

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 AND PROPOSED NEW
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 Nineteenth Annual General Meeting ("**AGM**") of MESB Berhad ("**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.

The Notice of the AGM together with the Proxy Form are set out in the 2014 Annual Report. The Proxy Form 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 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 : Thursday, 18 September 2014

Last date and time for lodging the Proxy Form : Tuesday, 23 September 2014 at 9.30 a.m.

This Circular is dated 3rd day of September 2014

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)
“CUSB”	: 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”	: 13 August 2014, 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
“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.
“PC Global”	: PC Global Trends Sdn Bhd (1097321-D), a 51% owned subsidiary company of MESB

“Proposal”	:	Proposed renewal of existing shareholders’ mandate for recurrent related party transactions and Proposed new shareholders’ mandate for recurrent related party transactions of a revenue or trading nature
“Proposed Renewal of Existing Shareholders’ Mandate”	:	Proposed renewal of existing shareholders’ mandate for recurrent related party transactions of a revenue or trading nature
“Proposed New Shareholders’ Mandate”	:	Proposed new shareholder s’ mandate for additional recurrent related party transactions of a revenue or trading nature
“Person Connected”	:	<p>in relation to a Director or a Major Shareholder, means such person who falls under any one of the following categories:-</p> <p>(a) a family member of the Director or Major Shareholder;</p> <p>(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;</p> <p>(c) a partner of the Director, Major Shareholder or a partner of a person connected with that Director or Major Shareholder;</p> <p>(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;</p> <p>(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;</p> <p>(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;</p> <p>(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;</p> <p>(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</p> <p>(i) a body corporate which is a related corporation.</p>
“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 19th 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.
- “2014 Annual Report” : Annual Report of MESB issued for the financial year ended 31 March 2014

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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B E R H A D

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

3 September 2014

Board of Directors

Teoh Hwa Peng *(Chief Executive Officer)*
Ng Chee Leong *(Executive Director)*
Tan Sok Gim *(Executive Director)*
Saffie Bin Bakar *(Senior Independent Non-Executive Director)*
Tan Yew Kim *(Independent Non-Executive Director)*
Yam Sing Lam @ Yam Seng Lam *(Independent Non-Executive Director)*

To: The shareholders of MESB Berhad

Dear Sir/Madam

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

1. INTRODUCTION

On 24 July 2014, 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 18 September 2013 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 • A Director and Major Shareholder of MESB • A Director and shareholder of MX Too, Roncato and Milazo
2.	Roncato Sdn Bhd ("Roncato")	Teoh Hwa Peng Tan Sok Gim	<u>Tan Sok Gim</u> <ul style="list-style-type: none"> • A Director of Miroza • Spouse to Teoh Hwa Peng • A Director and Major Shareholder of MESB • A Director and shareholder of MX Too, Roncato and Milazo
3.	Milazo Pte Ltd ("Milazo")	Teoh Hwa Peng Tan Sok Gim	<u>Tan Sok Gim</u> <ul style="list-style-type: none"> • A Director of Miroza • Spouse to Teoh Hwa Peng • A Director and Major Shareholder of MESB • A Director and shareholder of MX Too, Roncato and Milazo

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:

(a) Proposed Renewal of Existing Shareholders' Mandate

Parties transacting with the MESB Group	Transacting company within the MESB Group	Nature of transactions	Estimated value of transactions [^] (RM'000)	§ Actual value from 18 September 2013 (date of last AGM) up to the LPD (RM'000)	Estimated value of transactions as disclosed in preceding year's circular (RM'000)
MX Too	Miroza	Royalty charged by MX Too e.g. Alain Delon, Hummer and any other brands granted by MX Too	4,800	2,623	4,200
MX Too	Miroza	Sale of leather accessories from Miroza to MX Too on an out-right basis	1,500	4	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	1,526	3,600

(b) Proposed New Shareholders' Mandate

Parties transacting with the MESB Group	Transacting company within the MESB Group	Nature of transactions	Estimated value of transactions [^] (RM'000)
Milazo	Miroza	Royalty charged by Milazo e.g. Pierre Cardin and any other brands granted by Milazo	2,300
Milazo	PC Global	Royalty charged by Milazo e.g. Pierre Cardin and any other brands granted by Milazo	800

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 2014 and projected sales growth as per business plan for the next financial year ending 31 March 2015. The actual values transacted may differ from the estimated values above depending on the prevailing economic and competitive environment.

