

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the course of action to be taken you should consult your stockbroker, solicitor, accountant, banker or other professional adviser immediately.

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MESB BERHAD

(Company No. 337554-D)

(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS

in relation to the

**PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE
FOR RECURRENT RELATED PARTY TRANSACTIONS
OF A REVENUE OR TRADING NATURE**

The ordinary resolution in respect of the Proposed Shareholders' Mandate will be tabled as Special business at the Fifteenth Annual General Meeting ("AGM") of MESB Berhad ("the Company") to be held at Level 1, Hotel Sri Petaling, 30, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur on Wednesday, 22 September 2010 at 10.00 a.m. as set out in the 2010 Annual Report of the Company.

The Notice of AGM together with the Proxy Form is enclosed together with the 2010 Annual Report. The Proxy Form must be lodged at the Registered Office of the Company at 10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time stipulated for holding the AGM or at any adjournment thereof. A member entitled to attend and vote at the meeting is entitled to appoint a proxy / proxies to attend and vote on his behalf. The lodging of the Proxy Form will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

Last day and time for lodging the Proxy Form : Monday, 20 September 2010 at 10.00 a.m.
Date and time of AGM : Wednesday, 22 September 2010 at 10.00 a.m.

This Circular is dated 30 August 2010

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

“Act”	: Companies Act, 1965 as amended from time to time and any re-enactment thereof
“AGM”	: Annual General Meeting
“Board”	: Board of Directors of MESB Berhad
“Bursa Securities”	: Bursa Malaysia Securities Berhad (635998-W)
“Director”	: Shall have the meaning given in Section 2(1) of the Capital markets and Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a Director of MESB (or any other company which is its subsidiary or holding company or a chief executive officer of MESB, its subsidiary or holding company)
“LPD”	: 11 August 2010, being the latest practicable date prior to the printing of this Circular
“Main Market Listing Requirements”	: Main Market Listing Requirements of Bursa Securities, and all amendments thereto
“MESB” or the “Company”	: MESB Berhad (337554-D)
“MESB Group” or “Group”	: MESB and its subsidiary companies, collectively
“MESB Share(s)” or “Share(s)”	: Ordinary share(s) of RM1.00 each in MESB
“Miroza”	: Miroza Leather (M) Sdn Bhd (242474-V), a wholly-owned subsidiary company of MESB
“ME”	Maintenance Engineering Sdn Bhd (10538-D), a wholly-owned subsidiary company of MESB
“Major Shareholder”	: A person who has an interest or interests in one or more voting shares in a company and the nominal amount of that share, or the aggregate of the nominal amount of those shares, is:- (a) equal to or more than 10% of the aggregate of the nominal amounts of all the voting shares in the company; or (b) equal to or more than 5% of the aggregate of the nominal amounts of all the voting shares in the company where such person is the largest shareholder in the company. For the purpose of this definition, “interest in shares” shall have the meaning given in section 6A of the Act. It also includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder (as defined above) of the Company or any other company which is its subsidiary or holding company.
“Proposed Shareholders' Mandate”	: Proposed shareholders' mandate for MESB Group to renew existing shareholders' mandate for recurrent related party transactions of a revenue or trading nature

- Person Connected : in relation to a Director or a Major Shareholder, means such person who falls under any one of the following categories:-
- (a) a family member of the Director or Major Shareholder;
 - (b) a trustee of a trust (other than a trustee for an employee share scheme or pension scheme) under which the Director, Major Shareholder or a family member of the Director or Major Shareholder, is the sole beneficiary;
 - (c) a partner of the Director, Major Shareholder or a partner of a person connected with that Director or Major Shareholder;
 - (d) a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or Major Shareholder;
 - (e) a person in accordance with whose directions, instructions or wishes the Director or Major Shareholder is accustomed or is under an obligation, whether formal or informal, to act;
 - (f) a body corporate or its directors which/who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or Major Shareholder;
 - (g) a body corporate or its directors whose directions, instructions or wishes the Director or Major Shareholder is accustomed or under an obligation, whether formal or informal, to act;
 - (h) a body corporate in which the Director, Major Shareholder and/or persons connected with him are entitled to exercise, or control the exercise of, not less than 15% of the votes attached to voting shares in the body corporate; or
 - (i) a body corporate which is a related corporation.
- “Related Party(ies)” : A director, major shareholder and/or persons connected with such directors or major shareholder as defined under the Main Market Listing Requirements
- “Recurrent Related Party Transactions” or “RRPT(s)” : Recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations and in the ordinary course of business
- “RM” and “sen” : Ringgit Malaysia and sen respectively

