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If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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**MESB BERHAD**

[Registration No.: 199501008356 (337554-D)]

[Incorporated in Malaysia]

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE**

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

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

*Adviser*



**INVESTMENT BANK BERHAD (20657-W)**

The Notice of the Extraordinary General Meeting (“EGM”) of MESB Berhad (“MESB”) to be held at Level 2, Hotel Sri Petaling, 30, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur on Tuesday, 26 November 2019 at 10.00 a.m., together with the Proxy Form are enclosed herewith. The Proxy Form must be deposited at Boardroom Share Registrars Sdn. Bhd. (formerly known as Symphony Share Registrars Sdn. Bhd.), 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time stipulated for holding the EGM. The lodgement of the Proxy Form will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

**IMPORTANT DATES**

Last date and time for lodging the Proxy Form : Sunday, 24 November 2019 at 10.00 a.m.  
Date and time for the EGM : Tuesday, 26 November 2019 at 10.00 a.m.

This Circular is dated 11 November 2019

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## DEFINITIONS

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

“Act”	:	Companies Act 2016
“AGM”	:	Annual General Meeting
“Board”	:	Board of Directors of MESB
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“Circular”	:	This circular dated 11 November 2019 to the shareholders of MESB in relation to the Proposed Private Placement
“EGM”	:	Extraordinary General Meeting of MESB in relation to the Proposed Private Placement
“EPS”	:	Earnings per share
“FPE”	:	Financial period ended
“FYE”	:	Financial year ended
“KAF IB”	:	KAF Investment Bank Berhad
“LPD”	:	4 November 2019, being the latest practicable date prior to the printing of this Circular
“Maximum Scenario”	:	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
“Minimum Scenario”	:	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
“MESB” or the “Company”	:	MESB Berhad
“MESB Group” or the “Group”	:	MESB and its subsidiaries, collectively
“MESB Share(s)”	:	Ordinary shares in MESB
“NA”	:	Net assets
“Placement Share(s)”	:	Up to 36,855,000 new MESB Shares to be issued pursuant to the Proposed Private Placement
“Proposed Private Placement”	:	Proposed private placement of new 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
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“VWAMP”	:	Volume weighted average market price
“Warrants”	:	40,950,000 existing outstanding warrants 2017/2022 which can be exercised into 40,950,000 new MESB Shares commencing from 2 January 2020 up to 30 December 2022, as constituted by the deed poll dated 13 December 2017

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**DEFINITIONS (CONT'D)**

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

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**MESB BERHAD**

[Registration No.: 199501008356 (337554-D)]  
[Incorporated in Malaysia]

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

11 November 2019

**BOARD OF DIRECTORS**

Saffie Bin Bakar (Chairman / Senior Independent Non-Executive Director)  
Tan Yew Kim (Independent Non-Executive Director)  
Lee Kok Heng (Independent Non-Executive Director)  
Loke Lee Ping (Executive Director / Chief Executive Officer)  
Chua Jin Kau (Executive Director)

**To: The Shareholders of MESB**

Dear Sir/Madam,

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**PROPOSED PRIVATE PLACEMENT**

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**1.0 INTRODUCTION**

- 1.1 On 10 October 2019, KAF IB had, on behalf of the Board, announced that MESB is proposing to undertake a proposed private placement of new 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.
- 1.2 On 4 November 2019, KAF IB had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 4 November 2019, resolved to approve the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities. Further details of the conditions imposed by Bursa Securities as well as the status of compliance in respect thereof are set out in Section 7.0(i) of this Circular.

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

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

## **2.0 DETAILS OF THE PROPOSED PRIVATE PLACEMENT**

### **2.1 Size of the Proposed Private Placement**

As at the LPD, the issued share capital of the Company stood at RM51,240,240 comprising 81,900,000 MESB Shares and the Company does not hold any treasury shares. Additionally, MESB has 40,950,000 Warrants. For illustrative purposes 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 and 36,855,000 Placement Shares under the Minimum Scenario and Maximum Scenario respectively.

### **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 of and justification for 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 for each tranche of the Placement Shares, where applicable, shall be determined separately and fixed 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 VWAMP of MESB Shares traded on Bursa Securities immediately prior to the price-fixing date.

### **2.4 Ranking of the Placement Shares**

The Placement Shares shall, upon allotment and issue, rank *pari passu* in all respects with the then existing MESB Shares, save and except that the Placement Shares shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution which may be declared, made or paid, the entitlement date of which is prior to the date of allotment of such Placement Shares.

