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.

Bursa Malaysia Securities Berhad ("**Bursa Securities**") has only conducted limited review on the contents of Part B of this Circular prior to its issuance pursuant to the Paragraph 4.1 of Practice Note 18 of the Main Market Listing Requirements of Bursa Securities.

Bursa Securities takes no responsibility for the contents of this Circular, valuation certificates and valuation reports, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

MESB BERHAD
(Registration No.: 199501008356 (337554-D))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PART A

PROPOSED DISPOSALS (AS DEFINED HEREIN) AND PROPOSED ACQUISITIONS (AS DEFINED HEREIN)

PART B

PROPOSED SHAREHOLDERS' MANDATE (AS DEFINED HEREIN)

PART C

INDEPENDENT ADVICE LETTER BY INDEPENDENT ADVISER TO THE NON-INTERESTED SHAREHOLDERS OF MESB BERHAD IN RELATION TO THE PROPOSED ACQUISITIONS

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

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

Independent Adviser

MALACCA SECURITIES SDN BHD
Registration No: 197301002760 (16121-H)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Extraordinary General Meeting ("**EGM**") of MESB will be held on a fully virtual basis and entirely via remote participation and electronic voting through live streaming and online remote voting using Remote Participation and Electronic Voting facilities via the online platform at https://www.digitizevote.my (Domain Registration No. with MYNIC: D6A474651) on Tuesday, 6 December 2022 at 3:00 p.m. or immediately upon the conclusion or adjournment of the Twenty-Seventh Annual General Meeting of MESB ("**27th AGM**") which will be held on the same day at 2:30 p.m., whichever is later, or at any adjournment thereof.

If you are unable to participate in the EGM and wish to appoint proxy(ies) instead, the appointment of proxy(ies) may be made in a hard copy form or electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof at which the person named in the appointment proposes to vote:-

(i) In hard copy form
In the case of an appointment made in hard copy form, the Proxy Form must be deposited at the office of the Poll Administrator, Dvote Services Sdn. Bhd. at Lot 9-7, Menara Sentral Vista, No. 150, Jalan Sultan Abdul Samad, Brickfields, 50470 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

(ii) By electronic means
The Proxy Form can be electronically lodged by email to dvoteservice@gmail.com. Kindly refer to the Administrative Notes on the procedures for electronic lodgement of the Proxy Form.

IMPORTANT DATES

Last date and time for lodging the Proxy Form	:	Sunday, 4 December 2022 at 3:00 p.m. or any adjournment thereof
Date and time for the EGM	:	Tuesday, 6 December 2022 at 3:00 p.m. or immediately upon the conclusion or adjournment of the 27th AGM which will be held on the same day at 2:30 p.m., whichever is later, or at any adjournment thereof

This Circular is dated 17 November 2022

PART A

(I) PROPOSED DISPOSALS BY MESB BERHAD ("MESB") OF THE ENTIRE EQUITY INTERESTS IN ACTIVE FIT SDN BHD AND MESB CAPITAL & DEVELOPMENT SDN BHD AS WELL AS 45% EQUITY INTEREST IN MIROZA LEATHER (M) SDN BHD TO TREND NAVIGATOR SDN BHD FOR A CASH CONSIDERATION OF RM46,000,000 ("PROPOSED DISPOSALS"); AND

(II) PROPOSED ACQUISITIONS BY MESB OF THE ENTIRE EQUITY INTERESTS IN N.U. RECYCLE SDN BHD, FORMIDEX SDN BHD AND WAIER TRADING SDN BHD FROM DATUK WONG SAK KUAN, LEE WAI FUN AND LOTUS ESSENTIAL SDN BHD FOR A TOTAL CASH CONSIDERATION OF RM51,000,000 ("PROPOSED ACQUISITIONS"),

COLLECTIVELY REFERRED TO AS THE "PROPOSALS"

PART B

PROPOSED SHAREHOLDERS' MANDATE FOR ADDITIONAL RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND/OR TRADING NATURE FOLLOWING THE COMPLETION OF THE PROPOSED ACQUISITIONS

PART C

INDEPENDENT ADVICE LETTER BY THE INDEPENDENT ADVISER TO THE NON-INTERESTED SHAREHOLDERS OF MESB IN RELATION TO THE PROPOSED ACQUISITIONS

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DEFINITIONS

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

"Acquiree Companies"	:	Collectively, NURSB, Formidex and Waier
"Acquisition Completion Date"	:	On the completion date of the Acquisition SSA
"Acquisition Shares"	:	Collectively, 1,099,104 ordinary shares in NURSB, 190,002 ordinary shares in Formidex and 100,000 ordinary shares in Waier
"Acquisition SSA"	:	The conditional share purchase agreement dated 22 September 2022 entered into between the Vendors and MESB for the Proposed Acquisitions
"Acquisition Valuation Certificate"	:	The valuation certificate dated 30 August 2022 issued by AER in relation to the valuation on the Acquiree Companies
"Acquisition Valuation Range"	:	The fair equity value range of the Acquiree Companies of between RM49.40 million and RM52.70 million
"Act"	:	The Companies Act 2016
"Active Fit"	:	Active Fit Sdn Bhd (200401022908 / 661413-A)
"Active Fit Corporate Guarantee"	:	A subsisting corporate guarantee dated 15 April 2020 provided by MESB in favour of a licensor, for the benefit of Active Fit in relation to the license granted for the Jeep brand
"Active Fit Sale Shares"	:	10,670,000 ordinary shares in Active Fit, representing 100% of the issued share capital of Active Fit
"AGM"	:	Annual general meeting
"Agreements"	:	Collectively, the Disposal SSA and Acquisition SSA
"Asia KG"	:	Asia KG Fibre Supplier Sdn Bhd (200301002264 / 604684-X)
"Board"	:	Board of directors of MESB
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (200301033577 / 635998-W)
"Circular"	:	This circular dated 17 November 2022 to the shareholders of MESB
"Comparable Companies"	:	Comparable companies listed on Bursa Securities selected by AER
"COVID-19"	:	Coronavirus 2019
"Director(s)"	:	A natural person who holds a directorship in a company, whether in an executive or non-executive capacity, and shall have the meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the transactions were agreed upon, a director of the Company or its subsidiary or holding company, or a chief executive officer of the Company or its subsidiary or holding company
"Disposal Companies"	:	Collectively, Active Fit, MCD and Miroza
"Disposal Consideration"	:	The disposal consideration of RM46,000,000 pursuant to the Proposed Disposals to be satisfied in cash

"Disposal SSA"	:	The conditional share sale agreement dated 22 September 2022 entered into between the Purchaser and MESB for the Proposed Disposals
"Disposal Valuation Certificate"	:	The valuation certificate dated 30 August 2022 issued by AER in relation to the valuation of the Sale Shares
"Disposal Valuation Range"	:	The fair equity value range of the Sale Shares of between RM44.80 million and RM51.20 million
"DWSK"	:	Datuk Wong Sak Kuan
"EGM"	:	Extraordinary general meeting
"EPS"	:	Earnings per Share
"ERMSB"	:	Expert Resource Management Sdn Bhd (202001041814 /1398135-U)
"ERSB"	:	Earthwise Resources Sdn Bhd (200101020685 / 556442-T)
"EV/EBITDA"	:	Enterprise value to earnings before interest, taxes, depreciation and amortisation approach
"Existing RRPTs"	:	On-going RRPTs
"First Completion Date"	:	Within three (3) months from the date of the Disposal SSA becomes unconditional
"First Tranche Sale Shares"	:	80% or 8,536,000 Active Fit Sale Shares together with the entire 2,666,974 MCD Sale Shares and 3,870,000 Miroza Sale Shares
"Formidex"	:	Formidex Sdn Bhd (201401022966 / 1099052-V)
"FPE"	:	Financial period ended
"FRSB"	:	Future Recycle Sdn Bhd (201701008724 /1222889-X)
"FYE"	:	Financial year ended/ending
"Government"	:	Government of Malaysia
"Guarantee Periods"	:	12-month FYE/FPE 30 June 2023 and 30 June 2024
"Independent Adviser" or "Malacca Securities"	:	Malacca Securities Sdn Bhd (197301002760 / 16121-H)
"Interested Directors"	:	DWSK and Wong Yu Perng
"KAF IB" or "Principal Adviser"	:	KAF Investment Bank Berhad (197401003530 / 20657-W)
"LAT"	:	Loss after tax
"LBT"	:	Loss before tax
"LESB"	:	Lotus Essential Sdn Bhd (200501022013 / 704143-U)
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	31 October 2022, being the latest practicable date prior to the printing of this Circular
"LPS"	:	Loss per Share

"LWF"	:	Lee Wai Fun
"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 transactions 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
"MCD"	:	MESB Capital & Development Sdn Bhd (199001014786 / 206455-X)
"MCD Sale Shares"	:	2,666,974 ordinary shares in MCD, representing 100% of the issued share capital of MCD
"MCO"	:	Movement control orders
"MESB" or "Company"	:	MESB Berhad (199501008356 / 337554-D)
"MESB Group" or "Group"	:	MESB and its subsidiaries, collectively
"MESB Share(s)" or "Share(s)"	:	Ordinary share(s) in the Company
"MIDA"	:	Malaysian Investment Development Authority
"Miroza"	:	Miroza Leather (M) Sdn Bhd (199201010971 / 242474-V)
"Miroza Sale Shares"	:	3,870,000 ordinary shares in Miroza, representing 45% of the issued share capital of Miroza
"MRSB"	:	MESB Resources Sdn Bhd (202101004564 / 1404863-M)
"NA"	:	Net assets
"NURSB"	:	N.U. Recycle Sdn Bhd (200701038366 / 796396-X)
"PAT"	:	Profit after tax
"PBR"	:	Price to book multiple approach
"PBT"	:	Profit before tax
"PER"	:	Price to earnings multiple approach
"Profit Guarantee"	:	A two (2)-year profit guarantee of RM10.0 million in aggregate on the PAT of the Acquiree Companies for the Guarantee Periods
"Profit Shortfall"	:	Any shortfall in the aggregate PAT of the Acquiree Companies for the Guarantee Periods as compared with the Profit Guarantee
"Proforma Gain on Disposals"	:	Proforma gain on disposals of Active Fit Sale Shares and MCD Sale Shares

"Proposals"	:	Collectively, the Proposed Disposals and Proposed Acquisitions
"Proposed Acquisitions"	:	Proposed acquisitions of the Acquiree Companies from the Vendors for the Purchase Consideration
"Proposed Disposals"	:	Proposed disposals of the Sale Shares to Trend for the Disposal Consideration
"Proposed Shareholders' Mandate"	:	Proposed shareholders' mandate for additional RRPTs expected to be entered into by MESB Group with Related Parties following the completion of the Proposed Acquisitions
"PRSB"	:	Primahir Recycle Sdn Bhd (200301034792 / 637213-M)
"Purchase Consideration"	:	The purchase consideration of RM51,000,000 pursuant to the Proposed Acquisitions to be satisfied in cash
"Purchaser" or "Trend"	:	Trend Navigator Sdn Bhd (202201028240 / 1473937-A)
"Recycling Business"	:	Waste recycling business
"Related Parties"	:	Companies related to DWSK, namely SFN, RISB, Asia KG, ERSB, FRSB, PRSB and ERMSB
"Retailing Business"	:	Trading and retailing of leather products, apparel and accessories
"RGM"	:	Retail Group Malaysia
"RISB"	:	Ria Insan Sdn Bhd (199501005817 / 335013-D)
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"RRPTs"	:	Recurrent related party transactions of a revenue and/or trading nature
"Sale Shares"	:	Collectively, the Active Fit Sale Shares, MCD Sale Shares and Miroza Sale Shares
"Second Completion Date"	:	Within seven (7) months from the First Completion Date
"Second Tranche Sale Shares"	:	20% or 2,134,000 Active Fit Sale Shares
"SFN"	:	Sing Foong Niap Engineering Sdn Bhd (200401021935 / 660440-D)
"USD"	:	United States Dollar
"Valuer" or "AER"	:	Asia Equity Research Sdn. Bhd. (201401027762 / 1103848-M), the independent business valuer
"Vendors"	:	Collectively, DWSK, LWF and LESB
"Waier"	:	Waier Trading Sdn Bhd (200201034340 / 602005-D)
"Warrants"	:	Warrants 2017/2022 of MESB

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.

CONTENTS

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APPENDICES

This Executive Summary only highlights the key information of Part A of this Circular. It does not contain all the information that may be important to you. You should read and understand the contents of Part A of this Circular before making a decision on the Proposals.

Key information	Description	Reference to Part A of the Circular
Summary of the Proposals	(i) The Proposed Disposals entail the disposal by MESB of:- (a) Active Fit Sale Shares; (b) MCD Sale Shares; and (c) Miroza Sale Shares, for the Disposal Consideration and subject to the terms and conditions as set out in the Disposal SSA. Upon completion of the Proposed Disposals, Active Fit and MCD will cease to be the subsidiaries of MESB, whilst Miroza will remain as a 55%-owned subsidiary of MESB. For clarity, Active Fit will become an associate company of MESB after the First Completion Date and the remaining 20% equity interest in Active Fit held by MESB will be accounted for using the equity method up until the Second Completion Date.	Section 2.1
	(ii) The Proposed Acquisitions entail the acquisition by MESB of the entire equity interests of Acquiree Companies, comprising:- (a) 1,099,104 ordinary shares in NURSB from LESB, DWSK and LWF; (b) 190,002 ordinary shares in Formidex from LESB; and (c) 100,000 ordinary shares in Waier from LESB, for the Purchase Consideration and subject to the terms and conditions as set out in the Acquisition SSA. Upon completion of the Proposed Acquisitions, the Acquiree Companies shall become the wholly-owned subsidiaries of MESB.	Section 2.2
Rationale for the Proposals	The Board is of the view that the Proposed Disposals represent an opportunity for the Company to unlock and realise part of its investment in the Retailing Business and at the same time, the proceeds arising therefrom can be utilised to part finance the Proposed Acquisitions, which serve as an avenue for the Group to further expand into the Recycling Business with the aim to bolster its earnings stream and market share in such business segment following the business diversification sought by MESB in April 2021 for the same. Following the completion of the Proposed Disposals, MESB will still retain a controlling 55.0% equity interest in Miroza and hence, will remain actively involved in running the day-to-day operations of Miroza.	Section 3.0

Key information	Description	Reference to Part A of the Circular
Approvals required	The Proposals are subject to the following approvals being obtained:- (i) the shareholders of MESB at the EGM to be convened, including the continued provision of the Active Fit Corporate Guarantee after the First Completion Date, in accordance with the Listing Requirements and the terms and conditions of the Disposal SSA; and (ii) any other relevant parties/authorities (if applicable).	Section 7.0
Director's statement and recommendation	The Board (save for the Interested Directors), having considered all aspects of the Proposals, including but not limited to the rationale, financial effects, terms of Agreements and risks associated with the Proposals, is of the opinion that the Proposals are in the best interest of the Company. Accordingly, the Board (save for the Interested Directors) recommends you to vote in favour of the resolutions in relation to the Proposals to be tabled at the forthcoming EGM.	Section 12.0
Audit and Risk Management Committee	The Audit and Risk Management Committee, after having considered all relevant aspects of the Proposed Acquisitions, including but not limited to the rationale, the salient terms of Acquisition SSA, the basis and justification for the Purchase Consideration as well as the proforma effects of the Proposed Acquisitions as well as the views of the Independent Adviser, is of the opinion that the Proposed Acquisitions are:- (i) in the best interest of MESB; (ii) fair, reasonable and on normal commercial terms; and (iii) not detrimental to the interest of non-interested shareholders of MESB	Section 13.0

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PART A

LETTER TO THE SHAREHOLDERS OF MESB IN RELATION TO THE PROPOSALS

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

17 November 2022

BOARD OF DIRECTORS

Chua Jin Kau (Executive Chairman)
Loke Lee Ping (Executive Director / Chief Executive Officer)
Lee Kok Heng (Independent Non-Executive Director)
Tan Yew Kim (Independent Non-Executive Director)
Dato' Lee Ban Seng (Independent Non-Executive Director)
Chen, Jianhua (Independent Non-Executive Director)
Datuk Wong Sak Kuan (Non-Independent Non-Executive Director)
Wong Yu Perng (Non-Independent Non-Executive Director)

To: The Shareholders of MESB

Dear Sir/Madam,

(I) PROPOSED DISPOSALS; AND
(II) PROPOSED ACQUISITIONS
(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

1.0 INTRODUCTION

1.1 On 22 September 2022, KAF IB had, on behalf of the Board, announced that the Company had on the even date entered into the Agreements.

