ANNUAL REPORT 2014

Laporan Tahunan

MESB

MESB BERHAD (337554-D)

LAPORAN TAHUNAN 2014 ANNUAL REPORT

MESB BERHAD 337554-D

No.63, Jalan 8/146, Bandar Tasik Selatan, Sungai Besi, 57000 Kuala Lumpur, Malaysia.
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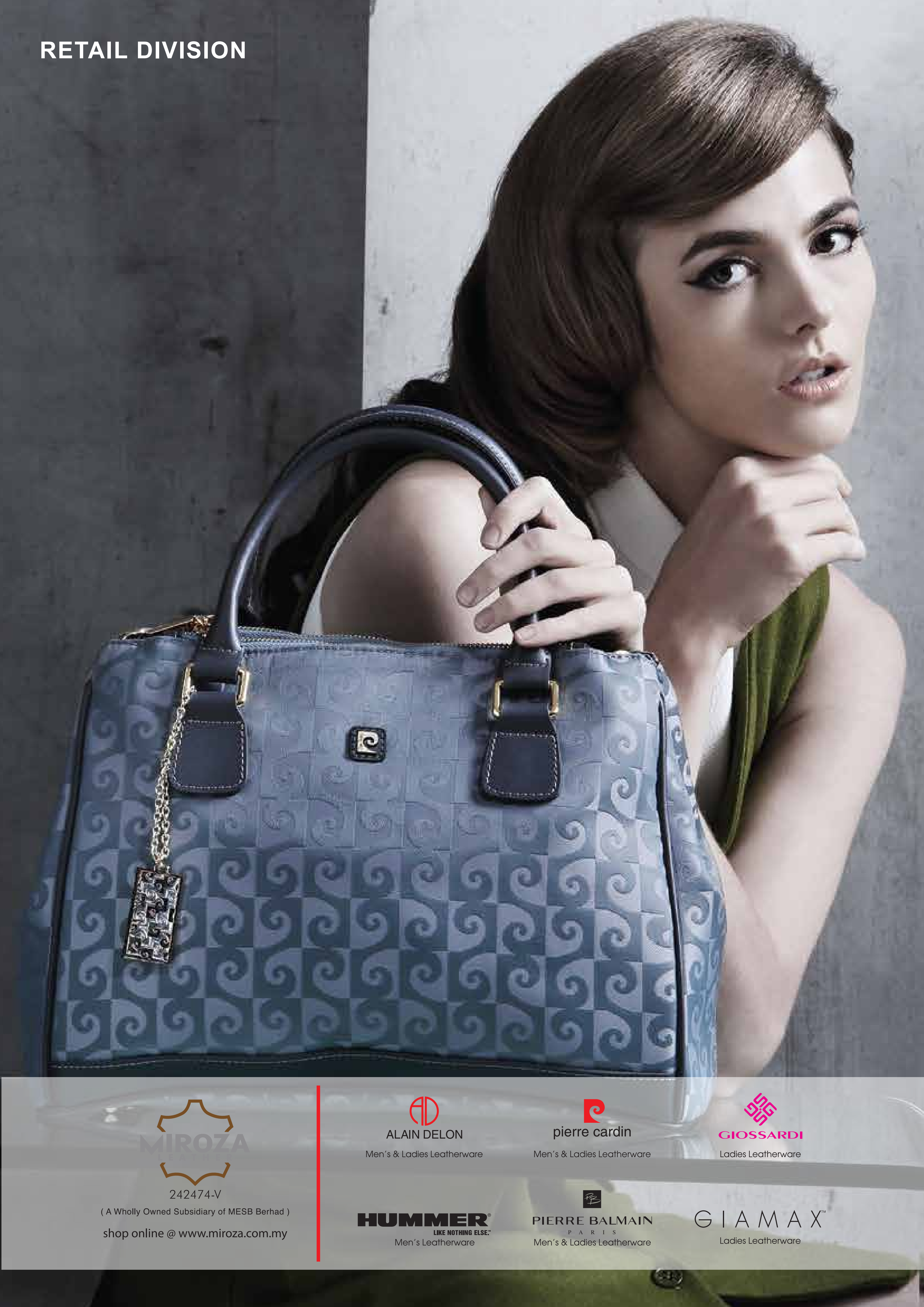
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Contents

NOTICE OF THE NINETEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting of MESB Berhad will be held at Room 5, Level 2, Hotel Sri Petaling, 30, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur on Thursday, 25 September 2014 at 9.30 a.m. for the following purposes:

AGENDA

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 March 2014 together with the Reports of the Directors and Auditors thereon. **Please refer to explanatory Note A**

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

   (i) Teoh Hwa Peng – Article 78 **RESOLUTION 1**

   (ii) Saffie Bin Bakar – Article 78 **RESOLUTION 2**

3. To approve the payment of Directors' fees amounting to RM104,00.00 for the financial year ended 31 March 2014. **RESOLUTION 3**

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

AS SPECIAL BUSINESS

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

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

   "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(a) of the Circular to Shareholders dated 3 September 2014, 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.

   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.

NOTICE OF THE NINETEENTH ANNUAL GENERAL MEETING (CONT'D)

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 **RESOLUTION 6**

- Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("New Proposal")

"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(b) of the Circular to Shareholders dated 3 September 2014, 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.

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 New 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."

7. Ordinary Resolution **RESOLUTION 7**

- Continuing in Office as Independent Non-Executive Director

"THAT subject to the passing of Resolution 2, authority be and is hereby given to Encik Saffie Bin Bakar, who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Non-Executive Director of the Company."

NOTICE OF THE NINETEENTH ANNUAL GENERAL MEETING (CONT'D)

8. **Ordinary Resolution** **RESOLUTION 8**
   - **Authority to issue shares pursuant to Section 132D of the Companies Act, 1965**

   "THAT subject always to the Companies Act, 1965, Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/ regulatory bodies, where such approval is necessary, authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965 to issue not more than ten percent (10%) of the issued capital of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company and that the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof."

9. To transact any other ordinary business of the Company for which due notice shall have been given.

BY ORDER OF THE BOARD

LIM LEE KUAN (MAICSA 7017753)
SOO SHIOW FANG (MAICSA 7044946)
Company Secretaries

Kuala Lumpur
3 September 2014

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 only one proxy to attend and vote at the same meeting.

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.

NOTICE OF THE NINETEENTH ANNUAL GENERAL MEETING (CONT'D)

8. The Date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and speak at the meeting will be on Thursday, 18 September 2014.

9. Explanatory Notes on Special Business:

(i) Ordinary Resolution 5
- Proposed Renewal of Existing 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 3 September 2014, which is circulated together with the 2014 Annual Report of the Company.

(ii) Ordinary Resolution 6
- Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("New Proposal")

Further information on the New Proposal is set out in the Circular to Shareholders dated 3 September 2014, which is circulated together with the 2014 Annual Report of the Company.

(iii) Ordinary Resolution 7
- 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 acting 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 be able to provide a 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.

(iv) Ordinary Resolution 8
- Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

The proposed Ordinary Resolution 8, if passed, will give flexibility to the Directors of the Company to issue shares up to a maximum of ten per centum (10%) of the issued share capital of the Company at the time of such issuance of shares and for such purposes as they consider would be in the best interest of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The purpose of this general mandate sought will provide flexibility to the Company for any possible fund raising activities but not limited for further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

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

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

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

Soo Shiow Fang (MAICSA 7044946)
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
Bangkok Bank Berhad
Alliance Bank Malaysia Berhad
Public Bank Berhad

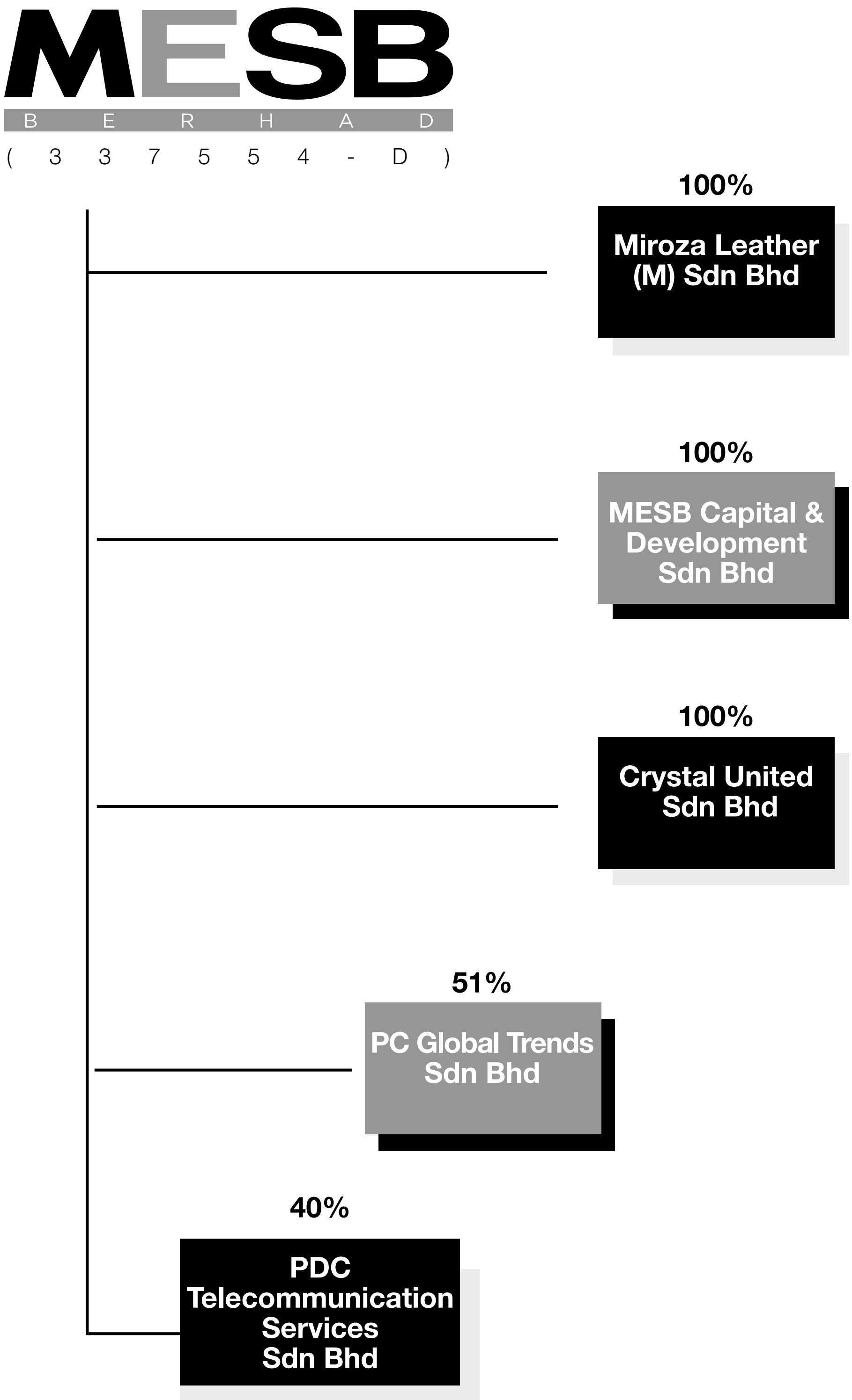
STOCK EXCHANGE LISTING

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
Crystal United Sdn Bhd
PC Global Trends Sdn Bhd

MESB GROUP OF COMPANIES CORPORATE STRUCTURE



PROFILE OF DIRECTORS

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

- 61 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 is currently the Chairman of Nomination Committee of the Company and was designated as the Senior Independent Non-Executive Director of the Company, to whom concerns of shareholder may be directed.