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

The approval from Bursa Securities for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities has been obtained vide its letter dated 4 November 2019, subject to the terms and conditions as set out in Section 7.0(i) of this Circular.

### **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 illustrative purposes only, the Proposed Private Placement may raise gross proceeds of up to RM10,933,650 under the Minimum Scenario and up to RM16,400,475 under the Maximum Scenario assuming the Placement Shares are placed out at an indicative issue price of RM0.445 per Placement Share (“**Indicative Placement Price**”), which represents a discount of approximately 9.35% from the five (5)-day VWAP of MESB Shares up to and including the LPD of RM0.4909.

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 the MESB Group <sup>(1)</sup>	Within 24 months	5,984	7,200
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>10,934</b>	<b>16,400</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, 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 interest rate of 5.05% per annum. The total bank borrowings of the Group as at the LPD amounted to approximately RM28.10 million.*

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

<b>Description/type of bank facilities</b>	<b>Interest rate per annum (%)</b>	<b>Outstanding amount as at the LPD (RM'000)</b>	<b>Amount proposed to be repaid (RM'000)</b>
<i>Bankers' acceptance granted by a financial institution to a subsidiary of MESB</i>	5.05	13,046	2,000

(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.

If the actual proceeds to be raised from the Proposed Private Placement, which shall be determined based on the eventual number of Placement Shares placed out as well as the issue prices fixed for each tranche of the Placement Shares, are lower than the quantum indicated under the Minimum Scenario, such shortfall shall accordingly reduce the portion of funds allocated for working capital purposes.

Conversely, any surplus in actual proceeds to be raised from the Proposed Private Placement in excess of the quantum indicated under the Maximum Scenario shall be utilised for working capital purposes.

Pending the utilisation of proceeds from the Proposed Private Placement for the above purposes, the proceeds would be placed as deposits with financial institutions or short-term money market instruments.

### **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.

### **4.0 INDUSTRY OUTLOOK AND PROSPECTS**

#### **4.1 Overview and outlook of the Malaysian economy**

Gross domestic products (GDP) registered a higher growth of 4.9% in the second quarter of 2019 (1Q 2019: 4.5%), supported by continued expansion in domestic demand. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.0% (1Q 2019: 1.1%).

Domestic demand expanded by 4.6% in the second quarter (1Q 2019: 4.4%), supported by firm household spending and slightly higher private investment.

Private consumption expanded by 7.8% (1Q 2019: 7.6%), supported by continued income growth and festive spending during the quarter. Selected Government measures, such as the special Aidilfitri assistance and Bantuan Sara Hidup, also provided some lift to overall household spending.

After a strong growth in the first quarter of 2019 (6.3%), public consumption expanded marginally by 0.3%, due to lower spending on supplies and services.

Growth of the Malaysian economy continued to improve, mainly supported by the recovery from commodity-related shocks experienced last year. While the recovery from supply shocks is expected to continue into the second half of the year, the slower global growth amid ongoing trade tensions would continue to weigh on growth. In this environment, economic growth is projected to remain supported mainly by private sector activity. Household spending will continue to be driven by stable labour market conditions, while investment activity will be supported by capacity expansion in key sectors such as manufacturing and services.

The baseline projection of the growth in the Malaysian economy for 2019, therefore, remains within the range of 4.3% - 4.8%. Nonetheless, the outlook is subject to downside risks from lingering uncertainties in the global and domestic environment, worsening trade tensions and extended weakness in commodity-related sectors. Positive conclusion to ongoing trade negotiations would pose as an upside risk.

*(Source: Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2019, Bank Negara Malaysia)*



Against the backdrop of a challenging global environment, the Malaysian economy is expected to sustain its growth momentum, expanding by 4.3% – 4.8% in 2019 (2018: 4.7%). The external sector is expected to register a more moderate expansion in tandem with the moderation in global growth. Private sector activity will remain the anchor of growth amid continued rationalisation in the public sector. Labour market conditions are expected to remain supportive of growth, while inflation is projected to be broadly stable compared to 2018.

