not applicable		
- discontinued operations	33	Not applicable	Not applicable		

The annexed notes form an integral part of these financial statements.

Statements of Changes in Equity

for the financial year ended 31 March 2013

		← ATTRIBUTABLE TO OWNERS OF THE COMPANY →						
	NOTE	SHARE CAPITAL	SHARE PREMIUM	CAPITAL RESERVE	RETAINED PROFITS/ (ACCUMULATED LOSSES)	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
THE GROUP								
Balance at 1.4.2011		42,000	5	37	10,180	52,222	2,870	55,092
Profit after taxation/ Total comprehensive income for the financial year		–	–	–	1,340	1,340	889	2,229
Balance at 31.3.2012/ 1.4.2012		42,000	5	37	11,520	53,562	3,759	57,321
Profit after taxation/ Total comprehensive income for the financial year		–	–	–	12,612	12,612	259	12,871
Disposal of a subsidiary	34(b)	–	–	–	–	–	(4,018)	(4,018)
Balance at 31.3.2013		42,000	5	37	24,132	66,174	–	66,174
THE COMPANY								
Balance at 1.4.2011		42,000	5	37	(2,173)	39,869	–	39,869
Loss after taxation/ Total comprehensive expenses for the financial year		–	–	–	(5,335)	(5,335)	–	(5,335)
Balance at 31.03.2012/ 1.4.2012		42,000	5	37	(7,508)	34,534	–	34,534
Profit after taxation/ Total comprehensive income for the financial year		–	–	–	12,719	12,719	–	12,719
Balance at 31.3.2013		42,000	5	37	5,211	47,253	–	47,253

The annexed notes form an integral part of these financial statements.

Statements of Cash Flows

for the financial year ended 31 March 2013

	NOTE	THE GROUP 2013 RM'000	THE GROUP 2012 RM'000	THE COMPANY 2013 RM'000	THE COMPANY 2012 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
Profit/(Loss) before taxation:					
- continuing operations		13,705	4,699	12,719	(5,488)
- discontinued operations	32	516	(655)	–	–
		14,221	4,044	12,719	(5,488)
Adjustments for:-					
Allowance for impairment losses on receivables		30	730	–	–
Amortisation of intangible asset		2	6	–	–
Bad debts written off		–	54	365	–
Depreciation of property and equipment		2,317	3,536	127	123
Equipment written off		153	236	–	–
Impairment loss on investments in subsidiaries		–	–	–	603
Interest expense		954	1,360	17	–
Other investments written off		–	146	–	–
Writedown/(Writeback) of inventories		92	(20)	–	–
Allowance for impairment losses on receivables written back		(200)	–	–	–
(Gain)/Loss on disposal of a subsidiary		–	(1,581)	–	3,525
Gain on disposal group classified as held for sale		(10,279)	–	–	–
Gain on disposal of property and equipment		(44)	(23)	(32)	–
Gain on disposal of non-current asset held for sale		(1,123)	–	(14,723)	–
Interest income		(231)	(307)	(129)	(10)
Share of profit in an associate		(1,282)	(1,696)	–	–
Unrealised gain on foreign exchange		–	(5)	–	–
Writeback of foreseeable losses on contracts		–	(372)	–	–
Operating profit/(loss) before working capital changes		4,610	6,108	(1,656)	(1,247)
Increase in inventories		(5,114)	(1,961)	–	–
Increase in trade and other receivables		(2,088)	(3,851)	(4)	–
(Decrease)/Increase in trade and other payables		(1,045)	4,859	(3,366)	3,138
Net decrease in amount owing by contract customers		–	2,089	–	–
CASH FROM/(FOR) OPERATIONS		(3,637)	7,244	(5,026)	1,891
Income tax paid		(1,173)	(1,220)	–	–
Interest paid		(954)	(1,360)	(17)	–
NET CASH (FOR)/FROM OPERATING ACTIVITIES/ BALANCE CARRIED FORWARD		(5,764)	4,664	(5,043)	1,891

The annexed notes form an integral part of these financial statements.

Statements of Cash Flows (Cont'd)

for the financial year ended 31 March 2013

		THE GROUP		THE COMPANY	
		2013	2012	2013	2012
	NOTE	RM'000	RM'000	RM'000	RM'000
BALANCE BROUGHT FORWARD		(5,764)	4,664	(5,043)	1,891
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES					
Purchase of intangible asset		(500)	–	–	–
Purchase of equipment	35	(2,600)	(1,501)	(6)	(75)
Proceeds from disposal of a subsidiary	34	13,425	(5,134)	15,000	4,500
Proceeds from disposal of equipment		52	23	32	–
Proceeds from disposal of non-current asset held for sale		1,700	–	–	–
Repayment and net advances to subsidiaries		–	–	(4,949)	(4,592)
Interest received		231	103	129	10
NET CASH FROM/(FOR) INVESTING ACTIVITIES		12,308	(6,509)	10,206	(157)
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
Net drawdown of bankers' acceptances		3,218	4,647	–	–
Repayment of hire purchase obligations		(282)	(205)	(108)	–
Repayment of term loans		(2,231)	(2,063)	–	–
NET CASH FROM/(FOR) FINANCING ACTIVITIES		705	2,379	(108)	–
BALANCE CARRIED FORWARD		7,249	534	5,055	1,734

The annexed notes form an integral part of these financial statements.

Statements of Cash Flows (Cont'd)

for the financial year ended 31 March 2013

		THE GROUP		THE COMPANY	
	NOTE	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
BALANCE BROUGHT FORWARD/NET INCREASE IN CASH AND CASH EQUIVALENTS		7,249	534	5,055	1,734
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		10,015	9,481	1,735	1
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	36	17,264	10,015	6,790	1,735

The annexed notes form an integral part of these financial statements.

Notes to the Financial Statements

for the financial year ended 31 March 2013

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia. The registered office and principal place of business are as follows:-

Registered office	:	10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur.
Principal place of business	:	No. 63, Jalan 8/146, Bandar Tasik Selatan, Sungai Besi, 57000 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 25 July 2013.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year except for the discontinuance of certain business activities arising from discontinued operations as disclosed in Note 32 to the financial statements.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

(a) These are the Group's first set of financial statements prepared in accordance with MFRSs, which are also in line with International Financial Reporting Standards as issued by the International Accounting Standards Board.

In the previous financial year, the financial statements of the Group were prepared in accordance with Financial Reporting Standards ("FRSs"). There were no material financial impacts on the transition from FRSs to MFRSs.

(b) 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:-

MFRSs and IC Interpretations (Including The Consequential Amendments)	**Effective Date**
MFRS 9 Financial Instruments	1 January 2015
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of Interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits	1 January 2013
MFRS 127 Separate Financial Statements	1 January 2013
MFRS 128 Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

3. BASIS OF PREPARATION (CONT'D)

(b) **MFRSs and IC Interpretations (Including The Consequential Amendments) (Cont'd)**

MFRSs and IC Interpretations (Including The Consequential Amendments) (Cont'd)	Effective Date
Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures	1 January 2015
Amendments to MFRS 10, MFRS 11 and MFRS 12: Transition Guidance	1 January 2013
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Annual Improvements to MFRSs 2009 – 2011 Cycle	1 January 2013

The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except as follows:-

(i) MFRS 9 replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 divides all financial assets into 2 categories – those measured at amortised cost and those measured at fair value, based on the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the MFRS 139 requirement. An entity choosing to measure a financial liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss. There will be no financial impact on the financial statements of the Group upon its initial application.

(ii) MFRS 10 replaces the consolidation guidance in MFRS 127 and IC Interpretation 112. Under MFRS 10, there is only one basis for consolidation, which is control. Extensive guidance has been provided in the standard to assist in the determination of control. There will be no financial impact on the financial statements of the Group upon its initial application.

(iii) MFRS 12 is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. MFRS 12 is a disclosure standard and the disclosure requirements in this standard are more extensive than those in the current standards. Accordingly, there will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

(iv) MFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. The scope of MFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other MFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in MFRS 13 are more extensive than those required in the current standards and therefore there will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

(v) The amendments to MFRS 7 (Disclosures – Offsetting Financial Assets and Financial Liabilities) require disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. There will be no financial impact on the financial statements of the Group upon its initial application.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

3. BASIS OF PREPARATION (CONT'D)

(b) The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except as follows:-

(vi) The amendments to MFRS 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. In addition, items presented in other comprehensive income section are to be grouped based on whether they are potentially re-classifiable to profit or loss subsequently i.e. those that might be reclassified and those that will not be reclassified. Income tax on items of other comprehensive income is required to be allocated on the same basis. There will be no financial impact on the financial statements of the Group upon its initial application other than the presentation format of the statements of profit or loss and other comprehensive income.

(vii) The amendments to MFRS 132 provide the application guidance for criteria to offset financial assets and financial liabilities. There will be no financial impact on the financial statements of the Group upon its initial application.

(viii) The Annual Improvements to MFRSs 2009 – 2011 Cycle contain amendments to MFRS 1, MFRS 101, MFRS 116, MFRS 132 and MFRS 134. These amendments are expected to have no material impact on the financial statements of the Group upon their initial application.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Critical Accounting Estimates And Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below.

