

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 SHAREHOLDERS' MANDATE
FOR RECURRENT RELATED PARTY TRANSACTIONS
OF A REVENUE OR TRADING NATURE ("PROPOSAL")**

The ordinary resolution in respect of the Proposal will be tabled as Special business at the Seventeenth Annual General Meeting ("AGM") of MESB Berhad ("the Company") to be held at Swan 1, 7th Floor, Pearl International Hotel, Batu 5, Jalan Klang Lama, 58000 Kuala Lumpur on Friday, 21 September 2012 at 9.30 a.m.

The Notice of the AGM together with the Proxy Form are set out in the 2012 Annual Report. The Proxy Form must be lodged 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 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.

Date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and speak at the AGM : Friday, 14 September 2012

Last date and time for lodging the Proxy Form : Wednesday, 19 September 2012 at 9.30 a.m.

Date and time of AGM : Friday, 21 September 2012 at 9.30 a.m.

This Circular is dated 30 August 2012

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)
“CU/subsidiary”	: Crystal United Sdn Bhd (183473-U), a wholly-owned subsidiary of the Company
“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)
Interested Directors and/or substantial shareholder	: Teoh Hwa Peng and Tan Sok Gim
“LPD”	: 7 August 2012, 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/subsidiary”	: Miroza Leather (M) Sdn Bhd (242474-V), a wholly-owned subsidiary company of MESB
“M Cap/subsidiary”	: MESB Capital & Development Sdn Bhd (formerly known as Maintenance Capital & Development Sdn Bhd) (206455-X), a wholly-owned subsidiary company of MESB
“MESB Devt/subsidiary”	: MESB Development Sdn Bhd (197822-T), a wholly-owned subsidiary company of MESB
“MAgr /subsidiary”	: MESB Agriculture Sdn Bhd, (784056-K), 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.
- “Proposal” : Proposed shareholders’ mandate for MESB Group to renew the existing mandate for the RRPTs with the Related Parties.
- “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 Proposals commencing from the conclusion of the forthcoming 17th 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.
- “2012 Annual Report” : Annual Report of MESB issued for the financial year ended 31 March 2012

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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Registered Office

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

30 August 2012

Board of Directors

Teoh Hwa Peng (*Executive Director*)
Teoh Wah Leong (*Executive Director*)
Ng Chee Leong (*Executive Director*)
Saffie Bin Bakar (*Senior 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 SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSAL")

1. INTRODUCTION

On 25 July 2012, the Company announced its intention to seek the approval of its shareholders for the Proposal at the forthcoming AGM of the Company.

The existing shareholders' mandate for the RRPTs which was approved by the shareholders of MESB at the AGM held on 22 September 2011 and in accordance with the Main Market Listing Requirements, will lapse at the conclusion of the forthcoming AGM unless authority for its renewal is obtained from the shareholders of the Company at the AGM.

The purpose of this Circular is to provide you with details of the Proposal and to seek your approval for the proposed ordinary resolution pertaining thereto to be tabled at the forthcoming 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 PROPOSAL.

2. DETAILS OF THE PROPOSAL

2.1 Provisions of the Main Market Listing Requirements

Pursuant to Paragraph 10.09 of the Main Market Listing Requirements, a listed issuer may seek a shareholders' mandate to enter into RRPTs 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 as set out in the Main Market Listing Requirements;
- (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; and
- (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 Principal Activities of MESB Group

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

- retailing of ladies and gents leather accessories; and
- investment holding.

2.3 Class of Related Parties

No.	Name of Company	Interested Parties	Nature of relationship
1.	MX Too Sdn Bhd ("MX Too")	Teoh Hwa Peng Tan Sok Gim	<u>Teoh Hwa Peng</u> <ul style="list-style-type: none"> • A Director of Miroza • Spouse to Tan Sok Gim and brother to Teoh Wah Leong, a Director of MESB • A Director and Major Shareholder of MESB • A Director and shareholder of MX Too and Roncato
2.	Roncato Sdn Bhd ("Roncato")	Teoh Hwa Peng Tan Sok Gim	<u>Tan Sok Gim</u> <ul style="list-style-type: none"> • Spouse to Teoh Hwa Peng and a major shareholder of MESB • A Director and shareholder of MX Too and Roncato