*(Source: Bank Negara Malaysia Annual Report 2018)*

#### **4.2 Overview and outlook of retail industry in Malaysia**

The services sector expanded by 6.1% in the second quarter of 2019 (1Q 2019: 6.4%). Growth in the wholesale and retail trade subsector was relatively sustained across the wholesale, retail and motor vehicle segments amid firm household spending. The finance and insurance subsector was supported by the fee-based income segment following a major initial public offering in the capital market. Growth in the transport and storage subsector was driven by higher air passenger traffic and port activity in both transshipment and gateway segments. However, growth in the information and communication subsector moderated following slower demand for data communication services.

*(Source: Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2019, Bank Negara Malaysia)*

On the supply side, most economic sectors recorded an expansion, with the exception of commodity-related sectors. The services sector registered a marked improvement in growth of 6.8% in 2018 (2017: 6.2%), the highest since 2011, driven primarily by the wholesale and retail trade, food and beverages and accommodation sub-sectors as better consumer sentiments and favourable labour market conditions spurred spending, in particular during the tax holiday period.

Economic activity in the services sector will expand at a more moderate pace by 5.7% in 2019. Growth in wages and employment will support expansion in the wholesale and retail trade, food and beverages and accommodation sub-sectors.

Private consumption is projected to expand by 6.6% in 2019. After recording a strong growth in 2018, household spending is expected to normalise closer to its long term average of 6.7%. Although consumer sentiments have moderated from the recent peak, growth will remain firm supported by key fundamental drivers, namely stable labour market conditions and continued wage growth. The implementation of several government measures, particularly in alleviating rising cost of living, is expected to lend further support to consumption spending, especially by lower income households.

The implementation of several government measures, particularly aimed at alleviating rising cost of living, is expected to further support consumption spending, especially by lower income households. Private investment activity will be supported by the implementation of on-going multi-year projects, particularly in the manufacturing and services sectors.

*(Source: Bank Negara Malaysia Annual Report 2018, Bank Negara Malaysia)*

#### **4.3 Overview and outlook of apparel industry in Malaysia**

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

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

The future of the Malaysian textiles and apparel industry is dependent upon consolidation, upgrading of existing facilities, reducing costs and improving efficiency to remain competitive. In 2005, Malaysia was ranked 37th largest exporter of textiles and apparel in the world. The removal of quotas creates

opportunities for the industry to increase its exports. To remain competitive in the global market, the industry needs to focus on exports of functional fabrics having special features, such as wrinkle-free and anti-bacteria, and high-end apparel, such as blazers and bridal gowns. Presently, the industry faces competition from countries which have entered into free trade agreements (FTAs) with the major markets, such as the United States of America, Japan and the People's Republic of China.

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

#### **4.4 Prospects of the MESB Group**

The retail industry is presently facing some challenges from softer consumer sentiment, rising cost of doing business, depreciation of the Ringgit Malaysia as well as more cautious consumer spending from cost-push factors. Nevertheless, the management of MESB Group is of the view that moving forward, the growth of the Malaysian retail industry will be supported and underpinned by, amongst others, stable labour market conditions and continued wage growth. In addition, the Visit Malaysia 2020 campaign will directly influence the Malaysia's retail industry, consequently the Group's business. To further strengthen the Group's presence in the retailing industry in Malaysia, the Group is allocating RM2.80 million and RM7.00 million from the gross proceeds of the Proposed Private Placement under the Minimum Scenario and Maximum Scenario respectively for the Group's business expansion aiming at improving the revenue stream and profitability of the Group.

Moving forward, the Group will continue to further expand its distribution network via opening of new consignment counters for its new and existing product lines and brands in appropriate locations nationwide, where possible to expand more in standalone shop and online channel. These plans are expected to be effective in increasing the Group's market presence, particularly in the Malaysian retailing industry and providing better position for the Group to respond to its customer behaviour.

In addition, the Group also intends to add more product categories under its existing brands, to further expand the Group's product category mix. With a broader product range, the Group would be able to generate a greater level of sales volume, achieve improved economies of scale and create a lower cost structure and a higher profit margin. Furthermore, most of the brands have been in the Malaysia market for more than ten (10) years, and by having such strong brands, it enhances the Group's credibility with customers, its industry and the marketplace as a whole.

For the past two (2) years, the Group had launched a number of new international brands, covering men's, children's and babies' apparel, babies' soft accessories and men's leather accessories and now the Group has more than seven hundred ninety (790) consignment counters in departmental stores across Malaysia and seven (7) boutiques in Klang Valley and one (1) in Penang.