(i) Depreciation of Property and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property and equipment are based on commercial and usage factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual values of its property and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Critical Accounting Estimates And Judgements (Cont'd)

(iii) Impairment of Non-financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(iv) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(v) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(vi) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

A subsidiary is defined as a company in which the parent company has the power, directly or indirectly, to exercise control over the financial and operating policies so as to obtain benefits from its activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation (Cont'd)

(i) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(ii) Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Transactions with non-controlling interests are accounted for as transactions with owners and are recognised directly in equity. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

At the end of each reporting period, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

(iii) Acquisitions of Non-controlling Interests

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

(iv) Loss of Control

Upon loss of control of a subsidiary, the profit or loss on disposal is calculated as the difference between:-

(a) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(b) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation (Cont'd)

(iv) Loss of Control (Cont'd)

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

(c) Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

(d) Functional and Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency and presentation currency.

(ii) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(e) Financial Instruments

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial Instruments (Cont'd)

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(i) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

- *Financial Assets at Fair Value Through Profit or Loss*

  As at the end of the reporting period, there were no financial assets classified under this category.

- *Held-to-maturity Investments*

  As at the end of the reporting period, there were no financial assets classified under this category.

- *Loans and Receivables Financial Assets*

  Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

- *Available-for-sale Financial Assets*

  Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

  After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

  Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

  Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial Instruments (Cont'd)

(ii) Financial Liabilities

All financial liabilities are initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

(iii) Equity Instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(f) Investments in Subsidiaries

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that their carrying values may not be recoverable.

On disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

(g) Investment in Associates

An associate is an entity in which the Group has a long-term equity interest and where is exercises significant influence over the financial and operating policies.

Investments in associates are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that their carrying values may not be recoverable.

The investment in an associate is accounted for under the equity method, based on the financial statements of the associate made up to 31 March 2013. The Group's share of the post-acquisition profit of the associate is included in the consolidated statement of comprehensive income and the Group's interest in associate is stated at cost plus the Group's share of the post-acquisition retained profits and reserves.

Unrealised gains on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

On disposal of the investment in an associate, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Property and Equipment

Property and equipment, other than freehold land, are stated at cost less accumulated depreciation and impairment losses, if any.

Freehold land is stated at cost less accumulated impairment losses, if any and is not depreciated.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Buildings	2%
Leasehold land	80 to 99 years
Motor vehicles	20% - 30%
Office equipment, furniture and fittings	5% - 20%
Computers	50%
Renovation	10% - 20%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is included in the statement of comprehensive income in the year the asset is derecognised.

(i) Intangible Assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

The cost of acquiring the rights, interest and benefits to the operations, brands and patents pertaining to the trademarks are capitalised as intangible assets.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Intangible Assets (Cont'd)

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate the carrying value may be impaired either individually or at the cash generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable, If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gain or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit and loss when the asset is derecognised.

(j) Impairment

(i) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

The carrying values of assets, other than those to which MFRS 136 Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment (Cont'd)

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the statements of comprehensive income, a reversal of that impairment loss is recognised as income in the statements of comprehensive income.

(k) Assets Under Hire Purchase

Assets acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in Note 4(h) above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are recognised in profit or loss over the period of the respective hire purchase agreements.

(l) Inventories

Inventories comprise goods held for trading and are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale.

Where necessary, due allowance is made for all damaged, obsolete and slow-moving items.

(m) Income Taxes

Income taxes for the year comprise current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Income Taxes (Cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

(n) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(o) Employee Benefits

(i) Short-term Benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(p) Related Parties

A party is related to an entity (referred to as the "reporting entity") if:-

(a) A person or a close member of that person's family is related to a reporting entity if that person:-

(i) has control or joint control over the reporting entity;
(ii) has significant influence over the reporting entity; or
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:-

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (a) above.
(vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(r) Revenue Recognition

(i) Sale of Goods

Sales are recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

(ii) Interest Income

Interest income is recognised on an accrual basis, based on the effective yield on the investment.

(iii) Rental Income

Rental income is recognised on an accrual basis.

(s) Non-Current Assets and Assets of Disposal Group Classified As Held For Sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject to only terms that are usual and customary.

Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

(t) Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(u) Borrowing Costs

Borrowing costs, directly attributable to the acquisition and construction of property and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they are incurred.

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 March 2013

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Discontinued Operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view for resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

5. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY 2013 RM'000	THE COMPANY 2012 RM'000
Unquoted shares, at cost		
At 1 April 2012/2011	37,608	59,589
Disposal of a subsidiary during the financial year	–	(21,704)
Transferred to non-current asset held for sale (Note 15)	(2,025)	(277)
At 31 March 2013/2012	35,583	37,608
Less:- Accumulated impairment losses	–	(2,025)
	35,583	35,583
Accumulated impairment losses:-		
At 1 April 2012/2011	(2,025)	(15,101)
Addition during the financial year	–	(603)
Disposal of a subsidiary during the financial year	–	13,679
Transferred to non-current asset held for sale (Note 15)	2,025	–
At 31 March 2013/2012	–	(2,025)

Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:-

Name of Company	Effective Equity Interest 2013	Effective Equity Interest 2012	Principal activities
Miroza Leather (M) Sdn. Bhd. ("Miroza")	100%	100%	Trading in leather products.
MESB Capital & Development Sdn Bhd	100%	100%	Investment holding.
Crystal United Sdn. Bhd.	100%	100%	Investment holding.
MESB Development Sdn. Bhd.("MDSB") ^	–	100%	Dormant.
MESB Agriculture Sdn. Bhd.	100%	100%	Dormant.

^ *Transferred to non-current asset and assets of disposal group classified as held for sale, as disclosed in Notes 15 and 16 to the financial statements of the Company.*

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

6. INVESTMENT IN AN ASSOCIATE

	THE GROUP		THE COMPANY	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unquoted shares, at cost	660	660	660	660
Share of post acquisition profits	6,170	4,888	–	–
	6,830	5,548	660	660

(a) Share of profit in an associate is based on the unaudited financial statements of the associate made up to 31 March 2013.

(b) Details of the associate, which is incorporated in Malaysia, are as follows:-

Name of Company	**Effective Equity Interest** 2013	**Effective Equity Interest** 2012	**Principal activities**
PDC Telecommunication Services Sdn. Bhd.	40%	40%	Development, rental and legalisation of the telecommunication base transceiver stations in the State of Penang.

(c) The summarised unaudited financial information of the associate is as follows:-

	2013 RM'000	**2012 RM'000**
Assets and Liabilities		
Total assets	21,984	18,234
Total liabilities	4,653	4,108
Results		
Revenue	9,097	8,515
Profit after taxation	3,205	4,239

7. PROPERTY AND EQUIPMENT

	At 1.4.2012 RM'000	Classified As Non-Current Assets Held For Sale (Note 15) RM'000	Transferred To Assets Of Disposal Group Classified As Held For Sale (Note 16) RM'000	Additions RM'000	Disposal RM'000	Written Off RM'000	Depreciation Charge RM'000	At 31.3.2013 RM'000
THE GROUP								
NET BOOK VALUE								
Freehold land and buildings	4,473	–	–	–	–	–	(104)	4,369
Leasehold land and building	4,272	(1,612)	–	–	–	–	(60)	2,600
Motor vehicles	1,271	–	–	86	–	–	(337)	1,020
Office equipment, furniture and fittings	784	–	(3)	1,019	(8)	–	(146)	1,646
Computers	84	–	–	210	–	–	(124)	170
Renovation	2,950	–	–	1,348	–	(153)	(1,115)	3,030
Total	13,834	(1,612)	(3)	2,663	(8)	(153)	(1,886)	12,835

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

7. PROPERTY AND EQUIPMENT (CONT'D)

	At 1.4.2011 RM'000	Disposal Of A Subsidiary (Note 34) RM'000	Classified As Non-Current Assets Held For Sale (Note 15) RM'000	Transferred To Assets Of Disposal Group Classified As Held For Sale (Note 16 RM'000	Realisation Of Profit Upon Disposal OF A SUBSIDIARY RM'000	Written Off RM'000	Additions RM'000	Depreciation Charge RM'000	At 31.3.2012 RM'000
THE GROUP									
NET BOOK VALUE									
Freehold land and buildings	5,163	–	(577)	–	–	–	–	(113)	4,473
Leasehold land and building	4,332	–	–	–	–	–	–	(60)	4,272
Motor vehicles	1,372	(561)	–	(1)	–	–	954	(493)	1,271
Office equipment, furniture and fittings	930	(16)	–	(12)	–	–	10	(128)	784
Computers	68	–	–	–	–	–	84	(68)	84
Renovation	2,751	–	–	–	–	(74)	1,220	(947)	2,950
Telecommunication towers under project management agreement	11,560	–	–	(13,853)	4,020	–	–	(1,727)	–
Capital work-in-progress	225	–	–	(107)	–	(162)	44	–	–
Total	26,401	(577)	(577)	(13,973)	4,020	(236)	2,312	(3,536)	13,834