1.2 The Proposed Acquisitions are related party transactions pursuant to Paragraph 10.08(2) of the Listing Requirements. Pursuant thereto, the Company had on 1 September 2022 appointed Malacca Securities as the Independent Adviser to advise the non-interested directors and non-interested shareholders of MESB on the Proposed Acquisitions.

THE PURPOSE OF PART A OF THIS CIRCULAR IS TO PROVIDE THE SHAREHOLDERS OF MESB WITH THE DETAILS OF THE PROPOSALS AS WELL AS 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 PART A OF THIS CIRCULAR TOGETHER WITH THE APPENDICES AND INDEPENDENT ADVICE LETTER FROM MALACCA SECURITIES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2.0 DETAILS OF THE PROPOSALS

2.1 Background information on the Proposed Disposals

The Proposed Disposals entail the disposal by MESB of:-

(i) Active Fit Sale Shares;

(ii) MCD Sale Shares; and

(iii) Miroza Sale Shares,

for the Disposal Consideration and subject to the terms and conditions as set out in the Disposal SSA. Please refer to Appendix I of this Circular for the salient terms of the Disposal SSA.

Pursuant to the Disposal SSA, the Proposed Disposals shall be implemented in two (2) tranches in the following manner as the Company anticipates that it would require an extended time to procure the release of the Active Fit Corporate Guarantee:-

(a) First Tranche Sale Shares are expected to be disposed of by the First Completion Date; and

(b) the Second Tranche Sale Shares are expected to be disposed of by the Second Completion Date, subject to and conditional upon the release of the Active Fit Corporate Guarantee.

The Disposal Consideration to be received by MESB for the Disposal Companies are as below:-

	Disposal Consideration (RM)			
	Active Fit	**MCD**	**Miroza**	**Total**
First Completion Date	8,000,000	3,000,000	33,000,000	**44,000,000**
Second Completion Date	2,000,000	-	-	**2,000,000**
Total	**10,000,000**	**3,000,000**	**33,000,000**	**46,000,000**

Pursuant to the negotiations of the terms and conditions of the Disposal SSA between MESB and the Purchaser, they have mutually agreed not to impose a deposit payment upon execution of the Disposal SSA.

Upon completion of the Proposed Disposals, Active Fit and MCD will cease to be the subsidiaries of MESB, whilst Miroza will remain as a 55%-owned subsidiary of MESB. For clarity, Active Fit will become an associate company of MESB after the First Completion Date and the remaining 20% equity interest in Active Fit held by MESB will be accounted for using the equity method up until the Second Completion Date.

2.1.1 Information on the Disposal Companies

A summary of the historical financial information of the Disposal Companies is as follows:-

	Revenue (RM'000)			**PBT/(LBT) (RM'000)**			**PAT/(LAT) (RM'000)**		
	FYE 30 June			**FYE 30 June**			**FYE 30 June**		
	2020	**2021**	**2022**	**2020**	**2021**	**2022**	**2020**	**2021**	**2022**
Active Fit	27,306	29,046	39,972	(2,183)	3,303	(10,633)	(2,183)	3,303	(10,633)
MCD	43	27	49	(33)	(51)	(31)	(45)	(56)	(42)
Miroza	121,051	106,955	149,073	1,093	8,821	22,217	566	6,506	17,056
Group	**147,809**	**136,581**	**198,498**	**(26,241)**	**11,524**	**12,208**	**(26,775)**	**9,202**	**6,669**

2.1.1.1 **Active Fit**

Active Fit was incorporated in Malaysia on 31 July 2004 as a private limited company under the Act. It is principally involved in brand building, concept development, fashion designing, sourcing, marketing, distribution and retailing of casual apparel and accessories. As at the LPD, Active Fit has an issued share capital of RM10,670,000 comprising 10,670,000 ordinary shares. Active Fit is a wholly-owned subsidiary of MESB.

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

2.1.1.2 **MCD**

MCD was incorporated in Malaysia on 18 October 1990 as a private limited company under the Act. It is principally engaged in investment holding activities. As at the LPD, MCD has an issued share capital of RM2,666,974 comprising 2,666,974 ordinary shares. MCD is a wholly-owned subsidiary of MESB.

Further information on MCD is set out in Appendix IV of this Circular.

2.1.1.3 **Miroza**

Miroza was incorporated in Malaysia on 17 June 1992 as a private limited company under the Act. It is principally engaged in trading and retailing of leather products and apparels. As at the LPD, Miroza has an issued share capital of RM8,637,000 comprising 8,600,000 ordinary shares. Miroza is a wholly-owned subsidiary of MESB.

Further information on Miroza is set out in Appendix V of this Circular.

2.1.2 **Information on the Purchaser**

Trend was incorporated in Malaysia on 2 August 2022 as a private limited company under the Act. It is currently dormant but is intended for investment holding activities. As at the LPD, Trend has an issued share capital of RM10,000 comprising 10,000 ordinary shares. The directors and shareholders of Trend are Siow Sea Nen and Chen Mui Yong. Their respective shareholdings in Trend are as follows:-

		Direct		Indirect	
Directors	**Nationality**	**No. of shares**	**%**	**No. of shares**	**%**
Siow Sea Nen	Malaysian	9,900	99.0	-	-
Chen Mui Yong	Malaysian	100	1.0	-	-

2.1.3 **Basis of arriving at and justifications for the Disposal Consideration**

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

(i) the historical financial results of the Disposal Companies, particularly the NA of the Disposal Companies for the latest FYE 30 June 2022, as set out in the Appendices III to V of this Circular; and

(ii) the Disposal Valuation Range of between RM44.80 million and RM51.20 million with an average of RM 48.00 million as appraised by AER, vide the Disposal Valuation Certificate. The Disposal Consideration of RM 46.00 million represents a small discount of approximately 4.2% from the average and is within the fair value range as appraised by AER.

The Disposal Valuation Range was appraised by AER based on the following:-

(a) the minimum Disposal Valuation Range of RM44.80 million was arrived based on the aggregate of the proportionate unaudited NA of Active Fit and Miroza as at 30 June 2022 as well as the unaudited adjusted NA of MCD after incorporating the revaluation surplus of its investment property of RM0.24 million via income approach; and

(b) the maximum Disposal Valuation Range of RM51.20 million was arrived based on the following assumptions:-

(aa) Active Fit and Miroza

- PBR of 1.0 time, where the median PBRs of the Comparable Companies is 0.7 times. The PBR of 1.0 time is used as this represents the minimum selling price of a company based on its NA. As more than 95% of the total assets of Active Fit and Miroza as at 30 June 2022 were made up of current assets and hence, the carrying value of their NA approximates their fair value;

- PER of 7.0 times, being the median PERs of the Comparable Companies;

- EV/EBITDA of 4.0 times, being the median EV/EBITDAs of the Comparable Companies; and

- a discount for lack of marketability of 15% is applied for each Disposal Company computed using PER and EV/EBITDA to take into consideration the lack of marketability of private companies. The said discount of 15% was adopted by AER with due reference to independent study on discount for lack of marketability of private companies as more particularly set out in the Disposal Valuation Certificate, Appendix II of this Circular.

(bb) MCD

- unaudited adjusted NA after incorporating the revaluation surplus of its investment property of RM1.64 million via comparison approach.

Although the Disposal Consideration is at the lower band of the Disposal Valuation Range, the Board is of the view that the Disposal Consideration is in the best interest of the Company as it represents an opportunity for the Company to unlock and realise part of its investment in the Retailing Business as illustrated in Section 3.0 below. Further, the Company does not receive any higher offer from other third party for the same.

Premised on the above, the Board is of the opinion that the Disposal Consideration is justifiable as it falls within the Disposal Valuation Range.

2.1.4 Mode of settlement of the Disposal Consideration

The Disposal Consideration shall be fully satisfied in cash on the First Completion Date and Second Completion Date as set out in Section 2.1, Part A of this Circular.

2.1.5 Assumption of liabilities

There are no other liabilities, including contingent liabilities, which will remain with the MESB Group upon the First Completion Date and no guarantee has been given by MESB to MCD, Active Fit or the Purchaser, save for the Active Fit Corporate Guarantee which shall be released prior to the Second Completion Date.

The Active Fit Corporate Guarantee shall be for all amounts due under the relevant licensing agreement, including, without limitation, all minimum guaranteed royalty payments, all royalties, and all other amounts due, which shall be no less than the cumulative minimum guaranteed royalty amount of USD1,675,000 (equivalent to approximately RM7,919,400 based on an exchange rate as at LPD of USD1 : RM4.7280). Pursuant to the Disposal SSA, the Purchaser and MESB agreed that from the First Completion Date to the release of the Active Fit Corporate Guarantee by MESB, any liabilities arising from the Active Fit Corporate Guarantee, is to be borne by the Purchaser and MESB proportionately based on their respective shareholdings in Active Fit upon the First Completion Date, namely 80% by the Purchaser and 20% by MESB.

As for Miroza, where MESB will retain a 55.0% equity interest upon completion of the Proposed Disposals, it will continue to be accounted for by MESB via consolidation and hence, all liabilities of Miroza will continue to be consolidated to the MESB Group after completion of the Proposed Disposals. For the avoidance of doubt, all corporate guarantees extended by MESB to Miroza will continue to be fully assumed by MESB subsequent to the Proposed Disposals pursuant to the negotiations of the terms and conditions of the Disposal SSA agreed upon between MESB and the Purchaser on the premise that:-

(i) MESB will continue to have a majority and an effective shareholding and management control over Miroza; and

(ii) Miroza is well represented by its NA as at 30 June 2022 of over RM70.0 million, which is far exceeding the aggregate corporate guarantees extended by MESB of RM2.89 million as at 30 June 2022.

2.1.6 Date and original cost of investment

The dates and original costs of investment of MESB in the Disposal Companies are as follows:-

Disposal Companies	Date of investment	No. of shares	Original cost of investment (RM)
Active Fit	15 October 2015	2,500,000	19,000,000
	25 April 2019	6,090,000	6,090,000
	19 June 2020	2,080,000	2,080,000
			27,170,000
MCD	10 February 1996	2	2
	31 March 2014	2,666,972	2,666,972
			2,666,974
Miroza	18 August 2004	6,000,000	*34,636,458
	19 June 2020	2,600,000	2,600,000
			37,236,458
			67,073,432

Note *:- *Excluding the shortfall of the profit guarantee of RM1,363,542 in accordance with the audited financial statement as at 31 December 2005.*

2.1.7 Proposed utilisation of the proceeds from the Proposed Disposals

The total gross proceeds of RM46.0 million arising from the Proposed Disposals are proposed to be utilised in the following manner:-

Utilisation	Estimated timeframe	RM'000
Part settlement of the purchase consideration for the Purchase Consideration	Within 24 months	44,700
Estimated expenses *	Upon completion of the Proposals	1,300
Total		**46,000**

Note *:- *Being the estimated expenses incidental to the Proposals, such as professional fees, stamp duty, tax, fees to authorities, printing, postage, advertising and other miscellaneous expenses. Any surplus or shortfall for such expenses will be adjusted accordingly against the amount allocated for part settlement of the Purchase Consideration.*

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2.2 Background information on the Proposed Acquisitions

The Proposed Acquisitions entail the acquisition by MESB of the entire equity interests of the Acquiree Companies, comprising:-

(i) 1,099,104 ordinary shares in NURSB from LESB, DWSK and LWF;

(ii) 190,002 ordinary shares in Formidex from LESB; and

(iii) 100,000 ordinary shares in Waier from LESB,

for the Purchase Consideration and subject to the terms and conditions as set out in the Acquisition SSA.

The portions of the Purchase Consideration payable for the Acquiree Companies on the Acquisition Completion Date are as below:-

	Purchase Consideration (RM)			
Vendors	**NURSB**	**Formidex**	**Waier**	**Total**
LESB	14,028,000	11,200,000	9,800,000	**35,028,000**
DWSK	12,972,000	-	-	**12,972,000**
LWF	3,000,000	-	-	**3,000,000**
Total	**30,000,000**	**11,200,000**	**9,800,000**	**51,000,000**

Upon completion of the Proposed Acquisitions, the Acquiree Companies shall become the wholly-owned subsidiaries of MESB.

Please refer to Appendix VI of this Circular for the salient terms of the Acquisition SSA.

2.2.1 Information on the Acquiree Companies

A summary of the historical financial information of the Acquiree Companies is as follows:-

	Revenue (RM'000)				PBT/(LBT) (RM'000)			
	FYE 30 April / FPE 30 June			FPE 31 August	FYE 30 April / FPE 30 June			FPE 31 August
	2020	2021	2022	2022	2020	2021	2022	2022
NURSB	9,542	19,128	27,682	4,066	217	1,728	2,421	506
Formidex	1,954	1,283	2,181	430	676	259	862	38
Waier	4,611	7,735	7,242	3,335	(155)	712	472	414
Total	**16,107**	**28,146**	**37,105**	**7,831**	**738**	**2,699**	**3,755**	**958**

	PAT/(LAT) (RM'000)				Net margin (%)			
	FYE 30 April / FYE 30 June			FPE 31 August	FYE 30 April / FYE 30 June			FPE 31 August
	2020	2021	2022	2022	2020	2021	2022	2022
NURSB	55	1,319	1,792	398	0.58	6.90	6.47	9.79
Formidex	503	202	663	30	25.74	15.74	30.40	6.98
Waier	(143)	609	311	317	-	7.87	4.29	9.51
Total	**415**	**2,130**	**2,766**	**745**	**2.58**	**7.57**	**7.45**	**9.51**

2.2.1.1 NURSB

NURSB was incorporated in Malaysia on 20 November 2007 as a private limited company under the Act. NURSB is principally engaged in the sale and purchase of recycling materials. As at the LPD, NURSB has an issued share capital of RM1,105,274 comprising 1,099,104 ordinary shares.