In line with the Group's expansion strategies, good progress was achieved, as reported in the Group's interim report for the quarter ended 30 June 2019. The Group will continue to focus its efforts on initiatives to grow revenue, enhance customer experience and improve operational efficiency.

Premised on the above and taking into consideration of the future outlook of the Malaysian retail industry as well as the business expansion measures to be undertaken by the Group as mentioned above, the Board is of the view that the prospects of the Group are expected to be positive. With the business expansion plans and strategies as aforementioned, the Group will further strengthen its position in Malaysia retailing industry, particularly apparels and leather goods industries as well as expand its retailing market and distribution networks.

*(Source: Management of MESB)*

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## 5.0 EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

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

### 5.1 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	10,933,650	36,855,000	16,400,475
After the Proposed Private Placement	106,470,000	62,173,890	159,705,000	79,925,715

**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 RM0.445 per Placement Share and the amount is fully credited to the share capital account of MESB in accordance with the Act.

### 5.2 Earnings and 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 Circular. 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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### 5.3 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 FPE 30 June 2019 are as follows:-

#### Minimum Scenario

	<b>Audited as at 30 June 2019 RM'000</b>	<b>After Proposed Private Placement RM'000</b>
Share capital	51,240	62,174
Reserves	40,767	* 40,617
<b>Shareholders' equity/ NA</b>	<b>92,007</b>	<b>102,791</b>
No. of ordinary shares ('000)	81,900	106,470
NA per ordinary share (RM)	1.12	0.97
Borrowings (RM'000)	31,450	# 29,450
Gearing (times)	0.34	0.29

#### Maximum Scenario

	<b>Audited as at 30 June 2019 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	79,926
Reserves	40,767	40,767	* 40,567
<b>Shareholders' equity/ NA</b>	<b>92,007</b>	<b>104,292</b>	<b>120,493</b>
No. of ordinary shares ('000)	81,900	122,850	159,705
NA per ordinary share (RM)	1.12	0.85	0.75
Borrowings (RM'000)	31,450	31,450	# 29,450
Gearing (times)	0.34	0.30	0.24

#### *Notes:-*

- \* *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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## 5.4

### 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 No. of MESB Shares held ( <sup>'000</sup> )	Indirect No. of MESB Shares held ( <sup>'000</sup> )	Direct No. of MESB Shares held ( <sup>'000</sup> )	Indirect No. of MESB Shares held ( <sup>'000</sup> )
<b>Substantial shareholders</b>				
Angsana Inai Sdn. Bhd.	18,411	22.48	18,411	17.29
Teoh Hwa Peng	24	0.03	24	0.02
Tan Sok Gim	-	-	-	( <sup>1</sup> ) 18,411 17.29
Konwa Industrial Sewing Machine (M) Sdn. Bhd.	7,272	8.88	7,272	( <sup>1</sup> ) 18,435 17.31
Lim Chin Hua Holdings Sdn. Bhd.	-	-	-	( <sup>1</sup> ) 7,272 6.83
Lim Chin Hua	-	-	-	( <sup>1</sup> ) 7,272 6.83
Lee Kuai Fong	-	-	-	( <sup>1</sup> ) 7,272 6.83
Ihsan Bin Osman	3,661	4.47	3,661	( <sup>1</sup> ) 2,831 2.66
Jia Teck Industries Sdn. Bhd.	5,313	6.49	5,313	4.99
Lee Sey Liang	3,734	4.56	3,734	3.51
Lim Siew Swan	-	-	-	( <sup>1</sup> ) 5,313 4.99
Eng Yee Koon	5,343	6.52	5,343	( <sup>1</sup> ) 9,047 8.50