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 March 2013

7. PROPERTY AND EQUIPMENT (CONT'D)

THE GROUP	At Cost RM'000	Accumulated Depreciation RM'000	Total RM'000
At 31.3.2013			
Freehold land and buildings	5,148	(779)	4,369
Leasehold land and building	3,074	(474)	2,600
Motor vehicles	1,888	(868)	1,020
Office equipment, furniture and fittings	2,330	(684)	1,646
Computers	2,385	(2,215)	170
Renovation	5,334	(2,304)	3,030
	20,159	(7,324)	12,835
At 31.3.2012			
Freehold land and buildings	5,148	(675)	4,473
Leasehold land and building	5,096	(824)	4,272
Motor vehicles	1,860	(589)	1,271
Office equipment, furniture and fittings	1,423	(639)	784
Computers	2,176	(2,092)	84
Renovation	4,492	(1,542)	2,950
Site equipment and tools	1,253	(1,253)	–
	21,448	(7,614)	13,834

THE COMPANY	At 1.4.2012 RM'000	Addition RM'000	Depreciation Charge RM'000	At 31.3.2013 RM'000
NET BOOK VALUE				
Computers	2	6	(5)	3
Motor vehicles	487	–	(122)	365
	489	6	(127)	368

THE COMPANY	At 1.4.2011 RM'000	Addition RM'000	Depreciation Charge RM'000	At 31.3.2012 RM'000
NET BOOK VALUE				
Computers	–	3	(1)	2
Motor vehicles	–	609	(122)	487
	–	612	(123)	489

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

7. PROPERTY AND EQUIPMENT (CONT'D)

	At Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
At 31.3.2013			
Computers	9	(6)	3
Motor vehicles	609	(244)	365
	618	(250)	368
At 31.3.2012			
Computers	3	(1)	2
Motor vehicles	609	(122)	487
	612	(123)	489

Included in the carrying amounts of the property and equipment at the end of the reporting period were the following:-

(a) assets acquired under hire purchase terms:-

	THE GROUP	
	2013 RM'000	2012 RM'000
Motor vehicles	950	1,201

	THE COMPANY	
	2013 RM'000	2012 RM'000
Motor vehicles	361	487

(b) assets pledged as security for banking facilities granted to the Group:-

	THE GROUP	
	2013 RM'000	2012 RM'000
Freehold land and buildings	4,369	4,473
Leasehold land and building	2,600	2,631
	6,969	7,104

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

8. OTHER ASSETS

		THE GROUP		THE COMPANY	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Intangible asset	(a)	500	–	–	–
Other investment	(b)	40	40	40	40
		540	40	40	40

(a) Intangible Asset

	THE GROUP	
	2013 RM'000	2012 RM'000
At cost	500	60
Less: Accumulated amortisation	–	(44)
	500	16
Less: Transferred to assets of disposal group classified as held for sale (Note 16)	–	(16)
	500	–

	THE GROUP	
	2013 RM'000	2012 RM'000
Accumulated amortisation:-		
At 1 April 2012/2011	–	(38)
Charge for the financial year	–	(6)
At 31 March 2013/2012	–	(44)

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

8. OTHER ASSETS (CONT'D)

(a) Intangible Asset (Cont'd)

The intangible asset acquired during the financial year represents the intellectual rights, interest and benefits to the operations, trademarks and patents pertaining to the "Giamax", and "GMX" brands.

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a period of five years. The key assumptions used for value-in-use calculations are:-

	Gross Margin	Growth Rate	Discount Rate
TRADEMARK	64%	10%	5.75%

(A)	BUDGETED GROSS MARGIN	The basis used to determine the value assigned to the budgeted gross margin is the average gross margins achieved in the year immediately before the budgeted year increase for expected efficiency improvements and cost saving measures.
(B)	GROWTH RATE	The basis used to determine the growth rate is the revenue achieved in recent years taking into account increase in consumers spending as a result of merchandising improvement and new marketing strategies.
(C)	DISCOUNT RATE	The discount rates used are pre-tax and reflected the borrowing cost.

<u>Sensitivity to changes in assumptions</u>

The management believes the above key assumptions are conservative, thus any reasonable possible changes to the key assumptions will only be favourable to the cash generating unit, which in turn, will improve the performance of the cash generating unit, thus based on these assumptions, impairment on the carrying value of the goodwill is currently not apparent.

(b) The other investment designated as available-for-sale financial asset represents club memberships carried at fair value. The club memberships are held in trust by certain directors of the Company.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

9. GOODWILL ON CONSOLIDATION

Goodwill on consolidation arose from the acquisition of Miroza. Thus, the cash generating unit ("CGU") to which the goodwill belongs has been identified as the operating activities of Miroza.

Goodwill on consolidation is stated at cost and reviewed for impairment annually.

During the financial year, the Group assessed the recoverable amount of the goodwill on consolidation, and determined that the goodwill on consolidation is not impaired.

The recoverable amount of a CGU is determined based on the value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a period of five years.

The key assumptions used in the determination of the recoverable amounts are as follows:-

	GROSS MARGIN		GROWTH RATE		DISCOUNT RATE	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Trading segment	67%	67%	5%	5%	5.75%	5.40%

(i)	Budgeted gross margin	The basis used to determine the value assigned to the budgeted gross margin is the average gross margin achieved in the 3 years immediately before the budgeted period increased for expected efficiency improvements and cost saving measures.
(ii)	Growth rate	The growth rates used are based on the expected projection of the revenue.
(iii)	Discount rate	The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

10. INVENTORIES

	THE GROUP	
	2013	**2012**
	RM'000	**RM'000**
Inventories held for trading:		
- at cost	18,563	13,529
- at net realisable value	144	156
	18,707	13,685

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

11. TRADE RECEIVABLES

	THE GROUP 2013 RM'000	THE GROUP 2012 RM'000
Trade receivables	14,376	11,074
Less: Allowance for impairment losses	(395)	(395)
	13,981	10,679

	THE GROUP 2013 RM'000	THE GROUP 2012 RM'000
Allowance for impairment losses :-		
At 1 April 2012/2011	(395)	(1,397)
Disposal of a subsidiary during the financial year	–	1,052
Addition during the financial year	–	(50)
At 31 March 2013/2012	(395)	(395)

The Group's normal trade credit terms range from cash terms to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

Included in the trade receivables at the end of the reporting period were the following:-

	THE GROUP 2013 RM'000	THE GROUP 2012 RM'000
Amounts owing by related parties:		
- Roncato Sdn. Bhd.	60	71
- MX Too Sdn. Bhd.	1	–
- MESB Technology Sdn. Bhd.	16	–
- Orlando Corporation Sdn. Bhd.	52	–
	129	71

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP 2013 RM'000	THE GROUP 2012 RM'000	THE COMPANY 2013 RM'000	THE COMPANY 2012 RM'000
Other receivables, deposits and prepayments	1,421	1,808	6	2
Less: Allowance for Impairment losses	(510)	(680)	–	–
	911	1,128	6	2

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Allowance for impairment losses:-				
At 1 April 2012/2011	(680)	(900)	–	–
Addition during the financial year	(30)	(680)	–	–
Writeback during the financial year	200	–	–	–
Transferred to assets of disposal group classified as held for sale	–	900	–	–
At 31 March 2013/2012	(510)	(680)	–	–

13. AMOUNTS OWING BY/(TO) SUBSIDIARIES

The amounts owing are non-trade in nature, unsecured, interest-free and receivable/repayable on demand. The amounts owing are to be settled in cash.

14. FIXED DEPOSITS WITH LICENSED BANKS

(a) The weighted average effective interest rate of the fixed deposits at the end of the reporting period was 2.62% (2012 – 2.94%) per annum. The fixed deposits have maturity periods ranging from 1 to 12 months (2012 - 1 to 12 months).

(b) Included in fixed deposits with licensed banks of the Group at the end of the reporting period was an amount of RM3,475,000 (2012: RM3,374,000) which have been pledged to licensed banks as security for banking facilities granted to the Group.

15. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Reclassified from property and equipment (Note 7):				
- leasehold land and buildings ^	1,612	–	–	–
- freehold land and buildings ^^	–	577	–	–
	1,612	577	–	–
Reclassified from investment in subsidiaries:-				
- investment in Dynamic Communication Link Sdn. Bhd. ("DCLSB")	–	–	–	277
- investment in MDSB @	–	–	*	–
	1,612	577	*	277

* Amount less than RM1,000

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

15. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE (CONT'D)

^ In March 2013, a subsidiary of the Company entered into a Sale and Purchase Agreement ("S&P") with a third party to dispose of its leasehold land and building for a total cash consideration of RM5,030,570. The completion of the disposal is subject to fulfilment of the terms and conditions set out in the SAP and has not been completed at the date of this report.

^^ In December 2011, a subsidiary of the Company entered into a Sale and Purchase Agreement with a third party to dispose of its freehold land and building for a total cash consideration of RM1,700,000. The disposal was completed in May 2012.

@ The disposal of investment in MDSB was completed subsequent to end of the reporting period as disclosed in Note 16 to the financial statements.

16. ASSETS/LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

(a) During the financial year, the Company has been involved in the disposal of its entire equity interest in a wholly owned subsidiary, MDSB.