Further information on NURSB is set out in Appendix VIII of this Circular.

2.2.1.2 Formidex

Formidex was incorporated in Malaysia on 25 June 2014 as a private limited company under the Act. It is principally involved in the provision of slitting service and trim waste sales. As at the LPD, Formidex has an issued share capital of RM190,002 comprising 190,002 ordinary shares. Formidex is a wholly-owned subsidiary of LESB.

Further information on Formidex is set out in Appendix IX of this Circular.

2.2.1.3 Waier

Waier was incorporated in Malaysia on 27 December 2002 as a private limited company under the Act. It is principally involved in the business of recycling materials. As at the LPD, Waier has an issued share capital of RM100,000 comprising 100,000 ordinary shares. Waier is a wholly-owned subsidiary of LESB.

Further information on Waier is set out in Appendix X of this Circular.

2.2.2 LESB

LESB was incorporated in Malaysia on 26 July 2005 as a private limited company under the Act. The principal activities of LESB are that of investment holding, trading of industrial and food grade starches and industrial coal for power and steam generation, and recycling of paper and plastics. As at the LPD, LESB has an issued share capital of RM13,205,000, comprising 13,205,000 ordinary shares.

The directors and shareholders of LESB are DWSK and Wong Kim Loong. Their respective shareholdings in LESB are as follows:-

		Direct		Indirect	
Name	**Nationality**	**No. of shares**	**%**	**No. of shares**	**%**
Wong Kim Loong	Malaysian	125,000	0.95	-	-
DWSK	Malaysian	13,080,000	99.05	-	-

2.2.3 Basis of arriving at and justifications for the Purchase Consideration

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

(i) the future earnings potential of the Acquiree Companies pursuant to the outlook and prospects of the waste recycling industry, where the Acquiree Companies are involved in as more particularly set out in Section 5.3, Part A of this Circular;

(ii) the Acquisition Valuation Range of between RM49.40 million and RM52.70 million as appraised by AER, vide the Acquisition Valuation Certificate.

In arriving at the Acquisition Valuation Range, AER has adopted, amongst others, the following parameters:-

(a) equity discount rates of between 15.0% to 16.0%;

(b) a terminal value based on the assumed annual steady state growth rate of 0%; and

(c) the Acquiree Companies' projected net margin of 12%, 12% and 11% for the 12-month FYE/FPE 30 June 2023, 30 June 2024 and 30 June 2025 respectively vis-à-vis their historical net margin of 3%, 8% and 7% for the FYE 30 April 2020, FYE 30 April/FPE 30 June 2021 and FYE 30 April/30 June 2022 respectively, after due consideration of a two-year contract awarded to one of the Acquiree Companies with a projected sales value of RM9.0 million that has an incremental effect on increasing the projected gross margin by approximately 4% during the contract period.

(iii) the Profit Guarantee, which represents an implied PER of 10.2 times based on an average profit guarantee of RM5.0 million per year.

The implied historical PERs of the Acquiree Companies based on the Purchase Consideration were 122.8 times, 26.3 times and 17.9 times for the FYE 30 April 2020, FYE 30 April/FPE 30 June 2021 and FYE 30 April/30 June 2022 respectively. The higher implied PERs in the historical years was due to the Acquiree Companies are still in the growth phase as evidenced by its declining PERs over the past financial years/period.

The Board is of the opinion that the Profit Guarantee is reasonable and realistic, after taking into consideration the following:-

(a) the implied PER of 10.2 times based on an average profit guarantee of RM5.0 million per year is within the trailing PERs of the Comparable Companies of between 5.0 times and 10.9 times;

(b) the evaluation of the Valuer, particularly the forward PERs of the Acquiree Companies of 8.1 times to 8.7 times for FYE 30 April 2023 / FYE 30 June 2023 based on the Acquisition Valuation Range are within the trailing PERs of the Comparable Companies of between 5.0 times and 10.9 times;

(c) outlook of the recycling industry in Malaysia as set out in Section 5.3, Part A of this Circular; and

(d) future prospects of the Acquiree Companies as set out in Section 5.4, Part A of the Circular.

Pursuant to the Acquisition SSA, in the event of any Profit Shorfall, the Vendors are jointly and severally liable for the said Profit Shortfall. In the event the Vendors fail to settle the Profit Shortfall, if any, within the stipulated timeline, it is a breach of the terms of the Acquisition SSA and MESB may take necessary legal action against the Vendors pursuant to the Acquisition SSA.

Premised on the above, the Board is of the opinion that the Purchase Consideration is justifiable.

2.2.4 Sources of funding

The Purchase Consideration shall be fully satisfied by way of cash, via a combination of the proceeds arising from the Proposed Disposals as set out in Section 2.1.7, Part A of this Circular as well as internally-generated funds and/or bank borrowings on the Acquisition Completion Date. As at the LPD, the Group has yet to finalise the quantum of bank borrowings, if any, to be procured for the Purchase Consideration. Nevertheless, MESB wishes to highlight that based on its audited consolidated cash and cash equivalents of RM72.54 million as at 30 June 2022, it would have sufficient cash resources to complete the Proposed Acquisitions.

2.2.5 Assumption of liabilities

MESB will not assume any liability, including contingent liabilities and guarantees, pursuant to the Proposed Acquisitions. The existing liabilities of the Acquiree Companies will be settled by the companies concerned in the ordinary course of their business.

2.2.6 Additional financial commitment required

Save for the Purchase Consideration, there is no other financial commitment required in putting the Acquiree Companies on stream on the premise that the Acquiree Companies are already in operations and profitable.

2.2.7 Date and original cost of investment

The respective original costs and dates of investment in the Acquiree Companies by the Vendors are as follows:-

(i) *NURSB*

Vendors	Date of investment	No. of shares	Original cost of investment (RM)
LESB	31 October 2016	220,100	1,000,000
	1 May 2018	293,830	300,000
			1,300,000
DWSK	29 April 2019	200,209	200,209
	23 May 2019	220,100	220,100
	2 August 2022	54,955	54,955
			475,264
LWF	29 April 2019	109,910	109,910
			1,885,174

(ii) *Formidex*

Vendors	Date of investment	No. of shares	Original cost of investment (RM)
LESB	31 October 2016	190,002	800,000

(iii) *Waier*

Vendors	Date of investment	No. of shares	Original cost of investment (RM)
LESB	31 October 2016	100,000	800,000

3.0 RATIONALE OF THE PROPOSALS

The Board is of the view that the Proposed Disposals represent an opportunity for the Company to unlock and realise part of its investment in the Retailing Business and at the same time, the proceeds arising therefrom can be utilised to part finance the Proposed Acquisitions, which serve as an avenue for the Group to further expand into the Recycling Business with the aim to bolster its earnings stream and market share in such business segment following the business diversification sought by MESB in April 2021 for the same.

Following the completion of the Proposed Disposals, MESB will still retain a controlling 55.0% equity interest in Miroza and hence, will remain actively involved in running the day-to-day operations of Miroza. Currently, Miroza markets and distributes its apparels and leather products under a brand portfolio comprises Crocodile, Ducati, Alain Delon, Pierre Cardin, Feraud, Giamax, Giossardi and Tocco Toscano, through:-

(i) 573 consignment counters located at major departmental stores as well as five (5) concept stores in Malaysia; and

(ii) eight (8) consignment counters located at a departmental store in Brunei.

Moving forward, the Group will continue to operate Miroza under its existing distribution network, i.e. the subsisting consignment counters and concept stores, without any immediate plan for expansion in light of the current economic condition and the gradual shift in consumer spending behaviour to online shopping.

Despite the profits of Miroza have improved during the past three (3) financial years (as more particularly discussed in Section 10.0, Appendix V of this Circular) due mainly to revenge spending after the easing of restrictions imposed during MCOs, the future of Retailing Business remains challenging. The COVID-19 pandemic has changed consumer spending habits shifting toward online shopping. Although Miroza has established its e-commerce site since 2009, the main income stream of Miroza going forward will still be largely dependent on its sales from departmental stores. During the past three (3) financial years, revenue generated from departmental stores contributed over 95% to the total revenue of Miroza.

Further, apparel retailers in general are also facing increasing pressure on rising material costs and Miroza is not spared. As highlighted in Section 5.2, Part A of this Circular, "..... *retailers have to deal with the higher cost of operations as a result of higher prices from suppliers, importers, distributors and wholesalers. A weaker ringgit against the US dollar, for example, has led to higher import costs for raw materials and semi-finished goods used to make end-consumer products in Malaysia. This, in turn, has resulted in higher prices of imported finished goods. Coupled with labour shortage and higher minimum wage, the increase in the prices of goods is likely to put pressure on consumer spending.*".

Premised on the above and in conjunction with the future plan of the Acquiree Companies as set out in Section 5.4, Part A of this Circular, the Board is looking forward to deliver better earnings and return on investment from the Recycling Business in the future.

4.0 RISK FACTORS

4.1 Completion risk

The Proposals are conditional upon fulfilment of the respective conditions precedent of the Agreements. There is a possibility that the Proposals cannot be completed within the time period permitted under the Agreements due to failure in fulfilling the conditions precedent. In the event that the conditions precedent are not fulfilled within the stipulated time period or any approvals required under Agreements shall contain terms which are not acceptable to the parties to Agreements, the completion of the Proposals may be affected. In this regard, the Board shall endeavour to ensure that there is no delay in fulfilling all the conditions precedent by the parties concerned and should there be any delay beyond the agreed time period, the Board shall negotiate with the relevant parties to Agreements to mutually extend the relevant period prior to its expiry.

4.2 Loss of future contribution from the Disposal Companies

Pursuant to the Proposed Disposals, Active Fit and MCD will cease to be the subsidiaries of MESB and that MESB's equity interest in Miroza will reduce to 55.0%. In this regard, there is no assurance that after the completion of the Proposals, the Group will be able to generate the desired return from its remaining business. Nevertheless, MESB is optimistic about the future financial performance of the Group with the consolidation of the earnings from the Acquiree Companies pursuant to the Proposed Acquisitions.

4.3 Business risk

The Board does not foresee any material risks pursuant to the Proposed Acquisitions except for the inherent risk factors associated with the Recycling Business in which the MESB Group is already involved in. The Proposed Acquisitions, nevertheless, will result in an increase in exposure to such inherent risks. It is therefore to be noted that the general business risks and risks inherent in the Recycling Business may have a greater impact on the enlarged MESB Group upon the completion of the Proposed Acquisitions.

The risks inherent in the Recycling Business are as follows:-

(i) Non-renewal or revocation or suspension of licence 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 Recycling Business will be disrupted. In mitigating such risks, the Group will comply with and periodically review its compliance with the relevant regulatory requirements relating to the Recycling Business.

(ii) 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 Recycling Business of MESB, 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 its Director/major shareholder, DWSK, as well as the Acquiree Companies in the recycling industry and to ensure consistent supply of the relevant recyclable materials for the Recycling Business.

(iii) Fluctuations in commodity prices

The final products that are commonly traded in the 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 Recycling Business if the Company is unable to pass through such the incremental costs to the customers.

(iv) Competition

The Group will face competition from both new entrants and established players in the recycling industry. Such risks and challenges 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 Group will take proactive measures to remain competitive in the 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.

Nevertheless, leveraging on the experiences of the Group and the Acquiree Companies in the Recycling Business, the enlarged MESB Group is expected to prevail over any adversities and sustain its business operations.

5.0 INDUSTRY OVERVIEW AND PROSPECTS

5.1 Overview and outlook of the Malaysian economy

The Malaysian economy registered a strong growth of 8.9% in the second quarter of 2022 (1Q 2022: 5.0%). While growth was lifted to some extent by the low base from the Full MCO in June 2021, growth in April and May 2022 was particularly robust, underpinned by the continued recovery in labour market conditions and policy support. The improvement also reflected normalising economic activity as the country moved towards endemicity and reopened international borders. Exports remain supported by strong demand for electrical and electronics products. In terms of economic activity, the services and manufacturing sectors continued to drive growth. On a quarter-on-quarter seasonally-adjusted basis, the economy increased by 3.5% (1Q 2022: 3.8%).

During the quarter, domestic demand registered a higher growth of 13.0% (1Q 2022: 4.4%). This was mainly supported by a robust growth in private expenditure amid further normalisation of economic activity, as well as improving labour market conditions. On the external front, demand for Malaysia's exports, particularly for electrical and electronics products, remained strong.

Private consumption grew at a faster pace of 18.3% (1Q 2022: 5.5%), driven by higher spending on necessities and selected discretionary items such as restaurants and hotels, recreational services and household furnishings. The strength in consumer expenditure was primarily driven by the recovery in the labour market. Policy support, including the implementation of minimum wage hike, Bantuan Keluarga Malaysia and an Employees Provident Fund related measure also provided additional lift to consumer spending. Public consumption expanded at a moderate pace of 2.6% (1Q 2022: 6.7%), weighed down by lower supplies and services spending, reflecting smaller COVID-19 related expenditure.

Gross fixed capital formation registered a higher growth of 5.8% (1Q 2022: 0.2%) as capital spending by both private and public sectors improved. By type of asset, investments in structures and other assets expanded by 3.8% (1Q 2022: -7.9%) and 0.2% (1Q 2022: -0.9%) respectively. Meanwhile, machinery and equipment investments grew by 9.6% (1Q 2022: 12.0%). Private investment expanded by 6.3% (1Q 2022: 0.4%), supported by increased capital spending in the services and manufacturing sectors. Structures investments improved, as businesses across the key sectors resumed investment projects, particularly in the non-residential segment. Furthermore, capital spending in manufacturing and Information and Communications Technology related machinery and equipment continued to lift investment growth. This is in line with firms' efforts to expand capacity amid continued demand and further adoption of automation and digitalisation. Public investment registered a growth of 3.2% (1Q 2022: -0.9%), driven mainly by improvement in capital expenditure by public corporations in the oil and gas, and telecommunication sectors.

(Source: Quarterly Bulletin 2Q 2022, Bank Negara Malaysia)

5.2 Overview and outlook of the retail sector in Malaysia

Overall, retail sales rose 62.5% year on year from April to June 2022 — the highest quarterly growth recorded — setting the stage for the industry to recover any dips and losses sustained during the pandemic. Data shows that the fashion and fashion accessories segment has seen two solid quarters and is poised to post another strong quarter, expanding by a whopping 165.1% in 3Q2022. Following the explosive 2Q2022 sales growth, coupled with yet another sturdy growth estimate of 61.7% for the July to September period, RGM has revised full-year retail sales growth to 31.7%, from 13.1% earlier this year.

Even as the outlook for the industry as a whole remains positive moving forward, RGM's managing director Tan Hai Hsin does not think that the momentum is sustainable. "These high growth rates in 2022 are considered one-off occurrences. They will never happen again unless shops are forced to close in the future for an extended period of time."

It is worth noting that the Employees Provident Fund provided a special withdrawal facility of up to RM10,000 per person for members from their savings to help tide them over the effects of COVID-19. An estimated RM40 billion was withdrawn in April under this scheme. He says this money has already been spent, whether to reduce debt, make new investments or on retail.