#### **Note:-**

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

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**Maximum Scenario**

	As at the LPD			After full exercise of Warrants			After the Proposed Private Placement			
	Direct		Indirect	Direct		Indirect	Direct		Indirect	
	No. of MESB Shares held ( <sup>'000</sup> )	%	No. of MESB Shares held ( <sup>'000</sup> )	%	No. of MESB Shares held ( <sup>'000</sup> )	%	No. of MESB Shares held ( <sup>'000</sup> )	%	No. of MESB Shares held ( <sup>'000</sup> )	%
<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	( <sup>1</sup> ) 18,411	22.48	36	0.03	( <sup>1</sup> ) 18,411	36	0.02	( <sup>1</sup> ) 18,411
Tan Sok Gim	-	-	( <sup>1</sup> ) 18,435	22.51	-	-	( <sup>1</sup> ) 18,447	-	-	( <sup>1</sup> ) 18,447
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.	-	-	( <sup>1</sup> ) 7,272	8.88	-	-	( <sup>1</sup> ) 7,272	-	-	( <sup>1</sup> ) 7,272
Lim Chin Hua	-	-	( <sup>1</sup> ) 7,272	8.88	-	-	( <sup>1</sup> ) 7,272	-	-	( <sup>1</sup> ) 7,272
Lee Kuai Fong	-	-	( <sup>1</sup> ) 7,272	8.88	-	-	( <sup>1</sup> ) 7,272	-	-	( <sup>1</sup> ) 7,272
Ihsan Bin Osman	3,661	4.47	( <sup>1</sup> ) 2,831	3.46	3,661	2.98	( <sup>1</sup> ) 2,831	3,661	2.29	( <sup>1</sup> ) 2,831
Jia Teck Industries Sdn. Bhd.	5,313	6.49	-	-	13,941	11.35	-	13,941	8.73	-
Lee Sey Liang	3,734	4.56	( <sup>1</sup> ) 5,313	6.49	14,340	11.67	( <sup>1</sup> ) 13,941	14,340	8.98	( <sup>1</sup> ) 13,941
Lim Siew Swan	-	-	( <sup>1</sup> ) 9,047	11.05	-	-	( <sup>1</sup> ) 28,281	-	-	( <sup>1</sup> ) 28,281
Eng Yee Koon	5,343	6.52	-	-	5,343	4.35	-	5,343	3.35	-

***Note:-***

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

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## 5.5 Convertible securities

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

## 6.0 HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of MESB Shares as traded on Bursa Securities for the past twelve (12) months up to the LPD are as follows:-

	Highest (RM)	Lowest (RM)
<b><u>2018</u></b>		
November	0.270	0.195
December	0.230	0.185
<b><u>2019</u></b>		
January	0.300	0.190
February	0.295	0.240
March	0.345	0.270
April	0.315	0.270
May	0.305	0.260
June	0.320	0.265
July	0.320	0.250
August	0.330	0.275
September	0.430	0.295
October	0.530	0.395

The last transacted market price of MESB Shares on 9 October 2019, being the latest market day preceding the announcement of the Proposed Private Placement, was RM0.400 per MESB Share.

The latest transacted market price of MESB Shares on the LPD was RM0.475 per MESB Share.

*(Source: Bloomberg)*

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## 7.0 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 on the Main Market of Bursa Securities, which was obtained vide its letter dated 4 November 2019, subject to the following conditions:-

<u>Conditions imposed</u>	<u>Status of compliance</u>
MESB and KAF IB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Private Placement;	To be complied
MESB and KAF IB to inform Bursa Securities upon the completion of the Proposed Private Placement; and	To be complied
MESB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Private Placement is completed.	To be complied

- (ii) the shareholders of MESB for the Proposed Private Placement at the EGM to be convened; and
- (iii) any other relevant authorities (if applicable).

## 8.0 CONDITIONALITY

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

## 9.0 DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

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

## 10.0 DIRECTORS' STATEMENT AND RECOMMENDATION

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, is of the opinion that the Proposed Private Placement is in the best interest of the Company. Accordingly, on the basis above, the Board recommends you to vote in favour of the resolution to give effect to the Proposed Private Placement to be tabled at the forthcoming EGM.

## 11.0 OUTSTANDING CORPORATE EXERCISES

Save for the Proposed Private Placement, which is the subject matter of this Circular, there are no other intended corporate exercises/schemes which have been announced but yet to be completed by the MESB Group prior to the printing of this Circular.



## **12.0 ESTIMATED TIME FRAME FOR COMPLETION OF THE PROPOSED PRIVATE PLACEMENT**

Subject to the approvals as stated in Section 7.0 of this Circular being obtained and barring any unforeseen circumstances, the Proposed Private Placement is expected to be completed by the first (1<sup>st</sup>) quarter of 2020.

## **13.0 EGM**

The EGM, the notice of which is enclosed in this Circular, will be held at Level 2, Hotel Sri Petaling, 30, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur on Tuesday, 26 November 2019 at 10.00 a.m., for the purpose of considering and, if thought fit, passing the resolution pertaining to the Proposed Private Placement.

