

**MESB BERHAD (“MESB” OR THE “COMPANY”)  
PROPOSED PRIVATE PLACEMENT OF UP TO 30% OF THE ISSUED SHARES CAPITAL OF MESB  
TO INDEPENDENT THIRD PARTY INVESTOR(S) TO BE IDENTIFIED AT A LATER DATE**

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**1.0 INTRODUCTION**

On behalf of the Board of Directors of MESB (“**Board**”), KAF Investment Bank Berhad (“**KAF IB**”) wishes to announce that the Company is proposing to undertake a private placement of new ordinary shares in MESB (“**MESB Shares**”) of up to 30% of the issued share capital of MESB to independent third party investor(s) to be identified at a later date (“**Proposed Private Placement**”).

Further details on the Proposed Private Placement are set out in the ensuing sections.

**2.0 DETAILS OF THE PROPOSED PRIVATE PLACEMENT**

**2.1 Proposed Private Placement**

As at 1 October 2019, being the latest practicable date prior to this announcement (“**LPD**”), the issued share capital of the Company stood at RM51,240,240 comprising 81,900,000 MESB Shares. Additionally, MESB has 40,950,000 outstanding warrants 2017/2022 (“**Warrants**”), which can be exercised into 40,950,000 new MESB Shares commencing from 2 January 2020 up to 30 December 2022.

For illustrative purpose only, based on the issued share capital of MESB as at the LPD, the Proposed Private Placement may entail the issuance of up to between 24,570,000 MESB Shares and 36,855,000 MESB Shares (“**Placement Shares**”), as follows:-

- (i) 24,570,000 Placement Shares, which represent 30% of the Company’s total number of issued shares as at the LPD, on the premise that the outstanding Warrants as at the LPD shall remain unexercised throughout the implementation of the Proposed Private Placement (“**Minimum Scenario**”); or
- (ii) 36,855,000 Placement Shares, which represent 30% of the Company’s total enlarged number of issued shares of 122,850,000 MESB Shares, assuming all of the outstanding 40,950,000 Warrants are exercised into new MESB Shares (from 2 January 2020 onwards) prior to the implementation of the Proposed Private Placement (“**Maximum Scenario**”).

**2.2 Placement arrangement**

The Company intends to place out the Placement Shares via KAF IB acting as the placement agent to independent third party investor(s) to be identified at a later date. Such investor(s) shall be person(s) who qualify under Schedules 6 and 7 of the Capital Markets & Services Act 2007. For clarity, the Placement Shares will not be placed out to the Directors, major shareholders or chief executive of MESB and/or persons connected with them.

In order to optimise the proceeds which may be raised from the Proposed Private Placement, with regard to market conditions and the market traded prices of MESB Shares, the Proposed Private Placement may be implemented in tranches up to such number of Placement Shares representing 30% of the total number of issued shares of the Company and at different issue price for each tranche to be determined at the relevant price fixing dates.

### 2.3 Basis and justification of arriving at the Issue Price

The Proposed Private Placement may be implemented in a single or multiple tranche(s). As such, there could potentially be several price fixing dates depending on the number of tranches and timing of implementation. The issue price of each tranche of the Placement Shares, where applicable, shall be determined separately by the Board at a later date to be determined and may be pegged at a discount of not more than 10%, if deemed appropriate by the Board, from the five (5)-day volume-weighted average market price (“VWAP”) of MESB Shares traded on Bursa Malaysia Securities Berhad (“**Bursa Securities**”) immediately prior to the price-fixing date.

### 2.4 Ranking of the Placement Shares

The Placement Shares will, upon allotment and issue, rank *pari passu* in all respects with the existing MESB Shares, except that they shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid before the date of allotment of the Placement Shares.

### 2.5 Listing of and quotation for the Placement Shares

An application will be made to Bursa Securities for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities in due course.