In May 2013, the Company entered into a Share Sale Agreement with a third party to dispose of its entire equity interest in MDSB for a total cash consideration of RM56,000.

At the end of the current reporting period, the assets and liabilities of MDSB have been presented in the consolidated statement of financial position as "Assets of disposal group classified as held for sale" and "Liabilities of disposal group classified as held for sale". The disposal was completed on subsequent to the end of the reporting period.

(b) In the previous financial year, the Company entered into a Share Sale Agreement with a third party to dispose of its equity interest in a subsidiary, DCLSB for a total cash consideration of RM15,000,000. The disposal was completed in the current financial year.

The assets and liabilities of the disposal group, measured at the lower of their carrying amounts and fair values less costs to sell, are as follows:-

	THE GROUP	
	2013 RM'000	**2012 RM'000**
Assets		
Property and equipment (Note 7)	3	13,973
Other assets (Note 8)	–	16
Trade receivables	–	1,013
Other receivables and deposits	–	1,723
Tax refundable	–	143
Cash and bank balances (Note 36)	17	1,025
Assets of disposal group classified as held for sale	20	17,893
Liabilities		
Other payables and accruals	3	1,369
Term loan	–	5,079
Deferred taxation (Note 23)	–	3,217
Liabilities of disposal group classified as held for sale	3	9,665

17. SHARE CAPITAL

	THE COMPANY			
	2013	2012	2013	2012
	NUMBER OF SHARES			
ORDINARY SHARES OF RM1 EACH:-	'000	'000	RM'000	RM'000
AUTHORISED	100,000	100,000	100,000	100,000
ISSUED AND FULLY PAID-UP	42,000	42,000	42,000	42,000

18. SHARE PREMIUM

This relates to the premium arising from shares issued and is not distributable by way of cash dividends.

19. CAPITAL RESERVE

This relates to the equity-settled share option previously granted to employees. This reserve consists of the cumulative value of services received from employees recorded on the grant of the share options. The share options were implemented on 14 December 2004 and expired on 13 December 2009.

20. RETAINED PROFITS

Subject to agreement with the tax authorities, at the end of the reporting period, the Company has sufficient tax credit balances under Section 108 of the Income Tax Act 1967 to frank the payment of dividends out of its entire profits without incurring additional tax liabilities.

At the end of the reporting period, the Company has not elected for the single tier tax system. When the tax credit balance is fully utilised, or by 31 December 2013 at the latest, the Company will automatically move to the single tier tax system. Under the single tier tax system, tax on the Company's profits is a final tax, and dividends distributed to the shareholders will be exempted from tax.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

21. HIRE PURCHASE PAYABLES

	THE GROUP		THE COMPANY	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Minimum hire purchase payments:				
- not later than one year	329	314	124	125
- later than one year but not later than five years	751	989	373	498
	1,080	1,303	497	623
Less: Future finance charges	(141)	(163)	(68)	(86)
Present value of hire purchase payables	939	1,140	429	537
The net hire purchase payables are repayable as follows:-				
Current:				
- not later than one year	289	258	107	95
Non-current:				
- later than one year but not later than five years	650	882	322	442
	939	1,140	429	537

The hire purchase payables of the Group and of the Company are subjected to weighted average effective rates ranging from 5.14% to 6.00% (2012 - 6.00% to 6.71%) and 6.00% (2012 – 6.00%) per annum respectively.

22. TERM LOANS

	THE GROUP	
	2013 RM'000	**2012 RM'000**
Current portion:		
- repayable within one year	768	724
Non-current portion:		
- repayable between one to two years	725	772
- repayable between two to five years	1,133	1,637
- repayable after five years	2,092	2,306
	3,950	4,715
	4,718	5,439

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 March 2013

22. TERM LOANS (CONT'D)

Details of the term loans at the end of the reporting period are as follows:-

Term Loan	Number Of Monthly Instalments	Monthly Instalments RM	Effective Dates Of Commencement Of Repayment	Amount Outstanding 2013 RM'000	2012 RM'000
1	60	24,592	January 2012	1,004	1,243
2	36	31,267	January 2012	612	925
3	180	20,696	January 2012	2,451	2,571
4	120	8,255	April 2012	651	700
				4,718	5,439

The term loans of the Group at the end of the reporting period are subject to a weighted average effective rate of 5.77% (2012 – 5.86%) per annum and are secured by:-

(i) a first legal charge over the freehold and leasehold land and buildings of the Group;

(ii) a pledge over the fixed deposits of a subsidiary; and

(iii) a corporate guarantee of the Company.

23. DEFERRED TAXATION

	THE GROUP 2013 RM'000	2012 RM'000
At 1 April 2012/2011	267	1,751
Realisation of profit upon disposal of a subsidiary during the financial year	–	1,088
Recognised in profit or loss		
- continuing operations (Note 31)	(3)	–
- discontinued operations (Note 32)	–	645
Transferred to liabilities of disposal group classified as held for sale (Note 16)	–	(3,217)
At 31 March 2013/2012	264	267

The deferred tax liabilities are attributable to accelerated capital allowances over depreciation.

24. TRADE PAYABLES

Included in the trade payables is an amount of RM346,500 (2012 – RM1,345,908) owing to a related party, MX Too Sdn. Bhd.

The normal trade credit terms granted to the Group range from 30 to 120 days.

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 March 2013

25. OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Other payables	1,109	2,300	193	–
Deposits received	503	3,005	–	3,000
Accruals	1,567	1,184	–	559
	3,179	6,489	193	3,559

Included in deposits received of the Group in the previous financial year was an amount of RM3,000,000 representing 20% of the total purchase consideration for the disposal of DCLSB.

26. AMOUNT OWING TO A DIRECTOR

The amount owing to a director represented the balance of the consideration payable for the acquisition of Miroza in the previous financial year. The amount owing is unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

27. BANKERS' ACCEPTANCES

The bankers' acceptances of the Group are subjected to weighted average effective rates ranging from 3.35% to 4.69% (2012 - 3.35% to 4.69%) per annum at the end of the reporting period and are secured by:-

(i) legal charges over the freehold and leasehold land and buildings of the Group;

(ii) a pledge over the fixed deposits of a subsidiary; and

(iii) a corporate guarantee of the Company.

28. REVENUE

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000
Trading	87,993	71,263	–	–
Rental of property	19	18	–	–
	88,012	71,281	–	–

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 March 2013

29. COST OF SALES

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000
Trading	33,109	26,919	–	–
Rental of property	50	50	–	–
	33,159	26,969	–	–

30. PROFIT/(LOSS) BEFORE TAXATION

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000
Profit/(Loss) before taxation is arrived at after charging/(crediting):-				
Allowance for impairment losses on:				
- trade receivables	–	50	–	–
- other receivables	–	680	–	–
Audit fee:				
- for the financial year	73	60	35	22
- underprovision in the previous financial year	3	2	2	2
Bad debts written off	–	–	365	–
Depreciation of property and equipment	1,886	1,566	127	123
Directors' fee	107	108	107	108
Directors' non-fee emoluments	859	311	310	321
Equipment written off	153	74	–	–
Impairment loss on investments in subsidiaries	–	–	–	603
Interest expense:				
- bank overdrafts	17	59	–	–
- bankers' acceptances	509	432	–	–
- hire purchase	41	35	17	–
- term loans	298	271	–	–
- others	2	1	–	–
Rental of premises	632	558	–	–
Staff costs:				
- salaries, wages, allowances and bonus	14,487	12,489	101	74
- defined contribution plans	1,374	989	14	10
- other benefits	384	368	1	2
Writedown/(writeback) of inventories	92	(20)	–	–

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

30. PROFIT/(LOSS) BEFORE TAXATION (CONT'D)

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000
Profit/(Loss) before taxation is arrived at after charging/(crediting):-				
Allowance for impairment losses on receivables written back	(200)	–	–	–
Gain on disposal of property and equipment	(44)	–	(32)	–
Gain on disposal of non-current asset held for sale	(1,123)	–	(14,723)	–
(Gain)/Loss on disposal of a subsidiary	–	(1,581)	–	3,525
Gain on disposal group classified as held for sale	(10,279)	-	-	-
Gain on foreign exchange:				
- unrealised	–	(5)	–	–
- realised	(35)	–	–	–
Interest income				
- fixed deposit	(229)	(56)	(129)	–
- others	(1)	(10)	–	(10)
Rental income	(527)	(890)	–	–
Share of results in an associate	(1,282)	(1,696)	–	–

31. INCOME TAX EXPENSE

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000
Current tax:				
- for the financial year	1,072	1,127	–	–
- (over)/underprovision in the previous financial year	(19)	26	–	(153)
	1,053	1,153	–	(153)
Deferred taxation (Note 23):				
- overprovision in the previous financial year	(3)	–	–	–
	1,050	1,153	–	(153)

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

31. INCOME TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to the profit/(loss) before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000
Profit/(Loss) before taxation	13,705	4,699	12,719	(5,488)
Tax at the statutory tax rate of 25%	3,426	1,175	3,180	(1,372)
Tax effects of:-				
Share of results in an associate	(321)	(424)	–	–
Non-taxable gains	(2,993)	-	(3,690)	–
Non-deductible expenses	960	376	510	1,372
(Over)/Underprovision in the previous financial year:				
- current tax	(19)	26	–	(153)
- deferred tax	(3)	–	–	–
Income tax expense for the financial year	1,050	1,153	–	(153)

Subject to agreement with the tax authorities, at the end of the reporting period, the Group has unutilised tax losses and unabsorbed capital allowances available to be carried forward for offset against future taxable business income as follows:-

	THE GROUP	
	2013 RM'000	2012 RM'000 (Restated)
Unutilised tax losses	1,854	1,596
Unabsorbed capital allowances	30	30
	1,884	1,626

No deferred tax assets are recognised on the above items.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

32. PROFIT/(LOSS) AFTER TAXATION FROM DISCONTINUED OPERATIONS

The discontinued operations relate to the discontinuance of project management activities arising from the disposal of a subsidiary, Dynamic Communication Link Sdn. Bhd. during the financial year.