On the additional annual salary increment of RM100 and special financial assistance of RM700 for civil servants in 2023, he says the contribution to the total retail industry will not be significant. With no more government handouts, Malaysians will have to solely depend on their take-home salary for shopping.

Last Thursday, Bank Negara Malaysia raised the overnight policy rate ("**OPR**") by 25 basis points to 2.5%. He says typically, whenever the OPR is raised, the impact on consumer spending is immediate, because commitments such as home loan repayments increase. "A higher interest rate means higher cost of borrowing. This will affect sales of high-value added goods (cars, furniture, home appliances, branded handphones, computers and so on). Having less money to spend, Malaysian consumers may delay buying these items or opt for cheaper alternatives."

As it stands, retailers have to deal with the higher cost of operations as a result of higher prices from suppliers, importers, distributors and wholesalers. A weaker ringgit against the US dollar, for example, has led to higher import costs for raw materials and semi-finished goods used to make end-consumer products in Malaysia. This, in turn, has resulted in higher prices of imported finished goods. Coupled with labour shortage and higher minimum wage, the increase in the prices of goods is likely to put pressure on consumer spending.

The higher cost of operations, will reduce or eliminate profits made by retailers, while lower sales due to slowing consumer spending mean there may be more store closures in the near future, with chain retailers opting to consolidate their stores.

(Source: "Cover Story: Is the retail sales boom sustainable?" dated 22 September 2022, The Edge Malaysia)

5.3 Overview and outlook of the recycling industry in Malaysia

In Malaysia, the population is increasing rapidly, reaching 32.8 million in 2021, generating a tremendous amount of solid waste, which is estimated to be 38,427 metric tonnes per day in 2021 (1.17 kg/capita/day). Of which, 82.5 per cent is disposed in landfills. By 2022, the amount of municipal solid waste collected would be 14 million metric tonnes per annum, enough to fill the Petronas Twin Towers every seven days. Therefore, there is an urgent need to respond to these mounting issues and provide new facilities as Malaysia's rate has exceeded the Japan International Cooperation Agency study's proposed rate of 30,000 metric tonnes per day in 2020 for Malaysia. Meanwhile, the Solid Waste Corporation reported that the recycling rate achieved in 2020 is 30.67 per cent and is lower than other developed countries such as Singapore (59 per cent), Korea (49 per cent), and Taiwan (60 per cent).

Addressing these concerns, the Government seeks to increase the recycling rate of household waste to 40 per cent under the Twelfth Malaysia Plan. This five-year development roadmap from 2021 to 2025 aims to advance green growth by implementing a clean, green and resilient development agenda with a whole-of-nation approach. Waste will be managed holistically and sustainably by enforcing waste separation at the source and intensifying the reduce, reuse and recycle initiative. Waste separation and recycling facilities will be enhanced, particularly in residential, institutional, and commercial areas. These efforts are in line with the National Cleanliness Policy 2019 to reduce waste pollution as well as to promote the circular economy and waste-to-wealth initiatives.

As Malaysia commits in supporting the circular economy, other areas that are emphasised include adopting the extended producer responsibility approach, user-pays and polluter-pays principles, as well as self-regulation among industries. The circular economy principles are applied in the form of sustainable sourcing or designing, enabling production waste to be fed back into the process to make other products or eventually to generate renewable energy, i.e. waste to energy. Businesses are encouraged to leverage economic instruments, environmentally motivated subsidies, existing green financing incentives and tax incentives to support their green activities.

Aimed at curbing waste generation, the Government provides targeted incentives to companies that undertake recycling of waste such as toxic and non-toxic waste, chemicals and reclaimed rubber. These companies can be considered for a Pioneer Status with 70 per cent tax exemption on the statutory income for five (5) years or an Investment Tax Allowance with 60 per cent tax exemption on the qualifying capital expenditure incurred within five years.

As of September 2021, a total of 372 recycling projects were approved with a total investment of RM15.13 billion. The companies involved are mainly from the paper, printing and publishing industry with investments of RM6.11 billion, followed by the chemicals and chemical products industry (RM3.17 billion) and the rubber products industry (RM2.15 billion).

In exploring more integrated waste management solutions, the Government, through Budget 2020, has extended the Green Technology incentive to 31 December 2023, which was introduced in Budget 2014.

The incentive is expected to encourage firms to rethink their approach by incorporating waste management techniques that include collection, storage, composting and disposal with other core recycling, recovery or waste treatment activities. This aims to further strengthen the green technology ecosystem in Malaysia and enhance firms' operations to include a more holistic approach to waste management.

The rise in environmental degradation in developing countries can no longer be ignored. As the population grows, the increasing waste generation, urbanisation and open dumping ensuing the lack of landfill capacity are causing mounting environmental concerns. Despite policies to encourage consumer waste management through recycling efforts, it is significantly noticeable that the main contributor to waste is the externalities from industrial processes. Therefore, there is a greater need to incorporate and shift to integrated and sustainable waste management practices at all levels to improve and maintain environmental quality.

(Source: MIDA e-Newsletter December 2021, MIDA)

5.4 Prospects of the Group

Upon completion of the Proposals, MESB will:-

(i) continue to hold a substantial interest in apparel and leather accessories related business through its 55.0% equity interest in Miroza, which contributed approximately 75.10% of the Group's total revenue from apparel retail business of RM149.07 million based on the consolidated financial statements of MESB for FYE 30 June 2022; and

(ii) be able to further expand into the Recycling Business through the Acquiree Companies with the aim to bolster its earnings stream and market share in such business segment following the business diversification sought by MESB in April 2021 for the same.

Since the commencement of operations during the 4th quarter of FYE 30 June 2021, the Recycling Business segment of the Group had registered a PAT of RM1.04 million on the back of a revenue of RM10.68 million for the FYE 30 June 2022. In line with the favourable and expected growth of the recycling industry, the Board is optimistic of the long term prospects of its Recycling Business segment, particularly with the acquisitions of the Acquiree Companies, which are expected to contribute positively to the future financial performance of the Group. In fact, the Vendors had, pursuant to the Acquisition SSA, provided the Profit Guarantee as an assurance of the profitability of the Acquiree Companies for the 12-month FYE/FPE 30 June 2023 and 30 June 2024.

Further, through the Proposed Acquisitions, the Group will be able to integrate/streamline its subsisting recycling business with the operations of the Acquiree Companies, thereby promoting greater efficiency and yielding synergistic benefits, including shared expertise and resources, with the aim of optimising productivity and resources deployed.

As part of its strategies to grow the Recycling Business, the Group will continue to expand its customer base. Presently, the Acquiree Companies mainly support medium-sized recycling companies, paper mills and plastic manufacturers, located in Klang Valley area and Negeri Sembilan. Moving forward, the Group intends to beef up its marketing and sales efforts to secure more customers, including larger scale companies/manufacturers.

In addition to increasing production output through the Acquiree Companies, the Group is also planned to acquire additional machineries for the enlarged Recycling Business upon completion of the Proposed Acquisitions with the aim of improving process automation to ensure its long term sustainability. For clarity, the Group will fund the aforesaid plan via internally generated funds.
Based on the above, the Board believes that the enlarged Group would be well-positioned to capitalise on the growth of the recycling industry.

(Source: The management of MESB)

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6.0 EFFECTS OF THE PROPOSALS

6.1 Share capital and substantial shareholders' shareholdings

The Proposals are not expected to have any effect on the share capital and the substantial shareholders' shareholdings of the Company as no new MESB Share will be issued pursuant thereto.

6.2 Earnings and EPS

Barring any unforeseen circumstances and on the assumption that the Proposals will be fully completed by the fourth quarter of 2023:-

(i) the Proposed Disposals will result in a Proforma Gain on Disposals of RM0.65 million based on the audited consolidated financial statements of MESB for the FYE 30 June 2022, after taking into consideration, inter alia, the associated cost of investment in Active Fit and MCD, which will be translated into a consolidated EPS of approximately 0.54 sen to the Company after taking into consideration of MESB's existing issued share capital of 122,107,100 Shares as at the LPD; and

(ii) the Proposed Acquisitions are expected to contribute positively to the consolidated earnings and EPS of the Group for the FYE 30 June 2023.

For clarity, the revenue and profits from Miroza will continue to be consolidated in the Group's consolidated statement of profit or loss, however only 55% of Miroza's net profits will be accounted to the Group's profit attributable to owners of the Company upon completion of the Proposed Disposals.

In accordance with Malaysian Financial Reporting Standards 10 (Consolidated Financial Statements), changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are considered equity transactions. When the proportion of the equity held by the non-controlling interest changes, an entity shall adjust the carrying amount of the controlling and non-controlling interests to reflect the changes in their relative interest in the subsidiary. The entity shall recognise directly in equity any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration received and attribute it to the owners of the parent.

As MESB does not lose control over Miroza upon completion of the Proposed Disposals, the disposal of Miroza Sale Shares shall be accounted for as an equity transaction. Pursuant thereto, no gain or loss arising from the disposal of Miroza Sale Shares shall be recognised in the Company's consolidated statement of profit or loss.

Based on the audited consolidated financial statements of MESB for the FYE 30 June 2022 and assuming that the Proposals had been completed at the beginning of FYE 30 June 2022, the proforma effects of the Proposals on the consolidated earnings and EPS of MESB are as follows:-

	Audited as at 30 June 2022 RM'000	**(I) After the Proposed Acquisitions RM'000**	**After (I) and upon completion of the Proposed Disposals RM'000**
PAT	6,669	(i) 9,435	(ii) 18,810
Add: Proforma Gain on Disposals	-	-	(iii) 654
Proforma PAT	**6,669**	**9,435**	**19,464**
No. of Shares ('000)	112,792	112,792	112,792
EPS (sen)	5.91	8.36	17.26

Notes:-

(i) After adjusted for 100% of the Acquiree Companies' latest audited PAT for the FYE 30 April 2022 / 30 June 2022 of RM2.77 million.

(ii) After adjusted for the following:-

(a) *deconsolidating the latest audited LAT of Active Fit of RM10.63 million and latest audited LAT of MCD of RM0.04 million for FYE 30 June 2022; and*

(b) *the estimated expenses for the Proposals of RM1.30 million.*

(iii) *On the assumption that the Proposals are completed at the beginning of FYE 30 June 2022, the Proforma Gain on Disposals based on the audited consolidated financial statements of MESB for FYE 30 June 2022 are set out as below:-*

	RM'000
Disposal consideration for Active Fit Sale Shares and MCD Sale Shares	*13,000*
Less: Carrying value of Active Fit and MCD	*(12,346)*
Proforma Gain of Disposals	***654***

6.3 NA and gearing

The proforma effects of the Proposals on the consolidated NA per share and gearing of MESB based on the audited consolidated financial statements of MESB for the FYE 30 June 2022 are as follows:-

	Audited as at 30.6.2022 RM'000	**(I) After subsequent events up to LPD RM'000**	**(II) After (I) and upon completion of the Proposed Acquisitions RM'000**	**After (II) and upon completion of the Proposed Disposals RM'000**
Share capital	60,457	(i) 63,252	63,252	63,252
Retained earnings	29,863	29,863	29,863	(ii) 29,971
Shareholders' equity	**90,320**	**93,115**	**93,115**	**93,223**
Non-controlling interest	-	-	-	(iii) 32,246
Total equity / NA	**90,320**	**93,115**	**93,115**	**125,469**
No. of Shares ('000)	112,792	(i) 122,107	122,107	122,107
NA per Share (RM)	0.80	0.76	0.76	1.03
Borrowings (RM'000)	13,475	13,475	13,475	(iv) 11,151
Gearing (times)	0.15	0.14	0.14	0.09

***Notes**:-*

(i) *After adjusted for the exercise of 9,315,100 Warrants at an exercise price of RM0.30 per Warrant.*

(ii) *After adjusted for a Proforma Gain on Disposals of RM0.65 million and accretion from disposal of Miroza Sale Shares of RM0.76 million as well as estimated expenses of RM1.30 million for the Proposals.*

(iii) *After accounting for the 45% minority interest in Miroza upon the completion of the Proposed Disposals.*

(iv) *After deconsolidating the borrowings of Active Fit of RM2.32 million as at 30 June 2022 upon the completion of the Proposed Disposals.*

6.4 Convertible securities

As at the LPD, save for the outstanding 24,942,900 Warrants, MESB does not have any other convertible securities.

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7.0 APPROVALS REQUIRED AND CONDITIONALITY

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

(i) the shareholders of MESB at the EGM to be convened, including the continued provision of the Active Fit Corporate Guarantee after the First Completion Date, in accordance with the Listing Requirements and the terms and conditions of the Disposal SSA; and

(ii) any other relevant parties/authorities (if applicable).

The Proposals are inter-conditional upon each other, but are not conditional upon the Proposed Shareholders' Mandate. However, the Proposed Shareholders' Mandate is conditional upon the Proposed Acquisitions.

The Proposals and the Proposed Shareholders' Mandate are not conditional upon any other corporate proposals undertaken or to be undertaken by MESB.

8.0 HIGHEST PERCENTAGE RATIO

Pursuant to paragraph 10.02(g) of the Listing Requirements, the highest percentage ratio applicable to the Proposed Disposals and the Proposed Acquisitions are 67.10% and 62.32% respectively based on the latest available audited consolidated financial statements of MESB for the FYE 30 June 2021 as at the announcement of the Proposals on 22 September 2022.

9.0 INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

Save as disclosed below, none of the directors, major shareholders and/or persons connected with them has any interest, direct or indirect, in the Proposals:-

(i) DWSK is deemed interested in the Proposals (in view of the inter-conditionality of the Proposals) by virtue of him being the director and major shareholder of MESB as well as the director and shareholder/ultimate shareholder of the Acquiree Companies; and

(ii) Wong Yu Perng is deemed interested in the Proposals by virtue of him being the director of MESB and the son of DWSK.

Accordingly, the Interested Directors have abstained and will continue to abstain from deliberating and voting on the Proposals at the relevant board meetings. Further, the Interested Directors shall abstain from voting and undertakes to ensure that the persons connected with them will abstain from voting in respect of their respective direct and/or indirect shareholdings in MESB on the ordinary resolutions pertaining to the Proposals to be tabled at the EGM to be convened.

As at the LPD, the shareholdings of the Interested Directors in MESB are as follows:-

	Direct		Indirect	
Name	**No. of Shares**	**%**	**No. of Shares**	**%**
DWSK	38,407,898	31.45	-	-
Wong Yu Perng	-	-	-	-

[The rest of this page has been intentionally left blank]

10.0 TRANSACTIONS WITH THE SAME RELATED PARTY FOR THE PAST TWELVE (12) MONTHS

Save for the Proposed Acquisitions and as disclosed below, there have been no transactions entered into between the MESB Group and the Interested Directors and/or persons connected to them ("**Interested Parties**") for the preceding twelve (12) months prior to the LPD.

