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

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

**PROPOSED DISPOSAL OF 8,000,000 ORDINARY SHARES OF RM1.00 EACH
REPRESENTING 100% EQUITY INTEREST IN MAINTENANCE ENGINEERING SDN BHD TO
TEPAT PESONA SDN BHD FOR A TOTAL CASH CONSIDERATION OF RM4,500,000**

PRINCIPAL ADVISER



INVESTMENT BANK
HWANGDBS INVESTMENT BANK BERHAD (14389-U)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

An Extraordinary General Meeting (“**EGM**”) will be held at Peacock 8, 6th Floor, Pearl International Hotel, Batu 5, Jalan Klang Lama, 58000 Kuala Lumpur, Malaysia on Monday, 19 March 2012, at 9.30 a.m. or at any adjournment thereof. The notice of EGM, together with the Form of Proxy, is enclosed in this Circular.

You are requested to complete the enclosed Form of Proxy and deposit it at Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time and date indicated below if you are unable to attend the EGM. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

Date of Record of Depositors for the purpose of determining : Monday, 12 March 2012
Members’ entitlement to attend, vote and speak at the EGM

Last date and time for lodging the Form of Proxy : Saturday, 17 March 2012 at 9.30 a.m.

Date and time of EGM : Monday, 19 March 2012 at 9.30 a.m. or at any adjournment thereof

This Circular is dated 29 February 2012

DEFINITIONS

Except where the context otherwise requires, the following terms and abbreviations shall apply throughout the Circular:

“Act”	: Companies Act, 1965, as amended from time to time and any re-enactment thereof
“Agreement”	: Sale and purchase of shares agreement between MESB and TPSB dated 9 January 2012 in relation to the Proposed ME Disposal
“Board”	: Board of Directors of MESB
“Bursa Securities”	: Bursa Malaysia Securities Berhad (Company No.: 635998-W)
“Circular”	: Circular to shareholders of MESB dated 29 February 2012 in relation to the Proposed ME Disposal
“DCLSB”	: Dynamic Communication Link Sdn Bhd (Company No.: 368852-V)
“DCLSB Share(s)”	: Ordinary share(s) of RM1.00 each in DCLSB
“EGM”	: Extraordinary general meeting
“EPS”	: Earnings per share
“FPE”	: Financial period ended/ending, as the case may be
“FYE”	: Financial year ended/ending, as the case may be
“HwangDBS” or “Principal Adviser”	: HwangDBS Investment Bank Berhad (Company No.: 14389-U)
“LATMI”	: Loss after taxation and minority interest
“LBTMI”	: Loss before taxation but after minority interest
“Listing Requirements”	: Main Market Listing Requirements of Bursa Securities and all amendments thereto
“LPD”	: 31 January 2012, being the latest practicable date prior to the printing of this Circular
“LPS”	: Loss per share
“ME”	: Maintenance Engineering Sdn Bhd (Company No.:10538-D)
“ME Share(s)”	: Ordinary share(s) of RM1.00 each in ME
“MESB” or “Company” or “Vendor”	: MESB Berhad (Company No.: 337554-D)
“MESB Group” or “Group”	: MESB and its subsidiaries
“MESB Share(s)”	: Ordinary share(s) of RM1.00 each in MESB
“NA”	: Net assets
“PATMI”	: Profit after taxation and minority interest
“PBTMI”	: Profit before taxation but after minority interest
“PER”	: Price to earnings ratio

DEFINITIONS

- “Proposed DCLSB Disposal” : Proposed disposal of 275,000 DCLSB Shares representing 55% equity interest in DCLSB by MESB to Touch Mindscape Sdn Bhd for a total cash consideration of RM15,000,000, which was announced on 1 December 2011. The circular to shareholders in relation to the Proposed DCLSB Disposal was despatched on 20 January 2012. The EGM was held on 15 February 2012 and the ordinary resolution in relation to the Proposed DCLSB Disposal was approved by the shareholders of MESB. The Proposed DCLSB Disposal is currently pending completion pursuant to the terms of the share sale agreement between MESB and Touch Mindscape Sdn Bhd.
- “Proposed ME Disposal” : Proposed disposal of 8,000,000 Sale Shares representing 100% equity interest in ME by MESB to TPSB for a total cash consideration of RM4,500,000
- “RM” and “sen” : Ringgit Malaysia and sen respectively
- “Sale Shares” : 8,000,000 ME Shares to be disposed of by MESB to TPSB
- “SC” : Securities Commission of Malaysia
- “TPSB” or “Purchaser” : Tepat Pesona Sdn Bhd (Company No.: 876039-K)

Unless specifically referred to, words denoting the singular shall include the plural and vice versa and words denoting the masculine gender shall include the feminine gender and vice versa. References to persons shall include corporations.

Any reference in this Circular to any statute is a reference to that statute as for the time being amended or re-enacted.

Any reference to time of day in this Circular is a reference to Malaysian time, unless otherwise stated.

All references to “you” in this Circular are to the shareholders of the Company.

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**LETTER TO THE SHAREHOLDERS OF MESB
IN RELATION TO THE PROPOSED ME DISPOSAL**



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

29 February 2012

Board of Directors:

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

To: The Shareholders of MESB Berhad

Dear Sir/Madam

PROPOSED ME DISPOSAL

1. INTRODUCTION

On 9 January 2012, HwangDBS, on behalf of the Board, announced that the Company had on the same day entered into the Agreement with TPSB for the proposed disposal of 8,000,000 ME Shares representing 100% equity interest in ME for a total cash consideration of RM4,500,000.

On 13 January 2012 and 16 January 2012, HwangDBS, on behalf of the Board, announced further information pursuant to the announcement made on 9 January 2012.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED ME DISPOSAL AND TO SEEK YOUR APPROVAL FOR THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED ME DISPOSAL TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE FORM OF PROXY IS ENCLOSED IN THIS CIRCULAR.

WE ADVISE YOU TO READ AND CONSIDER THE CONTENTS OF THIS CIRCULAR CAREFULLY BEFORE VOTING ON THE ORDINARY RESOLUTION TO GIVE EFFECT TO THE PROPOSED ME DISPOSAL AT THE FORTHCOMING EGM.

2. THE PROPOSED ME DISPOSAL

MESB is proposing to dispose of its 100% equity interest in ME comprising 8,000,000 ME Shares to TPSB for a total cash consideration of RM4,500,000.

ME is principally engaged in the supply of engineering equipments, spare parts and tools, and the undertaking of engineering and construction projects.

Further information on ME is set out in Appendix I of this Circular.

2.1 Basis and justification for the sale consideration

The sale consideration of RM4,500,000 for the Proposed ME Disposal was arrived at on a 'willing buyer-willing seller' basis after taking into account the earnings track record and capacity, the adjusted NA and the contingent liabilities relating to litigations and/or claims of ME as disclosed to TPSB pursuant to the Agreement (please refer to Section 6 of Appendix III of this Circular for details of the material litigation relating to the above).

Based on ME's audited financial statements for the FYE 31 December 2007, FPE 31 March 2009, FYE 31 March 2010 and 2011, the sale consideration of RM4,500,000 for a 100% equity interest in ME represents the following implied PER:

	FYE 31 December 2007	⁽¹⁾ FPE 31 March 2009	FYE 31 March 2010	FYE 31 March 2011
PATMI/(LATMI) (RM'000)	134	(1,887)	(1,632)	⁽²⁾ 5,765
PER (times)	33.58	⁽³⁾ N/A	⁽³⁾ N/A	0.78

Note:

- (1) Covers a period of 15 months, from 1 January 2008 to 31 March 2009, due to a change in FYE.
- (2) Includes non-recurring income which was attributed to compensation received on insurance claim of approximately RM7,429,000, pursuant to damages incurred on several transmission towers. While carrying out tensioning works at a section of a transmission line, one (1) of the transmission towers collapsed, which caused further damages to four (4) adjacent transmission towers leading to their subsequent collapse. For illustrative purposes, assuming that there is no non-recurring income of the above nature, ME's PATMI will be a LATMI of RM1,664,000 instead and the corresponding PER would accordingly be not applicable.
- (3) Not applicable, due to ME's losses.

The audited NA of ME based on its audited financial statements as at 31 March 2011 was approximately RM8,692,000. After taking into account certain internal transactions as set out in the table below, the adjusted NA of ME will be approximately RM8,196,000. Therefore, the sale consideration of RM0.56 per Sale Share represents a discount of RM0.46 or 45% below the adjusted NA per ME Share of RM1.02 as at 31 March 2011.

The Board is of the view that the discount of 45% below the adjusted NA per ME Share is fair due to the less than favourable earnings potential of ME, its inability to secure new sustainable construction projects in its sphere of expertise which is in the construction of transmission lines, and ME's contingent liabilities amounting to approximately RM7,614,000 relating to the material litigation as described in Section 6 of Appendix III of this Circular. Although the Directors of MESB are of the opinion that ME stands a good chance of disputing a substantial part of the plaintiff's claim, there is no assurance that ME is able to successfully defend its position.

The Board is also of the view that ME is expected to incur losses following its inability to secure new sustainable construction projects. This is congruent with the sharp erosion of ME's revenue from approximately RM13,439,000 (an annualised revenue of approximately RM10,751,000) for the FPE 31 March 2009, to approximately RM5,940,000 for the FYE 31 March 2010, and to approximately RM3,577,000 for the FYE 31 March 2011. The rationale for the Proposed ME Disposal is further elaborated in Section 4 below.