The related information on the discontinued operations is as follows:-

(a) Analysis of the results of the discontinued operations is as follows:-

	THE GROUP	
	2013	**2012**
	RM'000	**RM'000**
		(Restated)
Revenue	1,715	8,330
Cost of sale	(606)	(5,928)
Gross profit	1,109	2,402
Other Income	9	313
	1,118	2,715
Administrative and other expenses	(515)	(2,808)
Finance costs	(87)	(562)
Profit/(Loss) before taxation	516	(655)
Income tax expense		
- current tax	(300)	(17)
- deferred taxation (Note 23)	–	(645)
Profit/(Loss) after taxation from discontinued operations	216	(1,317)

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

32. PROFIT/(LOSS) AFTER TAXATION FROM DISCONTINUED OPERATIONS (CONT'D)

(b) Included in profit/(loss) before taxation of the discontinued operations are the following:-

	THE GROUP	
	2013	**2012**
	RM'000	**RM'000**
		(Restated)
Profit/(Loss) before taxation is arrived at after charging/(crediting):-		
Allowance for impairment losses on other receivables	30	–
Amortisation of intangible asset	2	6
Audit fee:		
- for the financial year	3	25
- underprovision in the previous financial year	–	1
Bad debts written off	–	54
Equipment written off	––	162
Depreciation of property and equipment	431	1,970
Directors' fee	16	24
Directors' non-fee emoluments	144	330
Hire of machineries and vehicles	1	1
Interest expense:		
- bank overdrafts	–	15
- hire purchase	–	28
- term loans	87	480
- others	–	39
Rental of land	182	735
Rental of premises	7	30
Staff costs:		
- Salaries, allowances and bonuses	114	589
- defined contribution plan	13	75
- others	2	34
Other investments written off	–	146
Gain on disposal of property and equipment	–	(23)
Interest income:		
- fixed deposit	–	(36)
- others	(1)	(205)
Writeback of foreseeable losses on contracts	–	(372)
Compensation received on insurance claim	–	(2)

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

32. PROFIT/(LOSS) AFTER TAXATION FROM DISCONTINUED OPERATIONS (CONT'D)

(c) The cash flows attributable to the discontinued operations are as follows:-

	THE GROUP	
	2013	**2012**
	RM'000	**RM'000**
Net cash from operating activities	2,156	4,819
Net cash (for)/ from investing activities	(109)	1,327
Net cash for financing activities	(1,511)	(7,142)
Net cash from/(for) discontinued operations	536	(996)

33. EARNINGS PER SHARE

	THE GROUP	
	2013	**2012**
		(Restated)
Continuing operations		
Profit attributable to owners of the Company (RM'000)	12,655	3,546
Number of ordinary shares at 31 March ('000)	42,000	42,000
Basic earnings per share (sen)	30.13	8.44*
Discontinued operations		
Profit/(Loss) after taxation (RM'000)	216	(1,317)
Less: Profit attributable to non-controlling interest (RM'000)	(259)	(889)
Loss attributable to owners of the Company (RM'000)	(43)	(2,206)
Number of ordinary shares at 31 March ('000)	42,000	42,000
Basic loss per share (sen)	(0.10)	(5.25)*

The diluted earnings per share is not applicable as there are no potential dilutive ordinary shares outstanding at the end of the reporting period.

* Due to the effects of the restatement of the comparative figures of the discontinued operations as disclosed in Note 45 to the financial statements, the basic earnings per share for the financial year ended 31 March 2012 has been restated.

34. DISPOSAL OF A SUBSIDIARY

The Company disposed of the following subsidiaries:-

(i) During the financial year, the Company disposed of its entire equity interest of 55% in Dynamic Communication Link Sdn. Bhd. for a total cash consideration of RM15,000,000.

(ii) In the previous financial year, the Company disposed of its wholly owned subsidiary, Maintenance Engineering Sdn. Bhd. for a total cash consideration of RM4,500,000.

The effects of the abovementioned disposals on the consolidated financial statements of the Group are as follows:-

(a) Effects on Consolidated Statement of Comprehensive Income

The effects on the consolidated results of the Group up to the date of disposal in the current financial year were as follows:-

	2013 RM'000	2012 RM'000
Revenue	1,716	1,237
Cost of sales	(606)	(2,582)
Gross profit/(loss)	1,110	(1,345)
Other income	8	264
Administrative and other operating expenses	(154)	(1,528)
Finance costs	(87)	(42)
Profit/(Loss) before taxation	877	(2,651)
Income tax expense	(300)	(17)
Profit after taxation	577	(2,668)

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

34. DISPOSAL OF A SUBSIDIARY (CONT'D)

(b) Effects on Consolidated Financial Position

The effects on the consolidated financial position of the Group as at the date of disposal in the current financial year were as follows:-

	2013 RM'000	2012 RM'000
Equipment	13,560	577
Intangible asset	14	–
Trade and other receivables	1,909	3,987
Amount owing by contract customers	–	37
Amount owing by holding company	–	5,196
Tax refundable	–	9
Fixed deposits with licensed banks	–	2,095
Cash and bank balances	1,575	2,343
Amount owing to contract customers	–	(1,244)
Provision for taxation	(222)	–
Trade and other payables	(1,379)	(6,577)
Term loan	(3,569)	–
Deferred taxation	(3,149)	–
Hire purchase payables	–	(576)
Fair value of net assets disposed	8,739	5,847
Minority interest	(4,018)	–
Realisation of profit from transactions with another subsidiary	–	(2,928)
Gain on disposal of a subsidiary	10,279	1,581
Sale proceeds from disposal of a subsidiary, net of incidental cost	15,000	4,500
Cash and bank balances	(1,575)	(4,438)
Settlement of amount owing by the Group pursuant to the terms and conditions of the Share Sale Agreement	–	(5,196)
Cash inflow/(outflow) from disposal of a subsidiary	13,425	(5,134)

35. PURCHASE OF EQUIPMENT

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cost of equipment purchased				
- equipment (Note 7)	2,663	2,312	6	612
- assets of disposal group classified as held for sale	18	–	–	–
	2,681	2,312	6	612
Amount financed through hire purchase	(81)	(811)	–	(537)
Cash disbursed forpurchase of equipment	2,600	1,501	6	75

36. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Fixed deposits with licensed banks (Note 14)	10,077	3,374	6,602	–
Cash and bank balances	7,170	5,616	188	1,735
	17,247	8,990	6,790	1,735
Assets of disposal group classified as held for sale:				
- cash and bank balances (Note 16)	17	1,025	–	–
	17,264	10,015	6,790	1,735

37. DIRECTORS' REMUNERATION

The aggregate amount of emoluments received and receivable by directors of the Group and of the Company during the financial year are as follows:-

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Executive directors:				
- salaries and allowances	839	611	290	292
- fees	35	60	35	36
	874	671	325	328
Non-executive directors:				
- allowances	20	30	20	29
- fees	72	72	72	72
	92	102	92	101
	966	773	417	429

38. RELATED PARTY DISCLOSURES

(a) Identities of related parties

The Company has related party relationship with:-

(i) all its subsidiaries as disclosed in Note 5 to the financial statements;
(ii) companies in which certain directors of the Company have substantial financial interests; and
(iii) the directors of the Company and its subsidiaries who are the key management personnel.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

38. RELATED PARTY DISCLOSURES (CONT'D)

(b) In addition to the information detailed elsewhere in the financial statements, the Group carried out the following significant transactions with the related parties during the financial year:-

	THE GROUP		THE COMPANY	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Sales to related parties:				
- Roncato Sdn Bhd. *	1,560	2,340	–	–
- MX Too Sdn. Bhd. *	80	18	–	–
- MESB Technology Sdn. Bhd. *	15	–	–	–
- Orlando Corporation Sdn. Bhd. *	189	–	–	–
Rental charged to a related party:				
- MRZ Car Seat Sdn. Bhd. *	–	34	–	–
Royalty charged by a related party:				
- MX Too Sdn. Bhd. *	2,556	2,285	–	–
Waiver of debt to subsidiaries	–	–	365	–

* *Companies in which certain directors have substantial financial interests.*

(c) Compensation of key management personnel

The remuneration paid to directors of the Company and its subsidiaries, who are the key management personnel of the Group and the Company during the financial year as follows:-

	THE GROUP		THE COMPANY	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short-term employee benefits	1,234	678	417	399
Post employment benefits	123	95	–	–

The outstanding amounts of the related parties will be settled in cash. No guarantees have been given or received.

39. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Executive Directors of the Group as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into 2 main business segments as follows:-

(i) Trading segment – involved in the trading of leather.

(ii) Investment holding segment – involved in investment holding.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

39. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS

	← Continuing Operations		→		
	Trading Segment RM'000	**Investment Holding Segment RM'000**	**Group RM'000**	**Discontinued Operations RM'000**	**Total Operations RM'000**
2013					
Revenue					
Total revenue	87,993	103	88,096	1,715	89,811
Inter-segment revenue	–	(84)	(84)	–	(84)
External revenue	87,993	19	88,012	1,715	89,727
Results					
Segment results	5,619	(2,004)	3,615	1,255	4,870
Allowance of impairment loss written back	200	–	200	–	200
Gain on disposal of equipment	12	32	44	–	44
Gain on disposal of non-current asset held for sale	1,123	–	1,123	–	1,123
Gain on disposal group classified as held-for-sale	–	10,279	10,279	–	10,279
Interest income	100	130	230	1	231
Rental income	508	19	527	–	527
Realised gain on foreign exchange	35	–	35	–	35
Allowance for impairment losses on receivables	–	–	–	(30)	(30)
Amortisation of intangible asset	–	–	–	(2)	(2)
Depreciation of property and equipment	(1,696)	(190)	(1,886)	(431)	(2,317)
Equipment written off	(153)	–	(153)	–	(153)
Hire of machineries and vehicles	–	–	–	(1)	(1)
Rental of land	–	–	–	(182)	(182)
Rental of premises	(632)	–	(632)	(7)	(639)
Inventories written down	(92)	–	(92)	–	(92)
	5,024	8,266	13,290	603	13,893
Finance costs	(850)	(17)	(867)	(87)	(954)
Share of profit in an associate	–	1,282	1,282	–	1,282
Profit before taxation	4,174	9,531	13,705	516	14,221
Income tax expense	(1,184)	134	(1,050)	(300)	(1,350)
Consolidated profit after taxation	2,990	9,665	12,655	216	12,871

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

39. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

	← Continuing Operations	→			
	Trading Segment RM'000	**Investment Holding Segment RM'000**	**Group RM'000**	**Discontinued Operations RM'000**	**Total Operations RM'000**
2013					
Assets					
Segment assets	78,307	12,194	90,501	–	90,501
Tax recoverable	–	153	153	–	153
Disposal group	–	–	–	20	20
	78,307	12,347	90,654	20	90,674
Investment in associate					6,830
Consolidated total assets					97,504
Liabilities					
Segment liabilities	29,357	1,218	30,575	–	30,575
Disposal group	–	–	–	3	3
	29,357	1,218	30,575	3	30,578
Deferred taxation					264
Provision for taxation					488
Consolidated total liabilities					31,330
Other segment items					
Investment in associate	–	6,830	6,830	–	6,830
Property and equipment	9,857	2,981	12,838	(3)	12,835
Other assets	500	40	540	–	540
Goodwill on consolidation	24,668	–	24,668	–	24,668
	35,025	9,851	44,876	(3)	44,873

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 March 2013

39. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

	← Continuing Operations →				
	Trading Segment RM'000	**Investment Holding Segment RM'000**	**Group RM'000**	**Discontinued Operations RM'000**	**Total Operations RM'000**
2012					
Revenue					
Total revenue	71,263	102	71,365	8,330	79,695
Inter-segment revenue	–	(84)	(84)	–	(84)
External revenue	71,263	18	71,281	8,330	79,611
Results					
Segment results	5,390	(1,223)	4,167	2,375	6,542
Interest income	56	10	66	241	307
Gain on disposal of equipment	–	–	–	23	23
Gain on disposal of a subsidiary	–	1,581	1,581	–	1,581
Rental income	872	18	890	–	890
Realised gain on foreign exchange	5	–	5	–	5
Writeback of foreseeable losses on contract	–	–	–	372	372
Writeback of inventories written down	20	–	20	–	20
Allowance for impairment losses on receivables	(730)	–	(730)	–	(730)
Amortisation of intangible asset	–	–	–	(6)	(6)
Bad debts written off	–	–	–	(54)	(54)
Depreciation of property and equipment	(1,382)	(184)	(1,566)	(1,970)	(3,536)
Equipment written off	(74)	–	(74)	(162)	(236)
Hire of machineries and vehicles	–	–	–	(1)	(1)
Other investments written off	–	–	–	(146)	(146)
Rental of land	–	–	–	(735)	(735)
Rental of premises	(558)	–	(558)	(30)	(588)
	3,599	(202)	3,801	(93)	3,708
Finance costs			(798)	(562)	(1,360)
Share of profit in associate			1,696	–	1,696
Profit/(loss) before taxation			4,699	(655)	4,044
Income tax expense			(1,153)	(662)	(1,815)
Consolidated profit after taxation			3,546	(1,317)	2,229

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

39. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

	Continuing Operations				
	Trading Segment RM'000	**Investment Holding Segment RM'000**	**Group RM'000**	**Discontinued Operations RM'000**	**Total Operations RM'000**
2012					
Assets					
Segment assets	66,362	25,132	91,494	17,750	109,244
Tax recoverable	–	153	153	143	296
Disposal group	–	–	–	(17,893)	(17,893)
	66,362	25,285	91,647	–	91,647
Investment in associate					5,548
Consolidated total assets					97,195
Liabilities					
Segment liabilities	25,150	13,852	39,002	9,665	48,667
Disposal group	–	–	–	(9,665)	(9,665)
	25,150	13,852	39,002	–	39,002
Deferred taxation					267
Provision for taxation					605
Consolidated total liabilities					39,874
Other segment items					
Investment in associate	–	5,548	5,548	–	5,548
Property and equipment	9,058	4,776	13,834	–	13,834
Other assets	–	40	40	–	40
Goodwill on consolidation	24,668	–	24,668	–	24,668
	33,726	10,364	44,090	–	44,090

An analysis by geographical segment is not presented as the Group operates primarily in Malaysia.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

40. OPERATING LEASE COMMITMENTS

The future minimum lease payments under the non-cancellable operating leases are as follows:-

	THE GROUP	
	2013 RM'000	2012 RM'000
Not later than one year	527	300
Later than one year but not later than five years	458	119
	985	419

41. CONTINGENT LIABILITY

	THE COMPANY	
	2013 RM'000	2012 RM'000
Unsecured:-		
Corporate guarantees given to licensed banks for banking facilities granted to a subsidiary	20,270	22,852

42. FOREIGN EXCHANGE RATES

The principal closing foreign exchange rates used for the translation of the foreign currency balances at the end of the reporting period were as follows:-

	2013 RM	2012 RM
1 Brunei Dollar	2.30	2.40
100 Vietnamese Dong	0.01	0.01

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 March 2013

43. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(i) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily Brunei Dollar and Vietnamese Dong. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group's exposure to foreign currency is as follows:-

	2013 RM'000	2012 RM'000
Trade receivables:-		
Brunei Dollar	46	99
Vietnamese Dong	–	305
	46	404

Foreign currency risk sensitivity analysis:-

A 5% strengthening of the RM against the Brunei Dollar and Vietnamese Dong at the end of the reporting period would have immaterial impact on profit after taxation/equity. This assumes that all other variables remain constant.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 43(a)(iii) to the financial statements.

Interest rate risk sensitivity analysis

A 100 basis points strengthening/weakening in the interest rate as at the end of the reporting period would have immaterial impact on profit after taxation/equity. This assumes that all other variables remain constant.

43. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Market Risk (Cont'd)

(iii) Equity Price Risk

The Group does not have any quoted investments and hence is not exposed to equity price risk.

(ii) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets, the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by two (2) customers which constituted approximately 55% (2012 - 56%) of its trade receivables as at the end of the reporting period.

Exposure to credit risk

As the Company does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

The exposure of credit risk for trade receivables by geographical region is as follows:-

	THE GROUP	
	2013	**2012**
	RM'000	**RM'000**
Brunei	46	99
Vietnam	90	305
Malaysia	13,845	10,275
	13,981	10,679

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

43. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk (Cont'd)

<u>Ageing analysis</u>

The ageing analysis of the Group's trade receivables as at the end of the reporting period is as follows:-

THE GROUP	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Value RM'000
2013				
Not past due	13,112	–	–	13,112
Past due:-				
- less than 3 months	869	–	–	869
- 3 to 6 months	–	–	–	–
- over 6 months	395	(316)	(79)	–
	14,376	(316)	(79)	13,981
2012				
Not past due	10,511	–	–	10,511
Past due:-				
- less than 3 months	185	–	(17)	168
- 3 to 6 months	62	–	(62)	–
- over 6 months	316	(316)	–	–
	11,074	(316)	(79)	10,679

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The collective impairment allowance is determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due, which are deemed to have higher credit risk, are monitored individually.

