

Proposed disposal of Maintenance Engineering Sdn Bhd for a total cash consideration of RM4,500,000

On behalf of the Board of Directors of MESB, HwangDBS Investment Bank Berhad wishes to announce and provide further information pursuant to the announcements made on 9 January 2012 and 13 January 2012. All abbreviations used in this announcement shall have the same meaning as those used in the announcement dated 9 January 2012.

1. Information on ME

ME is principally engaged in the supply of engineering equipments, spare parts and tools, and the undertaking of engineering and construction projects. ME's principal markets for its products and services are in the various states of Malaysia.

2. Proposed utilisation of proceeds

MESB is proposing to utilise the total cash proceeds from the Proposed ME Disposal amounting to RM4,500,000 as follows:

	Note	Amount allocated	Timeframe for the proposed utilisation of proceeds
		RM'000	
Repayment of amount owing by MESB to ME	(1)	1,969	Within 1 month from the receipt of the proceeds
Repayment of amount owing by related companies to ME	(2)	2,351	Within 1 month from the receipt of the proceeds
Estimated expenses to be incurred for the Proposed ME Disposal	(3)	180	Within 1 month from the receipt of the proceeds
Total		<u>4,500</u>	

Notes:

- (1) *ME provided financial support to MESB in previous years, the balance amount of which shall be paid and settled pursuant to the Agreement.*

For FYE 31 March 2011, the financial support provided by ME to MESB was used by the latter to substantially settle the amount owing by MESB to MESB's director, Teoh Hwa Peng being settlement of the balance of the consideration payable for the acquisition of Miroza Leather (M) Sdn Bhd which was completed in 2004. Apart from the said settlement, the financial support provided by ME to MESB was also used to finance the day-to-day operations of MESB which include auditors' fees, directors' fees and remuneration, professional fees, fee payable to relevant or regulatory authorities, travelling expenses, insurance, printing costs and miscellaneous expenses.

- (2) *ME provided financial support to its related companies (Maintenance Capital & Development Sdn Bhd, MESB Agriculture Sdn Bhd, Dynamic Communication Link Sdn Bhd and Crystal United Sdn Bhd, all of which form part of the MESB group of companies) in previous years, the balance amount of which shall be paid and settled pursuant to the Agreement.*

The net amount owing by MESB and its related companies is approximately RM5,196,000 whilst the total proceeds from the Proposed ME Disposal is RM4,500,000 resulting in a shortfall amounting to approximately RM696,000 which shall be paid and settled with the

internally generated funds of MESB Group. Please refer to the table below for further details on the amounts owing and its manner of settlement:

Companies	Amount owing to ME (A)	Amount owing by ME (B)	Net amount owing by MESB and its related companies to ME (A less B)	Manner of settlement as per the Agreement	
				As per Section 3 (v) (a) of the announcement dated 9 January 2012	As per Section 3 (v) (c) of the announcement dated 9 January 2012
				RM'000	RM'000
MESB	1,968.8	-	1,968.8	(1,968.8)	-
Maintenance Capital & Development Sdn Bhd ^{(a)(b)}	2,673.5	-	2,673.5	(31.2)	(2,642.3)
MESB Agriculture Sdn Bhd ^{(a)(c)}	9.5	-	9.5	-	(9.5)
Dynamic Communication Link Sdn Bhd ^(d)	42.9	-	42.9	-	(42.9)
Crystal United Sdn Bhd ^(e)	1,317.9	-	-	-	-
Set off: MESB Development Sdn Bhd ^(f)	-	(93.0)	-	-	-
Miroza Leather (M) Sdn Bhd ^(g)	-	(723.5)	501.3	-	(501.3)
				(2,000.0)	(3,196.0)
Total	^(h) 6,012.6	^(h) (816.5)	^(h) 5,196.0	^(h) (5,196)	

Notes:

- (a) A wholly-owned subsidiary of MESB.
- (b) The financial support provided by ME to Maintenance Capital & Development Sdn Bhd was used by the latter to purchase a 6-storey shop-office/office located at No. 63, Jalan 8/146, Bandar Tasik Selatan, Jalan Sg. Besi, 57000 Kuala Lumpur in 1995. The book value of the said property as at 31 March 2011 was RM2,662,413.
- (c) For FYE 31 March 2011, the financial support provided by ME to MESB Agriculture Sdn Bhd was used by the latter to pay for secretarial fees, auditors' fees and miscellaneous expenses.
- (d) A 55%-owned subsidiary of MESB. On 1 December 2011, MESB has announced that the Company has entered into a share sale agreement with Touch Mindscape Sdn Bhd for the proposed disposal of 275,000 ordinary shares of RM1.00 each, representing 55% equity interest in Dynamic Communication Link Sdn Bhd ("DCLSB"), for a total cash consideration of RM15,000,000.
- For FYE 31 March 2011, the financial support provided by ME to DCLSB was used by the latter to finance the day-to-day operations of DCLSB which include payments made for the hire of cranes and vehicles and miscellaneous expenses.
- (e) A wholly-owned subsidiary of MESB which was previously held through ME. The shares held in Crystal United Sdn Bhd was transferred from ME to MESB on 21 November 2011.

The financial support provided by ME to Crystal United Sdn Bhd was

substantially used by the latter to purchase a parcel of industrial land located at Lot No. 10, Jalan Perusahaan 1, Kawasan Perusahaan Beranang, Selangor Darul Ehsan in 1992, and also to pay for the construction cost of the building which is currently being used as a store on the said land. The building was constructed in 2002. The book value of the said properties as at 31 March 2011 was RM1,669,334. For FYE 31 March 2011, the financial support provided by ME to Crystal United Sdn Bhd was also used by the latter to pay for secretarial fees, fee payable to relevant authorities, auditors' fees, insurance and miscellaneous expenses.

- (f) The amount owing by ME to MESB Development Sdn Bhd substantially relates to advances given by the latter since 2006.*
 - (g) The amount owing by ME to Miroza Leather (M) Sdn Bhd substantially relates to rental accruing to the latter for the office premises being occupied by ME since 2006, and also for the purchase of a motor vehicle by ME from Miroza Leather (M) Sdn Bhd in 2010. Other amounts owing by ME to Miroza Leather (M) Sdn Bhd relates to advances given by the latter for payment to suppliers and miscellaneous expenses since 2007.*
 - (h) Differences are due to rounding adjustments.*
- (3) The estimated expenses include professional fees, fees payable to relevant authorities and other related expenses incurred on the Proposed ME Disposal. Any shortfall or excess in funds allocated for estimated expenses will be funded from its internally generated funds or used for working capital purposes.*

This announcement is dated 16 January 2012.