- “Validity Period” : The validity period for the Proposed Shareholders’ Mandate commencing from the conclusion of the 22 September 2010’s AGM until:
- (a) the conclusion of the next AGM of the Company following the forthcoming AGM at which shareholders’ mandate is passed, at which time it will lapse, unless by a resolution passed at such general meeting whereby the authority is renewed; or
 - (b) the expiration of the period within which the next AGM 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.
- “2010 Annual Report” : Annual Report of MESB issued for financial year ended 31 March 2010

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless other specified.

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MESB BERHAD
(Company No. 337554-D)
(Incorporated in Malaysia)

Registered Office

10th Floor, Menara Hap Seng
No. 1 & 3, Jalan P. Ramlee
50250 Kuala Lumpur

30 August 2010

Board of Directors

Teoh Hwa Peng (*Executive Director*)
Teoh Wah Leong (*Executive Director*)
Ng Chee Leong (*Executive Director*)
Saffie Bin Bakar (*Independent Non-Executive Director*)
Tan Yew Kim (*Independent Non-Executive Director*)
Yam Kin Lum (*Independent Non-Executive Director*)

To: The shareholders of MESB Berhad

Dear Sir/Madam

PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

1. INTRODUCTION

On 26 July 2010, the Company has announced its intention to seek the approval of its shareholders to renew the existing shareholders' mandate for the recurrent related party transactions with Related Parties that are necessary for the day-to-day operations and are in the ordinary course of business at the forthcoming AGM.

The existing shareholders' mandate for the recurrent related party transactions was approved by the shareholders of MESB at the AGM held on 11 September 2009 and in accordance with the Main Market Listing Requirements, will lapse at the conclusion of the forthcoming AGM unless authority for its is obtained from the shareholders of the Company at the AGM.

The purpose of this Circular is to provide you with details of the Proposed Shareholders' Mandate and to seek your approval for the ordinary resolution pertaining thereto to be tabled at the forthcoming 15th AGM of the Company.

SHAREHOLDERS OF MESB ARE ADVISED TO READ THE CONTENTS AND APPENDIX OF THIS CIRCULAR CAREFULLY BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED SHAREHOLDERS' MANDATE.

2. DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE

2.1 Provisions of the Listing Requirements

Pursuant to Paragraph 10.09 of the Main Market Listing Requirements, a listed issuer may seek a shareholders' mandate to enter into recurrent related party transactions, which are necessary for its day-to-day operations subject to the following:

- (i) the transactions are in the ordinary course of business and on terms not more favourable to the related party than those generally available to the public;

- (ii) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year;
- (iii) the Company's circular to shareholders for the shareholders' mandate shall include information set out in the Main Market Listing Requirements; and
- (iv) in the general meeting to obtain the shareholders' mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder, and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution approving the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions.
- (v) MESB immediately announces to the Bursa Securities when the actual value of a RRPT entered into by MESB, exceeds the estimated value of the RRPT disclosed in the circular by 10% or more and must include information as may be prescribed by the Bursa Securities in its announcement.

2.2 Mandate for Recurrent Related Party Transactions

MESB is principally an investment holding company while the activities of the subsidiary companies are as follows:

- supply of engineering equipment, spare parts and tools, and undertaking engineering and construction project; and
- retailing of leatherwear products

It is envisaged that companies within MESB Group would, in the ordinary course of business, enter into the RRPTs as detailed in Section 2.3 of this Circular. It is likely that such transactions will occur with some degree of frequency and could arise at any time.

The Board of MESB proposes to seek your approval for the Proposed Shareholders' Mandate, which will allow MESB Group to enter into RRPTs as set out in Section 2.3. Such RRPTs are carried out on arm's length basis, on normal commercial terms and on terms not more favourable to the related party than those generally available to the public and which will not be to the detriment of the minority shareholders.

Pursuant to Paragraph 3.1.4 of Practice Note 12 of the Main Market Listing Requirements, the Proposed Shareholders' Mandate, if approved by the shareholders of MESB, will take effect from the date of the passing of the ordinary resolution proposed at the forthcoming 15th AGM and shall apply until:

- (i) the conclusion of the next AGM of the Company following the general meeting at which the Proposed Shareholders' Mandate is passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (ii) the expiration of the period within which the next AGM is to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders of the Company general meeting,

whichever is the earlier.