Transaction with Interested Parties	RM'000
Mandated RRPTs	
Purchase of wastepaper and plastic scrap by MRSB from ERSB*	995
Selling of wastepaper, plastic scrap and scrap ferrous metal by MRSB to ERSB*	1,274
Purchase of plastic scrap and scrap ferrous metal by MRSB from ERMSB*	2673
Non-mandated RRPTs	
Purchase of plastic scrap by MRSB from FRSB*	2
Rental of factory by MRSB from SFN*	360
Rental of lorry by MRSB from SFN*	70
Commission paid by MRSB to PRSB*	192
Provision of transportation services to MRSB from RISB*	9

***Note** *:- ERSB, ERMSB, FRSB, SFN, PRSB and RISB are companies related to DWSK.*

For clarity, the RRPTs with ERSB and ERMSB have obtained the shareholders' approval at the Twenty-Sixth AGM of the Company held on 7 December 2021. As the aggregate value of the RRPTs with FRSB, SFN, PRSB and RISB respectively is less than RM1,000,000 and the percentage ratio of the aforesaid RRPTs is less than 1%, therefore, no shareholders' approval is required.

11.0 ADVISERS

KAF IB has been appointed as the adviser to the Company for the Proposals.

The Company has appointed Malacca Securities on 1 September 2022 as the Independent Adviser in relation to the Proposed Acquisitions for the following:-

(i) to comment as to whether the Proposed Acquisitions are fair and reasonable, so far as the shareholders of MESB are concerned, including the reasons for the key assumptions made and the factors taken into consideration in forming such opinion;

(ii) to advise the shareholders of MESB whether they should vote in favour of the Proposed Acquisitions; and

(iii) to take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in subparagraphs (i) and (ii) above.

12.0 DIRECTORS' STATEMENT / RECOMMENDATION

The Board (save for the Interested Directors), having considered all aspects of the Proposals, including but not limited to the rationale, financial effects, terms of Agreements and risks associated with the Proposals, is of the opinion that the Proposals are in the best interest of the Company. Accordingly, the Board (save for the Interested Directors) recommends you to vote in favour of the resolutions in relation to the Proposals to be tabled at the forthcoming EGM.

13.0 AUDIT AND RISK MANAGEMENT COMMITTEE'S STATEMENT

The Audit and Risk Management Committee, after having considered all relevant aspects of the Proposed Acquisitions, including but not limited to the rationale, the salient terms of Acquisition SSA, the basis and justification for the Purchase Consideration as well as the proforma effects of the Proposed Acquisitions as well as the views of the Independent Adviser, is of the opinion that the Proposed Acquisitions are:-

(i) in the best interest of MESB;

(ii) fair, reasonable and on normal commercial terms; and

(iii) not detrimental to the interest of non-interested shareholders of MESB.

14.0 OUTSTANDING CORPORATE EXERCISES

Save for the Proposals and the Proposed Shareholders' Mandate, there are no other intended corporate exercises/schemes which have been announced but yet to be completed by the Group prior to the printing of this Circular.

15.0 ESTIMATED TIME FRAME FOR COMPLETION

Subject to the approvals as stated in Section 7.0, Part A of this Circular and barring any unforeseen circumstances, the Proposed Acquisitions are expected to be completed by the first quarter of 2023 while the Proposed Disposals are expected to be fully completed by the fourth quarter of 2023. The tentative timetable in relation to the Proposals is set out below:-

Date	Events
6 December 2022	Convening of the EGM
First quarter of 2023	First Completion Date of the Disposal SSA and completion of the Proposed Acquisitions
Fourth quarter of 2023	Second Completion Date of the Disposal SSA, which marks the full implementation of the Proposals

16.0 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 electronic voting through live streaming and online remote voting using Remote Participation and Electronic Voting facilities via the online platform at https://www.digitizevote.my (Domain Registration No. with MYNIC: D6A474651) on Tuesday, 6 December 2022 at 3:00 p.m. or immediately upon the conclusion or adjournment of the 27th AGM of MESB which will be held on the same day at 2:30 p.m., whichever is later, 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 in the EGM and wish to appoint proxy(ies) instead, the appointment of proxy(ies) may be made in a hard copy form or electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof at which the person named in the appointment proposes to vote:-

(i) In hard copy form
In the case of an appointment made in hard copy form, the Proxy Form must be deposited at the office of the Poll Administrator, Dvote Services Sdn. Bhd. at Lot 9-7, Menara Sentral Vista, No. 150, Jalan Sultan Abdul Samad, Brickfields, 50470 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

(ii) By electronic means

The Proxy Form can be electronically lodged by email to dvoteservice@gmail.com. Kindly refer to the Administrative Notes on the procedures for electronic lodgement of the Proxy Form.

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 Notes for the EGM on the registration and voting process for the EGM.

17.0 FURTHER INFORMATION

Shareholders are advised to refer to the Appendices 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

PART B

LETTER TO THE SHAREHOLDERS OF MESB IN RELATION TO THE PROPOSED SHAREHOLDERS' MANDATE

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

17 November 2022

BOARD OF DIRECTORS

Chua Jin Kau (Executive Chairman)
Loke Lee Ping (Executive Director / Chief Executive Officer)
Lee Kok Heng (Independent Non-Executive Director)
Tan Yew Kim (Independent Non-Executive Director)
Dato' Lee Ban Seng (Independent Non-Executive Director)
Chen, Jianhua (Independent Non-Executive Director)
Datuk Wong Sak Kuan (Non-Independent Non-Executive Director)
Wong Yu Perng (Non-Independent Non-Executive Director)

To: The Shareholders of MESB

Dear Sir/Madam,

PROPOSED SHAREHOLDERS' MANDATE

1.0 INTRODUCTION

1.1 On 22 September 2022, KAF IB had, on behalf of the Board, announced that the Company proposes to obtain its shareholders' approval for the Proposed Shareholders' Mandate in addition to the Existing RRPTs where MESB had procured the general mandate from its shareholders.

The said general mandate obtained for the Existing RRPTs shall, in accordance with the Listing Requirements, expire at the forthcoming AGM, unless approval for its renewal is obtained from its shareholders. In this regard, the Company will seek the approval of its shareholders for a renewal of the general mandate for the Existing RRPTs at the forthcoming AGM and the approval of its shareholders for the Proposed Shareholders' Mandate at the forthcoming EGM.

Kindly refer to the ensuing sections for further details of the Proposed Shareholders' Mandate.

THE PURPOSE OF PART B OF THIS CIRCULAR IS TO PROVIDE THE SHAREHOLDERS OF MESB WITH THE DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE AND TO SEEK YOUR APPROVAL ON THE RESOLUTION PERTAINING TO THE PROPOSED SHAREHOLDERS' MANDATE 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 PART B OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED SHAREHOLDERS' MANDATE TO BE TABLED AT THE FORTHCOMING EGM.

2.0 DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE

2.1 Provisions under the Listing Requirements

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

(i) the RRPTs are in the ordinary course of business and on terms not more favourable to the Related Parties involved 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 RRPTs conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or more than the prescribed threshold prescribed under subparagraph 10.09(1) of the Listing Requirements, i.e. where the consideration, value of the assets, capital outlay or costs of the RRPTs is RM1 million or more; or the percentage ratios of such RRPTs (as prescribed in Paragraph 10.02 of the Listing Requirements) 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 RRPTs. An interested director or interested major shareholder must ensure that persons connected with them abstain from voting on the resolution approving the RRPTs; and

(v) MESB immediately announces to the Bursa Securities when the actual value of an RRPT entered into by MESB, exceeds the estimated value of the RRPT disclosed in Part B of this Circular by 10% or more and must include information as set out in the Listing Requirements in its announcement.

Pursuant to the Proposed Acquisitions, MESB Group will, in the ordinary course of the Recycling Business, enter into RRPTs with the Related Parties, the details of which as set out in Section 2.4, Part B of this Circular.

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 forthcoming EGM until the next AGM. These RRPTs which are necessary for the day-to-day 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 Validity Period of the Proposed Shareholders' Mandate

The Proposed Shareholders' Mandate, if approved by the shareholders of the Company at the forthcoming EGM, will take effect from the date of the passing of the ordinary resolution at the forthcoming 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; or

(b) the expiration of the period within the next AGM of the Company after the date 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(4) 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.

2.3 Principal Activities of MESB Group

The Company is principally an investment holding company, whilst the principal activities of its subsidiaries include the trading and retailing of leather products, apparels and accessories as well as waste recycling.

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2.4 Nature of the RRPTs contemplated under the Proposed Shareholders' Mandate

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

Related Parties	Nature of relationship	Transacting party within the Group	Nature of transaction	*Estimated value of RRPTs (RM'000)
SFN	DWSK, a director and major shareholder of MESB, is also a director and major shareholder of SFN, RISB, Asia KG, ERSB, PRSB and ERMSB as well as sole shareholder of FRSB as at the LPD.	Acquiree Companies	Rental of factory at PT 33638 (Lot 50621) Batu 7 ½, Jalan Bukit Kemuning, Section 32, 40460 Shah Alam, Selangor measuring 8,136.24 square meter (approximately 87,578 square feet) for two (2) years by NURSB from SFN	700
			Provision of sludge waste disposals to Waier by SFN	10,000
RISB			Provision of transportation services to Acquiree Companies by RISB	6,000
Asia KG			Selling of wastepaper, plastic scrap and scrap ferrous metal ("**Recycling Materials**") to Acquiree Companies by Asia KG	1,500
			Purchase of Recycling Materials from Acquiree Companies by Asia KG	1,500
ERSB			Selling of Recycling Materials to Acquiree Companies by ERSB	1,500
			Purchase of Recycling Materials from Acquiree Companies by ERSB	1,500
FRSB			Selling of Recycling Materials to Acquiree Companies by FRSB	500
			Purchase of Recycling Materials from Acquiree Companies by FRSB	500
PRSB			Selling of Recycling Materials to Acquiree Companies by PRSB	500
			Purchase of Recycling Materials from Acquiree Companies by PRSB	500
ERMSB			Selling of plastic scrap and scrap ferrous metal to Acquiree Companies by ERMSB	1,500
			Purchase of plastic scrap and scrap ferrous metal from Acquiree Companies by ERMSB	1,500
Total				**27,700**

***Note** *:- Being the estimated RRPTs from the Acquisition Completion Date to the next forthcoming AGM of MESB. The actual transaction values may differ from the values stated.*

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2.5 Amount due and owing by the Related Parties

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

2.6 Review procedures for RRPT(s)

The MESB Group had established 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 management of MESB shall review the RRPTs based on the following parameters/procedures:-

(i) a list of Related Parties shall be circulated to management of all subsidiaries 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 quarterly through management reports made to the Board as well as to the Audit and Risk Management Committee;

(iii) the Board as well as the Audit and Risk Management Committee will review the management reports quarterly 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 and Risk Management 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 and Risk Management Committee with respect to such transactions;

(v) the prices, terms and conditions of the RRPTs are based on the Group's usual business practices, market rates, the availability of the amount/resources to be transacted or negotiated on a willing buyer willing seller basis. 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 based on prevailing market rates/prices that are agreed based on MESB Group's usual business practices and policies and on terms which are generally in line with industry norms to ensure that the RRPTs are not detrimental to the Company and/or the Group;

(vi) the Audit and Risk Management Committee's review procedures will be conducted on a quarterly basis together with the review of quarterly results, or such frequency as the Audit and Risk Management Committee considers appropriate having regard to the value and the frequency of the RRPTs;

(vii) the RRPT which is below RM1.0 million in value for each transaction is subject to the approval of any one of the Executive Director of the Company;

(viii) the RRPT which is RM1.0 million and above or 1% of any percentage ratio, shall be reviewed and approved by the Audit and Risk Management Committee and the Board before the transaction is entered into;

(ix) all RRPTs entered into pursuant to the general mandate shall be subjected to an annual review of the approval procedures to be undertaken by the Audit and Risk Management Committee and the Board. Approval of the shareholders would be sought at the AGM for renewal of RRPT mandate.

2.7 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.

2.8 Statement by Audit and Risk Management Committee

The Audit and Risk Management 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 and Risk Management 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 and Risk Management Committee shall have the discretion to request for additional information pertaining to the RRPTs from independent sources or advisers. The Audit and Risk Management 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 OF THE 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 the Recycling Business and to be undertaken on commercial terms and on terms not more favorable to the Related Parties specified in Section 2.3, Part B of this Circular 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 a 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 channeled 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.

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4.0 APPROVALS REQUIRED AND CONDITIONALITY

The Proposed Shareholders' Mandate is subject to the approval of the shareholders of MESB at the forthcoming EGM.

The Proposals are inter-conditional upon each other, but are not conditional upon the Proposed Shareholders' Mandate. However, the Proposed Shareholders' Mandate is conditional upon the Proposed Acquisitions.

The Proposals and the Proposed Shareholders' Mandate are not conditional upon any other corporate proposals undertaken or to be undertaken by MESB.

5.0 INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSON CONNECTED

Save as disclosed below, none of the directors, major shareholders and/or persons connected with them has any interest, direct or indirect, in the Proposed Shareholders' Mandate:-

(i) DWSK is deemed interested in the Proposed Shareholders' Mandate by virtue of him being the director and major shareholder of MESB and the Related Parties; and

(ii) Wong Yu Perng is deemed interested in the Proposed Shareholders' Mandate by virtue of him being the director of MESB and the son of DWSK.

Accordingly, the Interested Directors have abstained and will continue to abstain from deliberating and voting on the Proposed Shareholders' Mandate at the relevant board meetings. Further, the Interested Directors shall abstain from voting and undertakes to ensure that the persons connected with them will abstain from voting in respect of their respective 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 to be convened.

As at the LPD, the shareholdings of the Interested Directors in MESB are as follows:-

	Direct		**Indirect**	
Name	**No. of Share**	**%**	**No. of Share**	**%**
DWSK	38,407,898	31.45	-	-
Wong Yu Perng	-	-	-	-

6.0 DIRECTORS' STATEMENT / RECOMMENDATION

The Board (save for the Interested Directors), having considered all aspects of the Proposed Shareholders' Mandate, is of the opinion that the Proposed Shareholders' Mandate is in the best interest of the Company and accordingly, recommends you to vote in favour of the resolution in relation to the Proposed Shareholders' Mandate to be tabled at the forthcoming EGM.

7.0 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 electronic voting through live streaming and online remote voting using Remote Participation and Electronic Voting facilities via the online platform at https://www.digitizevote.my (Domain Registration No. with MYNIC: D6A474651) on Tuesday, 6 December 2022 at 3:00 p.m. or immediately upon the conclusion or adjournment of the 27th AGM of MESB which will be held on the same day at 2:30 p.m., whichever is later, 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 in the EGM and wish to appoint proxy(ies) instead, the appointment of proxy(ies) may be made in a hard copy form or electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof at which the person named in the appointment proposes to vote:-

(i) <u>In hard copy form</u>
In the case of an appointment made in hard copy form, the Proxy Form must be deposited at the office of the Poll Administrator, Dvote Services Sdn. Bhd. at Lot 9-7, Menara Sentral Vista, No. 150, Jalan Sultan Abdul Samad, Brickfields, 50470 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

(ii) <u>By electronic means</u>
The Proxy Form can be electronically lodged by email to dvoteservice@gmail.com. Kindly refer to the Administrative Notes on the procedures for electronic lodgement of the Proxy Form.

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 Notes for the EGM on the registration and voting process for the EGM.