2.4 Nature of RRPTs

The following RRPT are anticipated to be entered into by Group with the Related Parties in the ordinary course of business under the Proposal:

Parties transacting with the MESB Group	Transacting company within the MESB Group	Nature of transactions	Estimated value of transactions^ (RM'000)	Actual value from 22 September 2011 (date of last AGM) up to the LPD (RM'000)	Estimated value of transactions as disclosed in preceding year (RM'000)
MX Too	Miroza	Alain Delon - royalty charged by MX Too	3,000	1,857	2,000
MX Too	Miroza	Sale of leather accessories from Miroza to MX Too on a out-right basis.	1,500	23	1,500
Roncato	Miroza	Sale of leather accessories from Miroza to Roncato 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)	3,600	1,724	3,600
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 at a monthly rental charges of RM4,200 payable on monthly basis. *	-	8	51

Notes:

^ The estimated values of RRPT from the date of the forthcoming AGM to the next AGM were derived based on the historical value as per statutory financial statements for the financial year ended 31 March 2012 and projected sales growth as per business plan for the next financial year ending 31 March 2013. The actual values transacted may differ from the estimated values above depending on the prevailing economic and competitive environment.

* The Company had obtained shareholders' approval to enter into this RRPT at the last AGM held on 22 September 2011. This RRPT is not meant to seek shareholders' approval at the 17th AGM and is inserted herein for information purpose only. The office premise was disposed off by Miroza.

2.5 Details of Overdue Trade Receivables

The details of the Group's trade receivables from the Related Parties pursuant to the RRPTs which have exceeded the credit term for the following periods as at the end of the financial year ended 31 March 2012 are as follows:

	Trade Receivables from Related Parties as at 31.03.2012 Principal (RM'000)
Credit Term for:	
a period of 1 year or less	13
a period of more than 1 to 3 years	-
a period of more than 3 to 5 years	-
a period of more than 5 years	-

There are no late payment charges imposed on the overdue trade receivables as the terms and conditions of the contract do not include a late payment charge. The Management has and will continue to meet and discuss with the Related Parties to actively pursue for early settlement of the outstanding amounts due. The Board is of the opinion that the outstanding amounts are trading in nature and there is no recoverability issue as there are collections from the Related Parties during the financial year. In addition, the Management is of the view that the Related Parties are long trading partners and have sound credit standing.

2.6 Review Procedures for the RRPTs

Management of MESB will take into account the pricing, level of service, quality of service/products and other relevant factors in order 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 the shareholders.

The Company has implemented the following procedures and guidelines to ensure that the RRPTs are undertaken on transaction prices on arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the interest of the 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 parties 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.

2.7 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 are not detrimental to the minority shareholders.

In most dealings with Related Parties, companies within MESB Group and the related party have 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) Alain Delon royalty charged by MX Too are based on minimum 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 ladies and gents leather accessories are determined by market forces and based on prevailing commercial or market rates.

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

- (iii) The RRPT are reviewed and authorised by the following parties:

No.	Threshold for RPT or RRPT for each single project or transaction with a related party	Approval / Ratification
1.	RM1 million and below	Immediate approval of Audit Committee is not required, provided that the aggregate value of the related party transactions (RPTs) does not exceed RM2.5 million per quarter. A summary of such RPTs made each quarter shall be tabled to the Audit Committee and Board for ratification.
2.	Above RM1 million but less than RM5 million	The Audit Committee and Board's ratification is required after the usual approval process established under the capital expenditure policy and/or Business Plan.
3.	RM5 million and above	Prior consideration of the Audit Committee and approval of the Board is required before the transaction is procured.
4.	RRPT contemplated in the Circular to Shareholders	Annual review of the approval procedures to be undertaken by the Audit Committee and Board of Directors. Approval of the shareholders to be sought at the AGM for renewal of existing RRPT mandate or new RRPT mandate.

None of the Audit Committee Members of MESB have any interest, direct or indirect, in the Proposal.

2.8 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 Proposal has been obtained.

2.9 Statement by the Audit Committee

The Audit Committee has seen and reviewed the procedures 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 parties 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.

2.10 Validity Period for the Proposal

It is envisaged that MESB Group would, in the ordinary course of business, enter into the RRPTs as detailed in Section 2.4 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 Proposal, which will allow MESB Group to enter into RRPTs as set out in Section 2.4. 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 Proposal, if approved by the shareholders of MESB, will take effect from the date of the passing of the proposed ordinary resolution at the forthcoming AGM and shall apply until:

- (i) the conclusion of the next AGM of the Company following the general meeting at which the Proposal, 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 in general meeting,

whichever is the earlier.

3. RATIONALE FOR THE PROPOSAL

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 Proposal 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 Proposal 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. FINANCIAL EFFECTS OF THE PROPOSAL

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

5. APPROVAL REQUIRED

The Proposal 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 Proposal as at 7 August 2012:

Interested Director and/or Major Shareholder	Nationality	<-----Shareholdings----->			
		Direct	%	Indirect	%
Teoh Hwa Peng	Malaysian	19,071,899 ⁽¹⁾	45.41	2,125,000 ⁽²⁾	5.06
Tan Sok Gim	Malaysian	2,125,000	5.06	19,071,899 ⁽²⁾	45.41

Notes:

(1) Held in own name and UOBM Nominees (Tempatan) Sdn Bhd.

(2) Deemed interest through spouse's shareholdings by virtue of Section 134(12)(c) of the Companies Act, 1965

The Director, Teoh Hwa Peng has abstained from deliberation and voting in all Board meetings on matters pertaining to the Proposal. He will abstain from voting and has also undertaken to ensure that persons connected to him will abstain from voting in respect of his direct and indirect shareholdings on the proposed resolution pertaining to the Proposal at the forthcoming AGM.

The major shareholders, Teoh Hwa Peng and Tan Sok Gim will abstain from voting in respect of their direct and/or indirect shareholdings in MESB on the proposed ordinary resolution pertaining to the Proposal 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 proposed resolution pertaining to the Proposal at the forthcoming AGM.

7. DIRECTORS' RECOMMENDATION

The Board (save for Teoh Hwa Peng) having considered all aspects of the Proposal, is of the opinion that the Proposal is in the best interest of the MESB Group. Accordingly, your Directors (save for Teoh Hwa Peng) recommend that you vote in favour of the Ordinary Resolution pertaining to the Proposal at the forthcoming AGM.

8. ANNUAL GENERAL MEETING

The proposed ordinary resolution to vote on the Proposal is set out in the Notice of AGM in the 2012 Annual Report for the 17th Annual General Meeting to be held at Swan 1, 7th Floor, Pearl International Hotel, Batu 5, Jalan Klang Lama, 58000 Kuala Lumpur on Friday, 21 September 2012 at 9.30 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 2012 Annual Report in accordance with the instructions therein as soon as possible and in any event so as to arrive 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 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
Senior 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

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.

3. MATERIAL CONTRACTS

Save as disclosed below, MESB Group has not entered into any other contracts (not being contracts entered into in the ordinary course of business) which are material within the two (2) years preceding the date of this Circular:

- (a) On 1 December 2011, the Company had entered into the Share Sale Agreement with Touch Mindscape Sdn Bhd (“TMSB”) 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 (“DCLSB Disposal”). The DCLSB Disposal was approved at the Extraordinary General Meeting held on 15 February 2012 and completed on 20 June 2012.
- (b) On 9 January 2012, the Company had announced the proposed disposal of 8,000,000 ordinary shares of RM1.00 each representing 100% equity interest in Maintenance Engineering Sdn Bhd (“ME”) , a wholly owned subsidiary of the Company to Tepat Pesona Sdn Bhd for a total cash consideration of RM4,500,000. (“ME Disposal”). The ME Disposal was approved at the Extraordinary General Meeting held on 19 March 2012 and completed on 22 March 2012.

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 2011 and 31 March 2012; and
- (iii) The material contract referred to in Section 3 above.