2.3 Nature of RRPTs and Class of Related Parties

(i) The existing RRPTs for which the Proposed Shareholders' Mandate is sought shall apply to transactions with the following parties:

Parties transacting with the MESB Group	Transacting company within the MESB Group	Nature of transactions	Estimated annual aggregate value of transactions^ (RM'000)	Actual value from 11 September 2009 (date of last AGM) up to the LPD (RM'000)	Estimated value of transactions as disclosed in preceding year's Circular to Shareholders (RM'000)	Variation between the actual value and the estimated value by 10% or more, and the reason for the difference	Related Parties
MX Too Sdn Bhd (Recipient)	Miroza (Provider)	Royalty payments on Alain Delon licence to MX Too Sdn Bhd	700	621	700	N/A	Teoh Hwa Peng <ul style="list-style-type: none"> ➤ A director of Miroza ➤ A director and Major Shareholder of MESB with direct interest of 29.22% and indirect interest of 1.67% ➤ A director and shareholder of MX Too Sdn Bhd Tan Sok Gim ➤ Spouse to Teoh Hwa Peng and a shareholder of MESB with direct interest of 1.67% ➤ A director and shareholder of MX Too Sdn Bhd
Roncato Sdn Bhd (Recipient)	Miroza (Provider)	Sale of leather accessories from Miroza to Roncato Sdn Bhd under consignment basis (The nature of sales is based on the standard consignment agreement, whereby the terms and conditions for the consignment sales are similar for all unrelated customers)	2,500	1,869	2500	N/A	Teoh Hwa Peng <ul style="list-style-type: none"> ➤ A director of Miroza ➤ A director and Major Shareholder of MESB with direct interest of 29.22% and indirect interest of 1.67%. ➤ A director and shareholder of Roncato Sdn Bhd Tan Sok Gim <ul style="list-style-type: none"> ➤ Spouse to Teoh Hwa Peng and a shareholder of MESB with direct interest of 1.67% ➤ A director and shareholder of Roncato Sdn Bhd

2.3 Nature of RRPTs and Class of Related Parties (cont'd)

Parties transacting with the MESB Group	Transacting company within the MESB Group	Nature of transactions	Estimated annual aggregate value of transactions^ (RM'000)	Actual value from 11 September 2009 (date of last AGM) up to the LPD (RM'000)	Estimated value of transactions as disclosed in preceding year's Circular to Shareholders (RM'000)	Variation between the actual value and the estimated value by 10% or more, and the reason for the difference	Related Parties
MRZ Car Seat Sdn Bhd (Tenant)	Miroza (Landlord)	Rental of premises for office, workshop and store known as Ground and First Floor, Lot 655 & 656, Jalan 24, Taman Perindustrian Ehsan Jaya, Taman Ehsan, Kepong, 52100 Kuala Lumpur with a total gross space of 5,460 square feet for a tenure of two (2) years at rental of RM4,200.00 per month with option to renew for a further two (2) years from the expiry date	51	46	51	N/A	<p>Teoh Wah Leong</p> <ul style="list-style-type: none"> ➢ A director of MESB ➢ Brother to Teoh Hwa Peng ➢ A director and shareholder of MRZ Car Seat Sdn Bhd <p>Tan Siew Eng</p> <ul style="list-style-type: none"> ➢ Mother to Teoh Hwa Peng and Teoh Wah Leong ➢ A director and shareholder of MRZ Car Seat Sdn Bhd

(ii) The existing RRPTs for which the proposed Shareholders' Mandate is not being sought with the following parties:

Parties transacting with the MESB Group	Transacting company within the MESB Group	Nature of transactions	Actual value from 11 September 2009 (date of last AGM) up to the LPD	Estimated value of transactions as disclosed in preceding year's Circular to Shareholders	Variation between the actual value and the estimated value by 10% or more, and the reason for the difference	Related Parties
Fook Cheong Trading (Recipient)	Miroza (Provider)	Sale of leather accessories from Miroza to Fook Cheong Trading (The nature of sales is based on outright sales, whereby the terms and conditions for the sales are similar for all unrelated customers)	1	65	N/A	<p>Teoh Kah Choon</p> <ul style="list-style-type: none"> ➢ A partner in Fook Cheong Trading ➢ Sister to Teoh Hwa Peng and Teoh Wah Leong

Notes: ^ Estimated value of recurrent related party transactions from the date of the 15th AGM to date of the next AGM based on historical values, which are subject to changes. The actual values of the transactions, which differ from such estimates, will be disclosed in next year's annual report

2.4

Review Procedures for the RRPTs

To ensure that the RRPTs are conducted at arm's length basis and on normal commercial terms consistent with the Group's normal business practices and policies and will not be prejudicial to shareholders, the management of MESB will ensure that the transactions with related parties will only be entered into after taking into account the pricing, level of service, quality of service/products and other relevant factors.