8.0 FURTHER INFORMATION

Shareholders are advised to refer to the Appendices 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

PART C

INDEPENDENT ADVICE LETTER BY MALACCA SECURITIES TO THE NON-INTERESTED SHAREHOLDERS OF MESB IN RELATION TO THE PROPOSED ACQUISITIONS

EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meaning and expressions as defined in the "Definitions" section of Part A of the Circular, except where the context otherwise requires or where otherwise defined herein. All references to "you" or "your" are references to the non-interested shareholders of the Company, whilst references to "we", "us" or "our" in this Executive Summary are references to Malacca Securities, being the Independent Adviser for the Proposed Acquisitions.

This Executive Summary summarises this IAL. You should read and understand the contents of this IAL in its entirety, together with Part A of the Circular and the accompanying appendices for other relevant information and not to rely solely on this Executive Summary in forming an opinion on the Proposed Acquisitions.

1. INTRODUCTION

On 22 September 2022, KAF IB had, on behalf of the Board, announced that the Company had on 22 September 2022 entered into the Agreements.

The Proposed Acquisitions are related party transactions pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of MESB's Interested Directors, namely DWSK and Wong Yu Perng, in the Proposed Acquisitions as set out in Section 9 of Part A of the Circular. In this regard, MESB had on 1 September 2022 appointed Malacca Securities to act as the Independent Adviser to advise the non-interested directors and non-interested shareholders of MESB in relation to the Proposed Acquisitions.

2. EVALUATION OF THE PROPOSED ACQUISITIONS

We have assessed and evaluated the Proposed Acquisitions. Due to the inter-conditionality of the Proposals, in carrying out our evaluation of the Proposed Acquisitions, we have also evaluated the Proposed Disposals to arrive at our overall opinion on the Proposed Acquisitions to provide the non-interested shareholders of the Company with a holistic view of the Proposals.

In evaluating the Proposed Acquisitions, we have taken into consideration the following factors: -

No.	Consideration factors		Our evaluation
(i)	Rationale for the Proposals	:	The Proposals are expected to enable the Group: - (a) to unlock and realise part of its investment in the Retailing Business upon completion of the Proposed Disposals; (b) the proceeds of RM46.00 million arising from the Disposal Consideration will be utilised to partially fund the Proposed Acquisitions which enable MESB to incur lesser debt for the Proposed Acquisitions; and (c) to diversify and expand its business into waste recycling business and is expected to contribute positively to the Group's future earnings upon completion of the Proposed Acquisitions. Premised on the above, we are of the view that the rationale for the Proposals is reasonable and is not detrimental to the non-interested shareholders of MESB. Please refer to **Section 6 of this IAL** for further details.

No.	Consideration factors		Our evaluation
(ii)	Basis of arriving at and justification for the Disposal Consideration	:	The Disposal Consideration falls within the Disposal Valuation Range between RM44.80 million and RM51.20 million with an average of RM48.00 million ascribed by AER based on the following: - (a) the minimum Disposal Valuation Range of RM44.80 million was arrived based on the aggregate of the proportionate unaudited NA of Active Fit and Miroza as at 30 June 2022 as well as the unaudited adjusted NA of MCD after incorporating the revaluation surplus of its investment property of RM0.24 million via income approach; and (b) the maximum Disposal Valuation Range of RM51.20 million was arrived based on the following assumptions: - (aa) Active Fit and Miroza • PBR of 1.0 time, where the median PBRs of the Comparable Companies is 0.7 times. The PBR of 1.0 time is used as this represents the minimum selling price of a company based on its NA. As more than 95% of the total assets of Active Fit and Miroza as at 30 June 2022 were made up of current assets and hence, the carrying value of their NA approximates their fair value; • PER of 7.0 times, being the median PERs of the Comparable Companies; • EV/EBITDA of 4.0 times, being the median EV/EBITDAs of the Comparable Companies; and • a discount for lack of marketability of 15% is applied for each Disposal Company computed using PER and EV/EBITDA to take into consideration the lack of marketability of private companies. The said discount of 15% was adopted by AER with due reference to independent study on discount for lack of marketability of private companies as more particularly set out in the Disposal Valuation Certificate, Appendix II of the Circular. (bb) MCD • unaudited adjusted NA after incorporating the revaluation surplus of its investment property of RM1.64 million via comparison approach. Premised on the above, we are of the view that the basis of arriving at the Disposal Consideration is justifiable. Please refer to **Section 7 of this IAL** for further details.

No.	Consideration factors		Our evaluation
(iii)	Basis of arriving at and justification for the Purchase Consideration	:	The Purchase Consideration falls within the Acquisition Valuation Range between RM49.40 million and RM52.70 million as ascribed by AER based on the free cash flow to equity ("**FCFE**") approach. AER has adopted, among others, the following parameters: - (a) equity discount rates of between 15.0% to16.0%; (b) a terminal value based on the assumed annual steady state growth rate of 0%; and (c) the Acquiree Companies' projected net margin of 12%, 12% and 11% for the 12-month FYE/FPE 30 June 2023, 30 June 2024 and 30 June 2025 respectively vis-à-vis their historical net margin of 3%, 8% and 7% for the FYE 30 April 2020, FYE 30 April/FPE 30 June 2021 and FYE 30 April/30 June 2022 respectively, after due consideration of a two-year contract awarded to one of the Acquiree Companies with a projected sales value of RM9.0 million that has an incremental effect on increasing the projected gross margin by approximately 4% during the contract period. Premised on the above, we are of the view that the basis of arriving at the Purchase Consideration is fair and reasonable. Please refer to **Section 8 of this IAL** for further details.
(iv)	Evaluation of the salient terms of the Agreements	:	The salient terms of the Agreements are acceptable. Please refer to **Section 9 of this IAL** for further details.
(v)	Effects of the Proposals	:	The effects of the Proposals are acceptable in view of the following: - (a) will not have any effect on the share capital and the substantial shareholders' shareholdings of the Company as no new MESB Share will be issued pursuant thereto; (b) based on the audited consolidated financial statements of MESB for the FYE 30 June 2022 and assuming that the Proposals had been completed at the beginning of FYE 30 June 2022, the Proposed Disposals will result in a Proforma Gain on Disposals of RM0.65 million while the Proposed Acquisitions are expected to contribute positively to the consolidated earnings and EPS of the Group for the FYE 30 June 2023; and (c) upon completion of the Proposals, the proforma NA per Share is expected to increase to 1.03 sen and the gearing ratio will reduce to 0.09 times. Please refer to **Section 10 of this IAL** for further details.

No.	Consideration factors		Our evaluation
(vi)	Risk factors associated with the Proposals	:	We note that the risk factors associated with the Proposals. Non-interested shareholders of MESB are advised to carefully consider the risk factors as set out above and in Section 4 of Part A of the Circular prior to voting on the resolution pertaining to the Proposals. It is important to note that there can be no assurances that any risk factors set out above and in Section 4 of Part A of the Circular will not adversely affect the financial results of MESB. Please refer to **Section 11 of this IAL** for further details.
(vii)	Industry overview and prospects	:	We take note of the industry overview and outlook of the Malaysian economy, the retail sector in Malaysia, the recycling industry in Malaysia as well as the prospects of the Group as set out in Section 5 of Part A of the Circular. We are of the view that the outlook of the Malaysian economy, the retail sector in Malaysia, the recycling industry in Malaysia as well as the prospects of the Group are expected to be encouraging in the long term. Please refer to **Section 12 of this IAL** for further details.

3. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Acquisitions. Due to the inter-conditionality of the Proposals, in carrying out our evaluation of the Proposed Acquisitions, we have also evaluated the Proposed Disposals to arrive at our overall opinion on the Proposed Acquisitions to provide the non-interested shareholders of the Company with a holistic view of the Proposals.

Based on our evaluation, we are of the opinion that the Proposed Acquisitions are **fair and reasonable and not detrimental to the interests of the non-interested shareholders of MESB**.

Accordingly, we recommend that you **vote in favour** of the ordinary resolution pertaining to the Proposed Acquisitions to be tabled at the forthcoming EGM.

Please refer to **Section 13 of this IAL** for further details.

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MALACCA SECURITIES SDN BHD
Registration No: 197301002760 (16121-H)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Registered Office

No. 1, 3 & 5, Jalan PPM 9
Plaza Pandan Malim
(Business Park), Balai Panjang
75250 Melaka

17 November 2022

To: The non-interested shareholders of MESB Berhad

Dear Sir/Madam,

MESB BERHAD ("MESB" OR "COMPANY")

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF MESB IN RELATION TO THE PROPOSED ACQUISITIONS

This IAL is prepared for inclusion as Part C in the Circular. All definitions used in this IAL shall have the same meaning and expressions as defined in the "Definitions" section of Part A of the Circular, except where the context otherwise requires or where otherwise defined herein. All references to "you" or "your" are references to the non-interested shareholders of the Company, whilst references to "we", "us" or "our" in this IAL are references to Malacca Securities, being the Independent Adviser for the Proposed Acquisitions.

1. INTRODUCTION

On 22 September 2022, KAF IB had, on behalf of the Board, announced that the Company had on 22 September 2022 entered into the Agreements.

The Proposed Acquisitions are related party transactions pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of MESB's Interested Directors, namely DWSK and Wong Yu Perng, in the Proposed Acquisitions as set out in Section 9 of Part A of the Circular. In this regard, MESB had on 1 September 2022 appointed Malacca Securities to act as the Independent Adviser to advise the non-interested directors and non-interested shareholders of MESB in relation to the Proposed Acquisitions.

The purpose of this IAL is to provide the non-interested shareholders of MESB with an independent evaluation on the fairness and reasonableness of the Proposed Acquisitions and whether the Proposed Acquisitions are detrimental to the non-interested shareholders of MESB together with our recommendations thereon, subject to the scope and limitations of our role and evaluation specified herein, in relation to the Proposed Acquisitions.

Nonetheless, the non-interested shareholders of MESB should rely on your own evaluation of the merits of the Proposed Acquisitions before making a decision on the course of action to be taken at the forthcoming EGM of the Company.

THIS IAL IS PREPARED SOLELY FOR THE USE OF THE NON-INTERESTED SHAREHOLDERS OF MESB FOR THE PURPOSE OF CONSIDERING THE PROPOSED ACQUISITIONS AND SHOULD NOT BE USED OR RELIED UPON BY ANY OTHER PARTY OR FOR ANY OTHER PURPOSES WHATSOEVER.

BO1-A-13A, Level 13A, Menara 2, No.3, Jalan Bangsar, KL Eco City, 59200 Kuala Lumpur.
www.mplusonline.com general@msec.com.my +603 2201 2100

YOU ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THE WHOLE IAL, TOGETHER WITH PART A OF THE CIRCULAR AND THE ACCOMPANYING APPENDICES FOR OTHER RELEVANT INFORMATION AND TO CONSIDER CAREFULLY OUR RECOMMENDATIONS CONTAINED HEREIN BEFORE VOTING ON THE PROPOSED ACQUISITIONS TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

IF YOU ARE IN ANY DOUBT AS TO WHAT COURSE OF ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. DETAILS OF THE PROPOSED ACQUISITIONS

MESB had on 22 September 2022 entered into the Acquisition SSA for the acquisition of the entire equity interests of the following companies: -

(i) 1,099,104 ordinary shares in NURSB from LESB, DWSK and LWF;

(ii) 190,002 ordinary shares in Formidex from LESB; and

(iii) 100,000 ordinary shares in Waier from LESB,

for a purchase consideration of RM51,000,000 to be satisfied in cash in the following manner: -

	Purchase Consideration (RM)			
Vendors	**NURSB**	**Formidex**	**Waier**	**Total**
LESB	14,028,000	11,200,000	9,800,000	**35,028,000**
DWSK	12,972,000	-	-	**12,972,000**
LWF	3,000,000	-	-	**3,000,000**
Total	**30,000,000**	**11,200,000**	**9,800,000**	**51,000,000**

Upon completion of the Proposed Acquisitions, the Acquiree Companies shall become the wholly-owned subsidiaries of MESB.

The Proposed Acquisitions are related party transactions pursuant to Paragraph 10.08 of the Listing Requirements in view of the following: -

(i) DWSK is the director and major shareholder of MESB as well as the director and shareholder/ultimate shareholder of the Acquiree Companies.

Please refer to Section 2.2 of Part A of the Circular for further details on the Proposed Acquisitions.

3. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSED ACQUISITIONS

Malacca Securities was not involved in any of the formulation, deliberations, negotiations or discussions on the terms and conditions of the Proposed Acquisitions. Malacca Securities' evaluation of the Proposed Acquisitions has been based on the information and documents provided to us or which are available to us, among others, the following: -

(i) information contained in Part A of the Circular together with the accompanying appendices;

(ii) the Agreements;

(iii) the Acquisition Valuation Certificate and the Disposal Valuation Certificate;

(iv) the audited financial statements of MESB for the 30 June 2020, 30 June 2021 and FYE 30 June 2022;

(v) the audited financial statements of NURSB for the 14-month FPE 30 June 2021 and FYE 30 June 2022 as well as the latest unaudited financial statements for FPE 31 August 2022;

(vi) the audited financial statements of Formidex and Waier for the FYE 30 April 2021 and FYE 30 April 2022 as well as the latest unaudited financial statements for FPE 31 August 2022;

(vii) the audited financial statements of the Disposal Companies for the FYE 30 June 2021 and FYE 30 June 2022;

(viii) other information, documents, confirmations and representations furnished to us by the Board, management and representatives of MESB; and

(ix) other publicly available information.

Malacca Securities, as the Independent Adviser, has relied on the information provided by the Board, management and representatives of the Company as well as other publicly available information. We have obtained confirmation from the Board that they individually and collectively accept full responsibility for the accuracy of the information herein and confirm that after making all reasonable enquiries, and to the best of their knowledge and belief, all information relevant to our evaluation of the Proposed Acquisitions have been disclosed to us and there is no omission of any material fact which would make any information disclosed to us false or misleading. We have also undertaken some form of reasonableness check, and where possible, corroborating such information provided by MESB with independent sources, if required. After making all reasonable enquiries we are satisfied with the information and the sufficiency of the information obtained from the Board, management and representatives of the Company and to the best of our knowledge and belief, the information used is reasonable, accurate, complete and free from material omission as at the LPD.

As the Independent Adviser, we have evaluated the Proposed Acquisitions and in forming our opinion, we have considered factors, which we believe would be of general relevance and concern to the shareholders of MESB as a whole. We have not taken into consideration any specific investment objectives, financial situation or particular needs of any individual shareholder or any specific group of shareholders. We recommend that any individual shareholder or group of shareholders who may require advice in relation to the Proposed Acquisitions in the context of their individual objectives, financial situation and particular situation, to consult their stockbroker, bank manager, solicitor, accountant or other professional advisers.

The scope of responsibility of Malacca Securities with regard to our evaluation and recommendation is based on the consideration set out in the ensuing sections of this IAL and where comments or points of consideration are included on matters which may be commercially-oriented, these are incidental to our overall evaluation and concern matters which we may deem material for disclosure.

Our evaluation and opinion in relation to the Proposed Acquisitions were made based on prevailing market conditions and information made available to Malacca Securities at that point of time. If after the issuance of this IAL, where Malacca Securities becomes aware that the information contains in this IAL: -

(i) has significant changed that affecting the information set out in this IAL;

(ii) has reasonable grounds to believe that a material statement in this IAL is false, misleading or deceptive; or

(iii) has reasonable grounds to believe that there is a material omission in this IAL,

Malacca Securities shall immediately notify the non-interested shareholders of MESB of material change in circumstances that would affect the consideration or the accuracy or the completeness of the information contained in this IAL by way of an announcement. If circumstances require, a supplementary IAL will be sent to the non-interested shareholders of MESB.

The following are disclosure made pursuant to the Best Practice Guide in relation to the Independent Advice Letters issued by Bursa Securities on 22 July 2014: -

(i) Malacca Securities confirms that there is no conflict of interest situation or potential conflict of interest situation arising from it carrying out the role of Independent Adviser to advise the non-interested shareholders of MESB in relation to the Proposed Acquisitions.

(ii) Save for our role as the Independent Adviser for the Proposed Acquisitions, Malacca Securities does not have professional relationship with MESB in the past two (2) years preceding the date of this IAL.

(iii) Malacca Securities is a participating organisation of Bursa Securities and provides a range of services including corporate finance advisory, stocks and futures broking and research. Malacca Securities was approved by the Securities Commission Malaysia on 10 August 2020, as a corporate finance adviser. The corporate finance department of Malacca Securities provides a range of advisory services which include, amongst others, mergers, acquisitions and divestitures, take-overs/general offers, fund raising, initial public offerings as well as independent advisory services. Our team comprises experienced personnel with the requisite qualifications and experiences to provide amongst others, independent analysis of transactions and issuing opinions on whether the terms and conditions of a transaction are deemed fair and reasonable.

Our credentials and experiences as an Independent Adviser in the past two (2) years prior to the date of this IAL include, amongst others, the following proposals: -

(a) Independent advice in relation to the proposed exemption under paragraph 4.08(1)(a) of the Rules on Take-overs, Mergers and Compulsory Acquisitions ("**Rules**") from the obligation to undertake a mandatory take-over offer for the remaining ordinary shares in G Neptune Berhad (now known as Southern Score Builders Berhad) not already held by Super Advantage Property Sdn Bhd and the persons acting in concert with it pursuant to the proposed acquisition, where the independent advice letter was issued and dated 22 August 2022; and

(b) Independent advice in relation to the following: -

(i) proposed exemption for Mah Seong Huak, IR. Gan Wee Peng and the persons acting in concert with them under paragraph 4.08 of the Rules from the obligation to undertake a mandatory take-over offer for the remaining ordinary shares, warrants and redeemable convertible preference shares in EVD Berhad (formerly known as iDimension Consolidated Bhd) not already held by them after the proposed securities exchange; and

(ii) proposed management buyout which entails the disposal of entire equity interests in iDimension MSC Sdn Bhd, iDimension Systems Sdn Bhd, iDimension MSC Pte Ltd, iDimension Agrisoft Sdn Bhd and IDB Interactive Sdn Bhd involving the interests of related parties,

where the independent advice letter was issued and dated 23 December 2021.

Premised on the foregoing, Malacca Securities has the necessary experience and expertise to carry out this engagement effectively and satisfactorily and is capable and competent in carrying out our role and responsibilities as the Independent Adviser to advise the non-interested directors and non-interested shareholders of MESB in relation to the Proposed Acquisitions.

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4. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

As at the LPD, save as disclosed below, none of the directors, major shareholders of the Company and/or persons connected with them have interests, whether direct or indirect in the Proposed Acquisitions: -

(i) DWSK is the director and major shareholder of MESB as well as the director and shareholder/ultimate shareholder of the Acquiree Companies; and

(ii) Wong Yu Perng is the director of MESB and the son of DWSK.

In view that the Proposed Disposals and the Proposed Acquisitions are inter-conditional upon one another, the Interested Directors have abstained and will continue to abstain from deliberating and voting on the Proposals at the relevant board meetings. Further, the Interested Directors shall abstain from voting and undertakes to ensure that the persons connected with them will abstain from voting in respect of their respective direct and/or indirect shareholdings in MESB on the ordinary resolutions pertaining to the Proposals to be tabled at the EGM to be convened.

The direct and indirect shareholdings of the Interested Directors in MESB as at the LPD are as follows: -

	Direct		Indirect	
Name	**No. of Shares**	**%**	**No. of Shares**	**%**
DWSK	38,407,898	31.45	-	-
Wong Yu Perng	-	-	-	-

5. EVALUATION OF THE PROPOSED ACQUISITIONS

We have assessed and evaluated the Proposed Acquisitions. Due to the inter-conditionality of the Proposals, in carrying out our evaluation of the Proposed Acquisitions, we have also evaluated the Proposed Disposals to arrive at our overall opinion on the Proposed Acquisitions to provide the non-interested shareholders of the Company with a holistic view of the Proposals.

In evaluating the Proposed Acquisitions, we have taken into consideration the following factors: -

(i)	Rationale for the Proposals	Section 6 of this IAL
(ii)	Basis of arriving at and justification for the Disposal Consideration	Section 7 of this IAL
(iii)	Basis of arriving at and justification for the Purchase Consideration	Section 8 of this IAL
(iv)	Evaluation of the salient terms of the Agreements	Section 9 of this IAL
(v)	Effects of the Proposals	Section 10 of this IAL
(vi)	Risk factors associated with the Proposals	Section 11 of this IAL
(vii)	Industry overview and prospects	Section 12 of this IAL

6. RATIONALE FOR THE PROPOSALS

We set out below our comments on the rationale for the Proposals as outlined in Section 3 of Part A of the Circular: -

Proposed Disposals

MESB had on 22 September 2022 entered into the Disposal SSA for the disposals of its entire equity interests in Active Fit and MCD as well as 45% equity interest in Miroza for the disposal consideration of RM46,000,000 to be satisfied in cash. Please refer to Section 2.1 of Part A of the Circular for further details.

MESB, through its subsidiaries, operates in retail, investment holding and waste recycling, details as follows: -

Name of subsidiary	Effective interest %	Principal activities
Miroza	100	Principally involved in trading of leather products and apparels under certain brands, namely Crocodile, Ducati, Alain Delon, Pierre Cardin, Feraud, Giamax, Giossardi and Tocco Toscano in Malaysia
Active Fit	100	Principally involved in brand building, concept development, fashion designing, sourcing, marketing, distribution and retailing of casual apparel and accessories
MCD	100	Principally engaged in investment holding activities
MRSB	100	Principally involved in waste recycling business

Upon completion of the Proposed Disposals, Active Fit and MCD will cease to be the subsidiaries of MESB, whilst Miroza will remain as a 55.0%-owned subsidiary of MESB.

The following sets out the summary of the financial results of the Disposal Companies: -

	Audited		
	FYE 30 June 2020	**FYE 30 June 2021**	**FYE 30 June 2022**
	RM'000	**RM'000**	**RM'000**
Active Fit			
Revenue	27,306	29,046	39,972
(LAT)/PAT	(2,183)	3,303	(10,633)
NA	17,183	20,486	9,853
MCD			
Revenue	43	27	49
LAT	(45)	(56)	(42)
NA	2,592	2,535	2,493
Miroza			
Revenue	121,051	106,955	149,073
PAT	566	6,506	17,056
NA	48,096	54,602	71,658

Based on the above, the revenue of Active Fit was on the increasing trend from RM27.31 million in FYE 30 June 2020 to RM39.97 million in FYE 30 June 2022. The PAT of Active Fit increased from LAT of RM2.18 million in FYE 30 June 2020 to PAT of RM3.30 million in FYE 30 June 2021 due to higher direct sales to customers by RM0.83 million, coupled with wage subsidy of RM 1.23 million and lower administrative expenses of RM5.53 million. However, for the FYE 30 June 2022, Active Fit registered LAT of RM10.63 million which was attributable to additional licensing amount payable to licensor at RM18.10 million. In relation to MCD, the revenue is derived from the rental income generated from a 6-storey corner shop office located at Bandar Tasik Selatan, Kuala Lumpur. Its revenue decreased from RM0.04 million in FYE 30 June 2020 to RM0.03 million in FYE 30 June 2021 due to the grant of three (3)-month rent concession to the tenants as a result of the COVID-19. Revenue increased by 66.67% to RM0.05 million from RM0.03 million in the previous year as a result of the increase in rental rate. However, MCD registered losses during the FYE 30 June 2020 to FYE 30 June 2022. For Miroza, the company was profitable during the past three (3) FYE 30 June 2020 to FYE 30 June 2022. Miroza registered a higher PAT of RM6.51 million for the FYE 30 June 2021 as compared to its previous year of RM0.57 million due to the operating cost control and wage subsidy of RM2.22 million. Revenue increased by 39.37% to RM149.07 million for the FYE 30 June 2022 from RM106.96 million in FYE 30 June 2021 as a result of higher spending as the impact of COVID-19 waned during the financial year. In line with the above, Miroza registered a PAT of RM17.06 million during the said financial year. Please refer to Section 10 of Appendices III, IV and VI of the Circular for further information on the commentaries of the financial performance of the above companies.

The Proposed Disposals also provide an opportunity for the Company to unlock and realise part of its investment in the Retailing Business. We take note that the Board is of the view that the retail market will remain challenging in the future years, particularly in the non-essential retail sector. In addition, we note that with the current COVID-19 infection risks, persistent unemployment, high inflation and household debt servicing issues could potentially derail a recovery of the local retail segment. In this regard, we noted that the outlook of the retail sector may remain challenging due to operations, infrastructure, competition, supply chain management and labour shortages. As set out in Section 5.2 of Part A of the Circular, we note that retail sales rose 62.5% year-on-year from April to June 2022 - the highest quarterly growth recorded - setting the stage for the industry to recover any dips and losses sustained during the pandemic. We also observe that, a weaker ringgit against the US dollar, for example, has led to higher import costs for raw materials and semi-finished goods used to make end-consumer products in Malaysia. This, in turn, has resulted in higher prices of imported finished goods. Coupled with labour shortage and higher minimum wage, the increase in the prices of goods is likely to put pressure on consumer spending. The higher cost of operations, will reduce or eliminate profits made by retailers, while lower sales due to slowing consumer spending mean there may be more store closures in the near future, with chain retailers opting to consolidate their stores.

Based on the latest segmental results of the Group for the FYE 30 June 2022, the retailing segment is still the major contributor to the Group's revenue and bottomline contributing approximately 94.6% and 95.29% respectively. We also take cognisance that the Company had in March 2021 sought the approval of its shareholders to diversify into the waste recycling business which enables the Group to broaden its earnings base and reduce its dependency solely on its existing business which is in the retail segment as the Company was affected by the COVID-19 pandemic which has impacted the Group's revenue and profitability particularly in FYE 30 June 2020 as consumers were spending more on essential goods and services. As such, the Group had diversified its existing business into the waste recycling business which is expected to provide the Group with an additional revenue stream in the future which is less affected by consumer spending behaviour and seasonal fluctuations. In addition, it is noted that based on the audited financial statements of MESB for the FYE 30 June 2022, the waste recycling business contributed approximately RM10.68 million revenue and a segment profit of RM1.41 million, representing a margin of 13.11%. Whilst it is noted that MESB is disposing of the Disposal Companies and acquiring of the Acquiree Companies with a lower PAT contribution, the Proposed Acquisition appears to be fair and reasonable as it is also noted that the Vendors had provided a two (2)-year profit guarantee to MESB of RM10.0 million in aggregate on the PAT of the Acquiree Companies for the 12-month FYE/FPE 30 June 2023 and 30 June 2024. Notwithstanding, the Group will still be retaining a 55.0% interest in Miroza after the Proposed Disposal and the revenue and profits from Miroza will continue to be consolidated in the Group's consolidated financial statements.

In addition, we note that the proceeds of RM46.00 million arising from the Disposal Consideration will be utilised to partially fund the Proposed Acquisitions which enable MESB to incur lesser debt for the Proposed Acquisitions.

Taking into consideration the above and the historical performance of the Acquiree Companies as set out in Appendices VIII, IX, and X of the Circular, outlook of the recycling industry in Malaysia as set out in Section 5.3 of Part A of the Circular and future prospects of the Acquiree Companies as set out in Section 5.4 of Part A of the Circular, we are of the view that the rationale for the Proposed Disposal is acceptable.

Proposed Acquisitions

We note that the Company had, in April 2021 obtained shareholders' approval for the diversification of the Group's business to include waste recycling business and MRSB has been incorporated to carry out the waste recycling business.

Based on the audited consolidated financial statements of the Group for the FYE 30 June 2022, Recycling Business segment recorded a revenue and PBT of RM10.68 million (FYE 30 June 2021:RM1.09 million) and RM1.41 million (FYE 30 June 2021:RM0.11 million) respectively, representing an increase in revenue and PBT of RM9.59 million (880%) and RM1.30 million (118%) respectively.

MESB had on 22 September 2022 entered into the Acquisition SSA for the acquisition of the entire equity interests in NURSB, Formidex and Waier. The principal activities of the Acquiree Companies are as follows: -

Acquiree Company	Principal activities
NURSB	Principally involved in sale and purchase of recycling materials
Formidex	Principally involved in the provision of slitting service and trim waste sales
Waier	Principally involved in the business of recycling materials

The summary of the financial results of the Acquiree Companies are as follows: -

	Audited			Unaudited	
	FYE 30 April 2020	14-month FPE 30 June 2021	FYE 30 June 2022	Two (2)-month FPE 31 August 2021	Two (2)-month FPE 31 August 2022
	RM'000	RM'000	RM'000	RM'000	RM'000
NURSB					
Revenue	9,542	19,128	27,682	3,049	4,066
PAT	55	1,319	1,792	235	398
PAT margin (%)	0.58	6.90	6.47	7.71	9.79
NA (RM'000)	1,107	1,679	3,471	3,075	3,869

	Audited			Unaudited	
	FYE 30 April 2020	FYE 30 April 2021	FYE 30 April 2022	Four (4)-month FPE 31 August 2021	Four (4)-month FPE 31 August 2022
	RM'000	RM'000	RM'000	RM'000	RM'000
Formidex					
Revenue	1,954	1,283	2,181	475	430
PAT	503	202	663	163	30
PAT margin (%)	25.74	15.74	30.40	34.32	6.98
NA (RM'000)	1,201	623	1,286	1,623	1,316

	Audited			Unaudited	
	FYE 30 April 2020	FYE 30 April 2021	FYE 30 April 2022	Four (4)-month FPE 31 August 2021	Four (4)-month FPE 31 August 2022
	RM'000	RM'000	RM'000	RM'000	RM'000
Waier					
Revenue	4,611	7,735	7,242	498	3,335
(LAT)/PAT	(143)	609	311	(37)	317
(LAT)/PAT margin (%)	-	7.87	4.29	-	9.51
NA (RM'000)	519	1,128	1,440	1,126	1,757

Based on the above, NURSB and Formidex were profitable during the financial years as set out above while Waier had only registered a PAT since FYE 30 April 2021. Please refer to Section 10 of Appendices VIII, IX and X of the Circular for further information on the commentaries of the financial performance of the above companies.

