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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 ACQUISITION BY MESB BERHAD OF THE ENTIRE EQUITY INTEREST IN ACTIVE FIT SDN BHD FROM SIOW SEA NEN, CHEN MUI YONG AND LIEW KEE WAH FOR A CASH CONSIDERATION OF RM19,000,000

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser



INVESTMENT BANK BERHAD (20657-W)

The Notice of the Extraordinary General Meeting (“EGM”) of MESB Berhad (“MESB”) to be held at Room 3, Level 2, Hotel Sri Petaling, 30, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur on Wednesday, 30 September 2015 at 10.00 a.m. or immediately after the conclusion or adjournment (as the case may be) of the Twentieth (20th) Annual General Meeting (“AGM”) of MESB to be held at the same venue on the same day at 9.30 a.m., whichever is later, together with the Proxy Form are enclosed herewith. The Proxy Form must be deposited at Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, 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 EGM or any adjournment thereof. The lodgement of the Proxy Form will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

IMPORTANT DATES

Last date and time for lodging the Proxy Form	: Monday, 28 September 2015 at 10.00 a.m. or any adjournment thereof
Date and time for the EGM	: Wednesday, 30 September 2015 at 10.00 a.m., or such time immediately after the conclusion or adjournment (as the case may be) of the Twentieth (20 th) AGM of MESB to be held at the same venue on the same day at 9.30 a.m., whichever is later

This Circular is dated 15 September 2015

DEFINITIONS

In this Circular, unless otherwise indicated, the following words and abbreviations shall have the following meanings:-

“Act”	:	Companies Act, 1965
“Active”	:	Active Fit Sdn Bhd
“Active’s Investment Properties”	:	Collectively, the following properties:- (i) a parcel of vacant leasehold commercial land (i.e. 99 years with unexpired lease period ending on 17 October 2103) held under H.S. (D) 52648, Lot PT1874, District of Gombak, Town of Ulu Kelang, State of Selangor Darul Ehsan; and (ii) a parcel of vacant freehold agricultural land held under Geran Mukim 6, Lot 546, Town of Ulu Kelang, Locality of 7 ¼ Mile, Ulu Klang, District of Gombak, State of Selangor Darul Ehsan
“Active Shares”	:	2,500,000 ordinary shares of RM1.00 each in Active, which represent the entire issued and paid-up share capital of Active
“Board”	:	Board of Directors of MESB
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“Circular”	:	This circular dated 15 September 2015 to the shareholders of MESB in relation to the Proposed Acquisition
“Completion”	:	Completion of the sale and purchase of the Active Shares in accordance with the terms and conditions of the SSA
“Completion Date”	:	The date on which the Completion is achieved and unless otherwise agreed collectively by MESB and the Vendors, it shall be no later than three (3) months from the Unconditional Date
“Completion Period”	:	A period of two (2) months from the Unconditional Date or such further period as MESB and the Vendors may mutually agree upon
“Conditional Period”	:	A period of three (3) months from the date of the SSA and such other further extension period as MESB and the Vendors may mutually agree upon
“Conditions Precedent”	:	Conditions precedent to the SSA to be fulfilled by MESB and/or the Vendors, as set out in Section 1.3(i), Appendix I of this Circular
“Disposals of Active’s Investment Properties”	:	Disposals by Active to Jordone of the Active’s Investment Properties via sale and purchase agreements dated 19 June 2015, which are currently on-going
“EGM”	:	Extraordinary General Meeting of MESB in relation to the Proposed Acquisition
“EPS”	:	Earnings per share
“Exis”	:	Exis Apparel Sdn Bhd, a company of which Siow Sea Nen and Chen Mui Yong, being two (2) of the vendors of Active, are shareholders
“FPE”	:	Financial period ended
“FYE”	:	Financial year end/ended/ending, as the case may be
“KAF”	:	KAF Investment Bank Berhad

DEFINITIONS (CONT'D)

“Jordone”	:	Jordone Corporation Sdn Bhd, a company of which Siow Sea Nen and Chen Mui Yong, being two (2) of the vendors of Active, are shareholders
“LPD”	:	28 August 2015, being the latest practicable date prior to the printing of this Circular
“MESB” or the “Company”	:	MESB Berhad
“MESB Group” or the “Group”	:	MESB and its subsidiaries, collectively
“MESB Shares”	:	Ordinary shares of RM1.00 each in MESB
“NA”	:	Net assets
“NTA”	:	Net tangible assets
“PAT”	:	Profit after tax attributable to shareholders
“PB Multiple”	:	Price-to-NTA multiple
“PE Multiple”	:	Price-to-earnings multiple
“Profit Guarantee”	:	A profit guarantee by the Profit Guarantors to MESB pursuant to the Proposed Acquisition, whereby the Profit Guarantors are guaranteeing that Active shall achieve an audited PAT of not less than RM2.50 million for the FYE 30 June 2016
“Profit Guarantors”	:	Siow Sea Nen and Chen Mui Yong, collectively, being two (2) of the vendors of Active who provide the Profit Guarantee to MESB pursuant to the Proposed Acquisition
“Proposed Acquisition”	:	Proposed acquisition by MESB of the entire equity interest in Active from the Vendors for a cash consideration of RM19,000,000
“Purchase Consideration”	:	A cash consideration of RM19,000,000 for the Proposed Acquisition
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“SSA”	:	A conditional share sale agreement dated 23 July 2015 entered into between MESB and the Vendors in relation to the Proposed Acquisition
“Unconditional Date”	:	The date when all the Conditions Precedent are fulfilled (or waived)
“Vendors”	:	Siow Sea Nen, Chen Mui Yong and Liew Kee Wah

Words denoting the singular number only shall include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender, neuter gender and vice versa. Reference to persons shall include a body of persons, corporate or unincorporated (including a trust). Any reference to a time of day shall be a reference to Malaysian time, unless otherwise stated. Any reference to any statute is a reference to that statute as for the time being amended or re-enacted.

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NOTICE OF EGM..... ENCLOSED**PROXY FORM** ENCLOSED



MESB BERHAD
(Company No. 337554-D)
(Incorporated in Malaysia under the Companies Act, 1965)

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

15 September 2015

BOARD OF DIRECTORS

Ng Chee Leong (Executive Chairman)
Teoh Hwa Peng (Chief Executive Officer)
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

Dear Sir/Madam,

PROPOSED ACQUISITION

1.0 INTRODUCTION

On 23 July 2015, KAF had, on behalf of the Board, announced that MESB is proposing to acquire the entire equity interest in Active for a cash consideration of RM19,000,000.

Further details of the Proposed Acquisition and Active are set out in the ensuing sections of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE THE SHAREHOLDERS OF MESB WITH THE DETAILS OF THE PROPOSED ACQUISITION AND TO SEEK YOUR APPROVAL ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE FORTHCOMING EGM TOGETHER WITH THE PROXY FORM ARE ENCLOSED HERewith IN THIS CIRCULAR.

SHAREHOLDERS OF MESB ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM.

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2.0 DETAILS OF THE PROPOSED ACQUISITION

2.1 Background information on the Proposed Acquisition

MESB had on 23 July 2015 entered into the SSA with the Vendors to acquire 2,500,000 ordinary shares of RM1.00 each in Active, which represent the entire issued and paid-up share capital of Active, for a cash consideration of RM19,000,000. The Active Shares will be acquired free from all encumbrances, claims, charges and lien together with all rights attached thereto and all dividends, rights and distributions declared in respect thereof after the date of the SSA (excluding any dividend to be paid in accordance with Section 1.5(i), Appendix I of this Circular).

The salient terms of the SSA are set out in Appendix I of this Circular.

2.2 Information on Active and the Vendors

Active was incorporated in Malaysia as a private limited company under the Act on 31 July 2004. Active is principally involved in brand building, concept development, fashion designing, sourcing, marketing, distribution and retailing of casual apparel and accessories under the "Jeep" brand in Malaysia. As at the LPD, Active operates more than 100 consignment counters in various major departmental stores nationwide, in both urban and sub-urban areas, for the "Jeep" brand of apparel and accessories. Active's apparel and accessories production function is outsourced to local external manufacturers directly or foreign external manufacturers in China and India via buying houses.

The "Jeep" brand, which originated from the United States of America, has a long history beginning in 1941 and is widely recognised as a global brand. Active develops ready-to-wear casual apparel and accessories for men, women and children under the "Jeep" brand for distribution in Malaysia.

As at the LPD, the directors of Active, all of whom are Malaysians, are Siow Sea Nen, Chua Jin Kau, Siow Kok Chang and Ng Kim Wah. The shareholders of Active and their respective shareholdings in Active as at the LPD are as follows:-

Shareholder	Nationality	No. of shares	%
Siow Sea Nen	Malaysian	2,374,999	95.00
Chen Mui Yong	Malaysian	125,000	5.00
Liew Kee Wah	Malaysian	1	*
Total		2,500,000	100.00

Note:-

* *Negligible*

Further information on Active is set out in Appendix II of this Circular.

2.3 Basis of and justifications for arriving at the Purchase Consideration

The Purchase Consideration was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the following:-

- (i) the historical profit track record and prospective earnings potential of Active;
- (ii) the unaudited NA of Active as at 31 March 2015 of about RM21.60 million and the dividend of up to RM4.00 million which may be declared and paid by Active to the Vendors in accordance with Section 1.5(i), Appendix I of this Circular; and
- (iii) the prospects of Active as set out in Section 4.4 of this Circular.

For the purpose of evaluating the fairness of the Purchase Consideration, the management of MESB Group has conducted an analysis on the implied PE Multiple and PB Multiple of Active based on the Purchase Consideration vis-à-vis those of the following selected comparable companies as at 30 June 2015, being the latest practicable date prior to the date of announcement of the Proposed Acquisition ("Announcement LPD"):-

Selected comparable companies ⁽¹⁾	Principal activities	Latest audited FYE as at the Announcement LPD	Share price as at the Announcement LPD (RM)	EPS (RM)	NTA per share (RM)	PE Multiple as at the Announcement LPD based on latest available audited PAT (times)	PB Multiple as at the Announcement LPD based on latest available audited NTA (times)
Cheetah Holdings Berhad ("Cheetah")	Cheetah, through its subsidiaries, designs, develops, markets, and retails sports apparel and accessories and casual wear under its own brand names	30.06.2014	0.47	0.06	1.08	7.83	0.44
Asia Brands Berhad ("Asia Brands")	Asia Brands has its roots in textile manufacturing, and with the acquisition of Anakku and Audrey, has transformed itself into a brand conglomerate. The company owns and manages over 30 brands under its portfolio. Asia Brands has presence in baby products, innerwear, and casual wear in the Malaysia market	31.03.2015	1.79	0.02	0.87	89.50	2.06
Padini Holdings Berhad ("Padini")	Padini is an investment holding company. The company, through its subsidiaries, manufactures and retails garments, shoes, ancillary products, and accessories	30.06.2014	1.33	0.14	0.58	9.50	2.29
Teo Guan Lee Corporation Berhad ("TGL")	TGL is an investment holding company. The company, through its subsidiaries, manufactures, wholesales, and retails apparel, sports wear, sports equipment, and related accessories. TGL also invests in property, assemblies and	30.06.2014	1.38	0.19	1.89	7.26	0.73

Selected comparable companies ⁽¹⁾	Principal activities	Latest audited FYE as at the Announcement LPD	Share price as at the Announcement LPD (RM)	EPS (RM)	NTA per share (RM)	PE Multiple as at the Announcement LPD based on latest available audited PAT (times)	PB Multiple as at the Announcement LPD based on latest available audited NTA (times)
Voir Holdings Berhad ("Voir")	distributes computers and its peripherals, and provides interior renovation contractor services	31.12.2014	0.40	(0.01)	0.72	⁽²⁾ N/A	0.56
Jerasia Berhad ("Jerasia")	Jerasia is an investment holding company which provides management consultancy services. The company, through its subsidiaries, manufactures, exports, wholesales, and retails fashion garments and accessories. Jerasia also provides haulage services	31.03.2014	0.915	0.04	1.15	22.88	0.80
Yen Global Berhad ("Yen")	Yen is a vertically integrated apparel manufacturer, wholesaler and retailer. The company, through its broad network of men-stores, shop-in-shops and retail chains, markets and sells a wide selection of brand names	31.07.2014	0.225	(0.07)	0.35	⁽²⁾ N/A	0.64
Amtek Holdings Berhad ("Amtek")	The principal activities of Amtek and its subsidiaries are that of investment holding, trading of garments and provision of management services	30.06.2014	0.51	⁽³⁾ 0.03	0.49	17.00	1.04
Average						⁽⁴⁾ 12.89	1.07

(Source: Bloomberg and Amtek's Annual Report 2014)

Notes:-

- (1) *Being companies listed on Bursa Securities which are broadly comparable to the businesses of Active, i.e. retailing of apparel and accessories, notwithstanding that they may not have the same scale of operations, risk profile, asset base, track record, financial position, products and services offering, principal markets, exact business activity and future prospects. Kindly note that any comparison made against the aforesaid selected comparable companies merely serves to deduce an indicative valuation for Active and that the comparable companies selected are by no means exhaustive.*
- (2) *Not applicable due to loss making.*
- (3) *Excluding losses from discontinued operations.*
- (4) *Excluding Asia Brands, which is deemed as an outlier.*

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In terms of PE Multiple analysis, the Purchase Consideration translates into an implied PE Multiple of 7.70 times based on the audited PAT of Active for the FYE 30 June 2014 of approximately RM2.47 million, which is within, and at the lower end of, the range of PE Multiple of the selected comparable companies (excluding Asia Brands) of between 7.26 times and 22.88 times and lower than their average PE Multiple (excluding Asia Brands) of 12.89 times.

In terms of PB Multiple analysis, the Purchase Consideration translates into an implied PB Multiple of 0.98 times based on the audited NTA of Active as at 30 June 2014 of about RM19.32 million, which is within the range of PB Multiple of the selected comparable companies of between 0.44 times and 2.29 times and lower than their average PB Multiple of 1.07 times. For illustration purposes, based on Active's adjusted unaudited NTA as at 31 March 2015 of about RM17.60 million after taking into consideration the dividend of up to RM4.00 million which may be declared and paid by Active to the Vendors in accordance with Section 1.5(i), Appendix I of this Circular, the Purchase Consideration translates into an implied PB Multiple of 1.08 times, which is still within the aforementioned range of PB Multiple of the selected comparable companies notwithstanding that it is marginally higher than their average PB Multiple of 1.07 times.

Premised on the analysis above, the management of MESB Group is of the opinion that the Purchase Consideration is justifiable in view that the implied PE Multiple and PB Multiple of Active as aforementioned compare favourably against the PE Multiple and PB Multiple of the selected comparable companies which were derived from their market traded share prices as at the Announcement LPD and latest available audited financial information.

2.4 Assumption of liabilities

As at the LPD, RM10.78 million of Active's existing borrowings and banking facilities are secured by, inter alia, pledge of fixed deposit belonging to Siow Sea Nen and Chen Mui Yong and/or personal guarantee given by Siow Sea Nen. Pursuant to the Proposed Acquisition, MESB may be required by banks and/or financial institutional lenders with whom Active is maintaining banking facilities to provide alternative securities/collateral/guarantees in lieu of those provided by the aforementioned Vendors, the details of which have yet to be finalised at this juncture.

Save for corporate guarantee and/or other forms of collateral/security that may be required to be provided to Active's bank and/or financial institutional lenders upon completion of the Proposed Acquisition, MESB will not assume any liabilities, including contingent liabilities and guarantees, pursuant to the Proposed Acquisition. The existing liabilities of Active, which are mainly bank borrowings and trade payables, will be settled by it in its ordinary course of business.

2.5 Additional financial commitments

There are no additional financial commitments to be incurred by MESB in putting the businesses of Active on-stream pursuant to the Proposed Acquisition as Active is a going concern.

2.6 Source of funding

The Purchase Consideration shall be fully satisfied in cash, which shall be financed by internally generated funds and/or bank borrowings. The exact proportion of internally generated funds and bank borrowings for such purpose has not been finalised at this juncture as it is contingent upon the eventual amount of bank borrowings, if any, to be procured by the Group, which can only be finalised at a later date. Taking into consideration the Group's cash and bank balances as at 30 June 2015 of RM15.36 million (excluding deposits pledged to licensed banks) based on MESB's latest unaudited consolidated financial statements for the three (3)-month FPE 30 June 2015 and barring any unforeseen circumstances, bank borrowings to be procured by the Group, if any, for the purpose of satisfying the Purchase Consideration are not expected to exceed RM10.00 million.

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2.7 Profit Guarantee

Pursuant to the Proposed Acquisition, the Profit Guarantors guarantee that Active shall achieve an audited PAT of not less than RM2.50 million for the FYE 30 June 2016. Further details of the Company's right of recourse in the event the Profit Guarantee is not met are as set out in Section 1.6, Appendix I of this Circular.

The Board is of the opinion that, barring any unforeseen circumstances, the Profit Guarantee would appear to be realistic and achievable after taking into consideration the historical financial performance of Active for the past three (3) FYE 30 June 2013 to FYE 30 June 2015 as set out in Section 4.0, Appendix II of this Circular, as well as the prospects of Active as set out in Section 4.4 of this Circular.

3.0 RATIONALE FOR THE PROPOSED ACQUISITION

MESB Group is principally involved in the business of designing, sourcing, marketing, trading and distribution of leather products including, inter alia, ladies' handbags, ladies' small leather goods, men's bags, men's small leather goods and men's accessories. The Group is also involved in the development and rental of telecommunication base transceiver stations in the State of Penang via MESB's 40% equity interest in PDC Telecommunication Services Sdn Bhd. With the proposed disposal of PDC Telecommunication Services Sdn Bhd ("PDC"), which was announced on 15 July 2015 and is expected to be completed by the fourth (4th) quarter of 2015, the Group will focus solely on the retailing of leather and related products undertaken by Miroza Leather (M) Sdn Bhd moving forward.

In this regard, the Proposed Acquisition would enable the Group to expand into the retailing of casual apparel and accessories, being a segment within the retail fashion industry for which the Group has experience and expertise.

Presently, the Group's product offerings are limited to leather products and accessories such as, amongst others, wallets, belts, bags, cufflinks, tie bars and purses under international brands, namely Alain Delon, Pierre Cardin and Pierre Balmain. The Proposed Acquisition will enable the Group to broaden its product offerings to include casual apparel, children apparel and accessories such as, amongst others, shirts, pants and jackets under a licensed international brand, namely "Jeep".

The Proposed Acquisition would also enable MESB Group to broaden its earnings base and enhance its positioning in the retail fashion industry to capitalise on the future growth of the local retail industry.

4.0 INDUSTRY OUTLOOK AND PROSPECTS

4.1 Overview and outlook of the Malaysian economy

The global economy expanded at a moderate pace in the second quarter of 2015. In the major advanced economies, growth in the United States of America and the United Kingdom continued to improve while the pace of economic activity in the euro area and Japan was more modest. Growth in most Asian economies moderated in the second quarter. Domestic demand continued to support growth in an environment of weak export performance. Several central banks in major and emerging economies lowered policy rates amid rising growth concerns and low inflation.

The Malaysian economy recorded a growth of 4.9% in the second quarter of 2015 (1Q 2015: 5.6%), driven mainly by private sector demand. On the supply side, growth was underpinned by the major economic sectors. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.1% (1Q 2015: 1.2%).

Domestic demand expanded by 4.6% in the second quarter of 2015 (1Q 2015: 7.9%). This was driven mainly by private sector activity, which grew by 5.7% (1Q 2015: 9.6%) following continued growth in consumption and investment activities. Private consumption growth moderated to 6.4% (1Q 2015: 8.8%), as households adjust to the implementation of the Goods and Services Tax ("GST"). However, continued wage growth and stable labour market conditions remained supportive of overall consumer

spending. Private investment registered a growth of 3.9% (1Q 2015: 11.7%), supported by continued capital expenditure in the manufacturing sector, particularly in the export-oriented industries.

Public sector expenditure expanded by 0.9% in the second quarter (1Q 2015: 2.5%). Public consumption recorded a higher growth of 6.8% (1Q 2015: 4.1%), reflecting a stronger expansion in supplies and services, and sustained growth in emoluments. However, public investment registered a negative growth of 8.0% (1Q 2015: +0.5%) due to the decline in investments by the public enterprises following the near completion of a few large projects. The Federal Government spending on fixed assets remained positive during the quarter.

The Malaysian economy is expected to remain on a steady growth path, with domestic demand continuing to be the key driver of growth. Private consumption is expected to continue to adjust to the introduction of the GST, although wage growth and stable labour market conditions would provide support to household spending. Investment activity will be supported by capital spending in the manufacturing and services sectors, as well as for infrastructure projects. These developments will contribute towards offsetting the weaker performance of the external sector.

(Source: Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2015, Bank Negara Malaysia)

Overall, the Malaysian economy is projected to register a steady growth of 4.5 – 5.5% in 2015 (2014: 6.0%), supported mainly by a sustained expansion in domestic demand amid strong domestic fundamentals and a resilient export sector. Domestic demand will continue to anchor growth in 2015, driven by private sector spending. Private consumption is forecasted to record a more moderate growth during the year, after registering five consecutive years of above-average growth rates since the financial crisis in the advanced economies. While household spending is expected to be affected by the implementation of the GST in April and lower earnings in the commodity-related sectors, its impact will, however, be partially offset by Government measures to assist targeted groups, the additional disposable incomes from lower fuel prices and the favourable labour market conditions.

(Source: Bank Negara Malaysia Annual Report 2014)

4.2 Overview and outlook of retail industry in Malaysia

The services sector grew by a more moderate rate of 5.0% in the second quarter (1Q 2015: 6.4%) due to slower growth in most sub-sectors. The wholesale and retail trade sub-sector recorded a moderate growth in tandem with lower growth in household spending following the implementation of GST. The finance and insurance sub-sector registered a marginal growth, weighed down by the insurance segment. Expansion in the real estate and business services sub-sector was supported mainly by the professional services segment. In the information and communication sub-sector, growth was driven by strong demand for data communication services amid attractive packages from telecommunications companies. Growth of the transportation and storage sub-sector was mainly supported by trade-related activity.

(Source: Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2015, Bank Negara Malaysia)

The services sector is expected to grow 5.6% in 2015 (2014: 5.9%), accounting for 55.4% share of GDP (2014: 55.3%), supported by expansion across all subsectors. The wholesale and retail trade as well as accommodation and restaurant subsectors are anticipated to increase 7.1% and 5.9%, respectively in 2015 (2014: 7.7%; 6.1%) driven by strong domestic consumption and higher tourist arrivals following the Malaysia Year of Festivals 2015. The communication subsector is expected to grow 9.6% (2014: 10%) supported by strong demand for cellular and broadband services, amid attractive promotions by the telecommunication industry players as well as the launch of new smartphones and media tablets. Meanwhile, the real estate and business services as well as the transport and storage subsectors is projected to grow 7.1% and 4.7%, respectively (2014: 7.5%; 5%).

(Source: Economic Report 2014/2015, Ministry of Finance Malaysia)

4.3 Overview and outlook of apparel industry in Malaysia

The textiles and apparel industry registered progress and continued to be a growth industry. During the period of the Second Industrial Master Plan (IMP2), 1996-2005, the industry contributed to growth, in terms of enhancement of production capabilities, increases in exports and investments, and development of linkages.

During the period of the Third Industrial Master Plan (IMP3), 2006-2020, initiatives will be undertaken in key areas to promote investments, sustain exports and market share of targeted growth areas in textiles and apparel, and enhance the industry's overall competitiveness.

The future of the Malaysian textiles and apparel industry is dependent upon consolidation, upgrading of existing facilities, reducing costs and improving efficiency to remain competitive. In 2005, Malaysia was ranked 37th largest exporter of textiles and apparel in the world. The removal of quotas creates opportunities for the industry to increase its exports. To remain competitive in the global market, the industry needs to focus on exports of functional fabrics having special features, such as wrinkle-free and anti-bacteria, and high-end apparel, such as blazers and bridal gowns. Presently, the industry faces competition from countries which have entered into free trade agreements (FTAs) with the major markets, such as the United States of America, Japan and the People's Republic of China.

(Source: Third Industrial Master Plan (IMP3) 2006-2020, Ministry of International Trade and Industry)

4.4 Prospects and future plans of Active

The retail industry is presently facing some challenges from softer consumer sentiment, depreciation of the Ringgit Malaysia as well as more cautious consumer spending from cost-push factors.

Notwithstanding the present challenges, the textile and apparel industry continues to be a growth industry with further initiatives being carried out under the Third Industrial Master Plan (2006-2020) to promote investments, sustain exports and market share of the targeted growth areas within the textile and apparel industry as well as to enhance the industry's overall competitiveness. The management of MESB Group is of the view that the growth of the Malaysian apparel industry will be supported and underpinned by, amongst others, increasing level of household disposable income, sustainable tourist arrivals in Malaysia and wider distribution base for retailers with the rising number of shopping complexes, both urban and sub-urban.

To further strengthen the enlarged MESB Group's presence in the apparel industry upon completion of the Proposed Acquisition, the management of MESB Group intends to undertake the following strategies with the aim of enhancing its competitiveness and market share in the apparel market:-

- (i) To enhance the brand promotion activities of Active through, amongst others, improving the visual merchandising display at its consignment counters as well as increasing product promotional activities and brand publicity;
- (ii) To optimise the merchandise category mix of Active by focusing more on higher margin products; and
- (iii) To expand Active's distribution network through the opening of 25 to 30 new consignment counters over the next 3 years in appropriate locations nationwide including, inter alia, the Klang Valley and other major cities in Malaysia, in anticipation of a number of new shopping complexes and departmental stores slated to be opened in Malaysia.

The management of MESB Group trusts that with the competitive strengths of Active and coupled with the aforesaid future plans, Active will be able to remain competitive capitalising on the growth of the apparel industry going forward and in turn contribute positively to the earnings of the Group. The financial resources to be committed in realising the aforementioned plans, which are estimated to be about RM3.00 million over a period of 3 years mainly for brand promotion activities and opening of new consignment counters, will be sourced from the Group's internally generated funds.

Barring any unforeseen circumstances, the Proposed Acquisition is expected to contribute positively to the Group's financial performance in the future.

(Source: Management of MESB Group)

5.0 RISK FACTORS

5.1 Business Risks

Active is subject to various risks inherent in the apparel industry, including but not limited to the changes in general economic conditions, Government regulations, inflation, changes in business and credit conditions, disruption of apparel supplies, increase in labour costs, increase in storage and transportation charges, increase in production costs of apparel and changes in consumers' preferences.