He graduated from University Malaya with a B.A (Honours) majoring in Geography in 1977 and subsequently received a Postgraduate Diploma in Public Administration (DPA) from the Faculty of Economics and Administration, University Malaya in 1978. In 1988, he obtained his MBA from US International University in San Diego, California, USA.

He has more than 36 years experience, specializing in management with extensive knowledge and skills in 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&A) and General Offer (GO).

He was attached to the Perlis State Government from May 1978 to August 1983, during which he served as Director of Perlis State Economic Planning Unit (SEPU). He joined Perlis State Economic Development Corporation (SEDC) in September 1983 as Business Development Manager until his optional retirement from Government Service in August 1994.

He had undergone numerous 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 also 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. He became a Local Counterpart to the Regional Planning Advisor, the Industrial Project Advisor and the Infrastructure Project Advisor who are all World Bank experts.

He is a Chartered Audit Committee Director (CACD) of The Institute of Internal Auditors Malaysia (IIAM) and Co-Chairman of the Special Task Forces to Facilitate Business (PEMUDAH) for Perlis State.

He is also a member of several organization including 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) and also a life member Malaysian Drug Prevention Association as well as a Central Committee Member of Malaysian Exporters Association (MEXPA).

He was a Senior Independent Director and Audit Committee Member of a government agency - Perlis State Economic Development Corporation (SEDC).

He is currently the Corporate Advisor to Shorubber (Malaysia) Sdn.Bhd, a Japanese OBM manufacturer and exporter of industrial gloves. He is also a Senior Independent Non-Executive Director of YEN Global Berhad and AE Multi Holdings Berhad and a director cum corporate advisor of several other private limited companies in Malaysia.

He has no family relationship with any Directors and/or major shareholders of the Company and has not been convicted for any offences (other than traffic offences) within the past 10 years.

PROFILE OF DIRECTORS (CONT'D)

TAN YEW KIM
Independent Non-Executive Director

- 56 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 holds the position of Chairman of Audit Committee of the Company. 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 the public accounting firm, Y.K. Tan, Lee & Associates, he also holds directorship in several private limited companies and he does not hold any directorship in other public companies.

He is also a member of the committee of various associations and board of governor of two primary schools.

He has no family relationship with any Directors and/or major shareholders of the Company and has not been convicted for any offences (other than traffic offences) within the past 10 years.

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

- 68 years of age
- Malaysian
- Chairman of Remuneration Committee
- Member of Audit Committee
- Member of Nomination Committee
- Member of Risk Management Committee

He was appointed to the Board on 7 August 2013. He holds the position of Chairman of Remuneration Committee of the Company.

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 from 1978 to 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 became the Managing Director of Johnson Fluid Engineering Sdn Bhd. and has served as committee members of several Investigation Committees set up by the Board of Engineers.

Mr Yam is currently active in private consultancy services.

He has no family relationship with any Directors and/or major shareholders and has not been convicted for any offences (other than traffic offences) within the past 10 years.

PROFILE OF DIRECTORS (CONT'D)

NG CHEE LEONG
Executive Director

- 50 years of age
- Malaysian
- Chairman of Risk Management Committee
- Member of Remuneration Committee

He was appointed as the director of the Company on 27 August 2008. He holds the position of Chairman for Risk Management Committee.

He is also appointed as the Executive Director of Miroza Leather (M) Sdn Bhd, a wholly owned subsidiary of the Company. He heads the management and oversees the execution of Miroza Leather (M) Sdn Bhd's business. He also hold directorships in the other subsidiaries of the Company.

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

He served with men's fashion company marketing the "Playboy" brand of men's wear in Malaysia and subsequently promoted as a Marketing Manager. Later, he was headhunted to join MCL Bhd as Marketing Director in charge of 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 its operations from the group in year 2009. ADSB was principally involved in garment trading business.

He is the director of Orlando Corporation Sdn. Bhd., engaged in the wholesale and retail of readymade menswear and related accessories.

He has no family relationship with any Directors and/or major shareholders of the Company and has not been convicted for any offences (other than traffic offences) within the past 10 years.

TEOH HWA PENG
Chief Executive Officer

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

He was appointed as the director of the Company on 22 June 2006. He also served as a member of Risk Management Committee of the Company and was redesignated as the Chief Executive Officer and Chief Financial Controller of the Group on 1 March 2013. He is the co-founder of Miroza Leather (M) Sdn Bhd, a main subsidiary of the Company, He has more than 20 years of experience in retailing industry and possesses in-depth knowledge of the overall operations of the Group and has contributed significantly to the growth of the Group.

He sits on the Board of subsidiaries of the Company and other several private limited companies in Malaysia.

Mr Teoh Hwa Peng is the spouse to MadamTan Sok Gim, who is the director and major shareholder of the Company and has not been convicted for any offences (other than traffic offences) within the past 10 years.

PROFILE OF DIRECTORS (CONT'D)

TAN SOK GIM
Executive Director

- 44 years of age
- Malaysian
- Member of Risk Management Committee

She was appointed to the Board of MESB Berhad on 5th April 2013, and she is also a Director of the subsidiaries, namely, Miroza Leather (M) Sdn. Bhd. and Crystal United Sdn. Bhd.

Madam Tan is an entrepreneur and holds directorships in various private limited companies in Malaysia. She has more than 20 years working experience in the retailing and manufacturing sectors with 10 years at senior level management. She was a pioneering staff of Miroza Leather (M) Sdn. Bhd., a subsidiary of the Company, since its inception in 1994. She is also very active in other social and business organizational activities. In 2006 she became a life member of Persatuan Usahawan Maju Malaysia (PUMM) [Malaysia Entrepreneurs' Development Association], and was a Vice President of the Association from 2008 to 2013.

In 2012 she was a pioneer member and trustee of the Malaysian Chinese Women Entrepreneurs Foundation. She would attend seminars of academic interests in businesses in order to keep herself abreast with current issues and practices.

Madam Tan Sok Gim is the spouse to Mr Teoh Hwa Peng, who is the director and major shareholder of the Company and has not been convicted for any offences (other than traffic offences) within the past 10 years.

Notes to the Directors' Profiles:

1. Conflict of Interest
   Save for related party disclosures as disclosed under Note 37 to the Audited Financial Statements in this Annual Report and the Circular to Shareholders dated 3 September 2014, which is dispatched together with this Annual Report, the Directors have no conflict of interest with the Company and its subsidiaries.

2. 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 22 of this Annual Report.

AUDIT COMMITTEE REPORT

The Board of Directors of MESB Berhad is pleased to present the Audit Committee ("AC") Report for the financial year ended 31 March 2014.

COMPOSITION AND MEETINGS

In line with the Terms of Reference of the AC 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 AC 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 2014, the AC 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 AC Chairman/Members	No. of meetings attended
Chairman	
Tan Yew Kim *(Chairman and Independent Non-Executive Director)*	4/5
Members	
Saffie Bin Bakar *(Senior Independent Non-Executive Director)*	5/5
Mr Yam Sing Lam @ Yam Seng Lam (Appointed on 7 August 2013) *(Independent Non-Executive Director)*	2/3
Yam Kim Lum (Resigned on 31 May 2013) *(Independent Non-Executive Director)*	1/1

SUMMARY OF TERMS OF REFERENCE

1. Composition

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

AUDIT COMMITTEE REPORT (CONT'D)

2. Chairman

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

3. Secretary

The Company Secretary or any authorised person shall be the secretary of the AC. The Secretary shall provide assistance to the members of the Committee, including but not limited to assist the AC Chairman in planning the work of the AC, formulating meeting agendas, maintenance of AC minutes, collation and distribution of information required by the AC and provide practical support, as and when needed.

4. Meetings

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

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

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 arises.

5. Rights

In conducting its duties and responsibilities, the AC 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 . 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 or other advice at the Company expense.

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

b. Financial Reporting

Review the quarterly results and annual financial statements before recommendation to the Board for approval for release to Bursa Malaysia Securities Berhad 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 the 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.

AUDIT COMMITTEE REPORT (CONT'D)

6. Duties (Cont'd)

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 AC, 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 AC 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 AC and assists the Board of Directors in monitoring the risks and reviewing the internal controls system to ensure a 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. The internal audit function adopts a risk-based audit methodology, which is aligned with the risks of the Group to ensure that the relevant control addressing those risks are reviewed on timely basis.

During the financial year under review, the audit fees and disbursements incurred for the internal audit function were RM17,470.

AUDIT COMMITTEE REPORT (CONT'D)

INTERNAL AUDIT FUNCTIONS (Cont'd)

The Internal Audit Team carried out audit activities based on the approved audit plan during the financial year ended 31 March 2014 were:

- Reviewed the integrity and effectiveness the stock procurement system of the Group's retailing division;
- Delivered the detailed reports, findings and recommendations to the AC for discussion at the AC meeting. The AC had instructed Management to rectify and improve control procedures based on the Internal Auditor's recommendations;
- Recommended improvements and enhancements to the existing of internal control and risk management;
- Performance follow-up on findings and implementation of recommendation to ensure all key are addressed; and
- Reviewed compliance with established risk management policies and procedures.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of MESB BERHAD is committed to maintaining high standards of corporate governance throughout the Group. The Board adheres to the principles and guidelines of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") to ensure effective corporate governance is practised and served as a fundamental part of building a sustainable business and discharging its responsibilities to protect and enhance shareholder's value and financial performance of the Group.

This report outlines the corporate governance framework and practices adopted by the Group during the financial year ended 31 March 2014.

1.0 Establish Clear Roles and Responsibilities

1.1 Defined Functions of the Board and Management Delegates

The Board is responsible for overall corporate governance, strategic direction, formulation of policies to oversee the business, performance and affairs of the Group, and charting the course of the Group's business operation 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 CEO has overall responsibilities through the Group's operational and business units. In addition, the CEO also functions as the intermediary between the Board and Management.

To facilitate the discharge of the Board's stewardship responsibilities, the Board has established Board Committees including 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.

1.2 Board Charter

The Board Charter was adopted by the Board to facilitate the effective discharge of its duties and responsibilities. The Board Charter and the terms of reference of Board Committees will be regularly reviewed by the Board to ensure the same remains consistent with the Board's objectives and responsibilities, and is in compliance with relevant laws, regulations, guidelines and standards of corporate governance.

1.3 Formalised Ethical standard through Code of Conduct

The Board is guided by the Company's Code of Conduct for Directors and Employee in discharging its oversight role effectively. The Code of Conduct is published on the corporate website and has clearly stated the values and inspiring principles behind the achievement of its business objectives are of fundamental importance for the correct operation of its businesses.