If you are unable to attend and vote in person at the EGM, you should complete, sign and return the Proxy Form enclosed with this Circular in accordance with the instructions printed therein as soon as possible so as to arrive at Boardroom Share Registrars Sdn. Bhd. (formerly known as Symphony Share Registrars Sdn. Bhd.), 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan no later than forty-eight (48) hours before the time stipulated for holding the EGM. The lodgement of the Proxy Form will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

## **14.0 FURTHER INFORMATION**

Shareholders are advised to refer to the Appendix I of this Circular for further information.

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

**LOKE LEE PING**  
Executive Director / Chief Executive Officer

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**FURTHER INFORMATION**


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**1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Board and the Directors of MESB individually and collectively accept full responsibility for the accuracy of the information given in this Circular and confirm that after making all reasonable enquiries, and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement/information herein false or misleading.

**2. CONSENT**

KAF IB, as the adviser to MESB in relation to the Proposed Private Placement, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto, where relevant, in the form and context in which they appear.

**3. CONFLICT OF INTEREST**

KAF IB has confirmed that it is not aware of any conflict of interest situation that exists or likely to exist that affect or may affect its ability to act independently and objectively as the adviser in connection with the Proposed Private Placement.

**4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**

As at the LPD, save as disclosed below, the Board is not aware of any other material commitments and contingent liabilities incurred or known to be incurred by the MESB Group which, upon becoming due and enforceable, may have a material and adverse impact on the financial results/position of the MESB Group:-

<b>Contingent Liabilities</b>	<b>RM'000</b>
- Litigation arising as disclosed in Section 5 below	5,243

*Note:-*

*The disclosure of contingent liability relating to the litigation claim excludes, amongst other, interest claimed, legal cost, damages and other reliefs to be determined solely by the discretion of the court.*

**5. MATERIAL LITIGATION, CLAIMS OR ARBITRATION**

As at the LPD, save as disclosed below, the MESB Group is not engaged in any other material litigation, claim or arbitration either as plaintiff or defendant or otherwise and the Directors of MESB are not aware of any proceeding pending or threatened against MESB and/or its subsidiaries, or of any fact likely to give rise to any proceeding which might materially or adversely affect the financial position or business of the MESB Group:-

**Zelleco Engineering Sdn Bhd ("Plaintiff") v MESB Berhad & 6 others**

On 22 August 2019, the Company was served with a writ of summon together with statement of claim in relation to a claim filed by the Plaintiff. The claim relates to a suit previously filed against Maintenance Engineering Sdn. Bhd. for an outstanding amount of approximately RM5.24 million together with interest and cost thereon, which was duly disposed by the Company on 22 March 2012 and wound up by a third party on 18 June 2013.

The Company had filed its defence on 19 September 2019 and the matter is now pending for case management on 6 November 2019. The Board, based on legal advice, is of the view that the Company has an even chance of defending the claim.

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**FURTHER INFORMATION (CONT'D)**

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**6. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of MESB at 10<sup>th</sup> Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur during normal business hours from Monday to Friday (except public holidays) from the date of this Circular up to and including the date of the EGM:-

- (a) the Constitution of MESB;
- (b) the letters of consent and conflict of interest referred to in Section 2 and Section 3 respectively of this Appendix I;
- (c) the cause paper in respect of the material litigation referred to in Section 5 of this Appendix I; and
- (d) the audited consolidated financial statements of MESB for the FYE 31 March 2018 and FPE 30 June 2019.

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**MESB BERHAD**

[Registration No.: 199501008356 (337554-D)]

[Incorporated in Malaysia]

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** an Extraordinary General Meeting of MESB Berhad (“**MESB**” or the “**Company**”) will be held at Level 2, Hotel Sri Petaling, 30, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur on Tuesday, 26 November 2019 at 10.00 a.m., for the purpose of considering and, if thought fit, passing the following ordinary resolution, with or without any modifications:-

**ORDINARY RESOLUTION**

**PROPOSED PRIVATE PLACEMENT OF UP TO 30% OF THE TOTAL NUMBER OF ISSUED SHARES IN MESB (“PROPOSED PRIVATE PLACEMENT”)**

“**THAT** subject to the approvals of all relevant authorities and/or parties (if required) being obtained for the Proposed Private Placement, approval be and is hereby given to the Board of Directors of MESB (“**Board**”) to allot and issue up to 36,855,000 new ordinary shares in MESB (“**MESB Shares**”) (“**Placement Shares**”), which represent 30% of MESB’s total number of issued shares for the time being to independent third party investor(s) to be identified, in a single or multiple tranche(s) within six (6) months from the date the approvals of the relevant authorities are obtained, or any extended period as may be approved by Bursa Malaysia Securities Berhad, for such purposes and utilisation of proceeds as disclosed in the circular to the shareholders of MESB dated 11 November 2019;