^{*} This figure was reported up to 30 June 2014 as the consignment reports for July 2014 will only be received and processed in the month of August 2014.

§ None of the actual values had exceeded the estimated value by 10% or more.

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 2014 are as follows:

	Trade Receivables from Related Parties as at 31.03.2014
Credit Term for:	Principal (RM'000)
a period of 1 year or less	8
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 were no late payment charges imposed on the overdue trade receivables as the terms and conditions of the contract do not include a provision on the late payment charge.

There was no provision on the late payment charge in the contract as the Board was of the opinion that the above outstanding receivables were not substantial and are optimistic that the amounts were recoverable.

The Board is of that 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. The above outstanding debt of RM8,000 was fully settled in April 2014.

2.6 Review Procedures for the RRPTs

Management of MESB Group 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 Group 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 of MESB Group 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) The royalty charged by MX Too and/or Milazo is based on a minimum amount of royalty stated in the agreement or the respective schedule rates charged on the sales, as per the terms and conditions stated in the respective licensing agreement(s) entered between the parties and/or upon renewal.
- (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 item (i) above will be reviewed and approved by the Board of Directors of Miroza and PC Global prior entering into the transactions and/or agreements, and subsequently, these transactions will be reviewed by the Audit Committee of MESB on a quarterly basis.

The RRPT are reviewed and authorised by the following parties:

No.	Threshold for RRPT for each single project or transaction with a related party	Approval / Ratification
1.	RM1.0 million or 1% of shareholders' funds (whichever is higher) and below	Subject to Paragraph 10.08 of the Main Market Listing Requirements, the immediate approval of Audit Committee is not required provided that the aggregate value of the RRPT contemplated in the Circular to Shareholders does not exceed RM3.0 million per quarter. The RRPT under this threshold will be approved by any one Executive Director and a summary of such RRPT entered in each quarter shall be tabled to the Audit Committee and Board for ratification.

No.	Threshold for RRPT for each single project or transaction with a related party	Approval / Ratification
2.	Above RM1.0 million or 1% of shareholders' funds but less than 5% of the shareholders' funds	The RRPT under this threshold are approved by any one Executive Director. 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.	5% of the shareholders' funds 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. Approval of the shareholders would be sought at the AGM for renewal of existing RRPT mandate or new RRPT mandate.

Note: 1% and 5% of the shareholders' funds approximates **RM0.81 million** and **RM4.07 million** respectively based on the latest audited financial statements for the financial year ended 31 March 2014.

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 the 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. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED TO THEM

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

Interested Director and 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 under his name and UOBM Nominees (Tempatan) Sdn Bhd.

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

The Directors, Teoh Hwa Peng and Tan Sok Gim had abstained from deliberation and voting in all Board meetings on matters pertaining to the Proposal. They will abstain from voting and have also undertaken to ensure that persons connected to them will abstain from voting in respect of their 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 and Tan Sok Gim) 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 and Tan Sok Gim) 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 2014 Annual Report for the 19th Annual General Meeting 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.

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 2014 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 5 March 2013, the wholly-owned subsidiary of the Company, CUSB had entered into a Sale and Purchase Agreement with Huls Transmission Sdn Bhd (Company No.: 575052-P) (“Purchaser”) for the disposal of all that leasehold land expiring on 9 October 2099 held under HS(D) 58963 PT 7, Bandar Batu 26, Beranang, Daerah Ulu Langat, Negeri Selangor measuring in area of approximately 10,869 square metres together with a single storey detached factory annexed with a double-storey office erected thereon and bearing postal address of No. 10, Jalan Perusahaan 1, Kawasan Perusahaan Beranang, 43700 Beranang, Selangor for a cash consideration of RM5,030,570.00 and completed on 19 August 2013.
- (b) On 31 October 2013, the wholly-owned subsidiary of the Company, Miroza had entered into the Sale and Purchase Agreement with Taetea (Malaysia) Sdn Bhd for the disposal of all that piece of freehold land held under Geran 268438, Lot 21772, Bandar Sri Damansara, Daerah Petaling, Negeri Selangor together with a double storey building erected thereon bearing postal address of No. 10, Persiaran Dagang, Bandar Sri Damansara, 52200 Kuala Lumpur for a cash consideration of RM14,500,000.00. The proposed disposal was approved by the Board of Directors’ on 31 October 2013 and completed on 29 January 2014.

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 2013 and 31 March 2014; and
- (iii) The material contract referred to in Section 3 above.