Such risks are, to a certain extent, limited by Active outsourcing its production function to external manufacturers via buying houses, thereby reducing its exposure to the risks inherent in the manufacturing industry, such as high capital outlay, fluctuations of raw material price and shortage of skilled labour, whilst at the same time achieving more competitive pricing on purchases as well as ensuring timely supply of quality apparel. By directing its resources to value-added activities, such as brand building and management, marketing and promotion, market survey and evaluation on consumers' preferences, and product design and development, Active aims to be able to release its products and designs to the market on a more timely and appropriate manner.

Although Active would continue to take appropriate measures to limit the aforesaid risks, no assurance can be given that any changes to these factors will not have a material adverse effect on its business operations and financial performance.

5.2 Risk in relation to non-renewal/termination of license agreements

Pursuant to two (2) license agreements entered into between the trademark proprietor of "Jeep" ("Trademark Proprietor") and Jordone, Jordone had the rights to use the "Jeep" trademark for development and distribution of men's, children's and women's casual apparel and accessories in Malaysia ("Intellectual Property") ("License Agreements"), subject to periodic renewal of the said License Agreements. The legal counsel of the Trademark Proprietor had, vide its letter dated 3 June 2015, acknowledged Active as the licensee for the Intellectual Property. Moving forward on the expiry of the License Agreements, the licensing arrangement for the Intellectual Property shall be dealt with directly between the Trademark Proprietor and Active without the involvement of Jordone ("Direct License Agreement"). For the avoidance of doubt, save for administrative expenses such as legal fees that may be incurred by Active for the Direct License Agreement as well as annual royalties payable to the Trademark Proprietor, MESB and Active are not expected to incur any additional costs pursuant to the Direct License Agreement.

The "Jeep" brand name is regarded as being an important factor in Active's success and financial performance. Any failure of renewal or termination of the Direct License Agreement in the future may cause Active to lose its right to use the "Jeep" brand name, which could in turn result in material adverse effects on its business, prospects and financial performance.

In this regard, the management of MESB Group shall, upon the completion of the Proposed Acquisition, take reasonable steps to observe and perform all duties, obligations, terms, provisions and covenants of Active under the License Agreements and subsequently the Direct License Agreement so as to ensure that the terms and conditions therein are not breached. However, there can be no assurance that the Direct License Agreement will be continuously renewed in the future after its expiry or not be terminated in the future.

5.3 Competition

The apparel industry is highly competitive with a large pool of players in the market. Competition comes from the existing competitors, including both domestic and foreign players, as well as new entrants from time to time. In addition, online shopping is also gradually creeping into the conventional

retail market for apparel via outlets and consignment counters. Nevertheless, the management of MESB Group believes that Active would be able to stay competitive with its established licensed brand name, experienced management and designing team, wide product range and designs, in-house merchandising and designing facilities, established distribution network and competitive pricing policy.

Notwithstanding the above, there can be no assurance that Active will be able to remain competitive in the future and that its business operations and financial performance will not be adversely affected by market competition.

5.4 Dependency on major suppliers/buying houses

Active does not manufacture its own apparel, but rather it outsources its production to external manufacturers via buying houses. As Active has no direct control over the production function, there is a risk of possible supply disruption which, if occurs, could have a material and adverse effect on Active's business operations and financial performance. To mitigate such risk, Active has been sourcing its purchases from a large pool of buying houses.

Thus far, Active enjoys cordial working relationship with its buying houses and has not experienced any major supply disruption. Nevertheless, there can be no assurance that Active's business operations and financial performance will not be adversely affected in the event of a major supply disruption in the future.

5.5 Brand loyalty

A brand name exclusively identifies a product from the others and it also reflects the characteristics, such as brand image, product quality, design and pricing, of a product upon its target customers. Hence, the business operations of Active are closely associated with the consumers' awareness, experience and recognition of its brand and consequently, consumers' reception of its apparel. Any adverse development upon the image of Active's brand may result in negative perception towards its products and thus, materially and adversely affect its business operations and financial performance.

Through its quality control procedures and management programmes, Active will endeavour to ensure that the quality of its apparel meets its predetermined standards. In addition, its continuous advertising and promotion drives would also serve to promote brand image and awareness of its products.

5.6 Seasonality

The apparel industry is inherently seasonal in nature. The industry usually records better sales during major festive seasons and mega sales period. Hence, having an efficient inventory management is critical to ensuring adequate stocks holding throughout the year as a situation of under-stocks holding will cause Active losing revenue opportunity, whilst a situation of over-stocks holding will increase the associated carrying costs thereby negatively impact its profitability. Active has been able to monitor and maintain appropriate stocks at its consignment counters over the years. Nevertheless, there is no assurance that an under or over-stocks holding situation that will materially and adversely affect its business operations and financial performance will not occur in the future.

5.7 Keeping abreast with the latest fashion trends and designs

One of the main challenges in the apparel industry would be to keep abreast with the latest fashion trends and designs that the consumers desire. Global fashion trends are changing rapidly and the failure to meet consumers' fashion preferences could have a material adverse effect on the business operations and financial performance of Active. In order to keep its apparel appealing to its target customers and thus ensuring continuing growth of its business, Active designs its apparel and introduces them to the market on a regular and timely basis after due considerations of the current and possible future fashion trends, consumers' preferences and market research gathered from both local and foreign sources.

Although Active will continue to take the necessary measures to keep abreast with the latest fashion trends and designs, there is no assurance that the apparel designed by it will continue to be appealing to the consumers.

5.8 Acquisition risk

The Proposed Acquisition is expected to contribute positively to the future financial performance of MESB Group based on the prospects of Active as stated in Section 4.4 of this Circular. However, there is no assurance that the anticipated benefits from the Proposed Acquisition will be realised or that MESB will be able to generate sufficient returns from Active to offset the associated investment costs.

In mitigating such risk, MESB has secured the Profit Guarantee from the Profit Guarantors. Furthermore, it is the intention of the management of MESB Group to retain the management and employees of Active after the Proposed Acquisition aimed at minimising any potential disruptions to the operations of Active and the business relationships between Active and its existing clients so as to avoid any negative impact on the profitability of Active.

5.9 Non-completion risk

The Proposed Acquisition is conditional upon fulfilment of the Conditions Precedent. There is a possibility that the Proposed Acquisition cannot be completed within the time period permitted under the SSA due to failure in fulfilling the Conditions Precedent. In the event that the Conditions Precedent are not fulfilled within the stipulated time period or in the event any approvals shall contain terms which are not acceptable to the parties to the SSA, the completion of the Proposed Acquisition may be affected.

In this regard, the Board shall take reasonable steps to ensure that there is no delay in fulfilling all the Conditions Precedent by the parties concerned and should there be any delay beyond the agreed time period, the Board shall negotiate with the parties to the SSA to mutually extend the said period prior to its expiry.

6.0 EFFECTS OF THE PROPOSED ACQUISITION

6.1 Share capital and substantial shareholders' shareholdings

The Proposed Acquisition is not expected to have any effect on the share capital and the substantial shareholders' shareholdings of MESB as no new MESB Shares will be issued pursuant thereto.

6.2 Earnings and EPS

Barring any unforeseen circumstances and based on the assumption that the Proposed Acquisition will be completed by the fourth (4th) quarter of 2015, the Proposed Acquisition is expected to contribute positively to the consolidated earnings of MESB for the FYE 31 March 2016, which will accordingly improve the EPS of MESB.

For illustration purposes, based on the audited consolidated financial statements of MESB for the FYE 31 March 2015, the proforma effects of the Proposed Acquisition on the consolidated earnings and EPS of MESB assuming that the Proposed Acquisition had been completed as at 1 April 2014, being the beginning of the said financial year are as follows:-

	Audited for the FYE 31 March 2015 (RM'000)	After the Proposed Acquisition (RM'000)
Consolidated PAT attributable to the shareholders of the Company	1,250	^{(1) (2)} 2,656
No. of shares ('000)	⁽³⁾ 42,000	⁽³⁾ 42,000
EPS (RM)	0.03	0.06

Notes:-

- (1) Assuming that the Purchase Consideration will be fully satisfied by internally generated funds and after taking into consideration the latest audited PAT of Active for the FYE 30 June 2015 of about RM2.01 million and the estimated expenses in relation to the Proposed Acquisition of RM0.60 million.

(2) Assuming Active's FYE is the same as that of MESB, i.e. 31 March.

(3) Based on 42,000,000 MESB Shares outstanding as at the LPD.

6.3 NA and gearing

The proforma effects of the Proposed Acquisition on the consolidated gearing of MESB and NA per MESB Share based on the audited consolidated financial statements of MESB for the FYE 31 March 2015 assuming that the Proposed Acquisition had been effected on 31 March 2015 are as follows:-

	Audited as at 31 March 2015 (RM'000)	After the Proposed Acquisition (RM'000)
Share capital	42,000	42,000
Share premium	5	5
Capital reserve	37	37
Retained profits	40,578	⁽¹⁾ 39,978
Shareholders' equity/NA	82,620	82,020
No. of shares ('000)	42,000	42,000
NA per share (RM)	1.97	1.95
Borrowings (RM'000)	15,548	⁽²⁾ 25,175
Gearing (times)	0.19	0.31

Notes:-

- (1) After taking into consideration the estimated expenses in relation to the Proposed Acquisition of RM0.60 million and with the assumption that the Proposed Acquisition will not give rise to any negative goodwill, which can only be determined with certainty at completion.
- (2) After consolidating the outstanding borrowings of Active of about RM9.63 million as at 30 June 2015 and based on the assumption that the Purchase Consideration will be fully satisfied by internally generated funds.

7.0 APPROVALS REQUIRED

The Proposed Acquisition is subject to the following approvals being obtained:-

- (i) the shareholders of MESB for the Proposed Acquisition at the EGM to be convened; and
- (ii) any other relevant authorities and/or parties (if applicable).

8.0 CONDITIONALITY

The Proposed Acquisition is not conditional upon any other corporate proposals undertaken or to be undertaken by MESB.

9.0 DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the Directors, major shareholders and/or persons connected with the Directors and/or major shareholders of MESB has any interest, direct or indirect, in the Proposed Acquisition.

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10.0 DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, having considered all aspects of the Proposed Acquisition, including but not limited to the rationale, financial effects, terms of the SSA, valuations and risks associated with the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interest of the Company. Accordingly, on the basis above, the Board recommends you to vote in favour of the resolution to give effect to the Proposed Acquisition to be tabled at the forthcoming EGM.

11.0 OUTSTANDING CORPORATE EXERCISES

Save for the Proposed Acquisition, which is the subject matter of this Circular and as disclosed below, there are no other intended corporate exercises/schemes which have been announced but yet to be completed by the MESB Group prior to the printing of this Circular:-

- (i) On 15 July 2015, MESB entered into a share sale agreement with Trillion Reward Sdn Bhd to dispose of its entire stake of 600,000 ordinary shares of RM1.00 each in PDC, which represents 40% equity interest in PDC, for a total cash consideration of RM9.00 million. This transaction is currently pending the approvals of the Board of Directors and other shareholders of PDC.

12.0 ESTIMATED TIME FRAME FOR COMPLETION OF THE PROPOSED ACQUISITION

Subject to the approvals as stated in Section 7.0 of this Circular being obtained and barring any unforeseen circumstances, the Proposed Acquisition is expected to be completed by the fourth (4th) quarter of 2015. The tentative timetable in relation to the implementation of the Proposed Acquisition is set out below:-

Date	Events
30 September 2015	Convening of the EGM to obtain the approval of MESB's shareholders for the Proposed Acquisition
By the fourth (4 th) quarter of 2015	Completion of the Proposed Acquisition

13.0 EGM

The EGM, the notice of which is enclosed in this Circular, will be held at Room 3, Level 2, Hotel Sri Petaling, 30, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur on Wednesday, 30 September 2015 at 10.00 a.m. or immediately after the conclusion or adjournment (as the case may be) of the Twentieth (20th) Annual General Meeting of MESB to be held at the same venue on the same day at 9.30 a.m., whichever is later, for the purpose of considering and, if thought fit, passing the ordinary resolution pertaining to the Proposed Acquisition.

If you are unable to attend and vote in person at the EGM, you should complete, sign and return the Proxy Form enclosed with this Circular in accordance with the instructions printed therein as soon as possible so as to arrive at Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan no later than forty-eight (48) hours before the time stipulated for holding the EGM or any adjournment thereof. The lodgement of the Proxy Form will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

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14.0 FURTHER INFORMATION

Shareholders are advised to refer to the attached Appendices of this Circular for further information.

Yours faithfully,
For and on behalf of the Board
MESB BERHAD

TEOH HWA PENG
Chief Executive Officer

SALIENT TERMS OF THE SSA

The salient terms of the SSA are as follows:-

1.1 Agreement

Upon the terms and subject to the conditions of the SSA, in consideration of the mutual covenants contained in the SSA and further in reliance upon the representations, warranties, covenants and undertakings by the Vendors as contained in the SSA, the Vendors agree to sell and MESB agrees to purchase the Active Shares, on a "willing buyer willing seller" basis, free from all encumbrances, claims, charges and lien together with all rights attached thereto and all dividends, rights and distributions declared in respect thereof after the date of the SSA (excluding any dividend to be paid in accordance with Section 1.5(i) of this Appendix I) at the Purchase Consideration of RM19,000,000 only upon the terms and subject to the conditions appearing in the SSA.

1.2 Purchase Consideration and Satisfaction

- (i) The Purchase Consideration was arrived at on a "willing buyer willing seller" basis after taking into consideration of the following:-
- (a) the historical and prospective earnings potential of Active;
 - (b) the unaudited NA of Active as at 31 March 2015 of approximately RM21,600,000 and the dividend of up to RM4,000,000 which may be declared and paid by Active to the Vendors in accordance with Section 1.5(i) of this Appendix I; and
 - (c) prospects of Active.
- (ii) MESB and the Vendors (collectively, "**Parties**" or any one of them, "**Party**") agree that the Purchase Consideration shall be paid by MESB in the following time and manner:-
- (a) upon execution of the SSA, a sum of RM1,900,000 only, being the earnest deposit and as part payment of the Purchase Consideration ("**Deposit**") shall be paid by MESB to MESB's solicitors for the Proposed Acquisition ("**Purchaser's Solicitors**") as stakeholders to be held and dealt with by the Purchaser's Solicitors in accordance with the terms and conditions of the SSA*;
- * *The Purchaser's Solicitors had on 31 July 2015 received the Deposit from MESB.*
- (b) the balance purchase price of RM17,100,000 only ("**Balance Purchase Consideration**") shall be paid by MESB to the Purchaser's Solicitors as stakeholders on the Completion Date; and
 - (c) the Deposit and the Balance Purchase Consideration received by the Purchaser's Solicitors as a stakeholder shall, together with interest earned thereon, if any, be released to the Vendors or their nominees within seven (7) days from the Completion Date.
- (iii) In the event the Completion does not take place by the expiry of the Completion Period, the Parties agreed to extend the Completion Period by an additional one (1) month from the expiry of the Completion Period ("**Extended Completion Period**"), provided that the Extended Completion Period shall be subject to interest at eight (8)% per annum calculated on the Balance Purchase Consideration on a daily basis, from the relevant due date until the Completion Date.

1.3 Conditions Precedent

- (i) The SSA shall be conditional upon the following Conditions Precedent being achieved and/or procured within the Conditional Period failing which the SSA shall become null and void:-
- (a) MESB shall procure the approvals of its Directors and shareholders for the acquisition of the Active Shares;

SALIENT TERMS OF THE SSA (CONT'D)

- (b) the Vendors shall permit MESB to enter Active's premises for the purposes of due diligence and that the results of any financial, commercial and legal due diligence to be conducted by MESB on Active are to the satisfaction of MESB;
 - (c) the Vendors shall at their own costs ensure that the licensee of the Intellectual Property, i.e. Jordone, is duly authorised by the proprietor of the Intellectual Property to use the Intellectual Property for at least five (5) years from the Completion Date and has granted Active, by way of assignment, the right to use the Intellectual Property for the business operation of Active;
 - (d) the Vendors shall procure the consents or approvals of banks or financial institutional lenders, with which Active is maintaining banking facilities ("Active's Lenders"), for Active to continue to maintain the said banking facilities with conditions not more onerous or detrimental to Active;
 - (e) the Vendors shall provide an undertaking that all existing securities/collateral/guarantees provided to Active's Lenders for Active's banking facilities will not be withdrawn until MESB has provided or caused to be provided alternative securities/collateral/guarantees in lieu thereof;
 - (f) Active shall cause full settlement of all and any outstanding amount owing to AmBank (M) Berhad under the Multi-Trade Facilities granted to Exis by AmBank (M) Berhad but utilised by Active. As at the LPD, the total outstanding amount owing to AmBank (M) Berhad was RM931,000;
 - (g) the Vendors shall procure a confirmation letter from Jordone that it will not recall the sum owing to Jordone by Active in the sum of RM1,005,104.73, being outstanding management fee payable to Jordone for its provision of, inter alia, accounting, human resources and administration services to Active for the FYE 30 June 2015, from Active prior to the completion of the Disposals of Active's Investment Properties; and
 - (h) the Parties shall procure the approval(s) and waiver(s) of such other authorities, licensors, financial institutions, creditors, lenders and/or other parties for the sale and purchase of the Active Shares, if necessary, which approval(s) and/or waivers shall be procured with conditions not more onerous or detrimental to Active than those presently existing, where applicable.
- (ii) The SSA shall be deemed unconditional upon the receipt of all the approvals, waivers or consents and/or fulfillment or waiver or the deemed acceptance of the same and the compliance and fulfillment of other conditions as set out in Section 1.3(i) of this Appendix I which shall in any event be within the Conditional Period.
 - (iii) In the event that the Conditions Precedent are not fulfilled within the Conditional Period or such extended period as the Parties may mutually agree upon, or the approvals of the relevant authorities/parties are, after appeal has been made in accordance with the terms of the SSA, upon terms and subject to conditions that are not acceptable to either Party, then either Party shall be entitled to terminate the SSA by giving notice to that effect to the other Party and thereupon the Vendors shall refund the Deposit to MESB together with interest earned thereon (by way of the Purchaser's Solicitors releasing the Deposit together with interest earned thereon to MESB), if any, and neither Party shall have any claim against the other Party thereafter save and except for antecedent breach. The Deposit together with interest earned thereon shall be refunded to MESB within seven (7) days from the day the Vendors give or receive the termination notice in accordance with this Section 1.3(iii) of Appendix I.
 - (iv) Although it is intended that the transaction set out in the SSA shall only be implemented upon all the Conditions Precedent being satisfied, MESB shall have the absolute discretion and to the extent permissible by law and regulations, proceed with waiving any one or more of such Conditions Precedent.