The Company has also implemented the following additional procedures and guidelines to ensure that the RRPTs are conducted at arm's length and on transaction prices and normal commercial terms which are not more favourable to the related party than those generally available to the public and hence not detrimental to the interest of minority shareholders:

- (i) Management will be notified that all RRPTs must be undertaken on an arm's length basis and on normal commercial terms which are not more favourable to the related party than those generally available to the public and not to the detriment of the minority shareholders;
- (ii) Records will be maintained by the Group to capture all RRPTs which are/will be entered into, which will be available for review by, among others, the auditors and Audit Committee, on a periodic basis;
- (iii) RRPTs will be monitored through management reports made to the Board and to the Audit Committee;
- (iv) The Board and the Audit Committee will review the management reports to ascertain that the guidelines and procedures established to monitor the RRPTs have been complied with; and
- (v) Where any Director or persons connected to him has an interest (direct or indirect) in any related party transactions, such director (or his alternate) shall abstain from voting on the matter. Where any member of the Audit Committee is interested in any transaction, that member shall abstain from voting on any matter relating to any decisions to be taken by the Audit Committee with respect to such transactions.

The Audit Committee's review procedures will be conducted on a quarterly basis together with the review of quarterly results, or such frequency as the Audit Committee considers appropriate having regard to the value and the frequency of the RRPTs.

2.5 Methods or procedures of determining prices of RRPTs

Generally, the prices, terms and conditions of the RRPTs are based on market rates, the availability of the amount/resources to be transacted or negotiated on a *willing buyer willing seller* basis. The Group shall ensure that at least 2 other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities.

In the event that quotation or comparative pricing from unrelated third parties cannot be obtained, the transaction price will be determined by the MESB Group's market knowledge of prevailing industry norms, prevailing commercial rates to ensure that the RRPTs is not detrimental to the minority shareholders.

In most dealings with Related Parties, companies within MESB Group and the related party have a good understanding of each other's business needs thus providing a platform where all parties can ensure timely delivery and provision of services, commitment and reliability of quality services for the MESB Group, to enable the smooth operation of the day-to-day business of the MESB Group.

The guidelines/procedures for the approval of RRPTs by the MESB Group are as follows:

- (i) Royalty payments on Alain Delon licence to MX Too Sdn Bhd are based on fixed royalty charge of RM630,000 per annum or 7% of invoice sales, whichever is higher, based on the commercial terms at the point of entering into licensing agreement(s) or upon renewal. In this instance, it will be beneficial to the MESB Group.
- (ii) The transaction price, terms and conditions for the sale of leather accessories are determined by market forces and based on prevailing commercial or market rates. The value of the sale of the leather accessories to Roncato Sdn Bhd shall not exceed RM1,000,000 (being 40% of the estimated annual aggregate value of transactions during the Validity Period of the mandate of RM2,500,000) for every quarter.

The sale of leather accessories will be reviewed and approved by any director of Miroza prior to entering into the transactions, and subsequently these transactions will be reviewed by the Audit Committee of MESB on a quarterly basis.

- (iii) Rental of office is determined by negotiated rates, after taking into account the prevailing market rates for the same or substantially similar properties in terms of space occupied and amenities/facilities offered and shall be on normal commercial terms at the point of entering into tenancy agreement's or upon renewal.

The transactions as mentioned under items (i) and (iii) above, will be reviewed and approved by any director of Miroza prior to entering into the agreements, and subsequently these transactions will be reviewed by the Audit Committee of MESB on a quarterly basis.

2.6 Disclosure of RRPTs

Disclosure will be made in accordance with Paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements, which requires a breakdown of the aggregate value of the RRPTs entered into during the financial year, including amongst others, the following information:

- (i) the types of RRPTs made; and
- (ii) the names of the Related Parties involved in each type of the RRPTs made and their relationships with the MESB Group.