The Board has also formalized the Whistleblowing Policy to provide an avenue for raising concerns related to any malpractice or misconduct of which become aware and importantly to provide protection for those who report allegations of such malpractices or misconducts. The Whistleblowing Policy is published on the corporate website.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

1.4 Strategies on promoting sustainability

The Board formalises the Company's strategies on promoting sustainability. The Group's sustainability vision was set out in the Sustainability Plan, which is published on the corporate website.

1.5 Access to information and advice

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

1.6 Qualified and Competent Company Secretaries

The Directors have individual and independent access to the advice and services of the Company Secretaries in ensuring the effective functioning of the Board. .

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.

2.0 Strengthen Composition

The Board consists of six (6) members, comprising three (3) executive directors and three (3) Non-Executive Directors. The Board's composition complies with the Main Market Listing Requirements of Bursa Securities, which at least two (2) Directors or one-third of the Board members, whichever is higher, must be independent. The Board appointed a female Director on Board during the financial year .

The Board has the requisite blend expertise, skill and attributes to oversee the Group's growing business. The Directors through their vast experience and qualifications in accounting, financial, engineering and business management provide effective contribution and support to the Board, and to successfully direct the Group's business activities to its success.

2.1 Nomination Committee

The Nomination Committee ("NC") comprises a majority of Non-Executive Directors:

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

The NC was established to provide a formal and transparent procedures for the appointment of directors and annual assessment of the effectiveness of individual directors, Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO").

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

2.1 Nomination Committee (Cont'd)

The NC is guided by specific terms of reference and the NC's roles are as follows:
- To recommend candidates to the Board for appointment of Director, CEO and CFO;
- To recommend directors to fill the seats on respective Board Committees;
- To assess the contribution and performance of each individual Director, CEO and CFO;
- To review annually the Board structure, size, composition, mix of skills, qualification and competencies of the Board as whole;
- To review annually the independence of Independent Directors;
- To take necessary steps to ensure that due consideration is given to female candidates as part of the steps to meet its gender diversity policy;
- To ensure existence of an appropriate framework;
- To consider other matters as referred to the NC by the Board.

2.2 Develop, maintain and review criteria for recruitment and annual assessment of Director

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.

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.

Gender Diversity policies

The Board recognised the importance of gender diversity, the Board has appointed a female director to sit on Board, and shall continually encourage the recruitment and retention of talented women candidates at all levels.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

2.2 Develop, maintain and review criteria for recruitment and annual assessment of Director (Cont'd)

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 individual Directors each undertook a peer assessment of their individual performance during the financial year ended 31 March 2014 based on specific criteria.

The NC also undertakes yearly the performance evaluation of the Directors, CEO and CFO, whose remuneration is directly linked to performance, based on his score sheet. The performance evaluation for the year 2013 of the CFO was reviewed by the NC on 27 May 2014.

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 forthcoming AGM.

The NC assesses the independence of the Independent Non-Executive Directors annually based on criteria set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

2.3 Remuneration Policies and Procedures

The Remuneration Committee ("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, which are depended 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 in the case of Executive Directors. For Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the individual Non-Executive Director concerned.

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 the remuneration of the Directors of the Company for the financial year ended 31 March 2014 (including remuneration drawn from subsidiaries) were as follows :

	RM'000
Executive directors:	
- salaries , bonus and allowances	790
- fees	36
	826

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

2.3 Remuneration Policies and Procedures (Cont'd)

The details of the remuneration of the Directors of the Company for the financial year ended 31 March 2014 (including remuneration drawn from subsidiaries) were as follows : (Cont'd)

	RM'000
Non-executive directors:	
- allowances	20
- fees	64
	84
	910

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		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 2013, 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.

Encik Saffie Bin Bakar, one (1) of the Independent Non-Executive Directors, is seeking for re-election at the forthcoming AGM. The NC is satisfied that Encik Saffie Bin Bakar 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 the recommendation of MCCG2012 on a nine-year policy for Independent Non-Executive Directors. The tenure of an independent director should not exceed a cumulative terms of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director. The Board, upon recommendation of the NC, shall justify and seek shareholders' approval in the event that the person, who has served in that capacity for more than nine (9) years, retains as an independent director.

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

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

The Board would seek Shareholders' approval at the AGM, to retain En Saffie Bin Bakar as an Independent Non-Executive Director of the Company at the forthcoming meeting. In this respect, En Saffie Bin Bakar had expressed his intention to continue act as an Independent Non-Executive Director of the Company.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

3.3 Shareholders' approval for the Continuance in Office as Independent Director (Cont'd)

The justifications for En Saffie Bin Bakar to continue in office as an Independent Non-Executive Director are as follows:

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.

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 calibre 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.

En Saffie Bin Bakar was identified as the Company's Senior Independent Non-Executive Director, to whom concerns may be conveyed by shareholders 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 8 to 11 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

4.0 Foster Commitment

4.1 Time Commitment

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 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 dates of announcements of the Group's quarterly results

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

The Board is satisfied with the level of time commitment given by the director to towards fulfilling their roles and responsibilities as Directors of the Company.

This is evidence by the attendance record of the Directors at Board Meetings of the Company 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	4/5
Ng Chee Leong	Executive Director	5/5
Teoh Hwa Peng	Executive Director	5/5
Tan Sok Gim [1]	Executive Director	3/5
Yam Kin Lum[2]	Independent Non-Executive Director	1/1
Yam Sing Lam @ Yam Seng Lam[3]	Independent Non-Executive Director	2/3

[1] Mdm Tan Sok Gim was appointed as new Director of the Company on 5 April 2013.
[2] Mr Yam Kin Lum had resigned as Director of the Company on 31 May 2013.
[3] Mr Yam Sing Lam @ Yam Seng Lam was appointed as the Director of the Company on 7 August 2013.

4.2 Training

All Directors have completed the Mandatory Accreditation Programme ("MAP") as prescribed by Bursa Malaysia Securities Berhad. The Company will continue to identify suitable trainings 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, exhibition, seminars and training not only to enhance their knowledge and 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, regulatory laws, rules as well as guidelines.

During the financial year ended 31 March 2014, the director have attended the following training programmes :-

1. "MIDA Seminar on Electrical & Electronics - Connecting The Dots, Leading Towards The Future", 17 June 2013 (Attended by En Saffie Bin Bakar).

2. "Ministry of Defense & AIAD Italy – Malaysia & Italy Defence and Dual Use SME Partnership Seminar 2013", 2 July 2013 to 3 July 2013 (Attended by En Saffie Bin Bakar).

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

4.2 Training (Cont'd)

During the financial year ended 31 March 2014, the director have attended the following training programmes :- (Cont'd)

3. "PKNS 2nd Annual Integrity Conference - A Conference on Integrity and Good Corporate Governance in Public and Private Sector", 8 July 2013 (Attended by En Saffie Bin Bakar).

4. "ShareInvestor's Seminar & INVEST FAIR 2013", 13 July 2013 to 14 July 2013 (Attended by En Saffie Bin Bakar).

5. "UniMAP International Academic Lecture Series – Economy and Teaching In The Field of Nanotechnology" , 22 August 2013 (Attended by En Saffie Bin Bakar).

6. "ICAA-MICPA Audit Forum : Quality Control In Practice", 29 August 2013 (Attended by Mr Tan Yew Kim).

7. "Seminar on Malaysian Financial Reporting Standards ("MFRS")", 6,7,13 & 14 September 2013 (Attended by Mr Tan Yew Kim).

8. "ITX Asia 2013 – The 2nd.International ICT & ERP Conference", 11 September to 13 September 2013 (Attended by En Saffie Bin Bakar).

9. "IFSEC Southeast Asia – International Security Technology Conference 2013", 12 September 2013 to 13 September 2013 (Attended by En Saffie Bin Bakar).

10. "ONEBUILD – Malaysia International Building, Architecture & Construction Technology", 9 October 2013 to 12 October 2013 (Attended by En Saffie Bin Bakar).

11. "MITF – Kuala Lumpur Manufacturing & Industrial Trade Fair", 9 October 2013 to 12 October 2013 (Attended by En Saffie Bin Bakar).

12. "IGEM – The 4th International Greentech & Eco Products Exhibition & Conference Malaysia", Kuala Lumpur Convention Centre, 10 October 2013 to 13 October 2013 (Attended by En Saffie Bin Bakar).

13. "Breaking New Ground: Landmark Decisions On Reinvestment Allowance and Capital Allowance", 17 October 2013 (Attended by Mr Tan Yew Kim).

14. "Ministry of Education – Dialogue & Survey on the Performance and Accomplishments of National Higher Education Strategic Plan (2007-2020)", 21 October 2013 (Attended by En Saffie Bin Bakar).

15. "IPMEX Malaysia 2013 – International Printing, Paper, Packaging Machinery Exhibition", 27 October 2013 (Attended by En Saffie Bin Bakar) .

16. "Asia SIGN & LED Exhibition 2013", 24 October 2013 to 27 October 2013 (Attended by En Saffie Bin Bakar).

17. "iCapital.biz Berhad 2013 INVESTOR DAY – Investment Presentation on What is Value Investing?", 26 October 2013 (Attended by En Saffie Bin Bakar).

18. "Seminar Percukaian Kebangsaan 2013", 31 October 2013 (Attended by Mr Tan Yew Kim).

19. "PECIPCA 13 ,International Conference and Exposition On Invention of Institutions of Higher Learning", 7 November 2013 to 9 November 2013 (Attended by En Saffie Bin Bakar).

20. "UniMAP 12th Professorial Lecture Series on Making Micros Into Millions in Agro-based Food and Beverage (F&B) Industry in Sarawak", 3 December 2013 (Attended by En Saffie Bin Bakar).

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

4.2 Training (Cont'd)

During the financial year ended 31 March 2014, the director have attended the following training programmes :- (Cont'd)

21. "Understanding of GST", 8 March 2014 (Attended by Mr Tan Yew Kim).

22. "Budget 2014 Tax Amendments and Current Tax Issues", 18 March 2014 (Attended by Mr Tan Yew Kim).

23. "Managing International Tax Issues Effectively", 20 March 2014 (Attended by Mr Tan Yew Kim).

Save as disclosed above, other directors were not able to attend any Directors' training during financial year due to their busy work schedule and overseas travelling. During audit review of financial year, the External Auditors also briefed the Board members on any changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements during the year.

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 Audit Committee ("AC") is responsible for reviewing, assessing and monitoring the performance, suitability and independence of external auditors.

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 External Auditors also provided their assurance to the AC confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements for the financial year ended 31 March 2014.

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 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.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

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 Board has established Risk Management Committee("RMC') to oversee the risk management framework of the Group and advise 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 .

7.0 Ensure timely and high quality disclosure

7.1 Corporate Disclosure Policy and Procedures

The Company has put in place a Corporate Disclosure policies and procedures with 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 Corporate Disclosure Policy and Procedures is published on the corporate website.

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 their queries to the CEO or the Company.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

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 pleased to report that the Company has in 2013/2014 complied with the principles and recommendations of the MCCG 2012 and will continue enhancing its corporate governance system accordingly.

This statement is made in accordance with the resolution of the Board dated 24 July 2014.

STATEMENT ON RISK MANAGEMANT AND INTERNAL CONTROL

Introduction

Pursuant to paragraph 15.26(b) of Bursa Malaysia Securities Berhad's Listing Requirements, the Board of Directors ("the Board") of MESB Berhad is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 31st March 2014, which has been prepared by taking into consideration the Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers.