	Note	Net adjustments RM'000	As at 31 March 2011 RM'000
Audited NA			8,692
Less:			
• Transfer of the cost of investment in a club membership by ME to one of ME's Directors as a benefit-in-kind	(1) (2)	(146)	
• Loss arising from the transfer by ME of 10,002 ordinary shares of RM1.00 each representing 100% equity interest in its subsidiary, Crystal United Sdn Bhd, to MESB	(1) (3)	(185)	
• Loss arising from the disposal of motor vehicles by ME to MESB	(4)	(165)	(496)
Adjusted NA			<u>8,196</u>

Note:

- (1) *These 2 transfers were contemplated prior to the entry into the Agreement in respect of the Proposed ME Disposal and they do not form part of the Proposed ME Disposal.*
- (2) *The club membership was previously held in trust by a Director of ME and ME had recorded the cost of investment of the club membership of RM146,000 as an asset item in its Statement of Financial Position as at 31 March 2011. For the FYE 31 March 2012 however, ME's cost of investment of RM146,000 in the club membership is being recognised as a benefit-in-kind to one of ME's Directors as part of the Director's remuneration package. Therefore, the said cost of investment is being recognised as an expense item in ME's Statement of Comprehensive Income for the FYE 31 March 2012 instead. The transfer did not involve any cash consideration and was effected through accounting entries on 30 November 2011.*
- (3) *Crystal United Sdn Bhd holds a parcel of industrial land located at Lot No. 10, Jalan Perusahaan 1, Kawasan Perusahaan Beranang, Selangor Darul Ehsan, and a building which is currently being used as a store on the said land. The building was constructed in 2002. The book value of the said properties based on the audited consolidated financial statements of MESB as at 31 March 2011 was RM1,669,334. The transfer was completed on 21 November 2011 and the consideration which was for a nominal cash amount of RM2 has been received by ME in full. The basis for the nominal consideration amount of RM2 was arrived at on a 'willing buyer-willing seller' basis and was intended to be an internal rationalisation exercise. ME incurred a loss on transfer as the consideration was at the nominal amount of RM2 as opposed to its net book value of approximately RM185,000, thus benefiting MESB where MESB is able to retain the abovementioned properties at a nominal consideration amount of RM2. The transfer was effected to enable MESB to retain the abovementioned properties for usage within the MESB Group.*
- (4) *Pursuant to the disposal to be made prior to the completion of the Proposed ME Disposal. The disposal is expected to be completed by the end of March 2012 and will be satisfied by cash. ME is expected to incur a loss on disposal as the consideration is based on the agreed amount of RM609,007 as opposed to its net book value of RM773,890, thus benefiting MESB where MESB is able to retain the abovementioned motor vehicles at a lower consideration amount of RM609,007. The disposal is intended to enable MESB to retain the abovementioned motor vehicles for usage within the MESB Group.*

Eleven (11) motor vehicles are to be disposed of by ME to MESB; four (4) of which are under hire purchase agreements (denoted by * below) and will be settled and redeemed by ME before the completion of their disposals. The net book value (based on the unaudited management accounts of ME as at 30 November 2011 pursuant to the Agreement) and type of motor vehicles to be disposed of by ME to MESB are as follows:

	<i>Motor vehicles:</i>	<i>Net book value as at 30 November 2011 (RM)</i>	<i>Disposal consideration (RM)</i>
1.	Mitsubishi Pajero (1993)	⁽¹⁾ 1	1
2.	Mitsubishi Pajero (1993)	⁽¹⁾ 1	1
3.	Mitsubishi Pajero (1997)	⁽¹⁾ 1	1
4.	Proton Magma (1997)	⁽¹⁾ 1	1
5.	Suzuki Jimmy (1997)	⁽¹⁾ 1	1
6.	Suzuki Jimmy (2000)	⁽¹⁾ 1	1
7.	Mitsubishi Pajero (2002)	⁽¹⁾ 1	1
8.	Ford Ranger* (2005)	⁽¹⁾ 1	⁽²⁾ 8,000
9.	Toyota Vellfire* (2010)	184,800	⁽²⁾ 78,000
10.	Mercedes Benz R300* (2010)	276,532	⁽²⁾ 269,000
11.	Mercedes Benz E250* (2010)	312,550	⁽²⁾ 254,000
	Total	773,890	⁽²⁾609,007

Note:

- (1) These motor vehicles have been fully depreciated. ME adopts the straight-line method of depreciation.
- (2) The basis for the disposal consideration amounts were arrived at on a 'willing buyer-willing seller' basis, after taking into the account the amount outstanding as at 31 December 2011, being the cut-off date for purposes of determining the amount outstanding under their respective hire purchase agreements. The disposal consideration amounts were agreed upon pursuant to the terms of the Agreement.

The sale consideration of RM4,500,000 shall be settled in accordance with the terms of the Agreement, as set out in Section 3 (ii) and Section 3 (ix) below.

2.2 Liabilities to be assumed

Save for the liabilities disclosed in the financial statements of ME, and the contingent liabilities relating to litigations and/or claims amounting to approximately RM7,634,000* as disclosed to TPSB pursuant to the Agreement, there are no other liabilities to be assumed by TPSB pursuant to the Proposed ME Disposal.

Note:

- * This amount comprise a contingent liability amounting to approximately RM7,614,000 (please refer to Section 6 of Appendix III of this Circular, for details of the material litigation) and a contingent liability amounting to approximately RM20,000 (pursuant to a litigation involving ME, the amount of which is not expected to have a material effect on the financial position or business of ME).

2.3 Information on TPSB

TPSB is a company limited by shares incorporated in Malaysia under the Companies Act 1965 since 21 October 2009. It has an authorised share capital of RM500,000 comprising 500,000 ordinary shares of RM1.00 each and issued and paid-up share capital of RM450,000 comprising 450,000 ordinary shares of RM1.00 each. Prior to the entry into the Agreement for the Proposed ME Disposal, TPSB has not commenced its business operations.

The Directors of TPSB are Tan Cher Siew and Wong Nam Keong.

The shareholders of TPSB and their shareholdings are as follows:

Name	As at the LPD			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Tan Cher Siew	449,950	99.99	-	-
Wong Nam Keong	50	0.01	-	-

2.4 Proposed utilisation of proceeds

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

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

Note:

(1) *ME, as an operating subsidiary, has been providing financial support to its holding company, MESB since 1996, the balance amount of which shall be paid and settled pursuant to the Agreement. The repayment of the said balance amount will be a full settlement by MESB to ME. The amount owing by MESB to ME is unsecured, interest-free and repayable on demand and is to be settled in cash.*

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

ME generated profit and cashflow in the past and the provision of financial support was a means of utilising the available cash resources of ME. Based on MESB's unaudited quarterly Statement of Financial Position as at 30 September 2011, MESB has cash and bank balances of approximately RM1,700 at the company level and approximately RM8,101,000 at the group level (assuming that the cash and bank balances of ME and DCLSB as at 30 September 2011 are deconsolidated from the Group, in view of the ongoing Proposed ME Disposal and Proposed DCLSB Disposal, MESB Group would report a proforma cash and bank balance as at 30 September 2011 of approximately RM1,761,000). However, MESB is expected to receive gross cash proceeds of RM15,000,000 from the Proposed DCLSB Disposal following its completion, therefore for the next twelve (12) months, the Board is of the view that MESB would have sufficient funds to pay for its day-to-day operations after the Proposed ME Disposal. Any shortfall will be funded from any proposed dividends or financial support from its operating subsidiaries, as MESB's principal activity is in investment holding.

- (2) ME provided financial support to its related companies (MESB Capital & Development Sdn Bhd (formerly known as Maintenance Capital & Development Sdn Bhd), MESB Agriculture Sdn Bhd, DCLSB and Crystal United Sdn Bhd, all of which form part of the MESB Group) in previous years, the balance amount of which shall be paid and settled pursuant to the Agreement. The trade balances are subject to the normal trade credit terms granted by ME, while the non-trade balances are unsecured, interest-free and repayable on demand. The amounts are to be settled in cash.

The total borrowings of MESB Group as at the LPD is approximately RM24,185,000. However there will no savings in interest cost arising from the repayment of amounts owing to ME as the amounts owing are non-interest-bearing.