The above disclosure will be made in the Company's annual report for each subsequent financial year after the Proposed Shareholders' Mandate has been obtained.

2.7 Statement by the Audit Committee

The Audit Committee has seen and reviewed the procedures mentioned in Section 2.5 and is satisfied that the review procedures and processes for RRPTs, as well as the quarterly review to be made by the Audit Committee, are sufficient and are appropriate to ensure that RRPTs will be made at arm's length and in accordance with the Group's normal commercial terms which are not more favourable to the related party than those generally available to the public and are not to the detriment of minority shareholders, and hence not disadvantageous to the Group.

Furthermore, the Audit Committee shall have the discretion to request for additional information pertaining to the RRPTs from independent sources or advisers.

The Audit Committee is of the view that the Group has in place adequate procedures and processes to monitor, track and identify RRPTs in a timely and orderly manner, and the review is done every quarter together with the review of quarterly results.

3. RATIONALE FOR THE PROPOSED SHAREHOLDERS' MANDATE

The RRPTs to be entered into by the MESB Group are in the ordinary course of business and are intended to meet business needs at the best possible terms which will be of benefit to all the companies within MESB. They are recurring transactions of a revenue and trading nature which are likely to occur with some degree of frequency and may arise at any time and from time to time.

The transactions envisaged under the Proposed Shareholders' Mandate may be constrained by its time-sensitive nature and it may be impractical to seek shareholders' approval on a case-to-case basis before entering into such RRPTs. The Proposed Shareholders' Mandate will substantially reduce the expenses associated with convening of general meetings on an ad-hoc basis and hence will reduce the expenses associated therewith and prevent administrative inconvenience.

4. EFFECTS OF THE PROPOSED SHAREHOLDERS' MANDATE

The Proposed Shareholders' Mandate will have no effect on the issued and paid-up capital, net assets and earnings per share of the Group.

5. APPROVAL REQUIRED

The Proposed Shareholders' Mandate is conditional upon the approval of the non-interested shareholders of MESB at the forthcoming AGM.

6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save as disclosed below, none of the other Directors and/or Major Shareholders and/or persons connected to the Directors and/or Major Shareholders has any interest, direct or indirect, in the Proposed Shareholders' Mandate:

1. Teoh Hwa Peng is a Director and Major Shareholder of MESB, and also a Director of Miroza.
2. Teoh Hwa Peng is a brother to Teoh Wah Leong and son to Tan Siew Eng.
3. Teoh Wah Leong is a Director MESB. He is a brother to Teoh Hwa Peng and son to Tan Siew Eng.
4. Tan Sok Gim is the spouse to Teoh Hwa Peng and also a shareholder of MESB.
5. Tan Siew Eng is the mother to Teoh Hwa Peng and Teoh Wah Leong.

Teoh Hwa Peng and Teoh Wah Leong have abstained from deliberation and voting in all Board meetings to matters pertaining to the Proposed Shareholders' Mandate and will continue to abstain from voting in respect of their direct and/or indirect shareholdings in MESB on the resolution pertaining to the Proposed Shareholders' Mandate at the forthcoming AGM. They have also undertaken to ensure that persons connected to them will abstain from voting in respect of their direct and indirect shareholdings on the resolution pertaining to the Proposed Shareholders' Mandate at the forthcoming AGM.

Tan Sok Gim and Tan Siew Eng will abstain from voting in respect of their direct and/or indirect shareholdings in MESB on the ordinary resolution pertaining to the Proposed Shareholders' Mandate at the forthcoming AGM. They have also undertaken to ensure that the persons connected to them will abstain from voting in respect of their direct and/or indirect shareholdings in MESB on the resolution pertaining to the Proposed Shareholders' Mandate at the forthcoming AGM.

The shareholdings of Teoh Hwa Peng, Teoh Wah Leong, Teoh Kah Choon and Tan Siew Eng in MESB as at LPD are as follows:

Name	Nationality	<-----Shareholdings----->			
		Direct	%	Indirect	%
Teoh Hwa Peng	Malaysian	12,274,099	29.22	701,000*	1.67
Tan Sok Gim	Malaysian	701,000	1.67	12,274,099 [#]	29.22
Teoh Wah Leong	Malaysian	-	-	12,274,099**	29.22
Tan Siew Eng	Malaysian	-	-	12,274,099**	29.22

Note: * Indirect interest pursuant to Section 134(12)(c) of the Companies Act 1965 held by his spouse

Indirect interest by virtue of her spouse's substantial interest in MESB

** Deemed interested by virtue of family relationships

7. DIRECTORS' RECOMMENDATION

Your Board (save for Teoh Hwa Peng and Teoh Wah Leong) having considered all aspects of the Proposed Shareholders' Mandate, is of the opinion that the Proposed Shareholders' Mandate is in the best interest of the MESB Group. Accordingly, your Directors, (save for Teoh Hwa Peng and Teoh Wah Leong) recommend that you vote in favour of the Ordinary Resolution pertaining to the Proposed Shareholders' Mandate at the forthcoming AGM.