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

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 scheduled Risk Management Committee and Board meetings to ensure relevant decisions and actions taken in maintaining an acceptable level of risk tolerance.

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, the Risk Management Committee has conducted a process of risk assessment exercise in identifying, evaluating and managing the significant risks faced by the Group (comprising the Company and its subsidiaries) and reported the outcomes to the Board.

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 internal control system of the Group. The fee and disbursements incurred for internal audit function were RM17,470.

STATEMENT ON RISK MANAGEMANT 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 and deliberate any risk elements and risk management activities.

Conclusion

The Board continues to take measures to strengthen the controls environment and framework. During the financial year, there were no major weaknesses in the system of risk management and 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. The review was performed in accordance with Recommended Practice Guide ("RPG") 5 issued by the Malaysian Institute of Accountants. Based on the 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 RM5.87 million arising from disposal of 275,000 ordinary shares of RM1.00 each representing 55% equity interest in Dynamic Communication Link Sdn Bhd is expected to be fully utilized within the extended timeframe of 24 months as announced on 27 May 2014.

2. SHARE BUY-BACKS

During the financial year ended 31 March 2014, 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 2014, 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 2014.

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 2014 as announced on 28 May 2014, as compared to the audited results for the financial year ended 31 March 2014. 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 2014.

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 37 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 2014.

FINANCIAL PERFORMANCE

For the financial year under review, the Group achieved a higher revenue of RM91.25 million, representing an increase revenue of 3.7% against the previous financial year ended 31 March 2013 (for financial year ended 31 March 2013: RM88.01 million). The increase in revenue from its continuing operations was mainly attributed to the new leather product brand from the Group's retailing segment.

Whilst, the Group registered a profit before taxation from its continuing operations of RM16.12 million, a growth of 17.57% compared with profit before taxation from continuing operations of RM13.71 million for the previous financial year ended 31 March 2013. The increase was largely due to the increase in non-recurring income.

The Group continued to be focused on sustaining a strong balance sheet, which remains highly liquid and conservatively positioned.

The Group's net profit attributable to shareholders increased by 20% from 30.03 sen in financial year ended 31 March 2013 to 36.18 sen in financial year ended 31 March 2014 .

DIVIDENDS

No dividend has been declared for the financial year ended 31 March 2014.

PROSPECTS

Malaysia's economy is expected to have a conservative growth outlook in 2014 due to the risks of uncertainties in the global economic recovery and external factors.

Based on Retail Group Malaysia ("RGM") forecast, the local retail industry is expected to have a moderate growth. The retail sector in Malaysia is expected to face challenges as local consumers continue to be more cautious in their spending, and retailers are facing higher overall operational costs.

The double impacts of reductions in various government subsidies and the impending introduction of Goods and Service Tax ("GST") will result higher inflation rate, thus, moderating the domestic demand.

Despite the challenging market conditions and the subsidy rationalization, the growth in retail sale is expected to come in the second half year of the financial year ending 31 March 2015 due to the forthcoming festival seasons. In addition, consumers may spend more before the GST comes into implementation in April 2015 .

The Group is cautiously optimistic of its prospects and expects consumer sentiments to continue to remain positive, boosted in part by a stable employment condition.

Furthermore, with a healthy cash position, it can support the expansion of the Group's core business as well as to finance the investment into new viable business for the Group.

MESSAGE FROM THE BOARD OF DIRECTORS (CONT'D)

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Group recognises that conducting its business in a way that minimises environmental impact, promotes positive interaction with the community and accords with sound ethical standards would bring benefits to all concerned.

Health & Safety

The Group recognises the importance and implications of health and safety environmental issues. It is the Group's policy that all reasonably practicable steps will be taken to protect employees, customers, suppliers and any other persons who enter its premises wherever they are situated.

Environment

The Group recognises that protection of the environment is an integral part of our business and are committed to undertake the same. Waste generated from our office and outlets is streamed such that we are minimizing the amount going to landfill and encouraging reuse and recycling where possible.

Community

The Group believes that corporate success and social welfare are interdependent. We have supported various charities and organizations through donations and sponsorship.

Valuing Staff

The Group committed to treating our employees with fairness and respect. We believe in co-operation, teamwork, and trust. We hire on the basis of ability and merit, and reward and promote on the basis of performance.

ACKNOWLEDGEMENT

On behalf of MESB Group, we would like to express our sincere thanks and appreciation to our business partners, associates, shareholders and our colleagues for their continued support, encouragement and with these we can only look forward to a successful future ahead together.

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 2014.

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.

RESULTS

	The Group RM'000	The Company RM'000
Profit after taxation	15,196	1,747
Attributable to:-		
Owners of the Company	15,196	1,747

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.

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.

DIRECTORS' REPORT (CONT'D)

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 40 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
Yam Sing Lam @ Yam Seng Lam (Appointed on 7 August 2013)

DIRECTORS' REPORT (CONT'D)

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 1.4.2013	**Bought**	**Sold**	**At 31.3.2014**
The Company				
Direct Interests				
Teoh Hwa Peng	19,071,899	-	-	19,071,899
Tan Sok Gim	2,125,000	-	-	2,125,000
Deemed Interests				
Teoh Hwa Peng *	2,125,000	-	-	2,125,000
Tan Sok Gim*	19,071,899	-	-	19,071,899

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

By virtue of their interests in shares in the Company, Teoh Hwa Peng and Tan Sok Gim are deemed to have interests 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' 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 37 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 EVENT OCCURRING AFTER THE END OF THE REPORTING PERIOD

The significant event occurring after the end of the reporting period is disclosed in Note 43 to the financial statements.

DIRECTORS' REPORT (CONT'D)

AUDITORS

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

Signed in accordance with a resolution of the directors dated 24 July 2014.

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 40 to 95 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 2014 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out in Note 45, 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 24 July 2014.

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 40 to 95 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 24 July 2014

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 2014 of the Group and of the Company, and the statements of profit or loss and other 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 40 to 95.

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 2014 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.

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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MESB BERHAD (CONT'D)

Report on Other Legal and Regulatory Requirements (Cont'd)

The supplementary information set out in Note 45 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

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
Firm No: AF 1018
Chartered Accountants

Ooi Song Wan
Approval No: 2901/10/14 (J)
Chartered Accountant

24 July 2014

Kuala Lumpur

STATEMENTS OF FINANCIAL POSITION
AT 31 MARCH 2014

	Note	The Group 2014 RM'000	The Group 2013 RM'000	The Company 2014 RM'000	The Company 2013 RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	-	-	37,974	35,583
Investment in an associate	6	7,730	6,830	660	660
Property and equipment	7	8,298	12,835	244	368
Other assets	8	540	540	40	40
Goodwill on consolidation	9	24,668	24,668	-	-
		41,236	44,873	38,918	36,651
CURRENT ASSETS					
Inventories	10	15,731	18,707	-	-
Trade receivables	11	12,813	13,981	-	-
Other receivables, deposits and prepayments	12	2,191	911	7	6
Amount owing by subsidiaries	13	-	-	18	4,431
Tax recoverable		156	153	153	153
Fixed deposits with licensed banks	14	16,730	10,077	7,741	6,602
Cash and bank balances		13,952	7,170	2,786	188
		61,573	50,999	10,705	11,380
Non-current asset classified as held for sale	15	-	1,612	-	-
Assets of disposal group classified as held for sale	16	-	20	-	-
		61,573	52,631	10,705	11,380
TOTAL ASSETS		102,809	97,504	49,623	48,031
EQUITY AND LIABILITIES					
EQUITY					
Share capital	17	42,000	42,000	42,000	42,000
Share premium	18	5	5	5	5
Capital reserve	19	37	37	37	37
Retained profits	20	39,328	24,132	6,958	5,211
TOTAL EQUITY		81,370	66,174	49,000	47,253
NON-CURRENT LIABILITIES					
Hire purchase payables	21	363	650	210	322
Term loans	22	874	3,950	-	-
Deferred tax liabilities	23	43	264	-	-
		1,280	4,864	210	322

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

STATEMENTS OF FINANCIAL POSITION
AT 31 MARCH 2014 (CONT'D)

		The Group		The Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
CURRENT LIABILITIES					
Trade payables	24	929	6,111	-	-
Other payables and accruals		2,621	3,179	306	193
Amount owing to a subsidiary	13	-	-	-	80
Amount owing to a director	25	-	76	-	76
Provision for taxation		269	488	-	-
Hire purchase payables	21	284	289	107	107
Term loans	22	623	768	-	-
Bankers' acceptances	26	15,433	15,552	-	-
		20,159	26,463	413	456
Liabilities of disposal group classified as held for sale	16	-	3	-	-
		20,159	26,466	413	456
TOTAL LIABILITIES		21,439	31,330	623	778
TOTAL EQUITY AND LIABILITIES		102,809	97,504	49,623	48,031

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

	Note	The Group 2014 RM'000	The Group 2013 RM'000	The Company 2014 RM'000	The Company 2013 RM'000
CONTINUING OPERATIONS					
REVENUE	27	91,250	88,012	2,917	-
COST OF SALES	28	(33,796)	(33,159)	-	-
GROSS PROFIT		57,454	54,853	2,917	-
OTHER INCOME		14,180	12,501	316	14,886
		71,634	67,354	3,233	14,886
SELLING AND DISTRIBUTION EXPENSES		(25,800)	(24,639)	-	-
ADMINISTRATIVE AND OTHER OPERATING EXPENSES		(29,693)	(29,425)	(1,302)	(2,150)
FINANCE COSTS		(925)	(867)	(17)	(17)
SHARE OF PROFIT IN AN ASSOCIATE		900	1,282	-	-
PROFIT BEFORE TAXATION	29	16,116	13,705	1,914	12,719
INCOME TAX EXPENSE	30	(845)	(1,050)	(167)	-
PROFIT AFTER TAXATION FROM CONTINUING OPERATIONS		15,271	12,655	1,747	12,719
DISCONTINUED OPERATIONS					
(LOSS)/PROFIT AFTER TAXATION FROM DISCONTINUED OPERATIONS	31	(75)	216	-	-
PROFIT AFTER TAXATION		15,196	12,871	1,747	12,719
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		15,196	12,871	1,747	12,719

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

		The Group		The Company	
		2014	**2013**	**2014**	**2013**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		15,196	12,612	1,747	12,719
Non-controlling interests		-	259	-	-
		15,196	12,871	1,747	12,719
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-					
Owners of the Company		15,196	12,612	1,747	12,719
Non-controlling interests		-	259	-	-
		15,196	12,871	1,747	12,719
EARNINGS/(LOSS) PER SHARE (SEN)					
Basic:					
- continuing operations	32	36.36 sen	30.13 sen		
- discontinued operations	32	(0.18) sen	(0.10) sen		
		36.18 sen	30.03 sen		
Diluted:					
- continuing operations	32	Not applicable	Not applicable		
- discontinued operations	32	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 2014