The net amount owing by MESB and its related companies to ME is approximately RM5,196,000 (based on the unaudited management accounts of ME as at 30 November 2011 pursuant to the Agreement) whilst the net proceeds from the Proposed ME Disposal (after deducting the estimated expenses of RM180,000 to be incurred for the Proposed ME Disposal) is RM4,320,000 resulting in a shortfall amounting to approximately RM876,000 which shall be paid and settled using the internally generated funds of MESB Group. Please refer to the table below for further details on the amounts owing and its manner of settlement:

Companies	Amount owing to ME as at 30 November 2011 (A) RM'000	Amount owing by ME as at 30 November 2011 (B) RM'000	Net amount owing by MESB and its related companies to ME (A less B) RM'000	Manner of settlement as per the Agreement	
				As per Section 3 (ix)(a) below RM'000	As per Section 3 (ix)(c) below RM'000
MESB	1,968.8	-	1,968.8	(1,968.8)	-
MESB Capital & Development Sdn Bhd ^{(a)(b)}	2,673.5	-	2,673.5	(31.2)	(2,642.3)
MESB Agriculture Sdn Bhd ^{(a)(c)}	9.5	-	9.5	-	(9.5)
DCLSB ^(d)	42.9	-	42.9	-	(42.9)
Crystal United Sdn Bhd ^(e)	1,317.9	-	-	-	-
Set off: MESB Development Sdn Bhd ^{(a)(f)}	-	(93.0)	-	-	-
Miroza Leather (M) Sdn Bhd ^{(a)(g)}	-	(723.5)	501.3	-	(501.3)
				(2,000.0)	(3,196.0)
Total	^(h) 6,012.6	^(h) (816.5)	^(h) 5,196.0	(5,196.0)	

Note:

- (a) A wholly-owned subsidiary of MESB.
- (b) The financial support provided by ME to MESB Capital & Development Sdn Bhd (formerly known as Maintenance Capital & Development Sdn Bhd) was used by the latter to purchase a 6-storey shop-office/office located at No. 63, Jalan 8/146, Bandar Tasik Selatan, Jalan Sg. Besi, 57000 Kuala Lumpur in 1995. The book value of the said property based on the audited consolidated financial statements of MESB as at 31 March 2011 was RM2,662,413.
- (c) For FYE 31 March 2011, the financial support provided by ME to MESB Agriculture Sdn Bhd was used by the latter to pay for secretarial fees, auditors' fees and miscellaneous expenses.

- (d) *A 55%-owned subsidiary of MESB. On 1 December 2011, MESB announced that the Company had entered into a share sale agreement with Touch Mindscape Sdn Bhd for the proposed disposal of 275,000 ordinary shares of RM1.00 each, representing 55% equity interest in DCLSB, for a total cash consideration of RM15,000,000. The circular to shareholders in relation to the Proposed DCLSB Disposal was despatched on 20 January 2012. The EGM was held on 15 February 2012 and the ordinary resolution in relation to the Proposed DCLSB Disposal was approved by the shareholders of MESB. The Proposed DCLSB Disposal is currently pending completion pursuant to the terms of the share sale agreement between MESB and Touch Mindscape Sdn Bhd. MESB's management intends to recover the said amount from DCLSB prior to the completion of the Proposed DCLSB Disposal.*

For FYE 31 March 2011, the financial support provided by ME to DCLSB was used by the latter to finance the day-to-day operations of DCLSB which include payments made for the hire of cranes and vehicles and miscellaneous expenses.

- (e) *A wholly-owned subsidiary of MESB which was previously held through ME. The shares held in Crystal United Sdn Bhd were transferred from ME to MESB on 21 November 2011.*

The financial support provided by ME to Crystal United Sdn Bhd was substantially used by the latter to purchase a parcel of industrial land located at Lot No. 10, Jalan Perusahaan 1, Kawasan Perusahaan Beranang, Selangor Darul Ehsan in 1992, and also to pay for the construction cost of the building which is currently being used as a store on the said land. The building was constructed in 2002. The book value of the said properties based on the audited consolidated financial statements of MESB as at 31 March 2011 was RM1,669,334.

For FYE 31 March 2011, the financial support provided by ME to Crystal United Sdn Bhd was also used by the latter to pay for secretarial fees, fee payable to relevant authorities, auditors' fees, insurance and miscellaneous expenses.

- (f) *The amount owing by ME to MESB Development Sdn Bhd substantially relates to advances given by the latter since 2006. The cash advances were given on 22 February 2006 (of RM30,000), 13 September 2006 (of RM10,000), 21 March 2007 (of RM5,818), 15 June 2007 (of RM5,800), 21 June 2007 (of RM5,000) and 25 May 2009 (of RM46,500). The advances were used by ME to finance the day-to-day operations of ME which include secretarial fees, auditors' fees, wages, salaries, allowances, gratuities and bonuses, travelling expenses, professional fees, donations, commitment fees, entertainment, telephone charges, corporate gifts and miscellaneous expenses.*

- (g) *The amount owing by ME to Miroza Leather (M) Sdn Bhd substantially relates to rental accruing to the latter for the office premises being occupied by ME since 2006, and also for the purchase of a motor vehicle by ME from Miroza Leather (M) Sdn Bhd in 2010. Other amounts owing by ME to Miroza Leather (M) Sdn Bhd relates to advances given by the latter for payment to suppliers and miscellaneous expenses since 2007.*

- (h) *Differences are due to rounding adjustments.*

- (3) *The estimated expenses include professional fees, fees payable to relevant authorities and other related expenses incurred on the Proposed ME Disposal. Any shortfall or excess in funds allocated for estimated expenses will be funded from its internally generated funds or to be used for working capital purposes.*

3. SALIENT TERMS OF THE AGREEMENT

The salient terms of the Agreement include, amongst others, the following:

(i) Sale of ME

Subject to the terms and conditions of the Agreement, MESB (“Vendor”) has agreed to sell and TPSB (“Purchaser”) has agreed to purchase the Sale Shares free from all liens, pledges, charges and all other encumbrances whatsoever and with all rights attached thereto or accruing thereon from the date of the Agreement including without limitation, all bonuses, rights, dividends and other distributions declared, paid or made thereof.

(ii) Consideration

The cash consideration for the Sale Shares is RM4,500,000 (“Purchase Price”) and shall be paid by the Purchaser to the Vendor in the manner as set out below:

- (a) A sum of RM450,000 (“Deposit”) shall be paid by the Purchaser to the Vendor upon the execution of the Agreement. The Deposit shall be refundable in full and free of interest to the Purchaser in the event the Conditions Precedent under Section 3 (iii) below are not fulfilled or under Section 3 (v) below is deemed not fulfilled; and
- (b) The balance of the Purchase Price amounting to RM4,050,000 shall be payable upon the fulfilment of Section 3 (iii) and Section 3 (x) below, and shall be payable in accordance with Section 3 (ix) below.

Note: In the event the Conditions Precedent under Section 3 (iii) below are not fulfilled or under Section 3 (v) below is deemed not fulfilled, the Deposit shall be refundable in full and free of interest to the Purchaser upon demand.

(iii) Conditions Precedent

The sale of the Sale Shares to the Purchaser is subject to and conditional upon:

- (a) The approval(s), if required, of the SC and/or Bursa Securities (“Approvals”) in relation to the Proposed ME Disposal within seventy (70) days from the date of the Agreement (“Fulfilment Date”); and
- (b) The Vendor obtaining the approval of its shareholders at an EGM to be convened for the Proposed ME Disposal within the Fulfilment Date.

(iv) Approvals not Obtained or Pending

In the event the Conditions Precedent is not fulfilled without the fault of the Vendor or are pending upon the expiration of the time for fulfilling that particular Condition Precedent or if the Vendor and the Purchaser agreed to an extension of time then upon the expiration of such extension, the Agreement shall be terminated by either the Vendor or the Purchaser by giving fourteen (14) days notice in writing, and the Vendor shall refund free of interest the Deposit and all other payments paid by the Purchaser to the Vendor in accordance with the Agreement and upon such refund being made the Agreement shall become null and void and the Vendor and the Purchaser shall have no claim whatsoever against the other on any matter in respect of or arising out of the Agreement.

(v) **Conditional Approval**

The Vendor and the Purchaser agree that any letter or document from the relevant authorities to the effect that it has no objection to the Proposed ME Disposal shall be deemed to be an approval of the relevant authority. Provided always that in the event the SC, Bursa Securities or any other relevant authorities/bodies/parties:

- (a) grants its approval subject to terms and conditions which are not acceptable to the Purchaser or the Vendor (“**Affected Party**”) and the Affected Party has given notice in writing to the other party and applies to the relevant authorities/bodies/parties for a waiver or variation within fourteen (14) days of receipt of the notification of the conditions by the SC, Bursa Securities or any other relevant authorities/bodies/parties and if such application for a waiver or variation is refused or is pending by the time the period stipulated for obtaining the Conditions Precedent in Section 3 (iii) above, or any extension has expired,

then such approval shall be deemed not to have been obtained and the provisions of Section 3 (iv) above shall apply unless the Affected Party agrees to accept the terms and conditions of the approval of the relevant authorities/bodies/parties referred to in Section 3 (iii) (a) and/or (b) above, as the case may be.