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

43. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

THE GROUP	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
2013						
Trade payables	–	6,111	6,111	6,111	–	–
Other payables and accruals	–	3,179	3,179	3,179	–	–
Amount owing to a director	–	76	76	76	–	–
Hire purchase payables	5.57%	939	1,080	329	751	–
Term loans	5.77%	4,718	6,070	1,018	2,483	2,569
Bankers' acceptances	4.55%	15,552	15,552	15,552	–	–
		30,575	32,068	26,265	3,234	2,569
2012						
Trade payables	–	3,859	3,859	3,859	–	–
Other payables and accruals	–	6,489	6,489	6,489	–	–
Amount owing to a director	–	76	76	76	–	–
Hire purchase payables	6.36%	1,140	1,303	314	989	–
Term loans	5.86%	5,439	7,052	1,018	3,149	2,885
Bankers' acceptances	4.02%	12,334	12,334	12,334	–	–
		29,337	31,113	24,090	4,138	2,885

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

43. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Liquidity Risk (Cont'd)

THE COMPANY	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
2013						
Other payables and accruals	–	193	193	193	–	–
Amount owing to a subsidiary	–	80	80	80	–	–
Amount owing to a director	–	76	76	76	–	–
Hire purchase payables	6.00%	429	497	124	373	–
		778	846	473	373	–
2012						
Other payables and accruals	–	3,559	3,559	3,559	–	–
Amount owing to a subsidiary	–	4,380	4,380	4,380	–	–
Amount owing to a director	–	76	76	76	–	–
Hire purchase payables	6.00	537	623	125	498	–
		8,552	8,638	8,140	498	–

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

43. FINANCIAL INSTRUMENTS (CONT'D)

(b) Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents.

The debt-to-equity ratio of the Group as at the end of the reporting period was as follows:-

	THE GROUP	
	2013	**2012**
	RM'000	**RM'000**
Trade payables	6,111	3,859
Other payables and accruals	3,179	6,489
Amount owing to a director	76	76
Hire purchase payables	939	1,140
Term loans	4,718	5,439
Bankers' acceptances	15,552	12,334
	30,575	29,337
Less: Fixed deposits with licensed banks	(10,077)	(3,374)
Less: Cash and bank balances	(7,170)	(5,616)
Net debt	13,328	20,347
Total equity	66,174	57,321
Debt-to-equity ratio	0.20	0.35

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

Notes to the Financial Statements (Cont'd)
for the financial year ended 31 March 2013

43. FINANCIAL INSTRUMENTS (CONT'D)

(c) Classification Of Financial Instruments

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Financial assets				
Available-for-sale financial assets				
Other investment	40	40	40	40
Loans and receivables financial assets				
Trade receivables	13,981	10,679	–	–
Other receivables and deposits	595	434	6	2
Amount owing by subsidiaries	–	–	4,431	4,147
Fixed deposits with licensed banks	10,077	3,374	6,602	–
Cash and bank balances	7,170	5,616	188	1,735
	31,823	20,103	11,227	5,884
Financial liabilities				
Other financial liabilities				
Trade payables	6,111	3,859	–	–
Other payables and accruals	3,179	6,489	193	3,559
Amount owing to a subsidiary	–	–	80	4,380
Amount owing to a director	76	76	76	76
Hire purchase payables	939	1,140	429	537
Term loans	4,718	5,439	–	–
Bankers' acceptances	15,552	12,334	–	–
	30,575	29,337	778	8,552

(d) Fair Values Of Financial Instruments

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values.

The following summarises the methods used in determining the fair values of the financial instruments:-

(i) The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.

(ii) The fair values of the hire purchase payables and term loans are determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period.

43. FINANCIAL INSTRUMENTS (CONT'D)

(e) Fair Value Hierarchy

As at 31 March 2013, the financial instruments of the Group and the Company carried at fair values are analysed as below:-

Level 1 : Fair value measurement derive from quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 : Fair value measurement derive from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : Fair value measurement derive from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group/The Company				
Financial assets				
Other investment	–	40	–	40

44. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year,

(a) the Company completed the disposal of its entire 55% equity interest in Dynamic Communication Link Sdn. Bhd. to a third party for a total cash consideration of RM15,000,000. The disposal was completed during the current financial year.

(b) the Company entered into a Share Sale Agreement with a third party to dispose of its entire equity interest in a wholly owned subsidiary, MDSB for a total cash consideration of RM56,000. The disposal was completed subsequent to the end of the reporting period.

45. COMPARATIVE FIGURES

The following figures have been reclassified to conform with the presentation of the current financial year:-

	As Restated RM'000	As Previously Reported RM'000
Consolidated Statements of Comprehensive Income (Extract):-		
Administrative and other operating expenses	(23,106)	(23,730)
Profit before taxation	4,699	4,075
Profit after taxations from continuing operations	3,546	2,922
Loss after taxation from discontinued operations	(1,317)	(693)

Notes to the Financial Statements (Cont'd)

for the financial year ended 31 March 2013

46. SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the retained profits of the Group and of the Company as at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits and Losses in Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by Malaysia Institute of Accountants, as follows:-

	THE GROUP		THE COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total retained profits/(losses):				
- realised	18,226	6,899	5,211	(7,508)
- unrealised	(264)	(267)	–	–
	17,962	6,632	5,211	(7,508)
Total share of retained profit of associate:				
- realised	6,788	5,548	–	–
- unrealised	(618)	(660)	–	–
	6,170	4,888	–	–
	24,132	11,520	5,211	(7,508)

List of Properties

as at 31 March 2013

Location	Description/ Existing use	Tenure	Approximate Land/Built-up area (square feet)	Age of Properties/ Buildings (Years)	Net Book Value As At 31/03/2013 (RM'000)
No. 63, Jalan 8/146, Bandar Tasik Selatan, Jalan Sg. Besi, 57000 Kuala Lumpur	6 storey shopoffice/Office Date of acquisition : 19/1/1995 **(Note 1)**	Leasehold expiring on 29/06/2087	17,835	16	2,600
Lot No. 10 Jalan Perusahaan 1 Kawasan Perusahaan Beranang Selangor Darul Ehsan	Industrial land and building used as store Date of revaluation of land : 11/7/2006 **(Note 2)** - Building constructed in 2002.	Leasehold expiring on 09/10/2099	117,177/ 10,040	10	1,612
Prangin Mall Komtar 33-1-48, Jalan Dr Lim Chwee Leong, Prangin Mall Komtar, 10100 Pulau Pinang.	Shop lot/ Boutique Date of acquisition : 05/05/2004	99 years leasehold	452	10	551
Wisma Sri Damansara No. 10 Persiaran Dagang, Bandar Sri Damansara, 52200 Kuala Lumpur	Two storey office building Date of acquisition : 08/08/2005	Freehold	30,022/ 24,108	19	3,819

Note 1: A revaluation on these properties were carried out by an independent valuer on 22 November 2002 and there was no material impairment to the value of these properties.

Note 2: A revaluation on these properties were carried out by an independent valuer on 11 July 2006 and there was no material impairment to the value of these properties. The properties were disposed as disclosed in Note 15 of the financial statement.

Analysis of Shareholdings

as at 31 July 2013

Authorised Share Capital	:	RM100,000,000.00
Issued and Paid-up Share Capital	:	RM42,000,000.00
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	1 vote per ordinary shareholder on a show of hands 1 vote per ordinary share on a poll
Number of Shareholders	:	1,597

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	4	0.25	13	0.00
100 to 1,000	362	22.67	343,600	0.82
1,001 – 10,000	1,005	62.93	3,970,690	9.45
10,001 – 100,000	198	12.40	5,496,800	13.09
100,001 – less than 5% of issued shares	26	1.63	13,116,998	31.23
5% and above of issued shares	2	0.12	19,071,899	45.41
Total	**1,597**	**100.00**	**42,000,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

		No. of Shares			
No.	**Name**	**Direct Interest**	**%**	**Indirect Interest**	**%**
1.	Teoh Hwa Peng	19,071,899 [(1)]	45.41	2,125,000 [(2)]	5.06
2.	Tan Sok Gim	2,125,000	5.06	19,071,899 [(2)]	45.41
3.	Thuraya Binti Kassim	2,417,498	5.76	-	-
4.	Dr. Sieh Kok Swee	1,319,500	3.14	1,250,000 [(2)]	2.98
5.	Khoo Loon See	1,250,000	2.98	1,319,500 [(2)]	3.14

[(1)] *Held in own name and UOBM Nominees (Tempatan) Sdn Bhd.*
[(2)] *Deemed interest through spouse's shareholdings.*

DIRECTORS' SHAREHOLDINGS

	No. of Shares			
Name of Directors	**Direct Interest**	**%**	**Indirect Interest**	**%**
Teoh Hwa Peng	19,071,899 [(1)]	45.41	2,125,000 [(2)]	5.06
Tan Sok Gim	2,125,000	5.06	19,071,899 [(2)]	45.41
Ng Chee Leong	–	–	–	–
Saffie Bin Bakar	–	–	–	–
Tan Yew Kim	–	–	–	–
Yam Sing Lam @ Yam Seng Lam	–	–	–	–