		← 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 1.4.2012		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	33	-	-	-	-	-	(4,018)	(4,018)
Balance at 31.3.2013/1.4.2013		42,000	5	37	24,132	66,174	-	66,174
Profit after taxation/ Total comprehensive income for the financial year		-	-	-	15,196	15,196	-	15,196
Balance at 31.3.2014		42,000	5	37	39,328	81,370	-	81,370
The Company								
Balance at 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 31.03.2013/1.4.2013		42,000	5	37	5,211	47,253	-	47,253
Profit after taxation/ Total comprehensive income for the financial year		-	-	-	1,747	1,747	-	1,747
Balance at 31.3.2014		42,000	5	37	6,958	49,000	-	49,000

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

	Note	The Group 2014 RM'000	The Group 2013 RM'000	The Company 2014 RM'000	The Company 2013 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
Profit/(Loss) before taxation:					
- continuing operations		16,116	13,705	1,914	12,719
- discontinued operations	31	(75)	516	-	-
		16,041	14,221	1,914	12,719
Adjustments for:-					
Allowance for impairment losses on receivables		15	30	-	-
Amortisation of intangible asset		-	2	-	-
Bad debts written off		56	-	79	365
Depreciation of property and equipment		1,852	2,317	124	127
Equipment written off		236	153	-	-
Impairment loss on investment in a subsidiary		-	-	275	-
Interest expense		925	954	17	17
Inventories written down		132	92	-	-
Allowance for impairment losses on other receivables written back		(45)	(200)	-	-
Dividend received from subsidiaries		-	-	(2,917)	-
Gain on disposal of a subsidiary		(107)	(10,279)	(56)	(14,723)
Gain on disposal of property and equipment		(10,308)	(44)	-	(32)
Gain on disposal of non-current asset held for sale		(3,217)	(1,123)	-	-
Interest income		(326)	(231)	(260)	(129)
Share of profit in an associate		(900)	(1,282)	-	-
Operating profit/(loss) before working capital changes		4,354	4,610	(824)	(1,656)
Decrease/(Increase) in inventories		2,844	(5,114)	-	-
Increase in trade and other receivables		(138)	(2,088)	(1)	(4)
(Decrease)/Increase in trade and other payables		(5,685)	(1,045)	113	(3,366)
CASH FROM/(FOR) OPERATIONS/ BALANCE CARRIED FORWARD		1,375	(3,637)	(712)	(5,026)

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

	Note	The Group 2014 RM'000	The Group 2013 RM'000	The Company 2014 RM'000	The Company 2013 RM'000
BALANCE BROUGHT FORWARD		1,375	(3,637)	(712)	(5,026)
Income tax paid		(1,288)	(1,173)	-	-
Interest paid		(925)	(954)	(17)	(17)
NET CASH FOR OPERATING ACTIVITIES		(838)	(5,764)	(729)	(5,043)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of a subsidiary	33	52	13,425	56	15,000
Purchase of intangible asset		-	(500)	-	-
Purchase of equipment	34	(1,408)	(2,600)	-	(6)
Investment in a subsidiary		-	-	(2,666)	-
Proceeds from disposal of property and equipment		14,165	52	-	32
Net proceeds from disposal of non-current asset held for sale		4,829	1,700	-	-
Repayment from/(Net Advances) to subsidiaries		-	-	4,254	(4,949)
Placement of fixed deposits pledged		(5,515)	(100)	-	-
Repayment to a director		(76)	-	(76)	-
Dividend received from subsidiaries		-	-	2,750	-
Interest received		326	231	260	129
NET CASH FROM INVESTING ACTIVITIES		12,373	12,208	4,578	10,206
CASH FLOWS (FOR)/ FROM FINANCING ACTIVITIES					
Net (repayment)/drawdown of bankers' acceptances		(119)	3,218	-	-
Repayment of hire purchase obligations		(292)	(282)	(112)	(108)
Repayment of term loans		(3,221)	(2,231)	-	-
NET CASH (FOR)/FROM FINANCING ACTIVITIES		(3,632)	705	(112)	(108)
BALANCE CARRIED FORWARD		7,903	7,149	3,737	5,055

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

		The Group		The Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
BALANCE BROUGHT FORWARD/NET INCREASE IN CASH AND CASH EQUIVALENTS		7,903	7,149	3,737	5,055
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		13,790	6,641	6,790	1,735
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	35	21,693	13,790	10,527	6,790

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

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 24 July 2014.

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.

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) During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

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

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group's financial statements except as follows:-

(i) 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 requires extensive disclosures. There is no financial impact on financial statements of the Group upon its initial application but may impact its future disclosure.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

3. BASIS OF PREPARATION (CONT'D)

(a) During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any) (Cont'd):-

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group's financial statements except as follows:- (cont'd)

(ii) 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. MFRS 13 has been applied prospectively as of the beginning of the current financial year and there is no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosure.

(iii) 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 is 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.

(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 (MASB) but are not yet effective for the current financial year:-

MFRSs and IC Interpretations (Including The Consequential Amendments)	**Effective Date**
MFRS 9 (2009) Financial Instruments	)
MFRS 9 (2010) Financial Instruments	) To be
MFRS 9 Financial Instruments (Hedge Accounting and Amendments to MFRS 7, MFRS 9 and MFRS 139)	) announced) by MASB
Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures	))
MFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities	1 January 2014
Amendments to MFRS 11 : Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions	1 July 2014
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014
Annual Improvements to MFRSs 2010 – 2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle	1 July 2014

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

3. BASIS OF PREPARATION (CONT'D)

(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 (MASB) but are not yet effective for the current financial year (Cont'd):-

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

(i) MFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Subsequently, this MFRS 9 was amended in year 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition (known as MFRS 9 (2010)). Generally, 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) The amendments to MFRS 10, MFRS 12 and MFRS 127 (2011) require investment entities to measure particular subsidiaries at fair value through profit or loss instead of consolidating them. The Company is an investment entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. Accordingly, the Group will deconsolidate its subsidiaries upon the initial application of these amendments and to fair value the investments in accordance with MFRS 139. There will be no financial impact on the financial statements of the Group and of the Company.

(iii) 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.

(iv) The amendments to MFRS 136 remove the requirement to disclose the recoverable amount when a cash-generating unit (CGU) contains goodwill or intangible assets with indefinite useful lives but there has been no impairment. Therefore, there will be no financial impact on the financial statements of the Group upon its initial application but may impact its future disclosures.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(i) Depreciation of Property and Equipment (Cont'd)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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.

(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. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company 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) Changes In Ownership Interests In Subsidiaries Without Change of Control

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 of the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) BASIS OF CONSOLIDATION (CONT'D)

(iv) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which 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.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). 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 joint venture.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

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. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) FINANCIAL INSTRUMENTS (CONT'D)

(ii) Financial Liabilities

All financial liabilities are initially measured 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.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(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. The cost of the investments includes transaction costs.

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. The cost of the investments includes transaction costs.

(g) INVESTMENT IN ASSOCIATE

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 cost of the investment includes transaction costs.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) INVESTMENT IN ASSOCIATE (CONT'D)

The investment in an associate is accounted for in the consolidated statement of financial position using the equity method, based on the financial statements of the associate made up to the end of the reporting period of the Group . The Group's share of the post acquisition profits and other comprehensive income of the associate is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's interest in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

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.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 139. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate to profit or loss when the equity method is discontinued. However, the Group will continue to use the equity method if the dilution does not result in a loss of significant influence or when an investment in a joint venture becomes an investment in an associate. Under such changes in ownership interest, the retained investment is not remeasured to fair value but a proportionate share of the amounts previously recognised in other comprehensive income of the associate will be reclassified to profit or loss where appropriate. All dilution gains or losses arising in investments in associates are recognised in profit or loss.

(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:-

Leasehold land	Over the lease period
Buildings	2%
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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) PROPERTY AND EQUIPMENT (CONT'D)

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 impairment losses, if any. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) IMPAIRMENT (CONT'D)

(i) Impairment of Financial Assets (Cont'd)

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 financial asset 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.

(ii) Impairment of Non-Financial Assets

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.

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, in which case the reversal of the impairment loss is treated as a revaluation increase.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) 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.

(n) 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.

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.

(o) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, 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 with original maturity periods of three months or less.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) 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.

(q) 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.

(r) FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) FAIR VALUE MEASUREMENTS (CONT'D)

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

(s) REVENUE RECOGNITION

(i) Sale of Goods

Revenue is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

(ii) Dividend Income

Dividend income from investment is recognised when the right receive dividend payment is established.

(iii) Rental Income

Rental income is recognised on an accrual basis.

(t) 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.

(u) 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 is held for sale, under deregistration exercise 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.

(v) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) 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.

5. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2014 RM'000	**2013 RM'000**
Unquoted shares, at cost		
At 1 April 2013/2012	35,583	37,608
Additional investment in a subsidiary during the financial year	2,666	-
Transferred to non-current asset held for sale (Note 15)	-	(2,025)
At 31 March 2014/2013	38,249	35,583
Less: Accumulated impairment losses	(275)	-
	37,974	35,583
Accumulated impairment losses:-		
At 1 April 2013/2012	-	(2,025)
Addition during the financial year	(275)	-
Transferred to non-current asset held for sale (Note 15)	-	2,025
At 31 March 2014/2013	(275)	-

The Company assessed the recoverable amount of investments in subsidiaries and determined that an impairment loss should be recognised as the recoverable amount is lower than the carrying amount. The recoverable amount of the cash-generating unit is determined using the fair value less costs to sell approach, and is derived from the net assets position of the respective subsidiaries as at the end of the reporting period.

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

Name of Company	Effective Equity Interest 2014	Effective Equity Interest 2013	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 Agriculture Sdn. Bhd. ^	100%	100%	Dormant.

^ *The subsidiary was struck off from the register pursuant to Section 308 of the Companies Act, 1965.*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

6. INVESTMENT IN AN ASSOCIATE

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Unquoted shares, at cost	660	660	660	660
Share of post acquisition profits	7,070	6,170	-	-
	7,730	6,830	660	660

(a) Share of profit in an associate is based on the unaudited financial statements of the associate made up to 31 March 2014.

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

Name of Company	Effective Equity Interest 2014	Effective Equity Interest 2013	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:-

	2014 RM'000	2013 RM'000
<u>At 31 March</u>		
Non-current assets	6,004	6,982
Current assets	18,288	15,002
Non-current liabilities	(1,294)	(1,547)
Current liabilities	(3,419)	(3,106)
Net assets	19,579	17,331
<u>12 months ended 31 March</u>		
Revenue	8,728	9,097
Profit for the financial year	2,251	3,205
Total comprehensive income	2,251	3,205
Group's share of profit for the financial year	900	1,282
Group's share of other comprehensive income	-	-
<u>Reconciliation of net assets to carrying amount</u>		
Group's share of net assets above	7,730	6,830
Carrying amount of the Group's interests in this associate	7,730	6,830

7. PROPERTY AND EQUIPMENT

The Group

	At 1.4.2013 RM'000	Additions RM'000	Disposals RM'000	Written Off RM'000	Depreciation Charge RM'000	At 31.3.2014 RM'000
Net Book Value						
Freehold land and building	3,788	-	(3,788)	-	-	-
Leasehold land and buildings	3,181	-	-	-	(93)	3,088
Motor vehicles	1,020	-	-	-	(341)	679
Office equipment, furniture and fittings	1,646	24	(69)	-	(154)	1,447
Computers	170	54	-	(1)	(141)	82
Renovation	3,030	1,330	-	(235)	(1,123)	3,002
Total	12,835	1,408	(3,857)	(236)	(1,852)	8,298

The Group

	At 1.4.2012 RM'000	Classified As Non-Current Assets Held For Sale (Note 15) RM'000	Reclassification 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
Net Book Value									
Freehold land and building	4,473	-	(685)	-	-	-	-	-	3,788
Leasehold land and buildings	4,272	(1,612)	685	-	-	-	-	(164)	3,181
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
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

7. PROPERTY AND EQUIPMENT (CONT'D)

	At Cost RM'000	Accumulated Depreciation RM'000	Total RM'000
The Group			
At 31.3.2014			
Leasehold land and buildings	3,740	(652)	3,088
Motor vehicles	1,868	(1,189)	679
Office equipment, furniture and fittings	2,123	(676)	1,447
Computers	2,436	(2,354)	82
Renovation	6,141	(3,139)	3,002
	16,308	(8,010)	8,298
At 31.3.2013			
Freehold land and building	4,481	(693)	3,788
Leasehold land and buildings	3,741	(560)	3,181
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 1.4.2013 RM'000	Addition RM'000	Depreciation Charge RM'000	At 31.3.2014 RM'000
The Company				
Net Book Value				
Computers	3	-	(3)	-
Motor vehicles	365	-	(121)	244
	368	-	(124)	244

	At 1.4.2012 RM'000	Addition RM'000	Depreciation Charge RM'000	At 31.3.2013 RM'000
The Company				
Net Book Value				
Computers	2	6	(5)	3
Motor vehicles	487	-	(122)	365
	489	6	(127)	368

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

7. PROPERTY AND EQUIPMENT (CONT'D)

	At Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
The Company			
At 31.3.2014			
Computers	9	(9)	-
Motor vehicles	609	(365)	244
	618	(374)	244
At 31.3.2013			
Computers	9	(6)	3
Motor vehicles	609	(244)	365
	618	(250)	368

The leasehold land is amortised over the lease period ranging from 80 to 99 years.

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 2014 RM'000	The Group 2013 RM'000
Motor vehicles	605	950

	The Company 2014 RM'000	The Company 2013 RM'000
Motor vehicles	240	361

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

	The Group 2014 RM'000	The Group 2013 RM'000
Freehold land and building	-	3,788
Leasehold land and buildings	3,088	3,181
	3,088	6,969

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

8. OTHER ASSETS

		The Group		The Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Intangible asset	(a)	500	500	-	-
Other investment	(b)	40	40	40	40
		540	540	40	40

(a) Intangible Asset

	The Group	
	2014 RM'000	2013 RM'000
At cost	500	500

Intangible asset represents the intellectual rights, interest and benefits to the operations, trademarks and patents pertaining to the "Giamax", and "GMX" brands.

(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.

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 (excluding Giamax and GMX brands).

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	
	2014	2013	2014	2013	2014	2013
Trading segment	68%	67%	4%	5%	9.08%	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 years immediately before the budgeted year increase for expected efficiency improvements and cost saving measures.

(b) Growth rate — The growth rates used are based on the expected projection of the revenue.

(c) Discount rate — The discount rate used is the pre-tax rate and reflect specific risks relating to the relevant operating segments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

10. INVENTORIES

	The Group 2014 RM'000	2013 RM'000
Inventories held for trading:		
- at cost	15,581	18,563
- at net realisable value	150	144
	15,731	18,707
Recognised in profit or loss		
- inventories recognised as cost of sales	29,181	29,431
- inventories written down	132	92
	29,313	29,523

11. TRADE RECEIVABLES

	The Group 2014 RM'000	2013 RM'000
Trade receivables	13,208	14,376
Less: Allowance for impairment losses	(395)	(395)
	12,813	13,981

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

	The Group 2014 RM'000	2013 RM'000
Amounts owing by related parties:		
- Roncato Sdn. Bhd.	60	60
- MX Too Sdn. Bhd.	2	1
- MESB Technology Sdn. Bhd.	-	16
- Orlando Corporation Sdn. Bhd.	23	52
	85	129

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Other receivables	2,046	801	-	-
Less: Allowance for impairment losses	(450)	(480)	-	-
	1,596	321	-	-
Deposits	400	274	7	6
Prepayments	195	316	-	-
	2,191	911	7	6
Allowance for impairment losses:-				
At 1 April 2013/2012	(480)	(680)	-	-
Addition during the financial year	(15)	(30)	-	-
Writeback during the financial year	45	200	-	-
Transferred to assets of disposal group held for sale	-	30	-	-
At 31 March 2014/2013	(450)	(480)	-	-

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 of the Group and the Company at the end of the reporting period was 2.85% (2013 – 2.62%) and 2.98% (2013 – 2.43%) per annum respectively. The fixed deposits have maturity periods ranging from 1 to 12 months (2013 - 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 RM8,989,000 (2013: RM3,474,000) which has 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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Reclassified from property and equipment (Note 7):				
- leasehold land and buildings ^	-	1,612	-	-
Reclassified from investment in a subsidiary:				
- investment in MDSB @	-	-	-	*
	-	1,612	-	-

* Amount less than RM1,000

^ In the previous financial year, a subsidiary entered into a Sale and Purchase Agreement with a third party to dispose of its leasehold land and building for a total cash consideration of RM5,030,570. The disposal was completed during the current financial year.

@ The disposal of investment in MESB Development Sdn. Bhd. ("MDSB") was completed during the current financial year as disclosed in Note 16 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

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

In the previous financial year, the Company entered into a Share Sale Agreement with a third party to dispose of its entire equity interest in a subsidiary, MDSB, for a total cash consideration of RM56,000. 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, were as follows:-

	The Group	
	2014	**2013**
	RM'000	**RM'000**
Assets		
Property and equipment (Note 7)	-	3
Cash and bank balances (Note 35)	-	17
Assets of disposal group classified as held for sale	-	20
Liabilities		
Other payables and accruals	-	3
Liabilities of disposal group classified as held for sale	-	3

17. SHARE CAPITAL

	The Company			
	2014	**2013**	**2014**	**2013**
	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

Under the single tier tax system, tax on the Company's profits is the final tax and accordingly, any dividends to the shareholders are not subject to tax.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

21. HIRE PURCHASE PAYABLES

	The Group		The Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Minimum hire purchase payments:				
- not later than one year	327	329	124	124
- later than one year but not later than five years	419	751	244	373
	746	1,080	368	497
Less: Future finance charges	(99)	(141)	(51)	(68)
Present value of hire purchase payables	647	939	317	429
The net hire purchase payables are repayable as follows:-				
Current:				
- not later than one year	284	289	107	107
Non-current:				
- later than one year but not later than five years	363	650	210	322
	647	939	317	429

The hire purchase payables of the Group and of the Company are subjected to weighted average effective interest rates ranging from 5.14% to 6.00% (2013 - 5.14% to 6.00%) per annum.

22. TERM LOANS

	The Group	
	2014 RM'000	**2013 RM'000**
Current portion:		
- repayable within one year	623	768
Non-current portion:		
- repayable between one to two years	371	725
- repayable between two to five years	503	1,133
- repayable after five years	-	2,092
	874	3,950
	1,497	4,718

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

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 2014 RM'000	Amount Outstanding 2013 RM'000
1	60	24,592	January 2012	756	1,004
2	36	31,267	January 2012	272	612
3	180	20,696	January 2012	-	2,451
4	120	8,255	April 2012	-	651
5	60	10,102	November 2013	469	-
				1,497	4,718

The term loans of the Group at the end of the reporting period are subject to a weighted average effective interest rate of 6.46% (2013 – 5.77%) per annum and are secured by:-

(i) a first legal charge over the 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 TAX LIABILITIES

	The Group 2014 RM'000	The Group 2013 RM'000
At 1 April 2013/2012	264	267
Recognised in profit or loss (Note 30)	(221)	(3)
At 31 March 2014/2013	43	264

The deferred tax liabilities are attributable to the following:-

	2014 RM'000	2013 RM'000
Taxable temporary differences attributable to a accelerated capital allowances	168	264
Deductible temporary differences	(125)	-
	43	264

24. TRADE PAYABLES

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

25. AMOUNT OWING TO A DIRECTOR

The amount owing to a director in the previous financial year represented the balance of the consideration payable for the acquisition of equity interest in Miroza Leather (M) Sdn. Bhd. in prior years. The amount owing was unsecured, interest-free and was settled during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

26. BANKERS' ACCEPTANCES

The bankers' acceptances of the Group are subjected to weighted average effective interest rates ranging from 4.50% to 5.00% (2013 - 3.35% to 4.69%) per annum at the end of the reporting period and are secured by:-

(i) legal charges over the 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.

27. REVENUE

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trading	91,231	87,993	-	-
Rental of property	19	19	-	-
Dividends received from subsidiaries	-	-	2,917	-
	91,250	88,012	2,917	-

28. COST OF SALES

	The Group	
	2014 RM'000	2013 RM'000
Trading	33,728	33,109
Rental of property	68	50
	33,796	33,159

29. PROFIT BEFORE TAXATION

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit before taxation is arrived at after charging/(crediting):-				
Allowance for impairment losses on other receivables	15	-	-	-
Audit fee:				
- for the financial year	72	73	30	35
- (over)/underprovision in the previous financial year	(1)	3	-	2
Bad debts written off	56	-	79	365
Depreciation of property and equipment	1,852	1,886	124	127
Directors' fee	100	107	100	107
Directors' non-fee emoluments	810	859	252	310
Equipment written off	236	153	-	-
Impairment loss on investment in a subsidiary	-	-	275	-
Interest expense:				
- bank overdrafts	35	17	-	-
- bankers' acceptances	570	509	-	-
- hire purchase	42	41	17	17
- term loans	278	298	-	-
- others	-	2	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

29. PROFIT BEFORE TAXATION (CONT'D)

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit before taxation is arrived at after charging/(crediting)(Cont'd):-				
Rental of premises	661	632	-	-
Staff costs:				
- salaries, wages, allowances and bonus	16,190	14,487	174	101
- defined contribution plans	1,504	1,374	18	14
- other benefits	509	384	4	1
Inventories written down	132	92	-	-
Allowance for impairment losses on other receivables written back	(45)	(200)	-	-
Dividends from subsidiaries	-	-	(2,917)	-
Gain on disposal of property and equipment	(10,308)	(44)	-	(32)
Gain on disposal of non-current asset held for sale	(3,217)	(1,123)	-	-
Gain on disposal of a subsidiary	(107)	(10,279)	(56)	(14,723)
Interest income:				
- fixed deposit	(326)	(230)	(260)	(129)
- others	-	(1)	-	-
Realised gain on foreign exchange	(29)	(35)	-	-
Rental income	(162)	(527)	-	-
Share of results in an associate	(900)	(1,282)	-	-

30. INCOME TAX EXPENSE

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current tax:				
- for the financial year	1,109	1,072	167	-
- overprovision in the previous financial year	(43)	(19)	-	-
	1,066	1,053	167	-
Deferred taxation (Note 23):				
- for the financial year	(40)	-	-	-
- overprovision in the previous financial year	(181)	(3)	-	-
	(221)	(3)	-	-
	845	1,050	167	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

30. INCOME TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to the profit 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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit before taxation	16,116	13,705	1,914	12,719
Tax at the statutory tax rate of 25%	4,028	3,426	478	3,180
Tax effects of:-				
Share of results in an associate	(225)	(321)	-	-
Non-taxable gains	(3,462)	(2,993)	(576)	(3,690)
Non-deductible expenses	728	960	265	510
Overprovision in the previous financial year:				
- current tax	(43)	(19)	-	-
- deferred tax	(181)	(3)	-	-
Income tax expense for the financial year	845	1,050	167	-

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

The discontinued operations relate to the discontinuance of the following subsidiaries during the financial year:-

(a) the disposal of the entire equity interest in a wholly owned subsidiary, MESB Development Sdn. Bhd. was completed during the financial year.

(b) MESB Agriculture Sdn. Bhd. had been struck off from the register pursuant to Section 308 of the Companies Act, 1965.

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

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

	The Group	
	2014 RM'000	2013 RM'000
Revenue	-	1,715
Cost of sale	-	(606)
Gross profit	-	1,109
Other Income	-	9
	-	1,118
Administrative and other expenses	(75)	(515)
Finance costs	-	(87)
(Loss)/Profit before taxation	(75)	516
Income tax expense:		
- current tax	-	(300)
(Loss)/Profit after taxation from discontinued operations	(75)	216

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

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

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

	The Group	
	2014 RM'000	**2013 RM'000**
Profit before taxation is arrived at after charging/(crediting):-		
Allowance for impairment losses on other receivables	-	30
Amortisation of intangible asset	-	2
Audit fee	-	3
Depreciation of property and equipment	-	431
Directors' fee	-	16
Directors' non-fee emoluments	-	144
Hire of machineries and vehicles	-	1
Term loans interest expense	-	87
Rental of land	-	182
Rental of premises	-	7
Staff costs:		
- salaries, allowances and bonuses	33	114
- defined contribution plan	3	13
- others	19	2
Fixed deposit interest income	-	(1)

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

	The Group	
	2014 RM'000	**2013 RM'000**
Net cash (for)/from operating activities	(13)	2,156
Net cash for investing activities	-	(109)
Net cash for financing activities	-	(1,511)
Net cash (for)/from discontinued operations	(13)	536

32. EARNINGS PER SHARE

	The Group	
	2014 RM'000	**2013 RM'000**
Continuing operations		
Profit attributable to owners of the Company (RM'000)	15,271	12,655
Number of ordinary shares at 31 March ('000)	42,000	42,000
Basic earnings per share (sen)	36.36	30.13

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

32. EARNINGS PER SHARE (CONT'D)

	The Group	
	2014 RM'000	**2013 RM'000**
Discontinued operations		
(Loss)/Profit after taxation (RM'000)	(75)	216
Less: Profit attributable to non-controlling interest (RM'000)	-	(259)
Loss attributable to owners of the Company (RM'000)	(75)	(43)
Number of ordinary shares at 31 March ('000)	42,000	42,000
Basic loss per share (sen)	(0.18)	(0.10)

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

33. DISPOSAL OF A SUBSIDIARY

The Company disposed of the following subsidiaries:-

(i) During the financial year, the Company disposed of its wholly owned subsidiary, MESB Development Sdn. Bhd. for a total cash consideration of RM56,000.

(ii) In the previous 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.

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

(a) Effects on Consolidated Statement of Profit or Loss and Other 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:-

	2014 RM'000	**2013 RM'000**
Revenue	-	1,716
Cost of sales	-	(606)
Gross profit	-	1,110
Other income	-	8
Administrative and other operating expenses	(69)	(154)
Finance costs	-	(87)
(Loss)/Profit before taxation	(69)	877
Income tax expense	-	(300)
(Loss)/Profit after taxation	(69)	577

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

33. 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:-

	2014 RM'000	2013 RM'000
Equipment	3	13,560
Intangible asset	-	14
Trade and other receivables	-	1,909
Cash and bank balances	4	1,575
Provision for taxation	-	(222)
Trade and other payables	(58)	(1,379)
Term loan	-	(3,569)
Deferred taxation	-	(3,149)
Fair value of net assets disposed	(51)	8,739
Minority interest	-	(4,018)
Gain on disposal of a subsidiary	107	10,279
Sale proceeds from disposal of a subsidiary, net of incidental cost	56	15,000
Cash and bank balances	(4)	(1,575)
Cash inflow from disposal of a subsidiary	52	13,425

34. PURCHASE OF EQUIPMENT

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cost of equipment purchased:				
- equipment (Note 7)	1,408	2,663	-	6
- assets of disposal group classified as held for sale	-	18	-	-
	1,408	2,681	-	6
Amount financed through hire purchase	-	(81)	-	-
Cash disbursed for purchase of equipment	1,408	2,600	-	6

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

35. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deposits with licensed banks (Note 14)	16,730	10,077	7,741	6,602
Cash and bank balances	13,952	7,170	2,786	188
	30,682	17,247	10,527	6,790
Less : Deposit pledged to licensed banks	(8,989)	(3,474)	-	-
	21,693	13,773	10,527	6,790
Assets of disposal group classified as held for sale:				
- cash and bank balances (Note 16)	-	17	-	-
	21,693	13,790	10,527	6,790

36. 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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Executive directors:				
- salaries and allowances	790	839	232	290
- fees	36	35	36	35
	826	874	268	325
Non-executive directors:				
- allowances	20	20	20	20
- fees	64	72	64	72
	84	92	84	92
	910	966	352	417

37. RELATED PARTY DISCLOSURES

(a) Identities of related parties

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

37. RELATED PARTY DISCLOSURES (CONT'D)

(b) Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:-

	The Group		The Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Dividends received from subsidiaries	-	-	2,917	-
Sales to related parties:				
- Roncato Sdn Bhd. *	2,006	1,560	-	-
- MX Too Sdn. Bhd. *	21	80	-	-
- MESB Technology Sdn. Bhd. *	2	15	-	-
- Orlando Corporation Sdn. Bhd. *	289	189	-	-
Royalty charged by a related party:				
- MX Too Sdn. Bhd. *	3,329	2,556	-	-
- Milazo Pte. Ltd. *	345	-	-	-
Waiver of debt to a subsidiary	-	-	23	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	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Short-term employee benefits	1,035	1,234	384	387
Post employment benefits	108	123	26	30

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

38. 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
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

38. 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**
2014					
Revenue					
Total revenue	91,231	3,020	94,251	-	94,251
Inter-segment revenue	-	(3,001)	(3,001)	-	(3,001)
External revenue	91,231	19	91,250	-	91,250
Results					
Segment results	5,247	(297)	4,950	(75)	4,875
Allowance of impairment loss written back	45	-	45	-	45
Gain on disposal of property and equipment	10,308	-	10,308	-	10,308
Gain on disposal of non-current asset held for sale	-	3,217	3,217	-	3,217
Interest income	106	220	326	-	326
Rental income	143	19	162	-	162
Realised gain on foreign exchange	29	-	29	-	29
Allowance for impairment losses on receivables	(15)	-	(15)	-	(15)
Depreciation of property and equipment	(1,677)	(175)	(1,852)	-	(1,852)
Equipment written off	(236)	-	(236)	-	(236)
Rental of premises	-	(661)	(661)	-	(661)
Inventories written down	(132)	-	(132)	-	(132)
	13,818	2,323	16,141	(75)	16,066
Finance costs	(908)	(17)	(925)	-	(925)
Share of profit in an associate	-	900	900	-	900
Profit before taxation	12,910	3,206	16,116	(75)	16,041
Income tax expense	(663)	(182)	(845)	-	(845)
Consolidated profit after taxation	12,247	3,024	15,271	(75)	15,196

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

38. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

	Continuing Operations				
	Trading Segment RM'000	Investment Holding Segment RM'000	Total RM'000	Discontinued Operations RM'000	Total Operations RM'000
2014					
Assets					
Segment assets	80,595	14,328	94,923	-	94,923
Tax recoverable	-	156	156	-	156
	80,595	14,484	95,079	-	95,079
Investment in associate					7,730
Consolidated total assets					102,809
Liabilities					
Segment liabilities	20,484	643	21,127	-	21,127
Deferred tax liabilities					43
Provision for taxation					269
Consolidated total liabilities					21,439
Other segment items					
Investment in associate	-	7,730	7,730	-	7,730
Property and equipment	5,504	2,794	8,298	-	8,298
Other assets	500	40	540	-	540
Goodwill on consolidation	24,668	-	24,668	-	24,668
	30,672	10,564	41,236	-	41,236

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

38. 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					
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
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

38. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

	Continuing Operations				
	Trading Segment RM'000	**Investment Holding Segment RM'000**	**Total 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	1,215	30,572	3	30,575
Disposal group	-	-	-	3	3
	29,357	1,218	30,572	6	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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

38. OPERATING SEGMENTS (CONT'D)

MAJOR CUSTOMERS

The following are major customers with revenue equal to or more than 10% of Group revenue:-

	Revenue		Segment
	2014 RM'000	2013 RM'000	
Customer A	22,326	31,565	Trading segment
Customer B	12,074	15,364	Trading segment

39. OPERATING LEASE COMMITMENTS

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

	The Group	
	2014 RM'000	2013 RM'000
Not later than one year	675	527
Later than one year but not later than five years	262	458
	937	985

40. CONTINGENT LIABILITY

	The Company	
	2014 RM'000	2013 RM'000
Unsecured:-		
Corporate guarantees given to licensed banks for banking facilities granted to a subsidiary	16,930	20,270

41. FOREIGN EXCHANGE RATE

The principal closing foreign exchange rate used for the translation of the Group's foreign currency balance at the end of the reporting period was as follow:-

	2014 RM	2013 RM
1 Brunei Dollar	2.30	2.30

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

42. 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 does not have any significant exposure to any foreign currency and hence is not exposed to foreign currency risk.

(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 42(a)(iii) to the financial statements.

<u>Interest rate risk sensitivity analysis</u>

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.

(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.

<u>Credit risk concentration profile</u>

The Group's major concentration of credit risk relates to the amounts owing by two (2) customers which constituted approximately 58% (2013 - 56%) of its trade receivables as at the end of the reporting period.

<u>Exposure to credit risk</u>

As the Group 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

42. FINANCIAL INSTRUMENTS (CONT'D)

(a) FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(ii) Credit Risk (Cont'd)

Exposure to credit risk (Cont'd)

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

	The Group	
	2014 RM'000	**2013 RM'000**
Brunei	37	46
Vietnam	-	90
Malaysia	12,776	13,845
	12,813	13,981

Ageing analysis

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**
2014				
Not past due	12,159	-	-	12,159
Past due:-				
- less than 3 months	624	-	-	624
- over 3 months	425	(316)	(79)	30
	13,208	(316)	(79)	12,813
2013				
Not past due	13,112	-	-	13,112
Past due:-				
- less than 3 months	869	-	-	869
- over 3 months	395	(316)	(79)	-
	14,376	(316)	(79)	13,981

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

42. FINANCIAL INSTRUMENTS (CONT'D)

(a) FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(ii) Credit Risk (Cont'd)

Ageing analysis (Cont'd)

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.

(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 Interest 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
2014						
Trade payables	-	929	929	929	-	-
Other payables and accruals	-	2,621	2,621	2,621	-	-
Hire purchase payables	5.57%	647	746	327	419	-
Term loans	6.46%	1,497	1,652	698	954	-
Bankers' acceptances	4.75%	15,433	15,433	15,433	-	-
		21,127	21,381	20,008	1,373	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

42. FINANCIAL INSTRUMENTS (CONT'D)

(a) FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(iii) Liquidity Risk (Cont'd)

The Group	Weighted Average Effective Interest 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

The Company	Weighted Average Effective Interest 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
2014						
Other payables and accruals	-	306	306	306	-	-
Hire purchase payables	6.00%	317	368	124	244	-
		623	674	430	244	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

42. FINANCIAL INSTRUMENTS (CONT'D)

(a) FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(iii) Liquidity Risk (Cont'd)

The Company	Weighted Average Effective Interest 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	-

(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 fixed deposits with licensed banks and cash and bank balances.

The debt-to-equity-ratio was not presented for the current financial year as the fixed deposits with licensed banks and cash and bank balances are in excess of the debts of the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

42. FINANCIAL INSTRUMENTS (CONT'D)

(b) CAPITAL RISK MANAGEMENT (CONT'D)

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

	The Group 2013 RM'000
Trade payables	6,111
Other payables and accruals	3,179
Amount owing to a director	76
Hire purchase payables	939
Term loans	4,718
Bankers' acceptances	15,552
	30,575
Less: Fixed deposits with licensed banks	(10,007)
Less: Cash and bank balances	(7,170)
Net debt	13,398
Total equity	66,174
Debt-to-equity ratio	0.20

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.

(c) CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Financial assets				
Available-for-sale financial assets				
Other investment	40	40	40	40
Loans and receivables financial assets				
Trade receivables	12,813	13,981	-	-
Other receivables and deposits	1,996	595	7	6
Amount owing by subsidiaries	-	-	18	4,431
Fixed deposits with licensed banks	16,730	10,077	7,741	6,602
Cash and bank balances	13,952	7,170	2,786	188
	45,491	31,823	10,552	11,227

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

42. FINANCIAL INSTRUMENTS (CONT'D)

(c) CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONT'D)

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Financial liabilities				
<u>Other financial liabilities</u>				
Trade payables	929	6,111	-	-
Other payables and accruals	2,621	3,179	306	193
Amount owing to a subsidiary	-	-	-	80
Amount owing to a director	-	76	-	76
Hire purchase payables	647	939	317	429
Term loans	1,497	4,718	-	-
Bankers' acceptances	15,433	15,552	-	-
	21,127	30,575	623	778

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

42. FINANCIAL INSTRUMENTS (CONT'D)

(d) FAIR VALUE INFORMATION

Other than disclosed below, the fair values of the financial asset and financial liability maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments.

2014	Fair Value Of Financial Instruments Carried At Fair Value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Fair Value Of Financial Instruments Not Carried At Fair Value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total Fair Value RM'000	Carrying Amount RM'000
The Group								
Financial Assets								
Other investment	-	40	-	-	-	-	40	40
Financial Liabilities								
Hire purchase payables	-	-	-	-	419	-	419	363
Term loans	-	-	-	-	954	-	954	874
The Company								
Financial Assets								
Other investment	-	-	-	-	-	-	40	40
Financial Liabilities								
Hire purchase payables	-	-	-	-	244	-	244	210

42. FINANCIAL INSTRUMENTS (CONT'D)

(d) FAIR VALUE INFORMATION (CONT'D)

Other than disclosed below, the fair values of the financial asset and financial liability maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments.

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value	Total	
	Level 1	Level 2	Level 3	Level *	Fair Value	Carrying Amount
2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Group						
Financial Assets						
Other investment	-	40	-	-	40	40
Financial Liabilities						
Hire purchase payables	-	-	-	751	751	650
Term loans	-	-	-	5,052	5,052	3,950
The Company						
Financial Assets						
Other investment	-	40	-	-	40	40
Financial Liabilities						
Hire purchase payables	-	-	-	373	373	322

* *Comparative fair value information is not presented by levels, by virtue of the exemption given in MFRS 13.*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

42. FINANCIAL INSTRUMENTS (CONT'D)

(d) FAIR VALUE INFORMATION (CONT'D)

The fair value of the above financial liabilities are determined by discounting the relevant cash flows using interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	2014 %	2013 %	2014 %	2013 %
Financial Liabilities				
Hire purchase payables	5.57	5.57	6.00	6.00
Term loans	6.46	5.77	-	-

43. SIGNIFICANT EVENT OCCURRING AFTER THE END OF THE REPORTING PERIOD

On 11 June 2014, the Company incorporated a new subsidiary, PC Global Trends Sdn. Bhd. ("PCGT") with an issued and paid up capital of RM100 representing 100 ordinary shares of RM1 each. The Company subscribed for 51% of the issued and paid-up capital of PCGT. The intended principal activity of PCGT is in the business of importing, exporting and acting as a retail agent of all types of foot wear products.

44. COMPARATIVE FIGURES

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

	As Restated RM'000	As Previously Reported RM'000
CONSOLIDATED STATEMENT OF CASH FLOWS (EXTRACT):-		
CASH FLOWS FROM INVESTING ACTIVITIES		
Placement of fixed deposits	(100)	-
NET CASH FROM INVESTING ACTIVITIES	12,208	12,308
NET CHANGES IN CASH AND CASH EQUIVALENTS	7,149	7,249
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	6,641	10,015
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	13,790	17,264

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONT'D)

45. 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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Total retained profits/(losses):				
- realised	29,272	23,741	6,958	5,211
- unrealised	(43)	(264)	-	-
	29,229	23,477	6,958	5,211
Total share of retained profit of associate:				
- realised	7,588	6,788	-	-
- unrealised	(518)	(618)	-	-
	7,070	6,170	-	-
	36,299	29,647	-	-
Less: Consolidation adjustments	3,029	(5,515)	-	-
	39,328	24,132	6,958	5,211

LIST OF PROPERTIES
AS AT 31 MARCH 2014

Location	Description/ Existing use	Tenure	Approximate Land/Built-up area (square feet)	Age of Properties/ Buildings (Years)	Net Book Value As At 31/03/2014 (RM'000)	Date of acquisition / revaluation*
No. 63, Jalan 8/146, Bandar Tasik Selatan, Jalan Sg. Besi, 57000 Kuala Lumpur	6 storey shopoffice/ Office	Leasehold expiring on 29/06/2087	17,835	17	2,551	21/05/2014*
Prangin Mall Komtar 33-1-48, Jalan Dr Lim Chwee Leong, Prangin Mall Komtar, 10100 Pulau Pinang.	Shop lot/ Office	99 years leasehold	452	11	538	05/05/2004

ANALYSIS OF SHAREHOLDINGS
AS AT 7 AUGUST 2014

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	: 1,539

Analysis by Size of Shareholdings

Size of Shareholdings	No of Shareholders	%	No. of shares	%
Less than 100	4	0.26	51	0.00
100 to 1,000	331	21.51	312,662	0.74
1,001 – 10,000	987	64.13	3,956,990	9.42
10,001 – 100,000	195	12.67	5,526,000	13.16
100,001 – less than 5% of issued shares	13	0.84	5,401,600	12.86
5% and above of issued shares	9	0.59	26,802,697	63.82
Total	**1,539**	**100.00**	**42,000,000**	**100.00**

Substantial Shareholders according to the Register of Substantial Shareholders

No.	Name	No. of Shares Direct Interest	%	Indirect Interest	%
1.	Teoh Hwa Peng	19,071,899[(1)]	45.41	2,125,000[(1)]	5.06
2.	Ihsan Bin Osman	3,188,300	7.59	-	-
3.	Thuraya Binti Hj Kassim	2,417,498	5.76	-	-
4.	Tan Sok Gim	2,125,000[(1)]	5.06	19,071,899[(1)]	45.41

[(1)] *Deemed interested through the shareholdings held by the spouse.*

Directors' Shareholdings

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

[(1)] *Deemed interested through the shareholdings held by the spouse.*

ANALYSIS OF SHAREHOLDINGS
AS AT 7 AUGUST 2014 (CONT'D)

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	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ihsan Bin Osman	2,387,400	5.68
4	Thuraya Binti Hj Kassim	1,833,910	4.37
5	Tan Sok Gim	1,762,000	4.20
6	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Siti Esa Binti AB Rahim	1,161,000	2.76
7	Dr. Sieh Kok Swee	928,000	2.21
8	Khoo Loon See	893,600	2.13
9	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ihsan Bin Osman	800,900	1.91
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	Chen Win Sum	300,000	0.71
14	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ang Poh Eng	280,800	0.67
15	Tan Sok Gim	225,901	0.54
16	Nor Azman Bin Mohd Yussof	217,000	0.52
17	Lee Chee Beng	156,200	0.37
18	Tey Ghee Kian	155,000	0.37
19	Yong Sau Leng	146,000	0.35
20	Tan Sok Gim	137,099	0.33
21	Lee Soon Aun @ Lee Eng Soon	118,500	0.28
22	Abdul Halim Bin Ismail	106,400	0.25
23	Lim Chee Kon	100,000	0.24
24	Ng Kee Hong	100,000	0.24
25	Affin Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Bee Choo	97,800	0.23
26	Abdul Aziz Al-Akbar Bin Mohamed Noor	95,500	0.23
27	Wan Hisham Bin Wan Hamzah	94,000	0.22
28	Rafeah Binti Jaafar	93,000	0.22
29	Wan Portiah Binti Wan Hamzah	84,000	0.20
30	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Kho Yiek Ming	80,000	0.19
	Total	**32,948,597**	**78.45**

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MESB
BERHAD
(337554-D)

PROXY FORM

No. of shares held

I/We, ______________________________NRIC No./Passport No./Company No.______________________________
of ____
being a member/members of MESB Berhad hereby appoint ____
NRIC No./Passport No. ___________________________________of______________________________________
____
*and/or failing him/her ___________________________NRIC No./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 Nineteenth Annual General Meeting of the Company to be held at Room 5, Level 2, Hotel Sri Petaling, 30, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur on Thursday, 25 September 2014 at 9.30 a.m. and at any adjournment thereof.

Please indicate with (X) on how you want to cast your vote.

Item	Agenda			
1.	To receive the Audited Financial Statements for the year ended 31 March 2014.			
	Ordinary Business	**Resolution**	**For**	**Against**
2.	To re-elect Mr Teoh Hwa Peng as a Director.	1		
3.	To re-elect En Saffie Bin Bakar as a Director.	2		
4.	To approve the Directors' fees in respect of the financial year ended 31 March 2014.	3		
5.	To re-appoint Messrs Crowe Horwath (AF 1018) as Auditors.	4		
	Special Business			
6.	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature	5		
7.	Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature	6		
8.	Continuing in Office as Independent Non-Executive Director - Encik Saffie Bin Bakar	7		
9.	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.	8		

Dated this day of 2014

....
Signature(s)/Common Seal of Shareholder(s)

The proportion of my/our shareholding to be represented by my/our proxy/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.

*Delete whichever is not applicable.

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 only one proxy to attend and vote at the same meeting.
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 on Thursday, 18 September 2014.

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AFFIX
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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