8. ANNUAL GENERAL MEETING

The ordinary resolution to vote on the Proposed Shareholders' Mandate is set out in the Notice of Meeting in the 2010 Annual Report for the 15th Annual General Meeting to be held at Level 1, Hotel Sri Petaling, 30, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur on Wednesday, 22 September 2010 at 10.00 a.m.

If you are unable to attend and vote in person at the AGM, you are requested to complete, sign and return the Proxy Form enclosed in the 2010 Annual Report in accordance with the instructions therein as soon as possible and in any event so as to arrive at the registered office of MESB at 10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur, not less than 48 hours before the time set for the meeting or any adjournment thereof.

The lodging of the Proxy Form will not preclude you from attending and voting in person at the AGM should you subsequently wish to do so.

9. FURTHER INFORMATION

Shareholders of MESB are requested to refer to the attached Appendix for further information.

Yours faithfully
for and on behalf of the Board of Directors of
MESB BERHAD

SAFFIE BIN BAKAR
Independent Non-Executive Director

APPENDIX – FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board who collectively and individually, accept full responsibility for the accuracy of the information contained herewith and confirm that, after having taken due care and making reasonable enquiries, to the best of their knowledge and belief, there are no facts, the omission of which would make any statement herein misleading.

2. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

Save as disclosed below, neither MESB nor any of its subsidiaries is engaged in any material litigation, claims and arbitration either as plaintiff or defendant as at the date of this Circular and the Directors of MESB do not have any knowledge of any proceedings pending or threatened against MESB or its subsidiaries or of any facts likely to give rise to any proceedings which may materially affect the position or business of MESB and its subsidiaries.

Zelleco Engineering Sdn Bhd vs Maintenance Engineering Sdn Bhd"ME"

On 19 March 2010, Maintenance Engineering Sdn Bhd"ME", a wholly-owned subsidiary of the Company had been served with a notice pursuant to Section 218 of the Companies Act, 1965 by Messrs Vazeer Akbar Masjid & Co ("VAMC"), advocates & Solicitors acting for Zelleco Engineering Sdn Bhd demanding the payment of RM7,282,756.68 inclusive interest of 1.5% per annum.

ME has filed the Affidavits in Opposition to the Petition and the application to strike out the Petition. This matter is pending hearing of the application to strike out the Petition.

3. MATERIAL CONTRACTS

MESB Group has not entered into any other contracts which are or may be material within the two (2) years preceding the date of this Circular, other than contracts entered into in the ordinary course of business.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of the Company at 10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur, during normal business hours from Monday to Friday (except public holidays) from the date of this Circular up to and including the date of the forthcoming AGM:

- (i) The Memorandum and Articles of Association of MESB;
- (ii) The audited consolidated financial statements of MESB the past two (2) financial years ended 31 March 2009 and financial year ended 31 March 2010;
- (iii) Relevant cause papers as referred to in Section 2 above.



MESB BERHAD
(Company No. 337554-D)
(Incorporated in Malaysia)

**EXTRACT OF RESOLUTION TO BE TABLED AS SPECIAL BUSINESS AT THE
FORTHCOMING FIFTEENTH ANNUAL GENERAL MEETING**

ORDINARY RESOLUTION 6

PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")

"THAT, subject always to the Listing Requirements of Bursa Malaysia Securities Berhad for the Main Market, approval be and is hereby given to the Company and/or its subsidiary companies to enter into all arrangements and/or transactions involving the interests of the Directors, major shareholders or persons connected with Directors and/or major shareholders of the Company and/or its subsidiary companies ("Related Parties") as specified in Section 2.3 of the Circular to Shareholders dated 30 August 2010, 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 FURTHER THAT the Directors of the Company and/or any one of them be and are hereby authorised to complete and do all such acts and things necessary (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate."