

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

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

This Circular has been reviewed and approved by KAF Investment Bank Berhad, an Adviser to MESB Berhad (“MESB”) for the Proposals (as defined herein).

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**MESB BERHAD**

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

[Incorporated in Malaysia]

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE**

- (I) PROPOSED DIVERSIFICATION OF THE BUSINESS OF MESB AND ITS SUBSIDIARIES TO INCLUDE WASTE RECYCLING BUSINESS; AND**
- (II) PROPOSED SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND/OR TRADING NATURE,**

**COLLECTIVELY REFERRED TO AS THE “PROPOSALS”**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

*Adviser*



**INVESTMENT BANK BERHAD**  
Registration No. 197401003530 (20657-W)

The Notice of the Extraordinary General Meeting (“EGM”) of MESB to be held on a fully virtual basis and entirely via remote participation and voting at the Broadcast Venue at Lot 9-11 Menara Sentral Vista, No. 150, Jalan Sultan Abdul Samad, Brickfields, 50470 Kuala Lumpur on Wednesday, 7 April 2021 at 2.30 p.m. or any other adjournment thereof, together with the Proxy Form and Administrative Guide are enclosed herewith. The Proxy Form must be deposited at the registered office, Third Floor, No. 77, 79 & 81, Jalan SS21/60, Damansara Utama, 47400 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time stipulated for holding the EGM. Alternatively, the Proxy Form can be lodged electronically via email at [proxyform@cospec.com.my](mailto:proxyform@cospec.com.my). The lodgement of the Proxy Form will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

**IMPORTANT DATES**

Last date and time for lodging the Proxy Form : Monday, 5 April 2021 at 2.30 p.m.  
Date and time for the EGM : Wednesday, 7 April 2021 at 2.30 p.m.

This Circular is dated 23 March 2021

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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, as amended from time to time and any re-enactment thereof
“AGM”	: Annual General Meeting
“Asia KG”	: Asia KG Fibre Supplier Sdn Bhd (200301002264 / 604684-X)
“Audit Committee”	: Audit committee of the Company
“Board”	: Board of Directors of MESB
“Bursa Securities”	: Bursa Malaysia Securities Berhad (200301033577 / 635998-W)
“Circular”	: This circular dated 23 March 2021 to the shareholders of MESB in relation to the Proposals
“COVID-19”	: Coronavirus 2019
“Director(s)”	: The director(s) of a company having the meaning given in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding six (6) months of the date on which the terms of the RRPT were agreed upon, a Director of MESB (or its subsidiary or holding company) or a chief executive officer of MESB (or its subsidiary or holding company)
“Earthwise Resources”	: Earthwise Resources Sdn Bhd (200101020685 / 556442-T)
“EGM”	: Extraordinary General Meeting
“Expert Resource”	: Expert Resource Management Sdn Bhd (202001041814 / 1398135-U)
“FPE”	: Financial period ended
“FYE”	: Financial year ended
“Interested Director” or “DWSK”	: Datuk Wong Sak Kuan
“KAF IB”	: KAF Investment Bank Berhad (197401003530 / 20657-W)
“Listing Requirements”	: Main Market Listing Requirements of Bursa Securities, as amended or modified from time to time
“LPD”	: 15 March 2021, being the latest practicable date prior to the printing of this Circular
“Major Shareholder(s)”	: A person who has an interest or interests in one or more voting shares in the Company and the number or aggregate number of those shares, is: (a) 10% or more of the total number of voting shares in the Company; or (b) 5% or more of the total number of voting shares in the Company where such person is the largest shareholder of the Company.  This includes any person who is or was within the preceding six (6) months of the date on which the terms of the RRPTs were agreed upon, a Major Shareholder of MESB as defined above or any other company which is a subsidiary or holding company of MESB.  For the purpose of this definition, “interest” shall have the meaning of “interest in shares” given in Section 8 of the Act.
“MCO”	: Movement Control Order

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**DEFINITIONS (CONT'D)**

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“MESB” or the “Company”	: MESB Berhad (199501008356 / 337554-D)
“MESB Group” or the “Group”	: MESB and its subsidiaries, collectively
“MESB Resources”	: MESB Resources Sdn Bhd (202101004564 / 1404863-M)
“MIDA”	: Malaysian Investment Development Authority
“NA”	: Net assets
“N.U. Recycle”	: N.U. Recycle Sdn Bhd (200701038366 / 796396-X)
“Offer”	: A conditional mandatory take-over offer jointly undertaken by DWSK and another offeror to acquire all the remaining ordinary shares and warrants of MESB not already owned by them, which was completed on 23 November 2020
“PAT” / “(LAT)”	: Profit/(loss) after tax
“Persons Connected”	: In relation to any person (referred to as “ <b>said Person</b> ”) means such person who falls under any one of the following categories:- <ul style="list-style-type: none"><li>(a) a family member of the said Person;</li><li>(b) a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the said Person, or a family member of the said Person, is the sole beneficiary;</li><li>(c) a partner of the said Person;</li><li>(d) a person, or where the person is a body corporate, the body corporate or its directors, who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the said Person;</li><li>(e) a person, or where the person is a body corporate, the body corporate or its directors, in accordance with whose directions, instructions or wishes the said Person is accustomed or is under an obligation, whether formal or informal, to act;</li><li>(f) a body corporate in which the said Person, or persons connected with the said Person are entitled to exercise, or control the exercise of, not less than 20% of the votes attached to voting shares in the body corporate; or</li><li>(g) a body corporate which is a related corporation of the said Person</li></ul>
“Proposals”	: Collectively, the Proposed Diversification and Proposed Shareholders’ Mandate
“Proposed Diversification”	: Proposed diversification of the existing business of the MESB Group to include Waste Recycling Business
“Proposed Shareholders’ Mandate”	: Proposed shareholders’ mandate for RRPTs to be entered into by the MESB Group with the Related Parties pursuant to the Proposed Diversification
“Related Party(ies)”	: A Director, a Major Shareholder or a Person Connected with such Director or Major Shareholder
“RM” and “sen”	: Ringgit Malaysia and sen, respectively
“RRPT(s)”	: Recurrent related party transaction(s) of a revenue and/or trading nature, which are necessary for day to day operations and are in the ordinary course of business of the MESB Group
“Transacting Parties”	: Collectively, Asia KG, Earthwise Resources, N.U. Recycle, Waier Trading and Expert Resource

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**DEFINITIONS (CONT'D)**

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- “Waier Trading” : Waier Trading Sdn Bhd (200201034340 / 602005-D)
- “Waste Recycling Business” : The business of collection and recycling of wastepaper, plastics scrap and scrap ferrous metal

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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**EXECUTIVE SUMMARY**

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This Executive Summary highlights only the salient information of the Proposals. Shareholders are advised to read this Circular in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposals before voting at the EGM.

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<b>Key information</b>	<b>Description</b>	<b>Reference to Circular</b>
<b>Summary of the Proposals</b>	<u>Proposed Diversification</u> <ul style="list-style-type: none"><li>• The Board intends to diversify the Group's existing principal activities to include the Waste Recycling Business which enables the Group to broaden its earnings base and reduce its dependency solely on the existing business.</li><li>• On the basis that MESB Group registered a loss of approximately RM26.78 million for its existing business for FYE 2020 and barring any unforeseen circumstances, the Proposed Diversification is reasonably expected to contribute more than 25% of the net profits of the Group and may result in a diversion of more than 25% of the NA of the Group to an operation which differs widely from its current operations.</li><li>• The Group will leverage on the experience and business interest of the existing director and also the controlling shareholders of MESB, namely DWSK in Waste Recycling Business.</li><li>• In this regard, MESB wishes to seek the approval of its shareholders at the forthcoming EGM for the Proposed Diversification pursuant to Paragraph 10.13(1) of the Listing Requirements.</li></ul>	Section 2.1
	<u>Proposed Shareholders' Mandate</u> <ul style="list-style-type: none"><li>• Pursuant to the Proposed Diversification, MESB Group will, in the ordinary course of the Waste Recycling Business, enter into certain RRPTs with the Related Parties.</li><li>• As such, the Board proposes to seek the Proposed Shareholders' Mandate for future RRPTs to be entered into by the Group from the date of the EGM until the next AGM.</li><li>• These RRPTs which are necessary for the day to day Waste Recycling Business of the MESB Group, will be based on normal commercial terms, at arms' length, and will be transacted on terms that are not more favourable to the Related Parties than those generally available to the public.</li></ul>	Section 2.2
<b>Rationale for the Proposals</b>	<u>Proposed Diversification</u> <p>The Board anticipates that the future prospects of the existing business of the Group will continue to be challenging, as such the Waste Recycling Business is expected to provide a new source of recurring income stream for the MESB Group that may mitigate the risk of overdependence on its existing business.</p> <p>The Board believes that the future revenue contribution from the new business segment will contribute better earnings potential and enhance shareholders' value moving forward.</p>	Section 3.1

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**EXECUTIVE SUMMARY (CONT'D)**

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<b>Key information</b>	<b>Description</b>	<b>Reference to Circular</b>
	<p><u>Proposed Shareholders' Mandate</u></p> <p>The Proposed Shareholders' Mandate serves to:-</p> <ul style="list-style-type: none"><li>(i) facilitate future RRPTs to be entered into by the Group, which are in its ordinary course of Waste Recycling Business and to be undertaken on commercial terms and on terms not more favourable to the Related Parties than those generally available to and/or from the public, where applicable, and in the Company's opinion, not detrimental to its minority shareholders;</li><li>(ii) enhance the Group's ability to pursue business opportunities which are time-sensitive in nature and eliminate the need for the Company to convene separate general meeting to seek shareholders' approval for each RRPT; and</li><li>(iii) reduce the expenses associated with the convening of general meetings on an ad hoc basis, improve administrative efficiency considerably and allow resources to be channelled towards attaining other corporate objectives.</li></ul>	Section 3.2
<b>Key risks of the Proposed Diversification</b>	<p><b>1. Business diversification risk</b></p> <p>The Proposed Diversification may expose the Group to risks inherent to the recycling industry, in which the Group has not been participating in the past.</p>	Section 5.1
	<p><b>2. Non-renewal or revocation or suspension of license to conduct recycling activities</b></p> <p>Companies that are involved in the recovery of wastes through recycling must be licensed by the Royal Malaysia Police for dealing in second-hand goods under the Second-Hand Dealers Act 1946. If such licence is not renewed or is revoked or suspended by the relevant authority, the Waste Recycling Business will be disrupted.</p>	Section 5.2
	<p><b>3. Dependency on suppliers</b></p> <p>The recyclable materials are generally sourced from waste suppliers which procured their supplies from the residential and commercial sectors. Failure to procure timely supplies on acceptable terms from such waste suppliers may affect the Waste Recycling Business of MESB pursuant to the Proposed Diversification, which may materially and adversely affect the Group's financial condition and business operations.</p>	Section 5.3
	<p><b>4. Fluctuations in commodity prices</b></p> <p>The wastepaper, plastic scrap and scrap ferrous metal are subject to global commodity price fluctuations and the risk of any unfavourable price changes will directly affect the profitability of the Waste Recycling Business.</p>	Section 5.4

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**EXECUTIVE SUMMARY (CONT'D)**

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<b>Key information</b>	<b>Description</b>	<b>Reference to Circular</b>
	<p><b>5. Competition</b></p> <p>The Group will face competition from both new entrants and established players in the recycling industry.</p>	Section 5.5
	<p><b>6. Dependency on key management personnel</b></p> <p>The Group is principally involved in the retailing industry and has no prior experience in the recycling industry. As such, during the start-up stage, the Waste Recycling Business will, to a certain extent, relying on the guidance of DWSK, in terms of sharing of industry knowledge and referral of customers/suppliers to MESB Resources.</p>	Section 5.6
	<p><b>7. Political, economic, market and regulatory considerations</b></p> <p>Any adverse developments and uncertainties in the political, economic and regulatory environment in Malaysia relating to the Waste Recycling Business, could negatively affect the operation and performance of the Group.</p>	Section 5.7
	<p><b>8. Implications of COVID-19 on the Group's existing and new business</b></p> <p>The Group expects the revenue generated from its retail segment will be affected due to the restriction in movement and the change in consumers' spending behaviour during the COVID-19 pandemic. Inevitably, the Waste Recycling Business will also be exposed to the risk of COVID-19 pandemic. Any unexpected shortage of recyclable materials and staff resources as a result of the MCO could disrupt such business operations upon commencement, including the associated cash flows, financial condition and results of operations.</p>	Section 5.8
<b>Approvals required</b>	<p>The Proposals are subject to the following approvals being obtained:-</p> <p>(i) the shareholders of MESB at the forthcoming EGM; and</p> <p>(ii) any other relevant authorities (if applicable).</p>	Section 7.0
<b>Conditionality</b>	<p>The Proposed Shareholders' Mandate is conditional upon the Proposed Diversification but not vice-versa. The Proposals are not conditional upon any other corporate proposals undertaken or to be undertaken by MESB.</p>	Section 8.0
<b>Director's statement &amp; recommendation</b>	<p>The Board (save for DWSK in respect of the Proposed Shareholders' Mandate), having considered all aspects of the Proposals, is of the opinion that the Proposals are fair, reasonable, and on normal commercial terms and are in the Company's best interest. Accordingly, the Board (save for DWSK in respect of the Proposed Shareholders' Mandate) recommends that you <b>vote in favour</b> of the resolutions to be tabled at the EGM in relation to the Proposals.</p>	Section 10.0

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# MESB

B E R H A D

## MESB BERHAD

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

[Incorporated in Malaysia]

### Registered Office:

Third Floor, No. 77, 79 & 81,  
Jalan SS21/60,  
Damansara Utama,  
47400 Petaling Jaya,  
Selangor

23 March 2021

### BOARD OF DIRECTORS

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

### To: The Shareholders of MESB

Dear Sir/Madam,

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**(I) PROPOSED DIVERSIFICATION; AND  
(II) PROPOSED SHAREHOLDERS' MANDATE,  
COLLECTIVELY REFERRED TO AS THE "PROPOSALS"**

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### 1.0 INTRODUCTION

1.1 On 15 January 2021, KAF IB had, on behalf of the Board, announced that MESB is proposing to undertake the Proposed Diversification and the Proposed Shareholders' Mandate.

Kindly refer to the ensuing sections for further details of the Proposals.

**THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE THE SHAREHOLDERS OF MESB WITH THE DETAILS OF THE PROPOSALS AND TO SEEK YOUR APPROVAL ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS 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 RESOLUTIONS TO GIVE EFFECT TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.**

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## 2.0 DETAILS OF THE PROPOSALS

### 2.1 Proposed Diversification

On the basis that MESB Group registered a loss of approximately RM26.78 million for its existing business for FYE 2020 and barring any unforeseen circumstances, the Proposed Diversification is reasonably expected to contribute more than 25% of the net profits of the Group and may result in a diversion of more than 25% of the NA of the Group to an operation which differs widely from its current operations.

In this regard, MESB wishes to seek the approval of its shareholders at the forthcoming EGM for the Proposed Diversification pursuant to Paragraph 10.13(1) of the Listing Requirements. Notwithstanding the Proposed Diversification, the Board intends to continue with the Group's current business in the same manner, whilst the Waste Recycling Business is expected to become an important business segment of the Group moving forward.

#### 2.1.1 Existing business operations of the Group

Presently, the principal activities of the Group are that of the trading and retailing of leather products, apparels and accessories under both licensed and in-house brands through over 750 consignment counters in major departmental stores throughout Malaysia, such as AEON, Parkson, The Store, Isetan, Sogo, Metrojaya and Billion. In addition, the Group also operates seven (7) boutiques located at shopping malls in Malaysia and has established retailing business online through its own e-commerce platform as well as several leading e-commerce platforms, such as Lazada, Shopee and Zalora.

A summary of the key financial information of the Group for the FYE 31 March 2018, 15-month FPE 30 June 2019, FYE 30 June 2020 and the 6-months FPE 31 December 2020 are as follows:-

	<-----Audited----->			<-----Unaudited----->	
	FYE	FPE	FYE	FPE	FPE
	31.3.2018	30.6.2019	30.6.2020	31.12.2019	31.12.2020
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	140,037	233,866	147,809	85,971	63,877
PAT/(LAT)	(6,043)	7,527	(26,775)	(1,066)	3,300
PAT/(LAT) margin (%)	(4.32)	3.22	(18.11)	(1.24)	5.17

(i) For the FYE 31 March 2018, the Group recorded a RM3.41 million higher LAT of RM6.04 million (FYE 31 March 2017 : LAT of RM2.63 million) despite a RM4.80 million higher revenue of RM140.04 million (FYE 31 March 2017 : RM135.24 million) due mainly to the following:-

- RM1.76 million higher impairment on inventories of RM1.86 million (FYE 31 March 2017 : RM0.10 million); and
- 2.40% lower in gross profit margin of 54.69% (FYE 31 March 2017 : 57.09%).

(ii) For the 15-month FPE 30 June 2019, the Group recorded a PAT of RM7.53 million (FYE 31 March 2018 : LAT of RM6.04 million) against a revenue of RM233.87 million (FYE 31 March 2018 : RM140.04 million) due mainly to a 6.60% improvement in gross profit margin to 61.29% (FYE 31 March 2018 : 54.69%) as a result of the Group's expansion of retailing segment in ready-to-wear products. For clarity, the 67.00% or RM93.83 million improvement in revenue to RM233.87 million (FYE 31 March 2018 : RM140.04 million) was due to:-

- the consolidation of 15-month results for FPE 30 June 2019 as opposed to 12-month results for FYE 31 March 2018; and
- the contribution of two (2) Hari Raya festival sales on the Group's revenue during the 15-month financial period under FPE 30 June 2019.

(iii) For the FYE 30 June 2020, the Group incurred an LAT of RM26.78 million (15-month FPE 30 June 2019 : PAT of RM7.53 million) against a revenue of RM147.81 million (15-month FPE 30 June 2019 : RM233.87 million) due mainly to the following:-

- RM24.67 million and RM0.50 million impairments on goodwill and trademarks respectively; and
- 3.15% lower gross profit margin recorded at 58.14% (15-month FPE 30 June 2019 : 61.29%) as a result of the COVID-19 pandemic and the implementation of MCO, which have greatly affected the retailing business segment in Malaysia.

Further, as deliberated in the management discussion and analysis contained in the annual report of MESB for the FYE 30 June 2020, “... the deterioration of the financial performance and the current economic environment caused by the COVID-19 pandemic have resulted in a slow forecasted revenue growth in the retailing segment in the coming years and indicated that a full impairment of the intangible assets is required in the financial year ended 30 June 2020.”. Moving forward, “... the economic impact of the COVID-19 pandemic to the retail industry is the main concern for the Group’s core business in the next financial year. We are experiencing a direct impact on our retail segment revenue and we expect the economic pressure to continue to impact our customers’ behaviour. We are also seeing the consumers spending more on essential goods and services and are moving towards online buying as compared to the times prior to the pandemic, in which these changes have directly impacted the Group’s business. In view of the unprecedented impact of COVID-19 pandemic and the current economic downturn, the Group expects that the retail market will remain challenging in the foreseeable future, particularly in the non-essential retail sector. In these uncertain time, the Group’s main objective is to stay on course, while increasing its focus on the return of capital its business generates and sustaining cash flow generation.”.

(iv) Despite a RM22.09 million decrease in revenue to RM63.88 million (6-month FPE 31 December 2019 : RM85.97 million), the Group recorded a PAT of RM3.30 million as opposed to an LAT of RM1.07 million recorded during the corresponding period due mainly to the improved performance from the Group’s retail segment, which has recorded an increase in segment profit of RM5.42 million (6-month FPE 31 December 2019 : RM1.04 million) due largely to the lower operating costs incurred resulting from the cost reduction initiatives implemented by the Group during the COVID-19 pandemic.

### 2.1.2 Waste Recycling Business

In relation to the foregoing, the Group intends to diversify its existing business to include the Waste Recycling Business in view of the favourable outlook of the recycling industry as set out in Section 4.2 of this Circular as a means to provide the Group with a more diversified business and stable revenue stream for future growth, which in turn enhance its prospects and financial performance. Through the Proposed Diversification, MESB will also be able to broaden its earnings base and reduce its dependency solely on the existing business.

Further details on the Waste Recycling Business are as follows:-

#### (i) MESB Resources

MESB Resources has been incorporated to carry out the Waste Recycling Business for the MESB Group upon procuring the requisite approvals from the shareholders of MESB/relevant authorities. The Waste Recycling Business is intended to be established by MESB Resources on its own through leveraging on the expertise of its management team as more particularly set out in Section 2.1.2 (iv) of this Circular.

(ii) **Factory Premises**

MESB Resources plans to lease a factory cum warehouse/office ("**Factory Premises**") for undertaking the Waste Recycling Business instead of outright purchase with the aim of conserving cash resources for the Group's existing core operations as well as the Waste Recycling Business. The management is in the midst of identifying a suitable site with the following intended features:-

Location	:	Selangor
Land size	:	approximately 1 ½ to 2 acres
Factory cum warehouse/office	:	approximately 45,000 square feet
Estimated monthly rental	:	approximately RM30,000

(iii) **Business Process**

The business process of the Waste Recycling Business is as follows:-

(a) **Input**

Procurement ~ MESB Resources will procure the supplies of recyclable materials ("**Supplies**") from the Transacting Parties as well as third party local suppliers, subject to the availability and prevailing market prices of the Supplies. For clarity, the procurement of Supplies will not be under any supply contract, but rather they will be procured from time to time depending on the production requirement of MESB Resources.

Supplies ~ The Supplies comprised of recyclable materials, such as wastepaper, plastic scrap and scrap ferrous metal.

(b) **Production**

Equipment ~ The following requisite machineries for the Waste Recycling Business will be installed at the Factory Premises:-

No. of unit(s)	Description	Estimated Costs (RM)
1	Compactor	500,000
8	Crusher (RM60,000/unit)	480,000
6	Baller (RM90,000/unit)	540,000
4	Forklift (RM85,000/unit)	340,000
-	Miscellaneous	100,000
	<b>Total</b>	<b>1,960,000</b>

The aforesaid equipment will be financed through a combination of internal funds of the Group and credit financing to be procured from financial institutions, the exact distribution of the same will only be determined at a later stage.

Weighing ~ The truckload of Supplies upon arriving at the Factory Premises will first be weighted prior to offloading and thereafter, to be weighted again after offloading to ascertain the tonnage of Supplies received against the tonnage ordered.

Offload and Quality check ~ Once the weighing process is completed, the Supplies will be offloaded at the sorting ground for quality check and deduction may be imposed for the portion of impurities contained, such as non-recyclable materials, soil and water.

Thereafter, an inspection ticket specifying the proportion of difference types of recyclable materials and deduction for the portion of impurities, if any, as well as the weighing ticket will be issued to the supplier concerned. Upon acceptance/ acknowledgement, payment voucher to such supplier will be raised and followed with payment to them.

Sorting and Bundling ~ The Supplies will be sorted by workers into difference product types, primarily:-

- old corrugated containers (“OCC”);
- general papers, such as office papers and newsprint;
- low-density polyethylene items (“LDPE”), such as cling-film, bubble wrap, sandwich bags, squeezable bottles and plastic grocery bags;
- high-density polyethylene items (“HDPE”), such as containers for milk and non-carbonated drinks, toys, buckets, motor oil, shampoos and conditioners, soap bottles, detergents and bleaches;
- ferrous metal, such as copper, iron and aluminium; and
- miscellaneous paper and polypropylene items.

(c) **Output**

Through the sorting and bundling process, all relevant sorted materials will be compacted and bundled (“Sorted Materials”) for delivery to customers.

For the first year of operations, the management of MESB Resources anticipates to be able to process and supply:-

- approximately 2,000 tonnes per month of paper based Sorted Materials, such as OCC and general papers;
- approximately 1,000 tonnes per month of plastic based Sorted Materials, such as LDPE and HDPE; and
- approximately 20 tonnes per month of ferrous metal.

(d) **Sales**

Thereafter, the Sorted Materials will be loaded onto the delivery trucks for delivery to the customers. Upon arriving at the customers’ premises, a similar process of weighing and quality check as described above will be performed by the customers to determine the quantity and quality of Sorted Materials delivered.

Upon acceptance/acknowledgement, a receipts note/invoice will be issued by/to the customer accordingly and followed with payment by them.

The Sorted Materials are common industrial raw materials with readily available purchasers from the manufacturing industry and based on industry practice, are supplied on order-by-order basis instead of basing on any long-term supply contract.

(iv) **The Management Team**

Although the Group does not have any historical track record in the Waste Recycling Business, the Proposed Diversification is expected to be spearheaded by the Company's Director and Major Shareholder, namely DWSK who has approximately 20 years of experience in the recycling industry in Malaysia through his involvement in several private companies as Director and controlling shareholder. Such companies are principally involved in the provision of recycling services and trading of recyclable materials. The Board believes that the Group will be able to leverage on the expertise and extensive experience of DWSK to venture into the Waste Recycling Business.

**DWSK**, a Malaysian, aged 52, is currently a Major Shareholder and Director of MESB as well as a Director of MESB Resources. He holds a Diploma in Civil Engineering from the Federal Institute of Technology in 1990. He has vast experience in various industries, including construction, land logistics, food and beverages as well as trading, recycling and the provision of paper roll rewinding services. Currently, he is a Director and Major Shareholder of Lotus KFM Berhad, a company listed on the Main Market of Bursa Securities.

Together with another offeror, DWSK emerged as the controlling shareholders of MESB with a combined equity interest of 44.14% in the Company pursuant to the Offer. The Proposed Diversification is in line with their intention as contained in the offer document in relation to the Offer, dated 2 November 2020, where they will, "*... from time to time, review the Group's business and operations and, if deemed appropriate, effect such appropriate rationalisation, reorganisation and/or arrangements, including diversification from the existing core business of the MESB Group, if deemed appropriate, through leveraging on the experience and business interests of Wong Sak Kuan (as one of the Joint Offerors), particularly in construction, land logistics and recycling, with the aim of improving the overall financial performance and prospects of the MESB Group.*".

In addition, DWSK will be assisted by Lee Wai Fun as well as the following staff to be recruited:-

- One (1) factory manager;
- Two (2) finance and administrative personnel;
- One (1) human resource personnel;
- Three (3) supervisors; and
- Twenty (20) general workers.

**Lee Wai Fun**, a Malaysian, aged 50, is a shareholder of MESB and a Director of MESB Resources. She is a member of Chartered Institute of Management Accountants and Malaysian Institute of Accountants. She has over 25 years of experience in finance, administration and management functions from several industries such as manufacturing, trading, recycling, construction and development, transportation, and food and beverages. In terms of recycling business, she has over 14 years of experience in such industry. Currently, she is the Executive Director/Chief Executive Officer of Lotus KFM Berhad, a company listed on the Main Market of Bursa Securities.

The Group is in the opinion that DWSK's interests in the Transacting Parties will not affect DWSK in discharging his duty as a Director of the Group. For the Waste Recycling Business, his primary role and responsibility is to advise/guide MESB Resources through sharing of his industry knowledge and referral of customers/suppliers to MESB Resources. Further, the day to day operations of MESB Resources will be supported by a working group that focuses on the operational matters of the Waste Recycling Business, the details of which are set out in the above.

(v) **Licensing**

The operations of the Waste Recycling Business require the following licences, which will be applied by MESB Resources prior to commencement of business:-

- a business licensed to be issued by the Royal Malaysia Police for dealing in second-hand goods under the Second-Hand Dealers Act 1946; and
- a business premise licence and a signboard licence to be issued by the local council.

(vi) **Financial resources**

The Group intends to fund the Waste Recycling Business through a combination of its internally generated funds and credit facilities to be procured from financial institutions. Based on the Group's 6-month unaudited financing statements for FPE 31 December 2020, its cash and bank balances stood at RM42.62 million, whilst its total borrowings stood at RM23.55 million.

(vii) **Commencement**

Subject to the shareholders' approval for the Proposals and the leasing/procurement of the Factory Premises, production equipment and requisite licences as mentioned above, MESB Resources anticipates to commence the Waste Recycling Business by the 3<sup>rd</sup> quarter of 2021.

*(Source: the management of MESB)*

## **2.2 Proposed Shareholders' Mandate**

### **2.2.1 Provisions under the Listing Requirements**

Pursuant to Paragraph 10.09(2) of the Listing Requirements, a listed issuer may seek a shareholders' mandate to enter into RRPTs subject to the following:-

- (i) the transactions are in the ordinary course of business and on terms not more favourable to the related party than those generally available to the public;
- (ii) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or more than the prescribed threshold as follows:-

“in relation to a listed issuer with a share capital which is less than RM60 million:-

- (a) the consideration, value of the assets, capital outlay or costs of the RRPTs is RM1.0 million or more; or
- (b) the percentage ratio of such RRPTs is 1% or more,

whichever is the lower”;

- (iii) the Company's circular to shareholders for the shareholders' mandate shall include information as set out in the Listing Requirements;

- (iv) in the general meeting to obtain the shareholders' mandate, the interested Director, interested Major Shareholder or interested Person Connected with a Director or Major Shareholder, and where it involves the interest of an interested Person Connected with a Director or Major Shareholder, such Director or Major Shareholder, must not vote on the resolution approving the transactions. An interested Director or interested Major Shareholder must ensure that Persons Connected with them abstain from voting on the resolution approving the transactions; and
- (v) MESB immediately announces to the Bursa Securities when the actual value of a RRPT entered into by MESB, exceeds the estimated value of the RRPT disclosed in this Circular by 10% or more and must include information as may be prescribed by the Bursa Securities in its announcement.

Pursuant to the Proposed Diversification, MESB Group will, in the ordinary course of the Waste Recycling Business, enter into certain RRPTs with the Related Parties, the details of which as set out in Section 2.2.5 of this Circular. It is likely that such transactions will occur with some degree of frequency and could arise at any time.

Accordingly, the Board proposes to seek the Proposed Shareholders' Mandate for future RRPTs to be entered into by the Group from the date of the EGM until the next AGM. These RRPTs which are necessary for the day to day Waste Recycling Business of the MESB Group, will be based on normal commercial terms, at arms' length, and will be transacted on terms that are not more favourable to the Related Parties than those generally available to the public.

### 2.2.2 Validity Period of the Proposed Shareholders' Mandate

The Proposed Shareholders' Mandate, if approved by the shareholders of the Company at the EGM, will take effect from the date of the passing of the ordinary resolution at the EGM and shall continue to be in force until:-

- (a) the conclusion of the next AGM of the Company following the general meeting at which the ordinary resolution for the Proposed Shareholders' Mandate was passed, at which time it shall lapse, unless the authority is renewed by a resolution passed at the next AGM;
- (b) the expiration of the period within the next AGM of the Company after the date is required by law to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(3) of the Act); or
- (c) revoked or varied by an ordinary resolution passed by the shareholders of the Company at a general meeting, whichever is earlier.

### 2.2.3 Principal Activities of MESB Group

The Company is principally an investment holding, whilst the principal activities of its subsidiaries as at the LPD are as follows:-

<b>Name of Company / Registration No.</b>	<b>Date / Country of Incorporation</b>	<b>Effective Equity Interest (%)</b>	<b>Principal Activities</b>
Active Fit Sdn Bhd (200401022908 / 661413-A)	31 July 2004/ Malaysia	100%	Trading and retailing of casual apparels and accessories
Miroza Leather (M) Sdn Bhd (199201010971 / 242474-V)	17 June 1992/ Malaysia	100%	Trading and retailing of leather products and apparels
MESB Capital & Development Sdn Bhd (199001014786 / 206455-X)	18 October 1990/ Malaysia	100%	Investment holding



Name of Company / Registration No.	Date / Country of Incorporation	Effective Equity Interest (%)	Principal Activities
MESB Resources (202101004564 / 1404863-M)	5 February 2021/ Malaysia	100%	Waste recycling management

#### 2.2.4 Details of Transacting Parties

The details of the Transacting Parties as at the LPD are as follows:-

Transacting Parties	Date / Country of incorporation	Principal activities	Nature of relationship between the Group and the Transacting Parties
Asia KG	24 January 2003/ Malaysia	Trading of recyclable materials	<p><u>DWSK</u>, a Director and Major Shareholder of MESB holding a 33.45% direct interest in the Company, is also a Director of MESB Resources and the Transacting Parties, having:-</p> <ul style="list-style-type: none"> <li>- a 28.98% direct and 56.02%* indirect interests in Asia KG;</li> <li>- an indirect interest of 100%* in both Earthwise Resources and Waier Trading;</li> </ul>
Earthwise Resources	16 August 2001/ Malaysia		
N.U. Recycle	20 November 2007/ Malaysia		
Waier Trading	27 December 2002 / Malaysia		
Expert Resource	17 December 2020 / Malaysia	Provision of remediation activities and other waste management services	<ul style="list-style-type: none"> <li>- a 38.24% direct and 46.76%* indirect interests in N.U. Recycle; and</li> <li>- a 65.00% direct interest in Expert Resource</li> </ul> <p><i>Note * : Such interests are directly held by Lotus Essential Sdn Bhd, where DWSK is having a 97.50% direct interest.</i></p> <p><u>Lee Wai Fun</u>, a Director of MESB Resources and a shareholder of MESB holding a 4.50% direct interest in the Company, is also a Director of Asia KG, Earthwise Resources, N.U. Recycle and Expert Resource as well as having a 10% equity interest in Asia KG and N.U. Recycle.</p>

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## 2.2.5 Nature of the RRPTs contemplated under the Proposed Shareholders' Mandate

The RRPTs to be entered into under the Proposed Shareholders' Mandate are as follows:-

No.	Transacting Parties	Transacting party within the Group	Nature of transaction	*Estimated value of RRPTs from the EGM to the next AGM (RM)
1.	Asia KG	MESB Resources	Purchase of wastepaper, plastic scrap and scrap ferrous metal	3,000,000
2.	Earthwise Resources			10,000,000
3.	Waier Trading			2,000,000
4.	N.U. Recycle			6,000,000
5.	Expert Resource		Purchase of plastic scrap and scrap ferrous metal	12,000,000

*Note \* : These figures were deduced based on the management's best estimates on the anticipated value of RRPTs to be entered into and hence, the actual transaction values of such RRPTs may differ from the estimated value disclosed above.*

## 2.2.6 Amount owing by Related Parties pursuant to RRPTs

As at LPD, there is no amount owing by the Related Parties pursuant to the RRPTs that has exceeded the credit terms as MESB Resources has yet to enter into the RRPTs.

## 2.2.7 Review procedures for RRPT(s)

Subject to the Proposed Shareholders' Mandate being approved, the MESB Group will establish various guidelines and procedures to ensure that the RRPTs are undertaken on an arm's length basis, on transaction prices and terms not more favourable to the Related Parties involved than those generally available to the public and not detrimental to the minority shareholders of the Company.

The Group shall review the RRPTs based on the following parameters/procedures:-

- (i) A list of Related Parties shall be circulated to management of all subsidiary companies from time to time with the instruction that, all RRPTs with such Related Parties are required to be transacted on an arm's length basis, on normal commercial terms consistent with the Group's normal business practices and policies and will not be detrimental to the minority shareholders;
- (ii) RRPTs will be monitored through management reports made to the Board and to the Audit Committee;
- (iii) The Board and the Audit Committee will review the management reports to ascertain that the guidelines and procedures established to monitor the RRPTs have been complied with;
- (iv) Where any Director or Persons Connected to him has an interest (direct or indirect) in any related party transactions, such Director (or his alternate) shall abstain from voting on the matter. Where any member of the Audit Committee is interested in any transaction, that member shall abstain from voting on any matter relating to any decisions to be taken by the Audit Committee with respect to such transactions;

- (v) The prices, terms and conditions of the RRPTs are based on market rates, the availability of the amount/resources to be transacted or negotiated on a willing buyer willing seller basis. The Group shall determine at least two (2) other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of produces/services and/or quantities. In the event that quotation or comparative pricing from unrelated third parties cannot be obtained, the transaction price will be determined by MESB Group's usual business practices to ensure that the RRPTs are not detrimental to the minority shareholders;
- (vi) The Audit Committee's review procedures will be conducted on a quarterly basis together with the review of quarterly results, or such frequency as the Audit Committee considers appropriate having regard to the value and the frequency of the RRPTs;
- (vii) The RRPT for each transaction which is below RM1.0 million in value or 1% of shareholders' funds, whichever is lower, is subject to the approval of any senior management staff or any one Executive Director of the respective subsidiaries who has no interest in the transaction;
- (viii) The RRPT which is RM1.0 million and above or 1% of shareholders' funds, whichever is lower, but less than 5% of the shareholders' funds shall be reviewed and approved by any one Executive Director of MESB who has no interest in the transaction;
- (ix) The RRPT which is 5% of the shareholders' funds and above shall be reviewed and approved by the Audit Committee and the Board before the transaction is entered into; and
- (x) All RRPTs entered into pursuant to the general mandate shall subject to annual review of the approval procedures to be undertaken by the Audit Committee and the Board. Approval of the shareholders would be sought at the AGM for renewal of RRPT mandate.

#### **2.2.8 Disclosure in Annual Report**

Disclosure will be made in the Company's annual report on the breakdown of the aggregate value of the RRPTs made during the financial year, amongst others, based on the following information:-

- (i) The types of RRPTs made; and
- (ii) The names of the Related Parties involved in each type of the RRPT and their relationship with the Group.

#### **2.2.9 Statement by the Audit Committee**

The Audit Committee has seen and reviewed the procedures and is satisfied that the review procedures and processes for RRPTs, as well as the quarterly review to be made by the Audit Committee, are sufficient and are appropriate to ensure that RRPTs will be made at arm's length and in accordance with the Group's normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of minority shareholders, and hence not disadvantageous to the Group.

Furthermore, the Audit Committee shall have the discretion to request for additional information pertaining to the RRPTs from independent sources or advisers. The Audit Committee is of the view that the Group has in place adequate procedures and processes to monitor, track and identify RRPTs in a timely and orderly manner, and the procedures and processes are reviewed every quarter together with the review of quarterly results.

### **3.0 RATIONALE FOR THE PROPOSALS**

#### **3.1 Proposed Diversification**

The Board anticipates that the future prospects of the existing trading and retailing of apparels and leather products business of the Group will continue to be challenging as described in Section 2.1.1 of this Circular. Therefore, the Board is of the opinion that the Proposed Diversification allows the Group to enter into recycling industry in Malaysia by establishing a new business segment. Further, the future income derived from the Waste Recycling Business is expected to provide a new source of recurring income stream for MESB Group.

Premised on the above, the Proposed Diversification enables the Group to diversify its revenue and income stream so as to mitigate the risk of overdependence on its existing business. Considering the outlook and prospects of the Waste Recycling Business as set out in Section 4.2 of this Circular, the Board believes that the future revenue contribution from the new business segment will contribute better earnings potential and enhance shareholders' value moving forward.

#### **3.2 Proposed Shareholders' Mandate**

The Proposed Shareholders' Mandate serves to:-

- (i) facilitate future RRPTs to be entered into by the Group, which are in its ordinary course of Waste Recycling Business and to be undertaken on commercial terms and on terms not more favourable to the Related Parties than those generally available to and/or from the public, where applicable, and in the Company's opinion, not detrimental to its minority shareholders;
- (ii) enhance the Group's ability to pursue business opportunities which are time-sensitive in nature and eliminate the need for the Company to convene separate general meeting to seek shareholders' approval for each RRPT; and
- (iii) reduce the expenses associated with the convening of general meetings on an ad hoc basis, improve administrative efficiency considerably and allow resources to be channelled towards attaining other corporate objectives.

In addition, the RRPTs are intended to meet the business needs of the Group on the best possible terms. By transacting with such transacting party, the Group would have an advantage of familiarity with the background and management of the Related Parties concerned, thus enabling more informed commercial decisions to be made.

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

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

The Malaysian economy recorded a negative growth of 3.4% in the fourth quarter (3Q 2020: -2.6%), largely attributable to the imposition of the Conditional MCO on a number of states since mid-October. The restrictions on mobility, especially on inter-district and inter-state travel, weighed on economic activity. Nevertheless, the continued improvement in external demand provided support to growth. Consequently, except for manufacturing, all economic sectors continued to record negative growth. On the expenditure side, moderating private consumption and public investment activities weighed on domestic demand. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a decline of 0.3% (3Q 2020: +18.2%).

In terms of sectorial performance, all economic sectors, except manufacturing, registered negative growth in the fourth quarter.

The services sector registered a larger contraction of 4.9% in the fourth quarter of 2020 (3Q 2020: -4.0%), as tighter restrictions on mobility and stricter standard operating procedures (“SOPs”) affected domestic-oriented activities. The restrictions (e.g. shorter operating hours) and weak sentiments adversely impacted spending, particularly on recreational activity and non-essential retail goods, which in turn weighed on activity in the wholesale and retail trade subsector. This was partially offset by continued growth in the motor vehicle segment. In addition, the weakness in tourism activity amid continued closure of international borders weighed on key sub-sectors, such as food and beverage, accommodation as well as transport and storage. Meanwhile, finance and insurance continued to grow amid sustained loan and deposit growth. Growth in the information and communication sub-sector also improved, amid higher demand for data communication services, particularly broadband.

The agriculture sector contracted further by 0.7% (3Q 2020: -0.5%). This was due mainly to weak oil palm output as labour shortages continued to affect harvesting activities, while deteriorating weather conditions towards the end of the year led to operational constraints in production. Growth was also weighed by the continued weaknesses in the rubber, fisheries, forestry and logging subsectors, which partially offset the continued expansion in the livestock and other agriculture subsectors.

The construction sector registered a larger contraction (-13.9%; 3Q 2020: -12.4%). Labour shortages, site shutdowns due to COVID-19 outbreaks and interruptions in progress of selected work packages have affected growth, particularly in the civil engineering and residential sub sectors. The special trade sub sector, however, continued to register positive growth following support from small-scale projects under the PRIHATIN stimulus package.

The mining sector contracted further by 10.6% (3Q 2020: -6.8%). Both crude oil and natural gas production were lower during the quarter, attributed mainly to several facility closures for maintenance purposes.

The manufacturing sector expanded by 3.0% (3Q 20: 3.3%), as robust electrical and electronics (“E&E”) production more than offset lower activity in the consumer cluster. The strong performance in the E&E sub-sector was supported by sustained global demand for semiconductors components, which has led to a global shortage. This has resulted in a build-up of order backlogs among Malaysian producers which are highly integrated in the global value chain. The positive growth in E&E was partially offset by the weakness in consumer-cluster. In particular, the refining and manufacture of palm-oil related products was affected by disruptions in the agriculture sector amid labour shortages. Several consumer-clusters, such as food and beverages, tobacco, and textiles subsectors, were affected by weaker demand due to the re-imposition of Conditional MCO.

Domestic demand recorded a decline of 4.4% in the fourth quarter of 2020 (3Q 2020: -3.3%), mainly due to the subdued private consumption and public investment activities. Net exports grew by 12.4% (3Q 2020: 21.9%), with continued expansion in manufactured exports.

Private consumption contracted by 3.4% (3Q 2020: -2.1%). Household spending was subdued amid continued weaknesses in income and employment conditions during the quarter. Spending was also affected by tighter movement restrictions in selected states. Nevertheless, the decline in physical spending was partly mitigated by the continued acceleration in online spending. During the quarter, consumer expenditure also remained supported by various stimulus measures including the EPF *i-Lestari* withdrawals, the continued support to affected borrowers under the Targeted Repayment Assistance and lower passenger car sales tax.

Meanwhile, public consumption continued to expand, albeit at a more moderate pace of 2.7% in the fourth quarter of 2020 (3Q 2020: 6.9%), supported by spending in emoluments.

*(Source: Economic and Financial Developments in the Malaysian Economy in the Fourth Quarter of 2020, Bank Negara Malaysia)*

## 4.2 Overview of recycling industry in Malaysia

The municipal solid waste generation rate per person in Malaysia has increased from 0.8kg per person per day in 2005 to 1.17kg per person per day in 2016. This has summed up to 13.5 million tons of waste generated in 2016 compared to only 6.9 million tons of waste generated in 2015. This increase in the population of Malaysia has contributed to the increase in waste generated daily. The rate of solid waste generation per person is directly related to economic development, the rate of industrialisation, and public practices of the region. It has been proven that higher advancement in economic will result in a higher amount of solid waste generation.

In spite of the growing amount of waste disposed at the landfill, Solid Waste and Public Cleansing Management Corporation has estimated that 70.9% of the material disposed at the landfill has the potential to be recycled. This has been supported by the composition study done at 26 landfills in Malaysia for 2018, in which the waste disposed at the landfill consisted of 24.3% of plastic and 11.3% of the paper. These materials are not supposed to end up at the landfill and should be treated as resources as they can be recycled.

*(Source: Habitat Magazine 2019/11<sup>th</sup> issue, Ministry of Housing & Local Government Malaysia)*

In view thereof, the Malaysian government has targeted to reduce waste to landfill by 40% and have 30% of plastic waste recycled nationally by 2020. The Malaysian Plastics Manufacturers Association estimates that the plastics recycling industry produces 1.5 million tonnes of recycled resins a year worth approximately RM4.5 billion in revenue, and exports roughly 70% of its production. This estimation is only true if the 13.2% of plastic in the municipal solid waste is packaging plastics. There was a gradual increase in plastic waste recycling at 38.19% (in 2017) to 46.48% (in 2018) but a decline in 2019 with only 40.34% of plastic waste recycled.

*(Source: SEA Circular Country Profile: Malaysia, April 2020, United Nations Environment Programme and Coordinating Body on the Seas of East Asia)*

To enhance solid waste management, Malaysia has taken a stepwise approach to privatise and centralise its solid waste management. The standard hierarchy of waste management involves five crucial steps; reuse, reduce, recycling, treatment and disposal. Currently, the most predominantly employed step in Malaysia is disposal. The Malaysian government continues to promote a more effective way of waste management by encouraging the reuse and reduce method and ultimately reducing landfill wastes. Careful planning alongside efficient resource allocation and management are vital in achieving a sustainable solid waste management system.

Aside from consumer and household waste, the focus has also been on encouraging firms to reduce commercial waste generated from manufacturing activities. To curb waste generation, the Malaysian government provides targeted incentives to companies that undertake waste recycling activities, which cater to environmental management, specifically recycling of waste such as toxic and non-toxic waste, chemicals and reclaimed rubber. These companies can be considered for income tax exemptions of 70% under Pioneer Status for the period of five (5) years or Investment Tax Allowance of 60% on the qualifying capital expenditure incurred within a period of five (5) years. The response has been promising with 313 recycling projects approved with total investments of RM7.6 billion as at December 2018, mainly from the rubber products industry with investments of RM2.34 billion followed by basic metal products (RM1.97 billion) and plastic products (RM1.27 billion).

Waste recycling facilities are currently dispersed around the country, causing difficulties in recovering valuable waste materials and components that can be recycled. To mitigate this issue, the Waste Eco Park (“WEP”) incentive for developers, managers and operators was introduced under the Budget 2016 to centralise recycling companies from various industries under same locations. Through this initiative, a circular approach to waste management can be established in working towards zero waste production.

Companies which undertake the activity of developing WEP with a minimum investment of RM50 million can be considered for income tax exemption of 70% on income derived from the rental of buildings, fees received from the usage of waste collection and separation facility and waste water treatment facility located in WEP from year assessment 2016 until year assessment 2025.

A dedicated WEP manager is vital as to ensure that the coordination, implementation and operation of WEP are effective and efficient. The WEP manager is also eligible for income tax exemption of 70% on the statutory income from services activity including management, maintenance, supervision and marketing.

The WEP operators are the tenants/occupants from various types of industries that will be involved in waste management and services activities, these operators can contribute to the adoption of a more integrated waste management practice and achieve the Government's target to reduce waste disposal, encourage waste recovery, increase waste recycling and support the ecosystem of waste management.

These companies can enjoy either Income Tax Exemption of 100% on statutory income for a period of five (5) years, derived from the qualifying activities undertaken in the WEP; or Income Tax Exemption equivalent to 100% of qualifying capital expenditure (Investment Tax Allowance) incurred within a period of five (5) years.

*(Source: MIDA Newsletter July 2019, Sustainable Waste Management in Malaysia, MIDA)*

### **4.3 Future plan and prospects of the Group**

#### **4.3.1 Existing business operations of the Group**

As stated in Section 2.1.1 of this Circular, the Group had incurred losses in two (2) of the three (3) financial years/period under its past audited financial statements, especially FYE 30 June 2020 due mainly to the impairment losses on intangible assets as a consequence of the impact of COVID-19 pandemic. Further, "... in view of the unprecedented impact of COVID-19 pandemic and the current economic downturn, the Group expects that the retail market will remain challenging in the foreseeable future, particularly in the non-essential retail sector. In these uncertain time, the Group's main objective is to stay on course, while increasing its focus on the return of capital its business generates and sustaining cash flow generation."

The Group believes that the retail sector will gradually pick up after the MCO is lifted and will continue to emphasise e-commerce and digital initiatives in pursuing e-commerce opportunities. Aside from increasing online offerings in the e-commerce platforms as mentioned in Section 2.1.1 of this Circular, the Group will also engage in social media content, which aims to market and create brand awareness.

#### **4.3.2 Waste Recycling Business**

Through the Proposed Diversification, MESB will be able to broaden its earnings base and reduce its dependency solely on the existing business. Although the Board acknowledges that the Group does not have any prior involvement in the Waste Recycling Business, it will leverage on the expertise and extensive experience of DWSK in the recycling industry. Premised on the foregoing and barring any unforeseen circumstances, the Proposed Diversification and coupled with the continuous efforts of the management of MESB to turnaround the performance of the Group's existing business, the Group is expected to be in a stronger financial position moving forward and deliver values to its shareholders.

In order to ensure the sustainability of the Waste Recycling Business, the Group also intends to invest in human capital by expanding the staff resources involving in the Waste Recycling Business upon completion of Proposed Diversification, where additional personnel with the relevant experience in the recycling industry will be recruited to assist the Company in managing the Waste Recycling Business.

Moving forward, MESB Group may also in the future embark on additional viable ventures for the Waste Recycling Business, which include, but are not limited to, strategic businesses/ investments, joint ventures, collaborative arrangements, and/or mergers and acquisitions of suitable businesses/ investments in the recycling industry, subject to applicable compliance/ rules required under the Listing Requirements and other relevant acts or authorities applicable at the material times. At present, the Group has yet to identify any viable ventures for the Waste Recycling Business, which the Board deems appropriate and to be in the best interest of the Group.

Notwithstanding the above, upon obtaining shareholders' approval for the Proposals, the Group will endeavour to look for viable opportunities to expand the Waste Recycling Business and closely monitor the business performance upon commencement.

Premised on the above and the outlook of the recycling industry as set out in Section 4.2 of this Circular, the Board believes that the Waste Recycling Business may enhance the revenue and income in the future financial years. Barring any unforeseen circumstances, the Group shall endeavour to record profit from the Waste Recycling Business in the second year of operation.

*(Source: The management of MESB)*

## **5.0 RISK FACTORS**

Pursuant to the Proposed Diversification, the Group will be exposed to risks inherent to the recycling industry, including but limited to the following:-

### **5.1 Business diversification risk**

The Proposed Diversification may expose the Group to risks inherent to the recycling industry, in which the Group has not been participating in the past. These may include, amongst others, general economic downturn in the global and regional economies, competition from existing players, socio-political instability, changes in the legal and environmental framework within which this industry operates. Although the Group will seek to limit these risks through, inter-alia, leveraging on the expertise of DWSK in the recycling industry, no assurance can be given that any occurrence of the aforementioned events will not have a material adverse effect on the Group's business and earnings in the future.

### **5.2 Non-renewal or revocation or suspension of license to conduct recycling activities**

Companies that are involved in the recovery of wastes through recycling must be licensed by the Royal Malaysia Police for dealing in second-hand goods under the Second-Hand Dealers Act 1946. If such licence is not renewed or is revoked or suspended by the relevant authority, the Waste Recycling Business will be disrupted. In mitigating such risks, the Group will, upon procuring such licence, comply with and periodically review its compliance with the relevant regulatory requirements relating to the Waste Recycling Business.

### **5.3 Dependency on suppliers**

The recyclable materials are generally sourced from waste suppliers which procured their supplies from the residential and commercial sectors. Failure to procure timely supplies on acceptable terms from such waste suppliers may affect the Waste Recycling Business of MESB pursuant to the Proposed Diversification, which may materially and adversely affect the Group's financial condition and business operations. Nevertheless, the Group will seek to limit such risk by securing contracts with various waste suppliers, establish and maintain cordial business relationships with them through leveraging on the expertise and business network of DWSK in the recycling industry to ensure consistent supply of the relevant recyclable materials for the Waste Recycling Business.

### **5.4 Fluctuations in commodity prices**

The final products that are commonly traded in the Waste Recycling Business are wastepaper, plastic scrap and scrap ferrous metal, which are subject to global commodity price fluctuations and the risk of any unfavourable price changes will directly affect the profitability of the Waste Recycling Business if the Company is unable to pass through such the incremental costs to the customers.



## **5.5 Competition**

The Group will face competition from both new entrants and established players in the recycling industry. Such risks and challenges as a new market player include the lower bargaining power in obtaining favourable cost price, the smaller scale of production capacity and lack of relevant track record and brand name compared to the existing larger industry players.

Nevertheless, the Board believes that the competition risk will be partially mitigate in view of the involvement of DWSK in the Waste Recycling Business through leveraging on his expertise and extensive experience in the recycling industry.

The Group will also take proactive measures to remain competitive in the Waste Recycling business by, amongst others, constantly keeping abreast with the latest market conditions and making efforts in maintaining a competitive edge in terms of cost efficiency, service quality, product quality and reliability.

## **5.6 Dependence on key management personnel**

The Group is principally involved in the retailing industry and has no prior experience in the recycling industry. As such, during the start-up stage, the Waste Recycling Business will, to a certain extent, relying on the guidance of DWSK, in terms of sharing of industry knowledge and referral of customers/suppliers to MESB Resources. In order to avoid over dependency on DWSK, the Group intends to recruit additional personnel with qualified and relevant experiences as set out in Section 2.1.2 (iv) of this Circular to oversee the day to day operations and management of the Waste Recycling Business. In recognising the importance of having the key management personnel, MESB Group will continuously adopt appropriate approaches or measures to retain the employees, which includes maintaining a competitive remuneration package and providing opportunities for career development for its employees. This will in turn help to ensure continuity and competency of the Waste Recycling Business.

## **5.7 Political, economic, market and regulatory considerations**

Any adverse developments and uncertainties in the political, economic and regulatory environment in Malaysia relating to the Waste Recycling Business, could negatively affect the operation and performance of the Group. These include but not limited to the risk of war, terrorist attacks, riots, changes in political leadership, global economic downturn and unfavourable changes in the governmental policies such as changes in the methods of taxation, interest rates, licensing or introduction of new regulations, which are generally beyond the management's control and affect all the players in the industry.

Although the Group will seek to mitigate such risk through implementing prudent management policies, careful planning and allocation of resources as well as maintaining cordial relationship with the relevant authorities, there can be no assurance that any changes to the political and/or economic environment will not materially and adversely affect the financial performance and business operations of the Group pursuant to the Proposed Diversification.

## **5.8 Implications of COVID-19 on the Group's existing and new business**

In view of the third wave of COVID-19, the Malaysian Government has further extended the MCO from 13 January 2021 to 18 February 2021 and with the possibility of further extensions if needed. The Group expects the revenue generated from its retail segment will be affected due to the restriction in movement and the change in consumers' spending behaviour during the COVID-19 pandemic. Inevitably, the Waste Recycling Business will also be exposed to the risk of COVID-19 pandemic. Any unexpected shortage of recyclable materials and staff resources as a result of the MCO could disrupt such business operations upon commencement, including the associated cash flows, financial condition and results of operations.

Notwithstanding the above, the Group will monitor closely on the development of COVID-19 and shall endeavour, to the extent possible, to review the financial performance and cash flow position of the Group as well as to introduce cost control measures with the aim of mitigating the financial impacts of COVID-19.

## 6.0 EFFECTS OF THE PROPOSALS

The Proposals will not have any effects on the share capital, substantial shareholders' shareholdings, earnings, NA and gearing of the Group. However, the future gearing of the Group will depend on the manner of funding for the expenditure involved in the Waste Recycling Business as well as the future profit contribution arising from the Waste Recycling Business.

## 7.0 APPROVALS REQUIRED

The Proposals are subject to the following approvals being obtained:-

- (i) the shareholders of MESB at the forthcoming EGM; and
- (ii) any other relevant authorities (if applicable).

## 8.0 CONDITIONALITY

The Proposed Shareholders' Mandate is conditional upon the Proposed Diversification but not vice-versa. The Proposals are not conditional upon any other corporate proposals undertaken or to be undertaken by MESB.

## 9.0 DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save for DWSK who is deemed interested in the Proposed Shareholders' Mandate, none of the Directors and Major Shareholders of MESB, and/or Persons Connected with them has any interest, direct or indirect, in the Proposals.

DWSK is deemed interested in the Proposed Shareholders' Mandate by virtue of his directorships and major shareholdings in MESB and the Transacting Parties. Accordingly, DWSK has abstained and will continue to abstain from deliberating and voting on the Proposed Shareholders' Mandate at the relevant board meetings of MESB. Further, DWSK will abstain from voting in respect of his direct and/or indirect shareholdings in MESB, if any, on the resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming EGM. He will also undertake to ensure that the Persons Connected to him, if any, will abstain from voting in respect of their direct and/or indirect shareholdings in MESB, deliberating or approving the ordinary resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the EGM.

Premised on the disclosure in Section 2.2.4 above, Lee Wai Fun is also deemed interested in the Proposed Shareholders' Mandate by virtue of her directorship in MESB Resources and directorships/shareholdings in the Transacting Parties. Accordingly, Lee Wai Fun will abstain from voting in respect of her direct and/or indirect shareholdings in MESB, if any, on the resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming EGM. She will also undertake to ensure that the Persons Connected to her, if any, will abstain from voting in respect of their direct and/or indirect shareholdings in MESB, deliberating or approving the ordinary resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the EGM.

The direct and indirect interests of DWSK and Lee Wai Fun in MESB as at the LPD are as follows:-

Name	Direct		Indirect	
	No of shares in MESB	%	No of shares in MESB	%
DWSK	35,507,898	33.45	-	-
Lee Wai Fun	4,778,000	4.50	-	-

## **10.0 DIRECTORS' STATEMENT AND RECOMMENDATION**

The Board (save for DWSK in respect of the Proposed Shareholders' Mandate), having considered all aspects of the Proposals, is of the opinion that the Proposals are fair, reasonable, and on normal commercial terms and are in the Company's best interest. Accordingly, the Board (save for DWSK in respect of the Proposed Shareholders' Mandate) recommends that you **vote in favour** of the resolutions to be tabled at the EGM in relation to the Proposals.

## **11.0 OUTSTANDING CORPORATE EXERCISES**

As at the LPD, save for the Proposals, 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 PROPOSALS**

Barring any unforeseen circumstances, the Proposals will take effect immediately upon obtaining the shareholders' approval at the forthcoming EGM.

## **13.0 EGM**

The EGM, the notice of which is enclosed in this Circular, will be held on a fully virtual basis and entirely via remote participation and voting at the Broadcast Venue at Lot 9-11 Menara Sentral Vista, No. 150, Jalan Sultan Abdul Samad, Brickfields, 50470 Kuala Lumpur on Wednesday, 7 April 2021 at 2.30 p.m., or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the resolutions pertaining to the Proposals as described herein.

If you are unable to participate 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 the registered office, Third Floor, No. 77, 79 & 81, Jalan SS21/60, Damansara Utama, 47400 Petaling Jaya, Selangor no later than forty-eight (48) hours before the time stipulated for holding the EGM. Alternatively, the Proxy Form can be lodged electronically via email at [proxyform@cospec.com.my](mailto:proxyform@cospec.com.my) not later than forty-eight (48) hours before the time appointed 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.

Shareholders are advised to refer to the Administrative Guide for the EGM on the registration and voting process for the EGM.

## **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 Proposals, 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 Proposals.

**4. MATERIAL CONTRACTS**

As at LPD, there are no other material contracts, not being contracts in the ordinary course of business which have been entered into by the Group within two (2) years preceding the date of this Circular.

**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's application to strike out a claim filed by Plaintiff was dismissed by the Kuala Lumpur High Court on 16 December 2020. Accordingly, the Company had on 8 January 2021 filed a notice of appeal to the Court of Appeal (“**Court**”) against the said dismissal. The Court has fixed a case management on 27 April 2021. In respect of the application of discovery proceeding filed by the Plaintiff, the Court has fixed a hearing for the said application on 1 April 2021.

The Board is of the view that the Plaintiff's claim has no merits and it has good grounds to appeal against the rulings.

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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 Third Floor, No. 77, 79 & 81, Jalan SS21/60, Damansara Utama, 47400 Petaling Jaya, Selangor 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 FPE 30 June 2019 and FYE 30 June 2020 as well as the latest unaudited financial statements of MESB for the 6-months FPE 31 December 2020.

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B E R H A D

**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 on a fully virtual basis and entirely via remote participation and voting at the Broadcast Venue at Lot 9-11 Menara Sentral Vista, No. 150, Jalan Sultan Abdul Samad, Brickfields, 50470 Kuala Lumpur on Wednesday, 7 April 2021 at 2.30 p.m., or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the following ordinary resolutions, with or without any modifications:-

**ORDINARY RESOLUTION 1**

**PROPOSED DIVERSIFICATION OF THE BUSINESS OF MESB AND ITS SUBSIDIARIES (“MESB GROUP”) TO INCLUDE THE COLLECTION AND RECYCLING OF WASTEPAPER, PLASTICS SCRAP AND SCRAP FERROUS METAL (“WASTE RECYCLING BUSINESS”) (“PROPOSED DIVERSIFICATION”)**

“**THAT**, subject to the approvals of the relevant authorities/parties, where relevant/required, being obtained for the Proposed Diversification, approval be and is hereby given to MESB to diversify the existing business of MESB Group to include the Waste Recycling Business.

**AND THAT** the Board be and is hereby authorised to do all acts for and on behalf of the Company to take all such steps and do all such acts, matters and things (including entering into all such deeds, agreements, arrangements, transactions, undertakings, transfer and indemnities) as the Board deems fit or may consider necessary, desirable, appropriate or expedient to implement, finalise and give full effect to the Proposed Diversification with full powers to give all or any notices, directions, consents and authorisations in respect of any matter arising under or in connection with the Proposed Diversification and to assent to any conditions, modification, variations and/or amendments relating to the Proposed Diversification as may be approved/required by the relevant regulatory authorities and/or as the Board deems fit and to do all such things as it may consider necessary, desirable, appropriate or expedient in the best interest of the Company.”

**ORDINARY RESOLUTION 2**

**PROPOSED SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND/OR TRADING NATURE (“PROPOSED SHAREHOLDERS’ MANDATE”)**

“**THAT**, subject to the passing of the Ordinary Resolution 1 and the approvals of the relevant authorities/parties, where relevant/required, being obtained for the Proposed Shareholders’ Mandate, approval be and is hereby given to MESB Group, to enter and give effect to the recurrent related party transactions of a revenue and/or trading nature with related parties as set out in **Section 2.2.5** of the Circular to Shareholders dated 23 March 2021 in relation to the Proposed Shareholders’ Mandate, which are necessary for the day to day operations of the MESB Group within the ordinary course of Waste Recycling Business of the MESB Group, made on an arm’s length basis and on normal commercial terms which are those generally available to the public and are not detrimental to the minority shareholders of the Company.

**AND THAT** such approval shall continue to be in force until:-

- (i) the conclusion of the next Annual General Meeting (“**AGM**”) of the Company following the forthcoming extraordinary general meeting of the Company at which the Proposed Shareholders’ Mandate is approved, at which time it will lapse unless by a resolution passed at the next AGM the authority; or

- (ii) the expiration of the period within which the next AGM of the Company is required by law to be held pursuant to Section 340(2) of the Companies Act 2016 (“Act”) but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act; or
- (iii) it is revoked or varied by resolution passed by the shareholders of the Company in general meeting,

whichever is the earlier.

**AND FURTHER THAT** the Board be and is hereby authorised to do all acts for and on behalf of the Company to take all such steps and do all such acts, matters and things (including entering into all such deeds, agreements, arrangements, transactions, undertakings, transfer and indemnities) as the Board deems fit or may consider necessary, desirable, appropriate or expedient to implement, finalise and give full effect to the Proposed Shareholders’ Mandate with full powers to give all or any notices, directions, consents and authorisations in respect of any matter arising under or in connection with the Proposed Shareholders’ Mandate and to assent to any conditions, modification, variations and/or amendments relating to the Proposed Shareholders’ Mandate as may be approved/required by the relevant regulatory authorities and/or as the Board deems fit and to do all such things as it may consider necessary, desirable, appropriate or expedient in the best interest of the Company.”

#### **BY ORDER OF THE BOARD**

**TEA SOR HUA (MACS 01324) (SSM PC NO.: 201908001272)**

Company Secretary  
Petaling Jaya, Selangor Darul Ehsan  
**23 March 2021**

#### **Notes:-**

1. *The EGM will be conducted fully virtual through live streaming and online remote voting via the Remote Participation and Voting (“RPV”) facilities to be provided by Dvote Services Sdn Bhd via its Dvote Online website at <https://Dvote.my>. Please follow the procedures provided in the Administrative Guide for the EGM in order to register, participate and vote remotely via the RPV facilities.*
2. *The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 and Clause 59 of the Company’s Constitution which require the Chairman of the Meeting to be present at the main venue of the Meeting. Members/proxies will not be allowed to be physically present at the Broadcast Venue.*
3. *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.*
4. *A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting.*
5. *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.*
6. *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.*
7. *The instrument appointing a proxy may be made via hardcopy or by electronic means in the following manner and must be deposited not less than forty-eight (48) hours before the time stipulated for holding the meeting at which the person named in the appointment proposes to vote:-*

- (i) *In Hardcopy Form*

*The proxy form shall be deposited at the registered office, Third Floor, No. 77, 79 & 81, Jalan SS21/60, Damansara Utama, 47400 Petaling Jaya, Selangor.*

(ii) *By Electronic Means*

*The proxy form shall be electronically lodged by email to [proxyform@cospec.com.my](mailto:proxyform@cospec.com.my).*

8. *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.*
9. *The Date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and speak at the meeting will be on 31 March 2021.*
10. *In view of the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our EGM at short notice. Kindly check Bursa Securities' and the Company's website at [www.mesbbhd.com](http://www.mesbbhd.com) for the latest updates on the status of the EGM.*

**Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to participate and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



# MESB

B E R H A D

## MESB BERHAD

Registration No.: 199501008356 (337554-D)

(Incorporated in Malaysia)

### ADMINISTRATIVE GUIDE FOR THE FULLY VIRTUAL EXTRAORDINARY GENERAL MEETING (“EGM”)

Date	:	Wednesday, 7 April 2021
Time	:	2.30 p.m.
Broadcast Venue	:	Lot 9-11 Menara Sentral Vista No. 150 Jalan Sultan Abdul Samad Brickfields, 50470 Kuala Lumpur
Meeting Platform	:	Dvote Online website at <a href="https://Dvote.my">https://Dvote.my</a>
Depository of Form of Proxy	:	The Register Office, MESB Berhad c/o Cospec Management Services Sdn. Bhd.  Third Floor, No. 77, 79 & 81, Jalan SS21/60, Damansara Utama, 47400 Petaling Jaya, Selangor

Email : [proxyform@cospec.com.my](mailto:proxyform@cospec.com.my)

#### MODE OF MEETING

Due to the unprecedented circumstances arising from the measures that have been implemented nationally to limit the spread of the COVID-19, and in particular, the Government of Malaysia’s official guidance for practising social distancing, the mode of EGM of the Company will be conducted on a fully virtual basis through live streaming from the Broadcast Venue and online remote voting using the Remote Participation and Voting (“RPV”) Facilities.

In line with the Practice 12.3 of Malaysian Code on Corporate Governance, conducting a fully virtual EGM, would facilitate greater shareholders’ participation as it facilitates electronic voting and remote shareholders’ participation. With the RPV Facilities, you may exercise your right as a member of the Company to participate (including the right to pose questions to the Board of Directors and/or Management of the Company) and vote at the EGM. Alternatively, you may also appoint the Chairman of the Meeting as your proxy to attend and vote on your behalf at the EGM.

#### BROADCAST VENUE

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 and Clause 59 of the Constitution of the Company which requires that the Chairman of the Meeting to be present at the main venue of the Meeting. Shareholders or proxies are **not allowed** to be physically present at the Broadcast Venue as the venue is only meant to facilitate the conduct of the EGM.

#### ENTITLEMENT TO PARTICIPATE AND VOTE AT THE EGM

In respect of deposited securities, only members whose names appear in the Record of Depositors on **31 March 2021** (Extraordinary General Meeting Record of Depositors) shall be eligible to participate in the EGM or to appoint proxy(ies) to participate and/or vote on his/her behalf.

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## FORM(S) OF PROXY

Shareholders who are unable to participate in our EGM are encouraged to appoint the Chairman of the Meeting as your proxy and indicate the voting instructions in the Form of Proxy.

Please take note that you **must** complete the Form of Proxy for the EGM should you wish to appoint a proxy(ies).

Please deposit your Form of Proxy at the Company's Registered Office, Third Floor, No. 77, 79 & 81, Jalan SS21/60, Damansara Utama, 47400 Petaling Jaya, Selangor or email to [proxyform@cospec.com.my](mailto:proxyform@cospec.com.my) not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

## VOTING PROCEDURES

The voting at the EGM will be conducted by poll in accordance with Paragraph 8.29A of Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Company has appointed Dvote Services Sdn. Bhd. ("**Dvote**") as Poll Administrator to conduct the poll by way of electronic voting or online remote voting ("**e-voting**").

Kindly refer to item (2) below on the Procedures for RPV Facilities for guidance on how to vote remotely from Dvote Online website at <https://Dvote.my>.

During the EGM, the Chairman of the Meeting will invite the Poll Administrator to brief on the e-Polling housekeeping rules. The voting session will commence as soon as the Chairman of the Meeting calls for the poll to be opened and until such time when the Chairman of the Meeting announces the closure of the poll.

For the purposes of the EGM, e-voting will be carried out via personal smart mobile phones, tablets or personal computers/laptops.

Upon the conclusion of the poll session, the Scrutineers will verify the poll results followed by the declaration by the Chairman of the Meeting whether the resolutions put to vote were successfully carried or not.

Kindly follow the steps below on how to register, request for login ID and password:-

### 1. REMOTE PARTICIPATION AND E-VOTING FACILITIES

Members are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, "**Participate**") remotely at the EGM using RPV Facilities provided by Dvote via its **Dvote Online** website at <https://Dvote.my>. Please refer to the Procedures for RPV Facilities.

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## 2. PROCEDURES FOR RPV FACILITIES

Member(s)/proxy(ies)/corporate representative(s)/attorney(s) who wish to participate in the EGM remotely using the RPV Facilities are to follow the requirements and procedures as summarised below:

<b>BEFORE MEETING DAY</b>		
<b>A. USER REGISTRATION</b>		
	<b>Procedure</b>	<b>Action</b>
(a)	Sign-up as a user with <b>Dvote Online</b>	<p><i>Note: If you are already a user with Dvote Online, you are not required to sign-up again. You may proceed to sign-in using your email address and password.</i></p> <ul style="list-style-type: none"> <li>• Access the website at <a href="https://Dvote.my">https://Dvote.my</a>.</li> <li>• Click on [<b>Sign up</b>] to register as a new user with Dvote Online.</li> <li>• Complete registration and upload softcopy of Malaysia Identification card (front and Back) or passport (foreigner(s)).</li> </ul> <p>You will be notified via email once your user registration is accepted/rejected by Dvote Online.</p>
(b)	Register Meeting with <b>Dvote Online</b>	<ul style="list-style-type: none"> <li>• Registration for Remote Participation will remain open from <b>2 April 2021</b> until the commencement of the polling during the EGM.</li> <li>• Login to <a href="https://Dvote.my/user-login">https://Dvote.my/user-login</a> with your user ID (i.e.: email address) and password.</li> <li>• Select event: “<b>MESB Berhad – Extraordinary General Meeting</b>” and click [<b>Register</b>].</li> <li>• You will receive an email notifying on your registration for the remote participation and verification.</li> <li>• Once your registration has been verified against the Record of Depositors as at 31 March 2021, you will be notified via email whether your request for remote participation is approved/rejected.</li> <li>• If approved, you will receive an invitation email together with the meeting link to “<i>Join Meeting</i>”.</li> </ul>

<b>ON THE DAY OF EGM</b>		
	<b>Procedure</b>	<b>Action</b>
(a)	Join the Live Stream Meeting	<ul style="list-style-type: none"> <li>• Click on “<b>Join Meeting</b>” link in the invitation email and you will be directed to the live streaming room.</li> <li>• You are advised to log in early, at least 20 minutes, before the Meeting time.</li> </ul>
(b)	Post Questions during Live Streaming	<ul style="list-style-type: none"> <li>• If you have any question(s) for the Board of Directors, you may use the “<b>Post Question</b>” box to transmit your question(s).</li> </ul>
(c)	Online Voting during Live Streaming	<ul style="list-style-type: none"> <li>• Click on [<b>Proceed to Vote</b>], to cast your votes for each resolution(s).</li> <li>• Review your casted votes, confirm and submit your votes.</li> </ul>
(d)	End of remote participation	<ul style="list-style-type: none"> <li>• Upon the announcement by the Chairman on the closure of the EGM, the live streaming room will end.</li> </ul>

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Notes to users of the RPV Facilities:

- The quality of the live streaming is highly dependent on the bandwidth and stability of the internet connection at the location of the user and the device of the user.
- Users are advised to afford themselves ample time to complete the log in process in advance of the meeting.
- In the event you encounter any issues with logging-in, connection to live streamed meeting or online voting on the meeting day, kindly call 603-22766138 and email to [Dvoteservice@gmail.com](mailto:Dvoteservice@gmail.com) for assistance.
- Member(s)/proxy(ies)/corporate representative(s)/attorney(s) are encouraged to register as a user with Dvote Online before the meeting day. The user registration is open from 23 March 2021.

3. APPOINTMENT OF PROXY(IES)/CORPORATE REPRESENTATIVE(S)/ATTORNEY(S)

A member who has appointed a proxy(ies)/authorised representative(s)/attorney(s) to participate in the EGM via RPV Facilities must request his/her proxy(ies)/authorised representative(s)/attorney(s) to register himself/herself for RPV Facilities via Dvote Online website at <https://Dvote.my>.

**NO DOOR GIFTS OR FOOD VOUCHERS**

There will be no distribution of food vouchers or door gifts during the EGM as the meeting is conducted on a fully virtual basis.

**NO RECORDING OR PHOTOGRAPHY**

Strictly no recording or photography of the EGM proceedings is allowed.

**ENQUIRY**

If you have any enquiry(ies) relating to the EGM, Administrative Guide for the Fully Virtual EGM, RPV Facilities or encounters issues with the log in, steps to connect to live streaming and online voting, you may send them in advance or contact the following during office hours from Monday to Friday (except for public holiday) :-

**For Agenda of the EGM related:**

Email : [eric@miroza.com.my](mailto:eric@miroza.com.my)

**For Pre-Registration via RPV Facilities:**

DVOTE SERVICES SDN. BHD.  
Lot 9-7, Menara Sentral Vista  
No. 150, Jalan Sultan Abdul Samad  
Brickfield, 50470 Kuala Lumpur

Name : Ms Sangetha / Mr Hugo  
Telephone No. : 603-2276 6138  
Email : [Dvoteservice@gmail.com](mailto:Dvoteservice@gmail.com)

As the COVID-19 situation continues to evolve, the Company will closely monitor the situation and reserves the right to take further measures as appropriate and comply with any requirements or recommendation of any government agencies from time to time.

The Company seeks the understanding and cooperation of all Shareholders to minimise the risk of community spread of COVID-19.

# 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. \_\_\_\_\_  
(full name in capital letters)

of \_\_\_\_\_  
(full address)

with email address \_\_\_\_\_ Mobile phone no. \_\_\_\_\_

being a member/members of MESB Berhad hereby appoint \_\_\_\_\_  
(full name in capital letters)

NRIC No./Passport No. \_\_\_\_\_ of \_\_\_\_\_

(full address)

with email address \_\_\_\_\_ Mobile phone no. \_\_\_\_\_

\*and/or \_\_\_\_\_ NRIC No./Passport No. \_\_\_\_\_ of \_\_\_\_\_  
(full name in capital letters)

(full address)

with email address \_\_\_\_\_ Mobile phone no. \_\_\_\_\_

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 on a fully virtual basis and entirely via remote participation and voting at the Broadcast Venue at Lot 9-11 Menara Sentral Vista, No. 150, Jalan Sultan Abdul Samad, Brickfields, 50470 Kuala Lumpur on Wednesday, 7 April 2021 at 2.30 p.m. or at any adjournment thereof.

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

RESOLUTIONS	FOR	AGAINST
Ordinary Resolution 1– Proposed Diversification		
Ordinary Resolution 2– Proposed Shareholders' Mandate		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2021

.....  
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. *The EGM will be conducted fully virtual through live streaming and online remote voting via the Remote Participation and Voting (“RPV”) facilities to be provided by Dvote Services Sdn Bhd via its Dvote Online website at <https://Dvote.my>. Please follow the procedures provided in the Administrative Guide for the EGM in order to register, participate and vote remotely via the RPV facilities.*
2. *The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 and Clause 59 of the Company’s Constitution which require the Chairman of the Meeting to be present at the main venue of the Meeting. Members/proxies will not be allowed to be physically present at the Broadcast Venue.*
3. *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.*
4. *A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting.*
5. *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.*
6. *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.*
7. *The instrument appointing a proxy may be made via hardcopy or by electronic means in the following manner and must be deposited not less than forty-eight (48) hours before the time stipulated for holding the meeting at which the person named in the appointment proposes to vote:-*
  - (i) *In Hardcopy Form*

*The proxy form shall be deposited at the registered office, Third Floor, No. 77, 79 & 81, Jalan SS21/60, Damansara Utama, 47400 Petaling Jaya, Selangor.*
  - (ii) *By Electronic Means*

*The proxy form shall be electronically lodged by email to [proxyform@cospec.com.my](mailto:proxyform@cospec.com.my).*
8. *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.*
9. *The Date of Record of Depositors for the purpose of determining Members’ entitlement to attend, vote and speak at the meeting will be on 31 March 2021.*
10. *In view of the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our EGM at short notice. Kindly check Bursa Securities’ and the Company’s website at [www.mesbbhd.com](http://www.mesbbhd.com) for the latest updates on the status of the EGM.*

Fold this flap for sealing

Then fold here

AFFIX  
STAMP

The Company Secretary  
**MESB BERHAD** [199501008356 (337554-D)]

c/o Cospec Management Services Sdn. Bhd.  
Third Floor, No. 77, 79 & 81,  
Jalan SS21/60, Damansara Utama,  
47400 Petaling Jaya,  
Selangor

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