(vi) **Basis of Sale**

Notwithstanding any provision to the contrary contained in the Agreement, the sale and purchase of the Sale Shares shall be on the basis that on the date of the Agreement and on completion of the sale and purchase of the Sale Shares:

- (a) ME shall have and shall be the legal and beneficial owner of those assets disclosed in the audited financial statements of ME for the FYE 31 March 2011 and the management accounts of ME as at 30 November 2011 (“**Accounts**”), and unless disclosed in the Accounts and in the Agreement, shall be free from all charges, liens interest and encumbrances whatsoever;
- (b) ME shall have no liabilities whatsoever other than those disclosed to the Purchaser in writing or disclosed in the Accounts or in the Agreement; and
- (c) the purchase of ME shall be on an ‘as is where is’ basis;

and that the Purchaser shall be entitled to the benefit of the business of ME or shall bear the loss suffered by ME, as the case may be, from the time the Purchaser takes over management of ME pursuant to the terms of the Agreement. Provided further that the Vendor and the Purchaser acknowledge and confirm that the following ME’s registration certificates shall be transferred and taken over by the Vendor or the Vendor’s nominee(s) and that the Purchaser shall assist and do such thing as necessary to effect such transfer:

<u>Registration Certificate No.</u>	<u>Type</u>	<u>Issued By</u>	<u>Validity</u>
1006 A 94 0141	Kelas A ⁽¹⁾	Pusat Khidmat Kontraktor	10 May 2010 to 9 May 2012
1006 A 94 E165	Kelas I ⁽²⁾	Pusat Khidmat Kontraktor	9 November 2010 to 8 November 2012
3000025	Kontraktor Kerja Awam ⁽³⁾	Tenaga Nasional Berhad	Valid until 9 May 2012

Note:

- (1) *For the purpose of undertaking civil engineering works, building works, mechanical, sanitary and water engineering works (including the supply of equipment), other specialist civil engineering works, and forest and land development.*
- (2) *For the purpose of undertaking electrical works.*
- (3) *ME is registered as a “Kontraktor Kerja Awam” of Tenaga Nasional Berhad.*

Please refer to Section 1 of Appendix I of this Circular for the full list of ME's current registration certificates which are being disposed of as part and parcel of the Proposed ME Disposal. However, out of the five (5) registration certificates currently held by ME, pursuant to the terms of the Agreement the above three (3) registration certificates shall be transferred and be taken over by the Vendor or the Vendor's nominee(s), where the Purchaser shall assist and do such thing as necessary to effect the said transfer. Please refer to Section 5.3 below on the risk relating to the above transfer of registration certificates.

As at the LPD, MESB does not have any other subsidiary that is involved in the same business as ME. However, MESB intends to retain the abovementioned registration certificates for usage within the MESB Group for prospective projects, should such prospective opportunities present itself to the Group.

(vii) Warranties and Representations

The Vendor's warranties and representations in the Agreement shall remain true and accurate. The warranties, representations and undertakings given by the Vendors in the Agreement and in the audited financial statements of ME for the FYE 31 March 2011 are subject to the matters disclosed in the Agreement. Provided always that all the warranties and representations in the Agreement shall in all respect be extinguished on the completion of the Due Diligence Audit (as defined in Section 3 (viii) below) or on the termination of the Agreement as the Purchaser is purchasing ME on an 'as is where is' basis.

(viii) Due Diligence Audit

- (a) Upon the execution of the Agreement, the Purchaser shall be entitled to make a full audit by auditors to be appointed by the Purchaser ("Auditors") of the components of the balance sheet items of ME including the financial statements and the stocks, the plant and machinery and the investments of ME ("Due Diligence Audit") and the Vendor undertakes to supply and grant access to the Purchaser or its representatives such information necessary for the Due Diligence Audit. The Due Diligence Audit shall be carried out and completed within twenty-one (21) working days from the date of the Agreement ("Due Diligence Audit Period"). Provided always that in the event that the documents requested for the Due Diligence Audit are not forwarded by the Vendor within 24 hours from the date of request, the Due Diligence Audit Period shall be extended accordingly by the numbers of days delayed.
- (b) If the Purchaser fails to carry out the Due Diligence Audit or fails to give notice of any material adverse findings within the Due Diligence Audit Period then it is deemed that the Purchaser is satisfied with the findings of the Due Diligence Audit and shall proceed to complete the Proposed ME Disposal in accordance with and subject to the provisions of the Agreement.
- (c) In the event the Due Diligence Audit reveals any material discrepancy(ies) in the accounts of ME, the Purchaser shall within seven (7) days from the expiry of the Due Diligence Audit Period notify the Vendors in writing itemising the material discrepancies. The Vendors shall within seven (7) days of receipt of the notice meet with the Purchaser to resolve the discrepancy(ies). In the event that the material discrepancy(ies) cannot be resolved, the Purchaser shall be entitled to terminate the Agreement whereby the Vendor shall refund to the Purchaser within fourteen (14) working days all monies paid to the Vendors free of interest. For purposes of this clause only, a material discrepancy shall mean any discrepancy that is in the excess of RM500,000.

(ix) Special Condition

The Purchaser covenants, undertakes and agrees to pay the balance of the Purchase Price amounting to RM4,050,000 to the Vendor in the following manner:

- (a) A sum of RM2,000,000 to ME on the Completion Date (as defined in Section 3 (x) below) to set off the sum of monies due by the Vendor and/or the related companies of the Vendor (as set out in the table under Section 2.4 above);
- (b) The balance thereof amounting to a sum of RM2,050,000 shall be paid by the Purchaser to the Vendor on the Completion Date; and
- (c) Within three (3) working days from the date of the compliance by the Purchaser of Section 3 (ix) (a) and (b) above, the Vendor shall pay and fully settle the amount due by the Vendor and/or the Vendor's related companies by depositing the said sum in a form of a cheque in favour of ME, to the Purchaser's solicitors as stakeholders and irrevocably authorised by the parties to release the said sum to ME.

Note:

Pursuant to the Agreement, the amounts to be paid and fully settled are as set out in the table under Section 2.4 above.

The Agreement does not provide for any late payment charges to be imposed on the Purchaser in the event of late payment by the Purchaser. However, in the event of a default by the Purchaser, the Vendor shall be entitled to terminate the Agreement. The rights of the Vendor under such circumstances are set out under Section 3 (xi) below.

(x) Completion Date

Subject to the Approvals by all relevant authorities and/or bodies, completion of the Proposed ME Disposal shall take place on or before the expiry of thirty (30) days after the last of the Conditions Precedent referred to in Section 3 (iii) above been fulfilled ("Completion Date") in the manner as stipulated in the Agreement.

(xi) Default by Purchaser

In the event that the Purchaser fails to complete the sale and purchase of the Sale Shares in accordance with the Agreement and the Vendor being ready, willing and able to complete the Agreement, the Vendor shall be entitled to terminate the Agreement by giving notice in writing to the Purchaser and the Agreement shall be determined. Thereafter, the Agreement shall be terminated and be null and void without prejudice to the rights of the Vendor to claim for damages. It is agreed that the Vendor shall be entitled to the sum of RM450,000 as agreed liquidated damages.

(xii) Default by Vendor

In the event that the Vendor fails to complete the sale and purchase of the Sale Shares in accordance with the Agreement and the Purchaser being ready, willing and able to complete the Agreement (and without prejudice to the generality of the foregoing, the Vendor's failure to comply with its obligations pursuant to the terms of the Agreement and/or that any of the representations, warranties or covenants of the Vendor contained in the Agreement shall be false, incorrect or misrepresented) the Purchaser shall be entitled to terminate the Agreement by giving notice in writing to the Vendor and the Agreement shall be determined and the Vendor shall refund without interest, the Deposit. It is agreed that the Purchaser shall be entitled to the sum of RM450,000 as agreed liquidated damages.

(xiii) Costs

The Vendor and the Purchaser shall each bear their respective solicitors' costs in respect of the Agreement and their respective costs in preparing the applications for and obtaining the requisite consents and approvals required to be obtained by the Vendor or the Purchaser (including without limitation all costs, fees and expenses payable by that party to investment bankers, the SC and to all other professionals and authorities in connection with its application for such consents and approvals and the Due Diligence Audit). The Purchaser shall bear the stamp duties and other relevant costs and expenses in perfecting the transfer of the Sale Shares to the Purchaser.

4. RATIONALE FOR THE PROPOSED ME DISPOSAL

Due to the less than favourable earnings potential of ME and its inability to secure new sustainable construction projects in its sphere of expertise which is in the construction of transmission lines, as evidenced by the significant contraction in the year-on-year revenue of ME, the Board is of the view that the Proposed ME Disposal would provide an exit opportunity for the Group.

The Proposed ME Disposal also represents a timely exit for MESB to divest its investment in ME which is expected to incur losses. For the financial period/years under review, i.e. FPE 31 March 2009 and FYE 31 March 2010, ME's LATMI was approximately RM1,887,000 and RM1,632,000 respectively. For FYE 31 March 2011, ME reported a PATMI of approximately RM5,765,000. However, this includes non-recurring income which was attributed to compensation received on insurance claim, pursuant to damages incurred on several transmission towers, of approximately RM7,429,000. For illustrative purposes, assuming that there is no non-recurring income of the above nature, ME's PATMI will be a LATMI of RM1,664,000 instead.

For further information, please refer to Section 3 of Appendix I of this Circular on the financial information of ME.

Further, the cash proceeds arising from the Proposed ME Disposal would enable the MESB Group to settle substantially the amounts which are owing to ME. In total, the amount owing by MESB Group to ME as of 30 November 2011 (based on the unaudited management accounts of ME as at 30 November 2011 pursuant to the Agreement) amounted to RM5,196,000. Pursuant to the Proposed ME Disposal, MESB Group will receive proceeds (after deducting the estimated expenses of RM180,000 to be incurred for the Proposed ME Disposal) of RM4,320,000. This represents a shortfall amounting to approximately RM876,000 which shall be paid and settled using the internally generated funds of MESB Group.

Prior to the Proposed ME Disposal, MESB had also on 1 December 2011 entered into a share sale agreement with Touch Mindscape Sdn Bhd for the proposed disposal of 275,000 ordinary shares of RM1.00 each, representing 55% equity interest in DCLSB, for a total cash consideration of RM15,000,000. The circular to shareholders in relation to the Proposed DCLSB Disposal was despatched on 20 January 2012. The EGM was held on 15 February 2012 and the ordinary resolution in relation to the Proposed DCLSB Disposal was approved by the shareholders of MESB. The Proposed DCLSB Disposal is currently pending completion pursuant to the terms of the share sale agreement between MESB and Touch Mindscape Sdn Bhd.