SALIENT TERMS OF THE SSA (CONT'D)

1.4 Completion

- (i) Provided that the SSA has not been terminated in accordance with the terms and conditions contained in the SSA and:
 - (a) no event of default has occurred or would occur as a result of the completion of the SSA;
 - (b) the Conditions Precedent as set out in Section 1.3(i) of this Appendix I have been procured, obtained and/or fulfilled by the Parties or waived by MESB;
 - (c) there has been no material adverse change in the operation and financial condition of Active since 30 June 2014, being the date up to which Active's latest audited financial statements were prepared;
 - (d) each of the representations and warranties set out in the SSA remains accurate at the Completion Date as if given on that date by reference to the facts and circumstances then existing;
 - (e) the Vendors have not breached any undertakings, representations, warranties and covenants under the SSA; and
 - (f) no governmental entity shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, injunction or other order, whether temporary, preliminary or permanent, which is in effect and which has or would have the effect of making the transaction contemplated by the SSA illegal or restraining or prohibiting consummation of such transaction,

then, subject to the provisions of the SSA and in particular subject to the Vendors delivering and causing to be delivered all documents pertaining to Active and/or necessary to effect the sale and purchase of the Active Shares in accordance with the terms of the SSA ("**Completion Documents**"), the Vendors shall, on the Completion Date, complete the transfer of the Active Shares under the SSA.

1.5 Understanding of the Parties

- (i) The Parties agree that the Vendors shall be entitled to declare and pay a dividend for a total sum of up to RM4,000,000 for the FYE 30 June 2015, which shall be paid by Active prior to the Completion Date, subject to availability of cash, fulfillment of all corporate laws of Malaysia and the audited NA of Active as at 30 June 2015 not being less than RM17,600,000 after adjusting for the aforesaid dividend ("**Adjusted NA**"). The Adjusted NA shall be verified by MESB or its appointed auditors, representatives or agents upon the declaration of the aforesaid dividend.
- (ii) The Parties acknowledge that Active has disposed of the Active's Investment Properties via sale and purchase agreements dated 19 June 2015 with Jordone. The Parties agree that MESB shall be reimbursed by the Vendors in cash in the event that any losses, costs and/or expenses (including solicitor's costs) are incurred for any reason whatsoever by MESB and/or Active in relation to the Disposals of Active's Investment Properties during the period subsequent to the FYE 30 June 2015 until the full completion of the Disposals of Active's Investment Properties. For clarity, any losses, costs and/or expenses (including solicitor's costs) incurred by Active in relation to the Disposals of Active's Investment Properties on or before 30 June 2015 will be borne by Active.

In addition, the Vendors jointly and severally undertake to purchase the Active's Investment Properties from Active in the event that there is a termination of any or all of the sale and purchase agreements in relation to the Disposals of Active's Investment Properties dated 19 June 2015 for whatsoever reason ("**Re-purchase of Property**"). The Parties further agree that MESB shall be reimbursed by the Vendors in cash in the event that any losses, costs and/or

SALIENT TERMS OF THE SSA (CONT'D)

expenses (including solicitor's costs) are incurred for any reason whatsoever by MESB and/or Active in relation to the Re-purchase of Property.

The Parties further agree that any gain and/or profit arising out of or in connection with the Disposals of Active's Investment Properties and the Re-purchase of Property transactions shall be excluded from Active's audited PAT for the FYE 30 June 2016 ("Active's PAT 2016") in determining the attainment and achievement of the Profit Guarantee.

1.6 Profit Guarantee

- (i) In consideration of the terms and conditions of the SSA and subject to and upon the terms and conditions contained in the SSA, the Profit Guarantors jointly and severally agree, undertake and covenant with and guarantee that Active shall attain and achieve the Profit Guarantee i.e. audited PAT of not less than RM2,500,000 for the FYE 30 June 2016.
- (ii) In the event Active fails to achieve the Profit Guarantee, the Profit Guarantors and MESB agree and confirm that the Profit Guarantors shall pay to MESB an amount to be derived from the following formula in accordance with Section 1.6(v) of this Appendix I:-

$$\text{Compensation} = \text{Profit Guarantee} - \text{Active's PAT 2016}$$

- (iii) In the event Active incurs losses for the FYE 30 June 2016, the Profit Guarantors and MESB agree and confirm that the Profit Guarantors shall pay to MESB an amount to be derived from the following formula in accordance with Section 1.6(v) of this Appendix I:-

$$\text{Compensation} = \frac{\text{The absolute value of the audited losses}}{\text{after taxation amount for the FYE 30 June 2016}} + \text{Profit Guarantee}$$

- (iv) Upon the finalisation of the audited financial statements of Active for the FYE 30 June 2016, MESB shall as soon as practicable notify the Profit Guarantors in writing whether the Profit Guarantee has been achieved and if there is any shortfall, then inform the Profit Guarantors of the shortfall and the amount of compensation.
- (v) The Profit Guarantors shall within thirty (30) days from the receipt of the notification as set out in Section 1.6(iv) of this Appendix I pay to MESB the applicable compensation amount, failing which the Profit Guarantors shall be liable to pay MESB interest on such sum that remains outstanding calculated at the rate of eight (8)% per annum on a daily basis commencing from the date of the notification as set out in Section 1.6(iv) of this Appendix I till the date such sum that remains outstanding is fully paid.

1.7 Termination

- (i) On the occurrence of any of the events of default and provided that the event of default occurs before the Completion Date, the other non-defaulting Party ("**Non-Defaulting Party**") may (but is not obliged to) give notice in writing to the defaulting Party ("**Defaulting Party**") requiring the Defaulting Party to remedy the said default or breach within fourteen (14) days of the receipt of such notice or such extended period as may be allowed by the Non-Defaulting Party ("**Remedy Notice**"). The Remedy Notice shall include the defaulting conduct of the Defaulting Party. For the avoidance of doubt, in the event that such conduct of default relates to Active, then it shall be deemed to be the default of the Vendors.
- (ii) If the Defaulting Party fails to remedy the relevant default or breach within the said fourteen (14) days or such extended period as may be allowed by the Non-Defaulting Party after being given notice by the Non-Defaulting Party to rectify such breach, and:-
 - (a) if the Non-Defaulting Party is MESB, MESB shall be entitled to terminate the SSA by giving notice to the Vendors and in any event within fourteen (14) days from the date of the said termination, MESB shall be entitled to cause the Purchaser's Solicitors to

SALIENT TERMS OF THE SSA (CONT'D)

immediately return the Deposit (together with interest earned thereon, if any) to MESB and the Vendors shall within fourteen (14) days from the date of the said termination pay to MESB in cash an additional sum equivalent to the Deposit ("**Due Date**"), failing which the Vendors shall be liable to pay MESB interest. Interest shall be calculated at the rate of eight (8)% per annum and computed on a daily basis from the first (1st) day after the Due Date. Thereafter, the SSA shall become null and void and cease to have any effect and neither Party shall have any further claim or claims against each other save and except for antecedent breach; or

- (b) if the Non-Defaulting Party is the Vendors, the Vendors shall be entitled to terminate the SSA by giving notice to MESB and in any event within fourteen (14) days from the date of the said termination, the Vendors shall be entitled to cause the Purchaser's Solicitors to immediately release the Deposit (together with interest earned thereon, if any) to the Vendors. Thereafter, the SSA shall become null and void and cease to have any effect and neither Party shall have any further claim or claims against each other save and except for antecedent breach.

In addition, if the Completion Documents have been delivered to MESB, MESB shall return the same to the Vendors and thereafter the SSA shall become null and void and cease to have any effect and neither Party shall have any further claim or claims against each other save and except for antecedent breach.

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INFORMATION ON ACTIVE

1.0 HISTORY AND BUSINESS

Active was incorporated in Malaysia as a private limited company under the Act on 31 July 2004. It commenced business operations on 1 June 2005 in developing and distributing ready-to-wear men's casual apparel such as shirts, pants, jackets and basic accessories under the "Jeep" brand in Malaysia. In 2007, Active started to develop and distribute women's range of casual apparel under the "Jeep" brand in Malaysia. In 2010, Active launched the "Jeep" brand of apparel for children in Malaysia. As at the LPD, Active operates more than 100 consignment counters nationwide for the "Jeep" brand of apparel and accessories.

The "Jeep" brand, which originated from the United States of America, has a long history beginning in 1941 and is widely recognised as a global brand. It represents the spirit of adventure and ultimate feeling of freedom. The target market for Active's "Jeep" brand of products is both men and women from middle income group of between 20 and 35 years of age, and children from middle income families of between 3 and 14 years of age. The principal market for Active's "Jeep" brand of products is Malaysia.

As at the LPD, Active's principal place of business is in Kampung Baru Balakong, Seri Kembangan, Selangor where it utilises office and warehousing space totalling about 30,000 square feet in an office-cum-warehouse building owned by Jordone named Jordone Corporate Centre. Active's apparel and accessories production function is outsourced to local external manufacturers directly or foreign external manufacturers in China and India via buying houses. For the FYE 30 June 2015, approximately 58% of Active's apparel and accessories in RM value were manufactured by foreign external manufacturers, whilst the remaining 42% were manufactured by local external manufacturers.

Upon completion of the Proposed Acquisition, Active intends to occupy its existing office and warehousing space within Jordone Corporate Centre on a tenanted basis until appropriate premises for relocation has been identified by the management of MESB Group. As at the LPD, Active incurs monthly rental of RM20,000 for tenancy of office and warehousing space within Jordone Corporate Centre. The current tenancy agreement, which will expire on 30 June 2017, is for 2 years with an option to renew for a further 2 years.

Prior to the date of the SSA, Active had, on 19 June 2015, entered into sale and purchase agreements with Jordone for the disposals of the Active's Investment Properties for a total cash consideration of RM8.69 million with due regard given to their unaudited combined net book value of RM8.70 million as at 31 March 2015. The Active's Investment Properties, both of which are vacant land, were acquired by Active on 11 September 2013 for a total purchase consideration of RM8.39 million for investment and/or future development purposes. The acquisitions of the Active's Investment Properties were funded by a combination of internally generated funds and bank borrowings. After taking into consideration that the Active's Investment Properties will not contribute positively to the financial performance of Active on a direct and immediate basis, which may in turn deter potential buyers of Active, the Disposals of Active's Investment Properties were undertaken by Active to realign the balance sheet structure of Active to those of retail apparel companies. The Disposals of Active's Investment Properties are expected to be completed by the second (2nd) quarter of 2016. The proceeds of RM8.69 million arising from the Disposals of Active's Investment Properties are intended to be utilised in the following manner:-

Utilisation of proceeds	Expected time frame for utilisation from completion	Amount (RM'000)
Repayment of borrowings ⁽¹⁾	Within one (1) month	4,451
Working capital requirements ⁽²⁾	Within six (6) months	4,239
Total		8,690

Notes:-

(1) *Being bank borrowings previously procured for the acquisitions of the Active's Investment Properties.*

INFORMATION ON ACTIVE (CONT'D)

- (2) Intended to be utilised for Active's working capital requirements which include payment to creditors, rental expenses, payment of salaries as well as other operating expenses. The proceeds to be utilised for each component of working capital are subject to the operating requirements of Active at the time of utilisation and therefore has not been specifically determined at this juncture.

2.0 SHARE CAPITAL, DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the LPD, the authorised share capital of Active is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, of which 2,500,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

The Directors of Active, all of whom are Malaysians, and their respective shareholdings in Active as at the LPD are as follows:-

Director	Designation	No. of ordinary shares of RM1.00 each in Active held			
		Direct	%	Indirect	%
Siow Sea Nen	Director	2,374,999	95.00	⁽¹⁾ 125,000	5.00
Chua Jin Kau	Director	-	-	-	-
Siow Kok Chang	Director	-	-	-	-
Ng Kim Wah	Director	-	-	-	-

Note:-

- (1) Deemed interest by virtue of the direct interest of his spouse, namely Chen Mui Yong, in Active.

The substantial shareholders of Active, all of whom are Malaysians, and their respective shareholdings in Active as at the LPD are as follows:-

Substantial shareholders	No. of ordinary shares of RM1.00 each in Active held			
	Direct	%	Indirect	%
Siow Sea Nen	2,374,999	95.00	⁽¹⁾ 125,000	5.00
Chen Mui Yong	125,000	5.00	⁽¹⁾ 2,374,999	95.00

Note:-

- (1) Deemed interest by virtue of the direct interest of his/her spouse in Active.

3.0 SUBSIDIARY AND ASSOCIATED COMPANY

As at the LPD, Active does not have any subsidiary or associated company.

4.0 FINANCIAL INFORMATION

The historical financial information of Active for the past three (3) FYE 30 June 2013 to FYE 30 June 2015 are as follows:-

	← Audited →		
	FYE 30 June 2013 (RM'000)	FYE 30 June 2014 (RM'000)	FYE 30 June 2015 (RM'000)
Revenue	33,561	33,591	31,920
Profit before tax	4,067	3,838	2,777
Tax expense	(1,015)	(1,371)	(771)
PAT	3,052	2,467	2,006
Shareholders' equity/NA	16,854	19,321	21,327

INFORMATION ON ACTIVE (CONT'D)

	←----- Audited ----->		
	FYE 30 June 2013 (RM'000)	FYE 30 June 2014 (RM'000)	FYE 30 June 2015 (RM'000)
Paid-up share capital	2,500	2,500	2,500
Total borrowings	3,513	8,555	9,627
Gross EPS (RM)	1.63	1.54	1.11
Net EPS (RM)	1.22	0.99	0.80
NA per share (RM)	6.74	7.73	8.53
Current ratio (times)	2.26	1.68	2.92
Gearing ratio (times)	0.21	0.44	0.45
Total dividend paid (RM)	-	-	-

Commentaries on Past Financial Performance

- (i) For the FYE 30 June 2013, Active achieved a revenue of RM33.56 million which was 9.85% higher than the revenue of RM30.55 million recorded for the FYE 30 June 2012 mainly attributable to the stronger sales of children apparel resulting from enhanced market awareness of "Jeep" children apparel through Active's marketing and promotion activities. Notwithstanding the higher revenue achieved, Active recorded a lower PAT of RM3.05 million as compared to a PAT of RM4.69 million for the FYE 30 June 2012 mainly due to, inter alia, a one-off impairment loss on other receivables of about RM1.64 million and an increase in advertisement expenses of about RM1.30 million.
- (ii) For the FYE 30 June 2014, Active achieved a revenue of RM33.59 million which was marginally higher than the revenue of RM33.56 million recorded for the FYE 30 June 2013. Notwithstanding this, Active recorded a lower PAT of RM2.47 million as compared to a PAT of RM3.05 million for the FYE 30 June 2013 due to, inter alia, a back charge of personnel expenses of about RM1.83 million and an increase in directors' remuneration of about RM0.62 million. The said back charge of personnel expenses was attributable to management fee payable to Jordone for its provision of, inter alia, accounting, human resources and administration services to Active.
- (iii) For the FYE 30 June 2015, Active achieved a revenue of RM31.92 million which was 4.97% lower than the revenue of RM33.59 million recorded for the FYE 30 June 2014 mainly attributable to lower sales volume recorded following upward price adjustments for products to elevate brand image, consolidation of non-performing consignment counters as well as weakened consumer sentiment after implementation of the Goods and Services Tax in April 2015. In tandem with the lower revenue and also due to higher cost of sales, Active recorded a lower PAT of RM2.01 million as compared to a PAT of RM2.47 million for the FYE 30 June 2014 notwithstanding a decrease of administrative expenses from RM11.86 million for the FYE 30 June 2014 to RM9.59 million for the FYE 30 June 2015.

There were no specific accounting policies adopted which are peculiar to Active because of the nature of Active's business or the industry it is involved in.

There have been no audit qualifications on Active's financial statements during the financial years under review.

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INFORMATION ON ACTIVE (CONT'D)

5.0 LATEST AUDITED FINANCIAL STATEMENTS OF ACTIVE TOGETHER WITH THE
NOTES AND AUDITORS' REPORT

Active Fit Sdn. Bhd.

(Company No. 661413-A)

(Incorporated in Malaysia)

**Financial statements for the year
ended 30 June 2015**

 INFORMATION ON ACTIVE (CONT'D)

1

Active Fit Sdn. Bhd.

(Company No. 661413-A)

(Incorporated in Malaysia)

Directors' report for the year ended 30 June 2015

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 30 June 2015.

Principal activities

The Company is principally engaged in brand building, concept development, fashion designing, sourcing, marketing, distribution and retailing of casual apparels and accessories. There has been no significant change in the nature of these activities during the financial year.

Results

	RM'000
Profit for the year	<u>2,006</u>

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the Company declared an interim single tier dividend of 80 sen per ordinary share totalling RM2,000,000 in respect of the financial year ended 30 June 2015 on 24 July 2015.