**THAT** approval is given to the Board to determine the issue price for each tranche of the Placement Shares at a later date subject to a discount of not more than 10% to the five (5)-day volume weighted average market price of MESB Shares immediately preceding the price-fixing date for each tranche of the Placement Shares;

**THAT** the Board be and is hereby authorised to utilise the proceeds of the Proposed Private Placement for such purposes and in such manner as set out in the circular to the shareholders of MESB dated 11 November 2019 and the Board be authorised with full powers to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient subject to the approval of the relevant authorities (where required) and in the best interest of the Company;

**THAT** such Placement Shares shall, upon allotment and issue, rank *pari passu* in all respects with the then existing MESB Shares, save and except that the Placement Shares shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution which may be declared, made or paid, the entitlement date of which is prior to the date of allotment of such Placement Shares;

[The rest of this page is intentionally left blank]

**AND THAT** the Directors of MESB be and are hereby authorised to sign and execute all documents, do all things and acts as may be required to give effect to the Proposed Private Placement with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required by any relevant authorities or as the Board may deem necessary in the best interest of the Company, and to deal with all matters relating thereto and to take all such steps and do all such acts and things in any manner as they may consider necessary or expedient to implement, finalise and give full effect to the Proposed Private Placement.”

**BY ORDER OF THE BOARD**

**TAN KOK SIONG (LS 0009932)**

**TAN BEE HWA (MAICSA 7058049)**

Company Secretaries

Kuala Lumpur

11 November 2019

**Notes:-**

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.*
2. *A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting.*
3. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. Where the exempt authorised nominee appoints two (2) or more proxies to attend and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportion of his holdings to be represented by each proxy.*
5. *The instrument appointing a proxy must be deposited at Boardroom Share Registrars Sdn. Bhd. (formerly known as Symphony Share Registrars Sdn. Bhd.), 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time stipulated for holding the meeting.*
6. *If the appointor is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.*
7. *The Date of Record of Depositors for the purpose of determining Members’ entitlement to attend, vote and speak at the meeting will be on 19 November 2019.*

# MESB

B E R H A D

## MESB BERHAD

[Registration No.: 199501008356 (337554-D)]

[Incorporated in Malaysia]

### PROXY FORM

No. of shares held	
CDS Account	
Contact No.	

I/We, \_\_\_\_\_ NRIC No./Passport No./Registration No. \_\_\_\_\_  
of \_\_\_\_\_

being a member/members of MESB Berhad hereby appoint \_\_\_\_\_  
NRIC No./Passport No. \_\_\_\_\_ of \_\_\_\_\_

\*and/or failing him/her \_\_\_\_\_ NRIC No./Passport No. \_\_\_\_\_ of \_\_\_\_\_

or failing him/her, \*the Chairman of the Meeting as \*my/our proxy to vote for \*me/us and on my/our behalf at the Extraordinary General Meeting of MESB Berhad to be held at Level 2, Hotel Sri Petaling, 30, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur on Tuesday, 26 November 2019 at 10.00 a.m..

Please indicate with (X) on how you want to cast your vote.

RESOLUTION	FOR	AGAINST
Ordinary Resolution – Proposed Private Placement		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2019

Signature(s)/Common Seal of Shareholder(s)

The proportion of my/our shareholding to be represented by my/our proxy/proxies is as follows:

First named proxy \_\_\_\_\_ %

Second named proxy \_\_\_\_\_ %

\_\_\_\_\_ 100 %

If no name is inserted in the space provided for the name of your proxy, the Chairman of the meeting will act as your proxy.

\* Delete whichever is not applicable.

#### Notes:-

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
2. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting.
3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. Where the exempt authorised nominee appoints two (2) or more proxies to attend and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportion of his holdings to be represented by each proxy.
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7. The Date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and speak at the meeting will be on 19 November 2019.



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The Share Registrar  
**MESB BERHAD**  
Boardroom Share Registrars Sdn. Bhd.  
(formerly known as Symphony Share Registrars Sdn. Bhd.)  
11th Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13  
46200 Petaling Jaya  
Selangor Darul Ehsan

AFFIX  
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