### 2.6 Utilisation of proceeds

The quantum of proceeds to be received by the Company pursuant to the Proposed Private Placement would depend on the actual number of Placement Shares issued. For illustration purpose, the Proposed Private Placement may raise gross proceeds of up to RM8,968,050 under the Minimum Scenario and up to RM13,452,075 under the Maximum Scenario assuming the Placement Shares are placed out at an indicative issue price of RM0.365 per Placement Share (“**Indicative Placement Price**”), which represents a discount of 9.85% from the five (5)-day VWAP of MESB Shares up to and including the LPD of RM0.4049.

The proceeds are proposed to be utilised as follows:-

<b>Proposed Utilisation</b>	<b>Expected utilisation time (<sup>5</sup>) frame</b>	<b>Minimum Scenario RM'000</b>	<b>Maximum Scenario RM'000</b>
Working capital for MESB and its subsidiaries (“ <b>MESB Group</b> ” or the “ <b>Group</b> ”) <sup>(1)</sup>	Within 24 months	4,018	4,252
Business expansion <sup>(2)</sup>	Within 24 months	2,800	7,000
Repayment of bank borrowings <sup>(3)</sup>	Within 12 months	2,000	2,000
Estimated expenses relating to the Proposed Private Placement <sup>(4)</sup>	Within 1 month	150	200
<b>Total</b>		<b>8,968</b>	<b>13,452</b>

#### Notes:-

- (1) *Intended to be utilised to meet the Group’s working capital requirements such as operating expenses (which include, inter alia, staff costs, rental charges and royalty fees), travelling expenses, payment to trade creditors and finance costs such as interest expenses on the MESB Group’s existing bank borrowings. The proceeds to be utilised for each component of working capital are subject to the operating requirements at the time of utilisation and therefore has not been determined at this juncture.*

(2) *Intended to be utilised for:-*

- *marketing, distribution, brandings and development for selected brands carried by the Group, such as Crocodile, Ducati, Louis Feraud and Jeep, as well as new licensed brands and products to be secured from time to time; and*
- *renovation costs for new and existing consignment counters, purchases of inventory, branding, advertising and promotion expenditures, and royalty fees for such brands,*

*the detailed breakdown of which has yet to be determined at this juncture.*

(3) *Proposed utilisation of RM2.00 million of the gross proceeds to be raised from the Proposed Private Placement for repayment of the Group's bank borrowings, which is expected to result in a saving in interest payment of approximately RM0.10 million per annum based on the Company's average effective interest rate of 5.05% per annum. The total bank borrowings of the Group as at the LPD amounted to approximately RM25.84 million.*

*The details of the bank borrowings that the Company proposes to repay are as follows:-*

<i>Description/type of bank facilities</i>	<i>Average effective interest rate per annum (%)</i>	<i>Outstanding amount as at the LPD (RM'000)</i>	<i>Amount proposed to be repaid (RM'000)</i>
<i>Bankers' acceptance</i>	<i>5.05%</i>	<i>20,673</i>	<i>2,000</i>

(4) *The estimated expenses in relation to the Proposed Private Placement of between RM0.15 million (Minimum Scenario) and RM0.20 million (Maximum Scenario) comprise, amongst others, the estimated professional fees and fees payable to the relevant authorities.*

(5) *The expected utilisation time frame shall commence from the date of completion of the Proposed Private Placement.*

If the actual expenses relating to the Proposed Private Placement are higher than the estimated amount as set out above, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual expenses relating to the Proposed Private Placement are lower than the estimated amount, the excess will be utilised for working capital purposes.

### **3.0 RATIONALE FOR THE PROPOSED PRIVATE PLACEMENT**

The Proposed Private Placement will enable MESB to raise funds without incurring interest cost which would otherwise arise if the Group were to borrow further to fund its working capital requirements and business expansion as aforementioned. The Board also views the Proposed Private Placement as the most appropriate avenue of raising funds as it enables the Company to raise funds expeditiously and cost effectively as opposed to a pro-rata issuance of securities such as a rights issue. In addition, the Proposed Private Placement will increase the capitalisation of the Company and further strengthen the financial position of the MESB Group.

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#### 4.0 EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

The effects of the Proposed Private Placement on the share capital, substantial shareholders' shareholdings, net assets ("NA") and earnings of MESB are illustrated in the sections below.

#### 4.1 Share capital

The effects of the Proposed Private Placement on the share capital of MESB are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of MESB Shares	RM	No. of MESB Shares	RM
As at the LPD	81,900,000	51,240,240	81,900,000	51,240,240
To be issued upon full exercise of Warrants	-	-	40,950,000 <sup>(1)</sup>	12,285,000
	81,900,000	51,240,240	122,850,000	63,525,240
To be issued pursuant to the Proposed Private Placement <sup>(2)</sup>	24,570,000	8,968,050	36,855,000	13,452,075
After the Proposed Private Placement	106,470,000	60,208,290	159,705,000	76,977,315

*Notes:-*

- (1) Based on exercise price of Warrants of RM0.30 per Warrant.
- (2) Assuming the Placement Shares are issued at the Indicative Placement Price of RM0.365 per Placement Share and the amount is fully credited to the share capital account of MESB in accordance with the Companies Act, 2016.

#### 4.2 Earnings and earnings per share ("EPS")

Moving forward, the effects of the Proposed Private Placement on the Group's future earnings would depend on, inter alia, the returns to be generated from the proposed utilisation of proceeds arising from the Proposed Private Placement as set out in Section 2.6 of this announcement. The resultant increase in the number of MESB Shares in issue pursuant to the Proposed Private Placement may accordingly dilute the consolidated EPS of MESB if the earnings of the Group do not increase in tandem with such increase in the number of MESB Shares. Nevertheless, the extent of dilution to the consolidated EPS of MESB is dependent upon, amongst others, the eventual number of MESB Shares to be issued pursuant to the Proposed Private Placement vis-à-vis the future earnings of the Group.

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### 4.3 NA per share and gearing

The proforma effects of the Proposed Private Placement on the NA per share and gearing of MESB based on the audited consolidated financial statements of MESB for the financial year ended 31 March 2018 are as follows:-

#### Minimum Scenario

	<b>Audited as at 31 March 2018 RM'000</b>	<b>After Proposed Private Placement RM'000</b>
Share capital	51,240	60,208
Reserves	33,240	* 33,090
<b>Shareholders' equity/ NA</b>	<b>84,480</b>	<b>93,298</b>
No. of ordinary shares ('000)	81,900	106,470
NA per ordinary share (RM)	1.03	0.88
Borrowings (RM'000)	27,406	# 25,406
Gearing (times)	0.32	0.27

#### Maximum Scenario

	<b>Audited as at 31 March 2018 RM'000</b>	<b>After full exercise of Warrants RM'000</b>	<b>After Proposed Private Placement RM'000</b>
Share capital	51,240	63,525	76,977
Reserves	33,240	33,240	* 33,040
<b>Shareholders' equity/ NA</b>	<b>84,480</b>	<b>96,765</b>	<b>110,017</b>
No. of ordinary shares ('000)	81,900	122,850	159,705
NA per ordinary share (RM)	1.03	0.79	0.69
Borrowings (RM'000)	27,406	27,406	# 25,406
Gearing (times)	0.32	0.28	0.23

**Note:-**

\* After defraying the estimated expenses in relation to the Proposed Private Placement of RM150,000 under the Minimum Scenario and RM200,000 under the Maximum Scenario.

# After taking into consideration the repayment of bank borrowings of RM2.0 million from the proceeds raised from the Proposed Private Placement.

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#### 4.4 Substantial shareholders' shareholdings

The proforma effects of the Proposed Private Placement on the substantial shareholders' shareholdings in the Company are set out below:-