The Directors do not recommend any final dividend to be paid for the financial year under review.

Directors of the Company

Directors who served since the date of the last report are:

Siow Sea Nen

Chua Jin Kau

Siow Kok Chang

Ng Kim Wah (appointed on 12 May 2015)

INFORMATION ON ACTIVE (CONT'D)

2

Company No. 661413-A

Directors' interests in shares

The interests and deemed interests in the shares of the Company of those who were Directors at financial year end (including the interests of the spouse of a Director who herself is not a director of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1.00 each			
	At 1.7.2014	Bought	Sold	At 30.6.2015
Interests in the Company:				
Siow Sea Nen - own	2,375,000	-	(1)	2,374,999
- others *	125,000	-	-	125,000

* Chen Mui Yong is the spouse of Siow Sea Nen. In accordance with Section 134(12)(c) of the Companies Act, 1965, the interests and deemed interests of Chen Mui Yong in the shares of the Company shall be treated as the interests of Siow Sea Nen also.

None of the other Directors holding office as at 30 June 2015 had any interest in the shares of the Company during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with the Company in the ordinary course of business and billed the Company for personnel expenses as disclosed in Note 18 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

INFORMATION ON ACTIVE (CONT'D)

3

Company No. 661413-A

Other statutory information

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Company for the financial year ended 30 June 2015 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

INFORMATION ON ACTIVE (CONT'D)

4

Company No. 661413-A

Significant event

In June 2015, the Company entered into a Sale and Purchase Agreement with a company in which certain Directors have significant financial interests in to dispose of the Company's entire investment properties for a total cash consideration of RM8,690,000. As at the end of the current financial year, the disposal is pending the fulfilment of certain conditions precedent and is expected to be completed in the next financial year.

Subsequent event

In July 2015, the shareholders of the Company entered into a Share Sale Agreement with a third party to dispose of the shareholders' entire equity interest in the Company for a total cash consideration of RM19,000,000. The disposal is pending the fulfilment of certain conditions precedent and is expected to be completed in the next financial year.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:



Siow Sea Nen



Chua Jin Kau

Kuala Lumpur,

Date: 08 SEP 2015

INFORMATION ON ACTIVE (CONT'D)

5

Active Fit Sdn. Bhd.

(Company No. 661413-A)

(Incorporated in Malaysia)

Statement of financial position as at 30 June 2015

	Note	2015 RM'000	2014 RM'000
Assets			
Plant and equipment	3	1,919	1,937
Investment properties	4	-	8,717
Deferred tax assets	5	273	323
Total non-current assets		2,192	10,977
Inventories	6	17,921	23,721
Trade and other receivables	7	10,397	6,675
Prepayments		15	4
Current tax assets		665	-
Cash and cash equivalents	8	1,339	1,209
		30,337	31,609
Assets classified as held for sale	9	8,695	-
Total current assets		39,032	31,609
Total assets		41,224	42,586
Equity			
Share capital	10	2,500	2,500
Retained earnings		18,827	16,821
Total equity		21,327	19,321
Liabilities			
Loans and borrowings	11	6,530	4,459
Total non-current liability		6,530	4,459
Trade and other payables	12	10,270	14,630
Loans and borrowings	11	3,097	4,096
Current tax liabilities		-	80
Total current liabilities		13,367	18,806
Total liabilities		19,897	23,265
Total equity and liabilities		41,224	42,586

The notes on pages 10 to 38 are an integral part of these financial statements.

INFORMATION ON ACTIVE (CONT'D)

6

Active Fit Sdn. Bhd.

(Company No. 661413-A)

(Incorporated in Malaysia)

Statement of profit or loss and other comprehensive income for the year ended 30 June 2015

	Note	2015 RM'000	2014 RM'000
Revenue		31,920	33,591
Cost of sales		(18,764)	(17,327)
Gross profit		13,156	16,264
Other income		195	31
Administrative expenses		(9,594)	(11,855)
Other expenses		(456)	(382)
Results from operating activities		3,301	4,058
Finance costs	13	(524)	(220)
Profit before tax	14	2,777	3,838
Tax expense	15	(771)	(1,371)
Profit for the year and total comprehensive income for the year		2,006	2,467

The notes on pages 10 to 38 are an integral part of these financial statements.

INFORMATION ON ACTIVE (CONT'D)

7

Active Fit Sdn. Bhd.

(Company No. 661413-A)

(Incorporated in Malaysia)

**Statement of changes in equity for the year ended
30 June 2015**

	Share capital RM'000	<i>Distributable</i> Retained earnings RM'000	Total equity RM'000
At 1 July 2013	2,500	14,354	16,854
Profit and total comprehensive income for the year	-	2,467	2,467
At 30 June 2013/1 July 2014	2,500	16,821	19,321
Profit and total comprehensive income for the year	-	2,006	2,006
At 30 June 2015	2,500	18,827	21,327

The notes on pages 10 to 38 are an integral part of these financial statements.

INFORMATION ON ACTIVE (CONT'D)

8

Active Fit Sdn. Bhd.

(Company No. 661413-A)

(Incorporated in Malaysia)

Statement of cash flows for the year ended 30 June 2015

	2015 RM'000	2014 RM'000
Cash flows from operating activities		
Profit before tax	2,777	3,838
<i>Adjustments for:</i>		
Depreciation of investment properties	50	9
Depreciation of plant and equipment	405	373
Finance costs	524	220
Operating profit before working capital changes	<u>3,756</u>	<u>4,440</u>
Change in inventories	5,800	(7,192)
Change in trade and other receivables and prepayments	(3,733)	2,739
Change in trade and other payables	<u>(4,360)</u>	<u>6,649</u>
Cash generated from operations	1,463	6,636
Interest paid	(53)	(23)
Tax paid	(1,481)	(1,393)
Tax refunded	15	-
Net cash (used in)/from operating activities	<u>(56)</u>	<u>5,220</u>
Cash flows from investing activities		
Acquisition of investment properties	(28)	(8,726)
Acquisition of plant and equipment	<u>(387)</u>	<u>(366)</u>
Net cash used in investing activities	<u>(415)</u>	<u>(9,092)</u>
Cash flows from financing activities		
Change in pledged deposits	(149)	(211)
Interest paid on loans and borrowings	(471)	(197)
Proceeds from bank loans	2,514	4,890
Repayment of finance lease liabilities	(36)	(33)
(Repayment)/Drawdown of bankers' acceptances	<u>(1,850)</u>	<u>807</u>
Net cash from financing activities	<u>8</u>	<u>5,256</u>
Net (decrease)/increase in cash and cash equivalents	(463)	1,384
Cash and cash equivalents at 1 July 2014/2013	<u>351</u>	<u>(1,033)</u>
Cash and cash equivalents at 30 June	<u>(112)</u>	<u>351</u>

INFORMATION ON ACTIVE (CONT'D)

9

Company No. 661413-A

Statement of cash flows for the year ended 30 June 2015

(continued)

Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	Note	2015 RM'000	2014 RM'000
Deposits placed with a licensed bank	8	527	378
Less: Pledged deposits		<u>(527)</u>	<u>(378)</u>
Cash and bank balances	8	812	831
Bank overdrafts	11	<u>(924)</u>	<u>(480)</u>
		<u>(112)</u>	<u>351</u>

The notes on pages 10 to 38 are an integral part of these financial statements.

 INFORMATION ON ACTIVE (CONT'D)

10

Active Fit Sdn. Bhd.

(Company No. 661413-A)

(Incorporated in Malaysia)

Notes to the financial statements

Active Fit Sdn. Bhd. is a private limited liability company, incorporated and domiciled in Malaysia. The address of the principal place of business and registered office of the Company is as follows:

Principal place of business/Registered office

Jordone Corporate Centre
 Lot 1910, Kawasan Perindustrian
 Kg. Baru Balakong
 43300 Seri Kembangan
 Selangor Darul Ehsan

The Company is principally engaged in brand building, concept development, fashion designing, sourcing, marketing, distribution and retailing of casual apparels and accessories.

The financial statements were authorised for issue by the Board of Directors on
08 SEP 2015.

1. Basis of preparation**(a) Statement of compliance**

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board but have not been adopted by the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*

Company No. 661413-A

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016 (continued)

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*

The Company plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 July 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for MFRS 14, Amendments to MFRS 10, Amendments to MFRS 11, Amendments to MFRS 12, Amendments to MFRS 128 and Amendments to MFRS 134, which are not applicable to the Company.
- from the annual period beginning on 1 July 2017 for the accounting standard that is effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 July 2018 for the accounting standard that is effective for annual periods beginning on or after 1 January 2018.

Company No. 661413-A

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Company except as mentioned below:

(i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfer of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*.

The Company is currently assessing the financial impact that may arise from the adoption of MFRS 15.

(ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Company is currently assessing the financial impact that may arise from the adoption of MFRS 9.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

Company No. 661413-A

1. Basis of preparation (continued)

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

(a) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

Company No. 661413-A

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Company categorises financial instruments as follows:

Financial assets

Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets are subject to review for impairment (see note 2(h)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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