The Board is of the view that both the Proposed ME Disposal and the Proposed DCLSB Disposal are in the best interest of MESB and wishes to highlight the benefits of the Proposed ME Disposal and Proposed DCLSB Disposal as follows:

- (1) With the Proposed ME Disposal, the Board will be able to exit from a potential loss-making company. As shown in Section 2.1 above, ME has had inconsistent business performance and had displayed losses for the FPE 31 March 2009 and FYE 31 March 2010. Although ME displayed a PATMI for the FYE 31 March 2011 of approximately RM5,765,000, this figure includes non-recurring income which was attributed to compensation received on insurance claim of approximately RM7,429,000, pursuant to damages incurred on several transmission towers. For illustrative purposes, assuming that there is no non-recurring income of the above nature, ME's PATMI for the FYE 31 March 2011 will be a LATMI of RM1,664,000 instead.
- (2) Although DCLSB had contributed positively to the earnings of the Group, the Board is of the view that the Proposed DCLSB Disposal would provide a good opportunity for the Group to unlock the value and realise its investment in DCLSB, given that the disposal consideration of RM15,000,000 would be at a significant premium of approximately RM11,597,000 or 341% to DCLSB's audited NA as at 31 March 2011, based on MESB's 55% equity interest in DCLSB of approximately RM3,403,000 (100% equity interest: RM6,188,000). The cash proceeds would provide additional funds for the working capital of the Group, as well as future investments. The proceeds for working capital and future investments will be utilised to fund the expansion of the Group's existing businesses as well as to finance the acquisition and/or investment into synergistic and/or new viable ventures for the Group, in order to enhance the earnings of the Group. Furthermore, there is substantial risk to the future earnings potential of DCLSB. For further information on this risk, please refer to Section 4 of the circular to shareholders in relation to the Proposed DCLSB Disposal dated 20 January 2012.

Following the completion of the Proposed ME Disposal and the Proposed DCLSB Disposal, MESB will continue to hold equity interest in the following companies under its Group:

Name of company	Effective Equity Interest	Principal activities
<u>Subsidiaries</u>		
Miroza Leather (M) Sdn Bhd ("Miroza")	100%	Trading in leather products
Maintenance Capital & Development Sdn Bhd	100%	Investment holding
Crystal United Sdn Bhd ⁽¹⁾	100%	Investment holding
MESB Development Sdn Bhd	100%	Dormant
MESB Agriculture Sdn Bhd	100%	Dormant
<u>Associate company</u>		
PDC Telecommunication Services Sdn Bhd ("PDC")	40%	Development, rental and legalisation of the telecommunication base transceiver stations in the State of Penang

Note:

- (1) A wholly-owned subsidiary of MESB which was previously held through ME. The shares held in Crystal United Sdn Bhd were transferred from ME to MESB on 21 November 2011.

The Board's current business plan for the following companies are as follows:

Miroza

The Board plans to focus on its business of leather goods and handbags trading. MESB through its wholly-owned subsidiary, Miroza, currently trades on the following products:

<u>Brands</u>	<u>Items</u>
Alain Delon	Wallets, belts, bags, cufflinks, tie bars, ladies handbags and purses
Giossardi	Ladies handbags and purses
Pierre Balmain	Wallets, belts, bags, cufflinks, tie bars, ladies handbags and purses
Pierre Cardin	Wallets, belts, ladies handbags and purses

Based on MESB's latest available unaudited quarterly results as at 30 September 2011, MESB, through its wholly-owned subsidiary, Miroza, has about 231 consignment retail counters throughout departmental stores in Malaysia. The company also has about 16 consignment retail counters in Vietnam, which generated approximately RM719,000 in revenue and incurred loss after taxation of approximately RM541,000 for the 6 month FPE 30 September 2011. After careful assessment of its target markets, the Board intends to progressively expand the company's consignment retail counter presence, focusing mainly on Malaysia.

The Board is also actively seeking and evaluating the possible acquisitions of several leather accessory and handbag brands to strengthen and expand the Group's retail business.

Barring unforeseen circumstances, the Board anticipates continued growth in the trading segment. Nonetheless, the Group's prospects are expected to be influenced by competitive trading conditions.

Maintenance Capital & Development Sdn Bhd

The Board intends to retain its wholly-owned subsidiary, Maintenance Capital & Development Sdn Bhd, which currently holds a 6-storey shop-office/office located at No. 63, Jalan 8/146, Bandar Tasik Selatan, Jalan Sg. Besi, 57000 Kuala Lumpur. The property was acquired in 1995 and is currently being rented out to its related company, Miroza, for its business operations. The book value of the said property based on the audited consolidated financial statements of MESB as at 31 March 2011 was RM2,662,413.

Crystal United Sdn Bhd

The Board also intends to retain its wholly-owned subsidiary, Crystal United Sdn Bhd, which currently holds a parcel of industrial land located at Lot No. 10, Jalan Perusahaan 1, Kawasan Perusahaan Beranang, Selangor Darul Ehsan, and a building which is currently being used as a store on the said land. The land was acquired in 1992 while the building was constructed in 2002. The book value of the said properties based on the audited consolidated financial statements of MESB as at 31 March 2011 was RM1,669,334.

PDC

In relation to MESB's investment in its associate company, PDC, the Board remains optimistic on the future prospects of the company and intends to retain its investment in PDC. PDC is principally engaged in the development, rental and legalisation of the telecommunication base transceiver stations in the state of Penang. MESB acquired a 40% equity interest in PDC pursuant to a joint venture agreement between MESB and PDC Premier Holdings Sdn Bhd which was entered into on 25 September 2006. Pursuant to the joint venture agreement, MESB and PDC Premier Holdings Sdn Bhd are to co-operate with one another for the purpose of undertaking the construction of the telecommunication towers and structures in the State of Penang as well as to act as a 'one-stop agency' in the State of

Penang for telecommunication infrastructure in the State of Penang. MESB's share of profit in PDC was approximately RM1,266,000 for the FYE 31 March 2011, approximately RM313,000 for the FYE 31 March 2010 and approximately RM1,158,000 for the 15 months FPE 31 March 2009 (an annualised figure of approximately RM926,400).

With the remaining businesses of MESB as set out above, the Board intends to utilise the disposal proceeds from the Proposed DCLSB Disposal to support the Group's trading activities in the retail division and to fund future investment opportunities. The Board will endeavour to utilise the disposal proceeds from the Proposed DCLSB Disposal to fund future investments that would further enhance the financial performance of the Group and ultimately, increase shareholders' value.

Following the completion of the Proposed ME Disposal and the Proposed DCLSB Disposal, the Group will also be placed on a firmer financial position with NA per share of the Group strengthening from RM1.24 per MESB Share to RM1.48 per MESB Share, whilst gearing is expected to reduce from 0.42 times to 0.21 times (please refer to Section 6.2 below for the proforma effects of the Proposed ME Disposal and the Proposed DCLSB Disposal as at 31 March 2011).

The Board however wishes to highlight that there may be a gestation period for its new strategies to be implemented. Moving forward, the Board anticipates a progressive improvement in the performance of the Group over the medium to longer term period.

5. RISK FACTORS

5.1 Completion risk

The completion of the Proposed ME Disposal is conditional upon the Conditions Precedent as set out in Section 3 (iii) above being satisfied in accordance with the terms of the Agreement. There can be no assurance that such approvals will be obtained and/or satisfied. MESB will take all reasonable steps to ensure the satisfaction of the Conditions Precedent to ensure completion of the Proposed ME Disposal.

5.2 Contractual risk

MESB has given warranties, undertakings and/or indemnities as set out in the Agreement, in favour of TPSB. In this respect, MESB may be subject to claim for the breach of any warranties, undertakings and/or indemnities given.

The Board and the management of MESB will endeavour to ensure compliance with its obligations under the Agreement in order to minimise the risk of any breach of the warranties, undertaking and/or indemnities given.

Nonetheless, as the basis for the sale of Sale Shares is on an 'as is where is' basis (please refer to Section 3 (vi) above), the warranties, undertakings and representations given by the Vendor to the Purchaser pursuant to the Agreement will extinguish on the completion of the Due Diligence Audit or on termination of the Agreement.

5.3 Risk in relation to the transfer of the registration certificates

The transfer of the registration certificates as set out in Section 3 (vi) above from ME to MESB may be subject to the approval of the relevant authorities/parties. There can be no assurance that such approvals will be obtained and/or satisfied. However, as the transfer of the registration certificates is not a condition precedent pursuant to the terms of the Agreement, any delay or non-approval or non-satisfaction of the transfer of the registration certificates from ME to MESB will not affect the completion of the Proposed ME Disposal.

6. EFFECTS OF THE PROPOSED ME DISPOSAL

6.1 Issued and paid-up share capital

The Proposed ME Disposal will not have any effect on the share capital of MESB as it does not involve any issuance of new ordinary shares of MESB.