##### Minimum Scenario

	As at the LPD				After the Proposed Private Placement			
	Direct		Indirect		Direct		Indirect	
	No. of		No. of			No. of		
	MESB		MESB			MESB		
	Shares held		Shares held			Shares held		
	('000)	%	('000)	%	('000)	%	('000)	%
<b>Substantial shareholders</b>								
Angsana Inai Sdn Bhd	18,411	22.48	-	-	18,411	17.29	-	-
Teoh Hwa Peng	24	0.03	(1) 18,411	22.48	24	0.02	(1) 18,411	17.29
Tan Sok Gim	-	-	(1) 18,435	22.51	-	-	(1) 18,435	17.31
Konwa Industrial Sewing Machine (M) Sdn Bhd	7,272	8.88	-	-	7,272	6.83	-	-
Lim Chin Hua Holdings Sdn Bhd	-	-	(1) 7,272	8.88	-	-	(1) 7,272	6.83
Lim Chin Hua	-	-	(1) 7,272	8.88	-	-	(1) 7,272	6.83
Lee Kuai Fong	-	-	(1) 7,272	8.88	-	-	(1) 7,272	6.83
Ihsan Bin Osman	3,661	4.47	(1) 2,741	3.35	3,661	3.44	(1) 2,741	2.57

##### Maximum Scenario

	As at the LPD				After full exercise of Warrants				After the Proposed Private Placement			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of		No. of			No. of		No. of		No. of		
	MESB		MESB			MESB		MESB		MESB		
	Shares held		Shares held			Shares held		Shares held		Shares held		
	('000)	%	('000)	%	('000)	%	('000)	%	('000)	%	('000)	%
<b>Substantial shareholders</b>												
Angsana Inai Sdn Bhd	18,411	22.48	-	-	18,411	14.99	-	-	18,411	11.53	-	-
Teoh Hwa Peng	24	0.03	(1) 18,411	22.48	36	0.03	(1) 18,411	14.99	36	0.02	(1) 18,411	11.53
Tan Sok Gim	-	-	(1) 18,435	22.51	-	-	(1) 18,447	15.02	-	-	(1) 18,447	11.55
Konwa Industrial Sewing Machine (M) Sdn Bhd	7,272	8.88	-	-	7,272	5.92	-	-	7,272	4.55	-	-
Lim Chin Hua Holdings Sdn Bhd	-	-	(1) 7,272	8.88	-	-	(1) 7,272	5.92	-	-	(1) 7,272	4.55
Lim Chin Hua	-	-	(1) 7,272	8.88	-	-	(1) 7,272	5.92	-	-	(1) 7,272	4.55
Lee Kuai Fong	-	-	(1) 7,272	8.88	-	-	(1) 7,272	5.92	-	-	(1) 7,272	4.55
Ihsan Bin Osman	3,661	4.47	(1) 2,741	3.35	3,671	2.99	(1) 2,741	2.23	3,671	2.30	(1) 2,741	1.72

**Note:-**

(1) Deemed interested by virtue of shareholdings held by persons connected pursuant to Section 8 of the Companies Act 2016.

#### **4.5 Convertible Securities**

Other than the 40,950,000 outstanding Warrants, the Company does not have any outstanding convertible securities as at the LPD.

#### **5.0 APPROVALS REQUIRED**

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

- (i) Bursa Securities for the listing of and quotation for the Placement Shares to be issued pursuant to the Proposed Private Placement on the Main Market of Bursa Securities;
- (ii) the shareholders of MESB for the Proposed Private Placement at an Extraordinary General Meeting of MESB to be convened; and
- (iii) any other relevant authorities (if applicable).

#### **6.0 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 Private Placement.

#### **7.0 DIRECTORS' STATEMENT**

The Board, having considered all aspects of the Proposed Private Placement, including but not limited to the rationale and financial effects of the Proposed Private Placement as set out in sections 3 and 4 of this announcement respectively, is of the opinion that the Proposed Private Placement is in the best interest of the Company.

#### **8.0 ADVISER AND PLACEMENT AGENT**

The Board has appointed KAF IB as the Adviser and the sole placement agent for the Proposed Private Placement.

#### **9.0 FURTHER INFORMATION**

The application to Bursa Securities for the Proposed Private Placement is expected to be made within two (2) months from the date of this announcement.

Barring any unforeseen circumstances, the Proposed Private Placement is expected to be completed by the first (1<sup>st</sup>) quarter of 2020.

This announcement is dated 10 October 2019.