[(1)] *Held in own name and UOBM Nominees (Tempatan) Sdn Bhd.*
[(2)] *Deemed interest through spouse's shareholdings.*

Analysis of Shareholdings (Cont'd)
as at 31 July 2013

THIRTY (30) LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Teoh Hwa Peng	12,274,099	29.22
2	UOBM Nominees (Tempatan) Sdn Bhd UOBM For Teoh Hwa Peng	6,797,800	16.19
3	Thuraya Binti Hj Kassim	1,833,910	4.37
4	Tan Sok Gim	1,762,000	4.20
5	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ihsan Bin Osman	1,396,100	3.32
6	Dr. Sieh Kok Swee	1,319,500	3.14
7	Khoo Loon See	1,250,000	2.98
8	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Siti Esa Binti Ab Rahim	759,600	1.81
9	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ihsan Bin Osman	605,400	1.44
10	Thuraya Binti Hj Kassim	583,588	1.39
11	Sieh Kok Jiun @ Chea Kok Jiunn	489,100	1.16
12	Khoo Loon Im	450,000	1.07
13	RHB Capital Nominees (Tempatan) Sdn Bhd Teoh Beng Thong	304,000	0.72
14	Tan Sok Gim	225,901	0.54
15	Nor Azman Bin Mohd Yussof	217,000	0.52
16	Yong Sau Leng	208,800	0.50
17	Eden @ Mohd Eden Bin Mohd Ali	200,000	0.48
18	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank For Ang Poh Eng	179,800	0.43
19	Tey Ghee Kian	170,000	0.40

Analysis of Shareholdings (Cont'd)

as at 31 July 2013

THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)

No.	Name	No. of Shares	%
20	Lee Chee Beng	156,200	0.37
21	Nazim Bin Muhammad Nadzri	146,100	0.35
22	Tan Sok Gim	137,099	0.33
23	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank For Lu Yeep Hing	133,800	0.32
24	Chen Win Sum	133,000	0.31
25	Tan Liak Theng	124,800	0.30
26	Lee Soon Aun @ Lee Eng Soon	118,500	0.28
27	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Noredah Majimpi @ Ening Majimpi	111,400	0.26
28	Abdul Halim Bin Ismail	101,400	0.24
29	Lim Kwee Huat	100,000	0.24
30	Abdul Aziz Al-Akbar Bin Mohamed Noor	95,500	0.23
	Total	**32,384,397**	**77.11**

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MESB
BERHAD
(337554-D)

Proxy Form

NUMBER OF SHARES HELD

I/We ____ Company/NRIC/Passport No. ____________________________

of ____

being a member/members of **MESB BERHAD**, hereby appoint ____

NRIC/Passport No. ____ of____

____ or failing him/her, ____________________________________

NRIC/Passport No. ____ of____

____ or failing him/her, *THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us and on my/our behalf at the Eighteenth Annual General Meeting of the Company to be held at Swan 1, 7th Floor, Pearl International Hotel, Batu 5, Jalan Klang Lama, 58000 Kuala Lumpur on Wednesday, 18 September 2013 at 9.30 a.m. and at any adjournment thereof.

Please indicate with an "X" in the space provided, how you wish your vote to be cast in respect of the following resolutions. In the absence of specific directions, your proxy may vote or abstain at his/her discretion. If you appoint two proxies, please specify the proportions of holdings to be represented by each proxy.

My/our proxy/proxies is/are to vote as indicated below:

No.	Ordinary Resolutions	For	Against
1.	To re-elect Ng Chee Leong as a director		
2.	To re-elect Tan Yew Kim as a director		
3.	To re-elect Tan Sok Gim as a director		
4.	To re-elect Yam Sing Lam @ Yam Seng Lam as a director		
5.	To approve the payment of Directors' fees		
6.	To re-appoint Crowe Horwath as Auditors of the Company		
	Special Business		
7.	Ordinary Resolution: Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
8.	Ordinary Resolution: To continue Encik Saffie bin Bakar in office as an Independent Non-Executive Director of the Company		
9.	Special Resolution: Proposed Amendments to the Articles of Association of the Company		

The proportion of shareholding to be represented by our proxies is as follows:

First named proxy	%
Second named proxy	%
	100%

If no name is inserted in the space provided for the name of your proxy, the Chairman of the meeting will act as your proxy. In case of a vote taken by show of hands, the first named proxy shall vote on my/our behalf.

Dated this ________ day of ____________________ 2013

____
Signature / Common Seal of Shareholder

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. The provisions of Section 149(1)(b) of the Act shall not apply to the Company and there shall be no restriction as to the qualification of the proxy.
2. A member shall be entitled to appoint more than one proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his holdings to be represented by each proxy.
3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint only one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
5. If no name is inserted in the space provided for the name of your proxy, the Chairman of the meeting will act as your proxy.
6. The instrument appointing a proxy must be deposited at Symphony Share Registrars Sdn Bhd, Level 6 Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
7. If the appointor is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of its attorney.
8. The Date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and speak at the meeting will be Wednesday, 11 September 2013.

* Delete where inapplicable.

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Stamp

The Share Registrar
MESB Berhad
c/o Symphony Share Registrars Sdn Bhd
Level 6 Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

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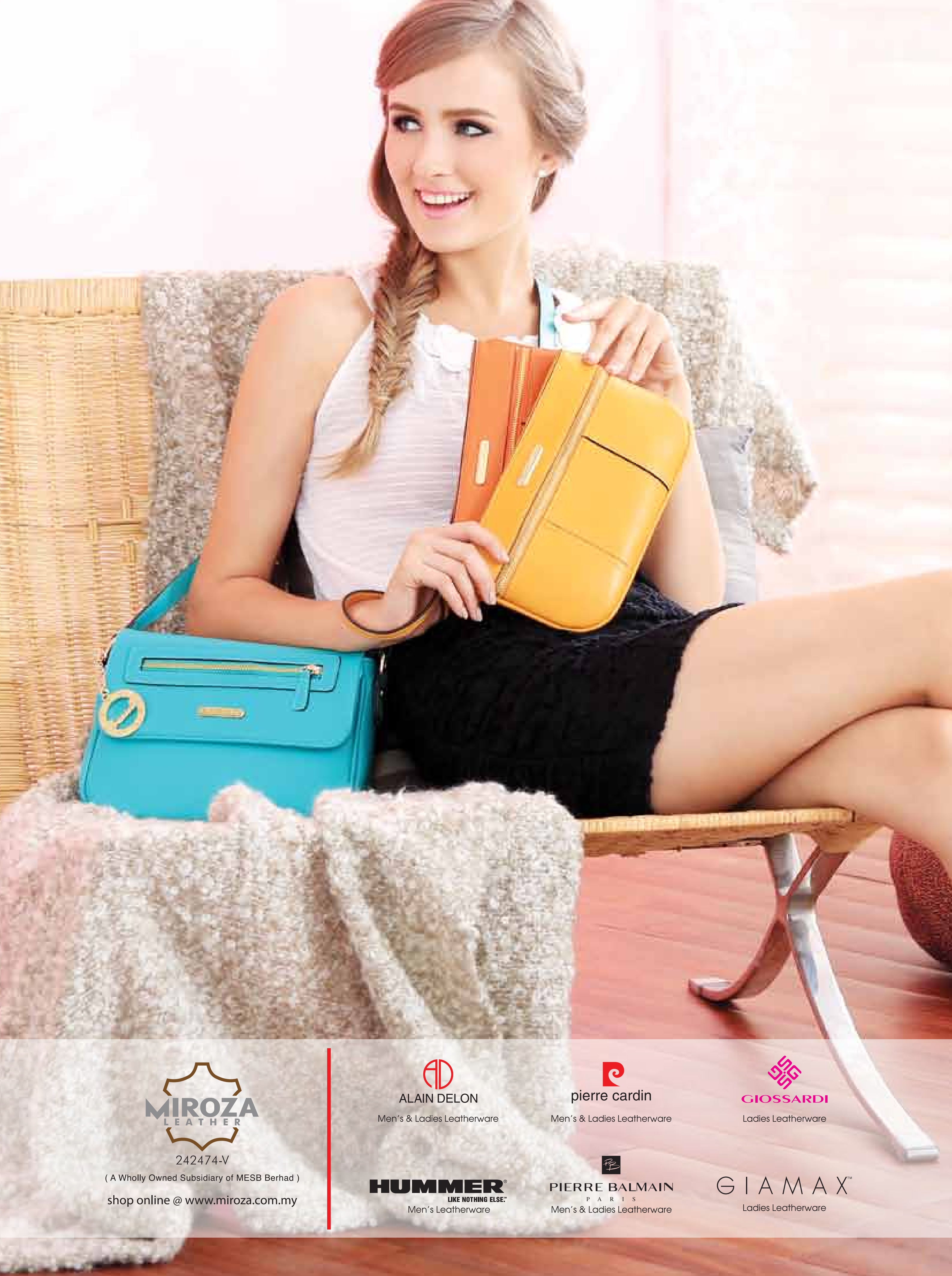
RETAIL DIVISION



MESB BERHAD
337554-D

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