6.2 NA and gearing

Based on the audited consolidated financial statements of MESB as at 31 March 2011 and on the assumption that the Proposed ME Disposal had been effected on that date, the proforma effects, of the Proposed ME Disposal on the NA and gearing of the MESB Group are as follows:

	Audited as at 31 March 2011 RM'000	I ⁽¹⁾ After the Proposed DCLSB Disposal RM'000	II ⁽⁴⁾ After I and internal transactions RM'000	III After II and the Proposed ME Disposal RM'000
Share capital	42,000	42,000	42,000	42,000
Share premium	5	5	5	5
Capital reserve	37	37	37	37
Retained profits	10,180	⁽²⁾ 24,476	⁽⁵⁾ 24,165	⁽⁶⁾ 20,289
Shareholders funds/ NA	52,222	66,518	66,207	62,331
Number of shares (‘000)	42,000	42,000	42,000	42,000
NA per share (RM)	1.24	1.58	1.58	1.48
Borrowings:				
- Hire purchase payables	1,345	⁽³⁾ 1,341	1,341	⁽⁷⁾ 577
- Term loans	12,581	⁽³⁾ 4,554	4,554	4,554
- Bank acceptance	7,687	7,687	7,687	7,687
- Bank overdrafts	312	312	312	312
Total borrowings	21,925	13,894	13,894	13,130
Gearing (times)	0.42	0.21	0.21	0.21

Note:

- (1) On 1 December 2011, MESB announced that the Company had entered into a share sale agreement with Touch Mindscape Sdn Bhd in relation to the Proposed DCLSB Disposal. Therefore, its proforma effects are set out above for illustrative purposes.
- (2) For illustrative purposes, based on the audited consolidated financial statements of MESB as at 31 March 2011 and on the assumption that the Proposed DCLSB Disposal had been effected on that date, the MESB Group expects to realise a total proforma non-recurring gain on disposal (after deducting the estimated expenses of RM300,000 to be incurred for the Proposed DCLSB Disposal) of approximately RM14,296,000.
- (3) Borrowings would be reduced following the deconsolidation of DCLSB's borrowings from the Group's borrowings.

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- (4) *Taking into account the effects of the internal transactions since 31 March 2011 up to and prior to the completion of the Proposed ME Disposal. The internal transactions involve:*

	Internal transactions	Status
(a)	<i>Transfer of the cost of investment in a club membership by ME to one of ME's Directors as a benefit-in-kind</i>	<i>Effected on 30 November 2011</i>
(b)	<i>Loss arising from the transfer by ME of 10,002 ordinary shares of RM1.00 each representing 100% equity interest in its subsidiary, Crystal United Sdn Bhd, to MESB</i>	<i>Completed on 21 November 2011</i>
(c)	<i>The disposal of motor vehicles by ME to MESB</i>	<i>The disposal is expected to be completed by the end of March 2012</i>

Please refer to Section 2.1 above for further information on the internal transactions.

- (5) *After taking into account the effects of the transfer of the cost of investment in a club membership by ME to one of ME's Directors as a benefit-in-kind amounting to RM146,000 and the loss on disposal of motor vehicles by ME to MESB amounting to RM165,000.*

The transfer by ME of 10,002 ordinary shares of RM1.00 each representing 100% equity interest in its subsidiary, Crystal United Sdn Bhd, to MESB will have no effect on the NA of the Group.

- (6) *For illustrative purposes, based on the audited consolidated financial statements of MESB as at 31 March 2011 and on the assumption that the Proposed ME Disposal had been effected on that date, the MESB Group expects to realise a proforma non-recurring loss on disposal (after deducting the estimated expenses of RM180,000 to be incurred for the Proposed ME Disposal) of approximately RM3,876,000.*
- (7) *Borrowings would be reduced following the deconsolidation of ME's borrowings from the Group's borrowings.*

6.3 Shareholdings of the substantial shareholders

The Proposed ME Disposal will not have any effect on the substantial shareholders' shareholdings.

6.4 Earnings and EPS

The Proposed ME Disposal is expected to be completed by the first quarter of 2012. For illustrative purposes, based on the audited consolidated financial statements of MESB as at 31 March 2011 and on the assumption that the Proposed ME Disposal had been effected on that date, MESB Group expects to realise a proforma loss on disposal of approximately RM3,876,000 (after deducting the estimated expenses of RM180,000 to be incurred for the Proposed ME Disposal), which translates to a proforma non-recurring loss on disposal per MESB Share of 9.2 sen. However, following the completion of the Proposed ME Disposal, MESB Group will cease to have any profit or loss consolidation arising from ME's financial performance.

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For illustrative purposes, based on the audited consolidated financial statements of MESB for the FYE 31 March 2011 and on the assumption that the Proposed ME Disposal had been effected at the beginning of the said FYE, i.e. on 1 April 2010, the proforma PATMI and EPS of the MESB Group would be as follows:

	PATMI	EPS
	RM'000	sen
Audited for the FYE 31 March 2011	7,826	18.6
<u>Proforma effects of the Proposed DCLSB Disposal ⁽¹⁾:</u>		
Less: Loss of profit arising from the deconsolidation of DCLSB	(980)	(2.3)
Add: Total proforma gain on the Proposed DCLSB Disposal	14,296	34.0
Proforma after the Proposed DCLSB Disposal	21,142	50.3
<u>Proforma effects of the internal transactions ⁽²⁾:</u>		
Less: Transfer of the cost of investment in a club membership by ME to one of ME's Directors as a benefit-in-kind ⁽³⁾	(146)	(0.3)
Less: Loss arising from the disposal of motor vehicles by ME to MESB ⁽³⁾	(165)	(0.4)
Proforma after the internal transactions	20,831	49.6
<u>Proforma effects of the Proposed ME Disposal:</u>		
Less: Loss of profit arising from the deconsolidation of ME	(5,765)	(13.7)
Less: Proforma loss on the Proposed ME Disposal ⁽⁴⁾	(3,876)	(9.2)
Proforma after the Proposed ME Disposal	11,190	26.6 ⁽⁵⁾

Note:

- (1) On 1 December 2011, MESB had announced that the Company had entered into a share sale agreement with Touch Mindscape Sdn Bhd in relation to the Proposed DCLSB Disposal. Therefore, its proforma effects are set out above for illustrative purposes.
- (2) Taking into account the effects of the internal transactions since 31 March 2011 up to and prior to the completion of the Proposed ME Disposal. The internal transactions involve:

	Internal transactions	Status
(a)	Transfer of the cost of investment in a club membership by ME to one of ME's Directors as a benefit-in-kind	Effected on 30 November 2011
(b)	Loss arising from the transfer by ME of 10,002 ordinary shares of RM1.00 each representing 100% equity interest in its subsidiary, Crystal United Sdn Bhd, to MESB	Completed on 21 November 2011
(c)	The disposal of motor vehicles by ME to MESB	The disposal is expected to be completed by the end of March 2012

Please refer to Section 2.1 above for further information on the internal transactions.

- (3) After taking into account the effects of the transfer of the cost of investment in a club membership to one of ME's Directors as a benefit-in-kind amounting to RM146,000 and the loss on disposal of motor vehicles by ME to MESB amounting to RM165,000.

The transfer by ME of 10,002 ordinary shares of RM1.00 each representing 100% equity interest in its subsidiary, Crystal United Sdn Bhd, to MESB will have no effect on the PATMI of the Group.

(4) The proforma loss on the Proposed ME Disposal is calculated as below:

	RM'000
Sale consideration	4,500
Less: Adjusted NA of ME as at 31 March 2011	(8,196)
Less: Estimated expenses to be incurred for the Proposed ME Disposal	(180)
Proforma loss on the Proposed ME Disposal	<u>(3,876)</u>

(5) Subject to rounding adjustments.

Based on the audited consolidated financial statements of MESB for the FYEs 31 March 2010 and 2011, the revenue and PATMI/(LATMI) contributed by ME to the MESB Group are as follows:

	FYE 31 March 2010			FYE 31 March 2011		
	ME's Contribution	MESB Group	As a % of MESB Group	ME's Contribution	MESB Group	As a % of MESB Group
	RM'000	RM'000		RM'000	RM'000	
Total Assets	22,048	101,612	21.7	17,735	92,622	19.1
Revenue	5,940	92,046	6.5	3,577	72,524	4.9
PATMI/(LATMI)	(1,632)	792	⁽²⁾ N/A	⁽¹⁾ 5,765	⁽¹⁾ 7,826	73.7

Note:

- (1) Includes non-recurring income which was attributed to compensation received on insurance claim of approximately RM7,429,000, pursuant to damages incurred on several transmission towers.
- (2) Not applicable.

MESB's date and original cost of investment in ME are as below:

Date	Cost of investment (RM)	No. of shares in ME
10 February 1996	16,079,103	2,375,000
30 June 2005	2,625,000	2,625,000
1 June 2006	3,000,000	3,000,000
	<u>21,704,103</u>	<u>8,000,000</u>

Note:

The cost of investment in ME excludes the cost of investment in Crystal United Sdn Bhd. Crystal United Sdn Bhd is currently a wholly-owned subsidiary of MESB. The shares held in Crystal United Sdn Bhd were previously held by ME and were transferred from ME to MESB on 21 November 2011.

7. APPROVALS REQUIRED

The Proposed ME Disposal is subject to the approval of the shareholders of MESB at an EGM to be convened.

The Proposed ME Disposal is not subject to any other relevant government authorities' approval. However, the transfer of the registration certificates as set out in Section 3 (vi) above may be subject to the approval of the relevant authorities/parties (i.e. Tenaga Nasional Berhad and Pusat Khidmat Kontraktor, Kementerian Kerja Raya respectively).

8. DIRECTORS' AND/OR MAJOR SHAREHOLDERS' INTERESTS AND/OR PERSONS CONNECTED TO THEM

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

9. DIRECTORS' STATEMENT AND RECOMMENDATION

Having considered all aspects of the Proposed ME Disposal, particularly the rationale as set out in Section 4 above, the Board is of the opinion that the Proposed ME Disposal is in the best interest of MESB.

Accordingly, the Board recommends that you vote in favour of the ordinary resolution to give effect to the Proposed ME Disposal which will be tabled at the forthcoming EGM.

10. OTHER CORPORATE EXERCISE OR SCHEME

As at the LPD, save for the Proposed DCLSB Disposal and the Proposed ME Disposal, there are no other corporate exercises or schemes that have been announced but yet to be completed by the Company.

The Proposed ME Disposal is not conditional or inter-conditional upon any other corporate exercise or scheme.

11. ESTIMATED TIMEFRAME FOR COMPLETION OF THE PROPOSED ME DISPOSAL

Subject to all the required approvals being obtained, the Proposed ME Disposal is expected to be completed by the first quarter of 2012. The tentative timetable in relation to the Proposed ME Disposal is as follows:

Event	Tentative timing
EGM for the Proposed ME Disposal	19 March 2012
Completion of the Proposed ME Disposal	End of March 2012

12. EGM

An EGM, the Notice of which is set out in this Circular, will be held at Peacock 8, 6th Floor, Pearl International Hotel, Batu 5, Jalan Klang Lama, 58000 Kuala Lumpur, Malaysia on Monday, 19 March 2012, at 9.30 a.m. for the purpose of considering and, if thought fit, passing the ordinary resolution to give effect to the Proposed ME Disposal.

If you are unable to attend and vote in person at the EGM, please complete, sign and return the enclosed Form of Proxy in accordance with the instructions contained therein as soon as possible and in any event so as to arrive at Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for the EGM.

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

13. FURTHER INFORMATION

Shareholders are advised to refer to the attached appendices for further information.

Yours faithfully
For and on behalf of the Board
MESB BERHAD

Teoh Hwa Peng
Executive Director

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INFORMATION ON ME

1. HISTORY AND BUSINESS OVERVIEW

ME is a company limited by shares incorporated in Malaysia under the Companies Act 1965 since 18 March 1971. ME's principal activities are in the business of supplying engineering equipments, spare parts and tools, and the undertaking of engineering and construction projects. However, ME is currently not supplying any engineering equipments, spare parts or tools to its clientele. Further, no engineering equipments, spare parts or tools are being manufactured by ME.

ME is currently registered as follows:

<u>Registration Certificate No.</u>	<u>Type</u>	<u>Issued By</u>	<u>Validity</u>
1006 A 94 0141	Kelas A ⁽¹⁾	Pusat Khidmat Kontraktor	10 May 2010 to 9 May 2012
1006 A 94 E165	Kelas I ⁽²⁾	Pusat Khidmat Kontraktor	9 November 2010 to 8 November 2012
3000025	Kontraktor Kerja Awam ⁽³⁾	Tenaga Nasional Berhad	Valid until 9 May 2012
1960723- WP003392	G7 with no limitations ⁽⁴⁾	CIDB Malaysia	10 February 2011 to 9 February 2012
3000025	Kontraktor Kerja Elektrik ⁽⁵⁾	Tenaga Nasional Berhad	Valid until 8 November 2012

Note:

- (1) For the purpose of undertaking civil engineering works, building works, mechanical, sanitary and water engineering works (including the supply of equipment), other specialist civil engineering works, and forest and land development.
- (2) For the purpose of undertaking electrical works.
- (3) ME is registered as a "Kontraktor Kerja Awam" of Tenaga Nasional Berhad.
- (4) For the purpose of undertaking building works, civil engineering works, mechanical and electrical works.
- (5) ME is registered as a "Kontraktor Kerja Elektrik" of Tenaga Nasional Berhad.

ME principally markets its products and services in the various states of Malaysia. However, for the past 5 years under review (i.e. since 2007), ME's principal markets had largely centered upon projects undertaken within the state of Selangor Darul Ehsan, Melaka, Pahang Darul Makmur, Johor Darul Takzim and the Federal Territory of Kuala Lumpur. The location of ME's projects depends on the clientele's specified project location and requirements.

ME's core expertise had been in the field of constructing overhead power transmission lines. In 2005, ME, through its related company, DCLSB, ventured into construction works relating to telecommunication infrastructures.

The projects being undertaken by ME as at the LPD are as follows:

Type of Construction/ Project Name	Client	Location of Project	Award or Commencement Date/ (Estimated Completion Date)	Contract Value (inclusive of variation order(s)/ (Completed Value), as at the LPD (RM'000)
Supply & erect 275kV & 132kV transmission lines for TNB transmission system development (Mainheads "E", "F" & "G")	Tenaga Nasional Berhad ("TNB")	Johor Selangor Terengganu Kelantan Negeri Sembilan Pahang	September 1997/ (March 2012)	⁽¹⁾ 58,525/ (58,566)

INFORMATION ON ME

Type of Construction/ Project Name	Client	Location of Project	Award or Commencement Date/ (Estimated Completion Date)	Contract Value (inclusive of variation order(s))/ (Completed Value), as at the LPD (RM'000)
132kV Looping In/Out into PMU Saleng, 132kV Looping In/Out into PMU Senai & 132kV Tee-Off into PMU Kulai from Skudai-Bukit Batu transmission line	TNB	Johor	June 2006/ (June 2012)	985/ (796)

Note:

- (1) *The amount of the Completed Value is higher than the Contract Value due to additional works required by TNB in order to complete the project.*

For the past 5 years under review (i.e. since 2007) up to the LPD, the major projects completed are as follows:

Type of Construction/ Project Name	Client	Location of Project	Award or Commencement Date/ (Completion Date)	Contract Value (inclusive of variation order(s))/ (Completed Value) (RM'000)
Implementation & commissioning of 33kV XLPE cables for TNB Distribution Network in Wilayah Persekutuan (Mainhead "B")	TNB	Kuala Lumpur	August 2002/ (Completed in April 2011)	8,850/ (8,008)
Installation & commissioning of 33kV XLPE underground cables in Selangor Darul Ehsan and Wilayah Persekutuan (Mainhead "C")	TNB	Kuala Lumpur & Selangor Darul Ehsan	July 2003/ (Completed in December 2007)	1,246/ (553)
Erect 275kV transmission line for Central Area Reinforcement - Package C, from Point C to Bukit Beruntung, Selangor Darul Ehsan	TNB	Selangor Darul Ehsan	July 2005/ (Completed in December 2007)	24,712/ (24,712)

INFORMATION ON ME

Type of Construction/ Project Name	Client	Location of Project	Award or Commencement Date/ (Completion Date)	Contract Value (inclusive of variation order(s))/ (Completed Value) (RM'000)
Construction of telecommunication towers & associated works for Melaka ICT Holdings Sdn Bhd in the State of Melaka	DCLSB	Melaka	January 2005/ (Completed in March 2011)	21,000/ (21,000)
Implementation of 33kV distribution line from PMU Baling to Pengkalan Hulu, Perak Darul Ridzuan	TNB	Perak Darul Ridzuan	December 2001/ (Completed partially with project terminated in September 2007)	2,600/ (2,275)
Erect 275kV (1000MVA) transmission line project for Central Area Reinforcement (PKLG to BRAJ, PKLG to KPAR, KULN to KULW/PTAJ)	TNB	Kuala Lumpur & Selangor Darul Ehsan	September 2005/ (Completed partially with early release from project in May 2010)	70,227/ (66,913)
Relocation of 132kV DC monopole T8 at Persiaran Dutamas, Kuala Lumpur, involving the diversion of the transmission line from the existing monopole T8 to the permanent tower and dismantling of towers	Sunrise Alliance Sdn Bhd	Kuala Lumpur	August 2006/ (Completed in February 2010)	1,572/ (1,572)
Construction of telecommunication towers foundation and other related works (T3 Project)	Touch Metal Sdn Bhd	Pahang Darul Makmur	July 2009/ (Completed in June 2010)	681/ (681)

(Source: Management of MESB)

Note:

kV denotes kilovolts

PMU denotes project management unit

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INFORMATION ON ME

MESB's date and original cost of investment in ME are as below:

Date	Cost of investment (RM)	No. of shares in ME
10 February 1996	16,079,103	2,375,000
30 June 2005	2,625,000	2,625,000
1 June 2006	3,000,000	3,000,000
	<u>21,704,103</u>	<u>8,000,000</u>

Note:

The cost of investment in ME excludes the cost of investment in Crystal United Sdn Bhd. Crystal United Sdn Bhd is currently a wholly-owned subsidiary of MESB. The shares held in Crystal United Sdn Bhd were previously held by ME and were transferred from ME to MESB on 21 November 2011.

2. SHARE CAPITAL

The authorised share capital and issued and paid-up share capital of ME as at the LPD are as follows:

	RM
<u>Authorised Share Capital</u>	
10,000,000 ME Shares	10,000,000
<u>Issued and Paid-up Share Capital</u>	
8,000,000 ME Shares	8,000,000

3. FINANCIAL INFORMATION

A summary of ME's audited financial information for the FPE 31 March 2009, FYE 31 March 2010 and 2011, and the unaudited financial information for the 6-month FPE 30 September 2011 are set out below:

	*(1)FPE 31 March 2009	*FYE 31 March 2010	*FYE 31 March 2011	6-month FPE 30 September 2011
	Audited RM'000	Audited RM'000	Audited RM'000	Unaudited RM'000
Revenue	13,439	5,940	3,577	1,041
PBTMI/(LBTMI)	(1,887)	(1,632)	⁽²⁾ 5,765	(1,533)
PATMI/(LATMI)	(1,887)	(1,632)	⁽²⁾ 5,765	(1,533)
Gross EPS/(LPS) (RM)	(0.24)	(0.20)	0.72	(0.19)
Net EPS/(LPS) (RM)	(0.24)	(0.20)	0.72	(0.19)
Paid-up capital	8,000	8,000	8,000	8,000
NA/Shareholders' funds	8,881	7,249	⁽³⁾ 8,692	7,159
NA per share (RM)	1.11	0.91	1.09	0.89
Current ratio (times)	1.29	1.22	1.89	1.78
Total borrowings (all interest-bearing debts)	2,088	823	764	660
Gearing ratio (times)	0.24	0.11	0.09	0.09

INFORMATION ON ME

Note:

- * *There were no exceptional items or extraordinary items for the financial period/years under review.
The audited financial statements of ME for the financial period/years under review were not subject to any audit qualification.
There are no accounting policies being adopted which are peculiar to ME because of the nature of ME's business or the industry that ME is involved in.*
- (1) *Covers a period of 15 months, from 1 January 2008 to 31 March 2009, due to a change in FYE.*
- (2) *Includes non-recurring income which was attributed to compensation received on insurance claim of approximately RM7,429,000, pursuant to damages incurred on several transmission towers.*
- (3) *An interim dividend of RM0.6375 per ME Share less 25% tax amounting to RM3,825,000 was distributed and paid out to shareholders during the FYE 31 March 2011.*

FPE 31 March 2009

The financial period under review for the FPE 31 March 2009 is from 1 January 2008 to 31 March 2009, as a result of ME changing its FYE from 31 December to 31 March.

For the 15 months FPE 31 March 2009, ME posted a revenue of approximately RM13,439,000, an annualised revenue of approximately RM10,751,000 which is a decline of 76.8% as compared to the previous FYE 31 December 2007, where revenue was approximately RM46,424,000. The lower revenue was mainly due to the difficulty faced by ME in securing new projects on account of ME's inability to compete with its competitors' pricing and the increased competition within the industry. Revenue recognised during FPE 31 March 2009 relate to projects secured in preceding years and the current year, and represents the proportionate contract value attributable to work performed to date.

Cost of sales for FPE 31 March 2009 only declined by 74.0% on an annualised basis as compared to FYE 31 December 2007 mainly on account that depreciation charges, wages and allowances, travelling expenses, levies and work permit charges including food and beverages did not decline proportionately in line with the decline in revenue (this is on account that certain overhead costs are fixed costs and will be incurred regardless of the decline in revenue), which resulted in an overall gross loss margin of 4.6% for FPE 31 March 2009 as opposed to a gross profit margin of 6.9% for FYE 31 December 2007.

Other income also decreased by 45.3% to approximately RM314,000 on an annualised basis during the FPE 31 March 2009 (FYE 31 December 2007: Approximately RM574,000). Administrative expenses (declined by only 61.4% on an annualised basis) and finance costs (declined by only 50.3% on an annualised basis) also did not decline proportionately in line with the decline in revenue.

Therefore, due to the lower revenue, the decline in the cost of sales, administrative expenses and finance cost, and a decline in other income, as elaborated above, ME reported a LBTMI of approximately RM1,887,000 for the 15 months FPE 31 March 2009, an annualised LBTMI of approximately RM1,510,000, which is a decline of 1,226.9% as compared to the previous FYE 31 December 2007, where PBTMI was approximately RM134,000.

FYE 31 March 2010

For the FYE 31 March 2010, ME recorded a revenue of approximately RM5,940,000, a decline of 44.8% compared with the annualised revenue of approximately RM10,751,000 for the FPE 31 March 2009. The lower revenue was mainly due to the difficulty faced by ME in securing new projects on account of ME's inability to compete with its competitors' pricing and the increased competition within the industry. Revenue recognised during FYE 31 March 2010 relate to projects secured in preceding years and the current year, and represents the proportionate contract value attributable to work performed to date.

INFORMATION ON ME

Cost of sales for FYE 31 March 2010 only declined by 34.5% as compared to FPE 31 March 2009 (on an annualised basis) resulting in a larger gross loss margin of 23.9% as compared to 4.6% for FPE 31 March 2009.

Despite the decrease in administrative expenses (declined by 49.9% as compared to FPE 31 March 2009 on an annualised basis) and finance costs (declined by 85.2% as compared to FPE 31 March 2009 on an annualised basis), and the increase in other income (which constitutes sundry income, interest income received, gain on disposal of assets, hire income and management income) by 58.1% (as compared to FPE 31 March 2009 on an annualised basis). ME reported a LBTMI of approximately RM1,632,000 for the FYE 31 December 2010, which is a further loss of 8.1% as compared to the previous FYE 31 December 2009, where the annualised LBTMI was approximately RM1,510,000. For FYE 31 March 2010, LBTMI only decreased by 8.1% whilst revenue decreased by 44.8% on account of the increase in other income and the decline in administrative expenses and finance costs.

FYE 31 March 2011

For the FYE 31 March 2011, ME posted a revenue of approximately RM3,577,000, representing a decrease of 39.8% against the previous financial year of approximately RM5,940,000). The lower revenue was mainly due to the difficulty faced by ME in securing new projects on account of ME's inability to compete with its competitors' pricing and the increased competition within the industry. No new projects were secured during FYE 31 March 2011. Revenue recognised during FYE 31 March 2011 relate to projects secured in preceding years and represents the proportionate contract value attributable to work performed to date.

ME achieved a gross profit margin of 16.2% for FYE 31 March 2011. However, due to the compensation received on insurance claim which was pursuant to damages incurred on several transmission towers amounting to approximately RM7,429,000, ME achieved a PBTMI of approximately RM5,765,000, representing an increase of 453.2% as compared to the previous financial year LBTMI of approximately RM1,632,000.

For illustrative purposes, assuming that there is no non-recurring income of the above nature, ME's PBTMI of approximately RM5,765,000 will be a LBTMI of RM1,664,000 instead, representing a further loss of RM32,000 or 2.0% as compared to the previous financial year LBTMI of approximately RM1,632,000. Although revenue decreased by 39.8%, LBTMI assuming that there is no non-recurring income of the above nature only decreased by 2.0% due to a decline in cost of sales of approximately RM4,363,000 or 59.3% as compared to the previous financial year. The decline in the cost of sales however was partially negated by the increase in administrative expenses of approximately RM550,000 or 115.0%, other expenses (increased by approximately RM1,299,000 or 726.7%) and finance costs (increased by approximately RM13,000 or 24.2%).

FPE 30 September 2011

For the 6-month FPE 30 September 2011, ME posted a revenue of approximately RM1,041,000, representing a decrease of 23.1% against the corresponding FPE 30 September 2010 of approximately RM1,353,000. The lower revenue was mainly due to the difficulty faced by ME in securing new projects on account of ME's inability to compete with its competitors' pricing and the increased competition within the industry. No new projects were secured during FPE 30 September 2011. Revenue recognised during FPE 30 September 2011 relate to projects secured in preceding years and represents the proportionate contract value attributable to work performed to date.

INFORMATION ON ME

The LBTMI of ME increased to RM1,533,000, representing an increase of 181.3%, as compared to the previous FPE 30 September 2010 where LBTMI was approximately RM545,000. The higher percentage increase in LBTMI was mainly due to the decline in other income (declined by 48.7% as compared to the FPE 30 September 2010) and the higher cost of sales (increased by 241.0% as compared to the FPE 30 September 2010). The higher cost of sales during the FPE 30 September 2011 was largely attributed to higher material expense, sub-contract charges, and higher work-in-progress costs expensed off.

4. DIRECTORS

The Directors of ME and their respective shareholdings in the company are as follows:

Name	Nationality	As at the LPD			
		Direct		Indirect	
		No of shares	%	No of shares	%
Teoh Hwa Peng (Company Director)	Malaysian	-	-	8,000,000 ⁽¹⁾	100
Loi Yew Kuong (Company Director)	Malaysian	-	-	-	-
Tan Sri Dato' Hashim Bin Meon (Company Director)	Malaysian	-	-	-	-

Note:

(1) Deemed interested via his shareholdings in MESB pursuant to Section 6A of the Act.

5. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of ME and their respective shareholdings in the company are as follows:

Name	Nationality/Country of Incorporation	As at the LPD			
		Direct		Indirect	
		No. of shares	%	No. of shares	%
MESB	Malaysia	8,000,000	100	-	-
Teoh Hwa Peng	Malaysian	-	-	8,000,000 ⁽¹⁾	100
Tan Sok Gim	Malaysian	-	-	8,000,000 ⁽¹⁾	100

Note:

(1) Deemed interested via his/her shareholdings in MESB pursuant to Section 6A of the Act.

6. SUBSIDIARIES AND ASSOCIATED COMPANIES

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