In addition, pursuant to the Acquisition SSA, the Vendors had provided a two (2)-year profit guarantee to MESB of RM10.0 million in aggregate on the PAT of the Acquiree Companies for the 12-month FYE/FPE 30 June 2023 and 30 June 2024. The Board is of the view that the Profit Guarantee is achievable and reasonable after taking into consideration, amongst others, the implied PER of 10.2 times based on an average profit guarantee of RM5.0 million per year is within the trailing PERs of the Comparable Companies of between 5.0 times and 10.9 times; the evaluation of the Valuer, particularly the forward PERs of the Acquiree Companies of 8.1 times to 8.7 times for FYE 30 April 2023/FYE 30 June 2023 based on the Acquisition Valuation Range are within the trailing PERs of the Comparable Companies of between 5.0 times and 10.9 times; outlook of the recycling industry in Malaysia as set out in Section 5.3 of Part A of the Circular; and future prospects of the Acquiree Companies as set out in Section 5.4 of Part A of the Circular. We also note that there is a two (2)-year contract awarded to one of the Acquiree Companies with a projected sales value of RM9.0 million. In this regard, we are of the view that the Profit Guarantee is reasonable and realistic.

The Proposed Acquisitions is in line with the Company's intention to diversify and expand its business into waste recycling business and is expected to contribute positively to the Group's future earnings and enhance its shareholders' value. In addition, DWSK, who is also the director of the Acquiree Companies, has approximately 20 years of experience in the recycling industry in Malaysia. In this regard, the Board believes the Group will be able to leverage on the expertise and experience of DWSK in the waste recycling business.

Premised on the above, we are of the view that the rationale for the Proposed Acquisition is reasonable and is not detrimental to the non-interested shareholders of MESB.

7. BASIS OF ARRIVING AT AND JUSTIFICATION FOR THE DISPOSAL CONSIDERATION

We take note on the basis of arriving at and justification for the Disposal Consideration as set out in Section 2.1.3 of Part A of the Circular.

As set out in Section 2.1.3 of Part A of the Circular, the Disposal Consideration was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the following: -

(i) *the historical financial results of the Disposal Companies, particularly the NA of the Disposal Companies for the latest FYE 30 June 2022 as set out in the Appendices III to V of the Circular; and*

(ii) *the Disposal Valuation Range of between RM44.80 million and RM51.20 million with an average of RM 48.00 million appraised by AER, vide the Disposal Valuation Certificate. The Disposal Consideration of RM 46.00 million represents a small discount of approximately 4.2% from the average and is within the fair value range as appraised by AER.*

The Disposal Valuation Range was appraised by AER based on the following: -

(a) the minimum Disposal Valuation Range of RM44.80 million was arrived based on the aggregate of the proportionate unaudited NA of Active Fit and Miroza as at 30 June 2022 as well as the unaudited adjusted NA of MCD after incorporating the revaluation surplus of its investment property of RM0.24 million via income approach; and

(b) the maximum Disposal Valuation Range of RM51.20 million was arrived based on the following assumptions: -

(aa) Active Fit and Miroza

- *PBR of 1.0 time, where the median PBRs of the Comparable Companies is 0.7 times. The PBR of 1.0 time is used as this represents the minimum selling price of a company based on its NA. As more than 95% of the total assets of Active Fit and Miroza as at 30 June 2022 were made up of current assets and hence, the carrying value of their NA approximates their fair value;*
- *PER of 7.0 times, being the median PERs of the Comparable Companies;*
- *EV/EBITDA of 4.0 times, being the median EV/EBITDAs of the Comparable Companies; and*
- *a discount for lack of marketability of 15% is applied for each Disposal Company computed using PER and EV/EBITDA to take into consideration the lack of marketability of private companies. The said discount of 15% was adopted by AER with due reference to independent study on discount for lack of marketability of private companies as more particularly set out in the Disposal Valuation Certificate, Appendix II of the Circular.*

(bb) MCD

- *unaudited adjusted NA after incorporating the revaluation surplus of its investment property of RM1.64 million via comparison approach.*

AER had been appointed by the Company to conduct an independent valuation of the Disposal Companies pursuant to the Proposed Disposals. We have reviewed and assessed the Disposal Valuation Certificate prepared by AER.

<u>Comments by Malacca Securities</u>

In arriving at Disposal Valuation Range, we note that AER has adopted the sum of parts valuation as follows: -

Minimum Disposal Valuation: -

Disposal Company	Valuation	RM' million
Active Fit	Based on unaudited NA as at 30 June 2022	9.9
Miroza		32.2
MCD	Based on unaudited adjusted NA as at 30 June 2022 via income approach	2.7
Sum of part valuation		**44.8**

Maximum Disposal Valuation: -

Disposal Company	Valuation	RM' million
Active Fit	Based on relative valuation approach: PBR, PER and EV/EBITDA	11.5
Miroza		35.6
MCD	Based on unaudited adjusted NA as at 30 June 2022 via comparison approach	4.1
Sum of part valuation		**51.2**

We note that AER has considered the following approach in arriving at the minimum and maximum Disposal Valuation Range: -

(i) Cost-based approach

Cost-based approach which measures the net fair values of assets less the liabilities. This approach is selected to appraise the fair value of MCD as MCD is an investment holding company that owns a six (6)-storey corner terrace shop office bearing address No. 63, Jalan Tasik Selatan 8, Bandar Tasik Selatan, 57000 Kuala Lumpur with land area of approximately 4,596 square feet ("**Subject Property**") that generates rental income. We note that AER has adopted income approach and comparison approach in arriving at the minimum and maximum Disposal Valuation Range of MCD.

(a) Income approach

The income approach is based on the investment method where the annual rental income being received or expected to command over a period of time relating to the lease of the property is estimated. The expenses or outgoing incidental such as property taxes, repairs and maintenance, insurance and management fees are then deducted to obtain net annual rental value. The net annual income is then capitalised by an appropriate capitalisation rate or years of purchase figure to adjust the income into the present capital value of the property. The relevant capitalisation rate is chosen based on the investment rate of return to be expected from the type of property concerned taking into consideration factors such as risk, capital appreciation, security of income, ease of sale and management of property.

We note that AER has adopted income approach for minimum Disposal Valuation Range based on the following assumptions: -

	RM
On assumption that all the six (6) floors are rented to tenants	256,320
Annual expense to maintain the Subject Property	(30,000)
Projected annual cash flow before tax	226,320
Corporate tax rate assumed at 24%	(54,317)
Net revaluation surplus (RM)	172,003
Capitalisation rate at 7% (i.e., annuity factor)	14.2857
Appraised value using the income approach	**2,457,183**

The unaudited adjusted NA of MCD after incorporating the revaluation surplus of its investment property of RM0.24 million as appraised by AER via income approach is calculated as follows: -

	RM
Appraised value using the income approach	2,457,183
Carrying value as at 30 June 2022	(2,139,521)
Revaluation surplus	317,662
Deferred tax liability of 24%	(76,239)
Net revaluation surplus	241,423
Unaudited NA of MCD as at 30 June 2022	2,493,510
Adjusted NA of MCD	**2,734,933**

(b) Comparison approach

In arriving at maximum Disposal Valuation Range, we note that AER has adopted comparison approach.

In assessing the valuation undertaken by AER, we have relied on the valuation report on the Subject Property dated 17 June 2022 prepared by Messrs Henry Butcher. In arriving at the market value of the Subject Property, the valuer has adopted comparison method, details as follows: -

The comparison method is a market approach of comparing the Subject Property with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities. In comparing the properties, the valuer has considered the factors such as location, size, building differences, time element and other relevant factors to arrive at the market value.

Details of the comparable transactions are as follows: -

Details	Address	Land area	Price	Date
Comparable 1	No. 48, 48-1 & 48-2, Jalan Tasik Utama 5, The Trillium (3 storey shop office)	1,800 square feet	RM2,180,000	16 November 2021
Comparable 2	No. 58, 58-1 & 58-2, Jalan Tasik Utama 5, The Trillium (3 storey shop office)	1,800 square feet	RM2,075,000	23 August 2021
Comparable 3	No. 16, 16-1 & 16-2, Jalan Tasik Utama 10, The Trillium (3 storey shop office)	1,800 square feet	RM2,000,000	6 May 2021

The Subject Property is a corner lot unit with larger land area (4,596 square feet) and floor area whilst all the comparable are of intermediate unit with smaller land area. Based on the above, the valuer has derived a market value of RM4,300,000 under the comparison method.

The unaudited adjusted NA of MCD after incorporating the revaluation surplus of its investment property of RM1.64 million as appraised by AER via comparison approach is calculated as follows: -

	RM
Market value of the Subject Property	4,300,000
Carrying value as at 30 June 2022	(2,139,521)
Revaluation surplus	2,160,479
Deferred tax liability of 24%	(518,515)
Net revaluation surplus	1,641,964
Unaudited NA of MCD as at 30 June 2022	2,493,510
Adjusted NA of MCD	**4,135,474**

Based on the above, we are of the view that the valuation methodologies and key assumptions adopted by AER in arriving at the valuation of MCD are justifiable. Cost-based approach are suitable for companies with high tangible assets. We note that the aggregate carrying value of tangible assets of RM3.65 million for Active Fit and Miroza as at 30 June 2022 constituted only 2.6% of the total assets of Active Fit and Miroza of RM140.89 million. Hence, AER did not adopt cost-based approach to arrive at the fair value of Active Fit and Miroza. We note that AER has adopted the unaudited NA of Active Fit and Miroza as at 30 June 2022 as the fair value of Active Fit and Miroza to arrive at the minimum Disposal Valuation Range while for maximum Disposal Valuation Range, AER has adopted relative valuation approach for Active Fit and Miroza. Please refer to Section 7(iii) of this IAL for further details on the relative valuation approach adopted for Active Fit and Miroza.

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(ii) FCFE approach

FCFE approach is a valuation methodology based on discounted FCFE, involving the application of a selected discount rate to discount the projected future cash flows of the company to derive the value of the company. FCFE is the free cash flow available to be paid to the equity shareholders of the company after all expenses, reinvestment and debt repayment.

We note that FCFE approach is not considered by AER for the assessment of the Disposal Consideration.

FCFE approach is more appropriate when a company has a revenue and earnings stream which can be consistently projected for long periods and may be more applicable for companies which have a relatively consistent revenue and earnings trend. We note that Active Fit and MCD registered losses in FYE 30 June 2022. Hence, we concur with AER that FCFE approach is not appropriate for the assessment of the Disposal Consideration.

(iii) Relative valuation approach

The relative valuation seeks to compare a company's implied trading multiple to that of comparable companies to determine the firm's financial worth. Under the relative valuation, reference was made to the valuation statistics of public listed companies in Malaysia with principal activities that is consider broadly comparable to the Disposal Companies to get an indication of the current market expectation with regard to the implied value of the equity interest in the Disposal Companies and compared to the implied trading multiples to determine the firm's worth.

We note that AER has adopted the PBR, PER and EV/EBITDA for Active Fit and Miroza against the comparable companies to appraise the fair value of Active Fit and Miroza in arriving at the maximum Disposal Valuation Range and adjusting for the discount for lack of marketability of 15.0% for PER and EV/EBITDA which is further elaborated as follows: -

Description		
PER	:	PER is an earnings-based valuation measure which measures market capitalisation of a company to its net profit. It can be useful to compare the PER to that of the peers to gauge on how richly the company is valued relative to its peers.
PBR	:	PBR is a valuation measure that compares the market value of a company's equity (as represented by market capitalisation) to its book value. This measure provides an indication of the expected market value of the company as a multiple to its book value.
EV/EBITDA	:	EV is the aggregate value of the respective comparable companies' market capitalisation, non-controlling interests, preference shares and debts, net of cash and cash equivalents. EV/EBITDA is an earnings-based valuation measure which compares the EV of a company to its EBITDA. It is commonly used in valuation as it is not affected by the difference in capital structures, borrowing costs and taxation as well as different depreciation and amortisation policies.
Discount for lack of marketability ("DLOM")	:	An amount or percentage deducted from the value of an ownership interest to reflect the relative absence of marketability of an asset. It is generally due to the fact that investors are willing to pay less for illiquid assets than similar, more liquid assets.

Description
An actual theory behind the calculation of DLOM which most valuers refer to is a set of prescriptions known as the Mandelbaum Factors, a prominent tax case in 1995, which outlined several factors to be considered for determining marketability discount, including private vs. public sale of shares, restrictions on transferability of shares and cost associated with a public offering, amongst others. According to the public vs private PERs in acquisitions studies of the Inland Revenue Services (IRS), the studies have derived measures of public vs private acquisition median PERs for DLOM in the range of 15% to 20%. *(Source: Discount for Lack of Marketability, Job Aid for IRS Valuation Professionals, 2009)*

The criteria for selection of comparable companies by AER are as follows: -

(a) The comparable companies are listed on Bursa Securities and are involved in brand building, concept development, fashion designing, sourcing, marketing, distribution, retailing of casual apparels and accessories, leather goods, accessories, undergarments business for men, women, kids and baby in Malaysia; and

(b) Market capitalisation is less than RM200 million.

We note that AER has selected the median PERs, PBRs and EV/EBITDA of the Comparable Companies for the valuation of Active Fit and Miroza: -

- PBR of 1.0 time, where the median PBRs of the comparable companies is 0.7 times;
- PER of 7.0 times, being the median PERs of the comparable companies;
- EV/EBITDA of 4.0 times, being the median EV/EBITDAs of the comparable companies; and
- a discount for lack of marketability of 15% is applied for each Disposal Company computed using PER and EV/EBITDA.

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The comparable companies selected by Malacca Securities ("**Comparable Companies**") based on the same selection criteria adopted by AER are as follows: -

Comparable Company	**Principal Activity**	**FYE**	**Market Capitalisation[i] RM' million**	**PAT/(LAT) RM' million**	**NA RM' million**	**PER[ii] times**	**PBR [ii] times**	**EV/ EBITDA [iii] times**
Teo Guan Lee Corporation Berhad	An investment holding company. Through its subsidiaries, principally involved in manufactures, markets, distributes, and retails garments and related accessories in Malaysia, property and equity investment, distributes baby and children's apparels, accessories, and toiletries, and sports and casual wear.	30 June 2022	95	15.9	108.0	5.9	0.9	3.6
Cheetah Holdings Berhad	An investment holding company. Through its subsidiaries, principally involved in designs, develops, markets and retails various garments and apparels, clothing, footwear, and accessories principally in Malaysia.	30 June 2022	56	(7.09)	139.0	N/A[iv]	0.4	N/A[iv]
Asia Brands Berhad	An investment holding company. Through its subsidiaries, principally involved in wholesales, retails, and distributes ready-made casual wear, baby and children wear, lingerie and ladies wear, and related accessories primarily in Malaysia.	31 March 2022	126	15.6	227.5	8.1	0.6	4.3
					Average	**7.0**	**0.6**	**3.9**
					Minimum	**5.9**	**0.4**	**3.6**
					Maximum	**8.1**	**0.9**	**4.3**

Notes: -

N/A *Not applicable*

(i) *Market capitalisation as at the LPD.*

(ii) *Based on market capitalisation divided by PAT and NA respectively.*

(iii) *Based on the trailing 12-month unaudited consolidated financial statements of the respective Comparable Companies consisting of four (4) recent quarterly results announced up to the LPD.*

(iv) *The company registered losses during the financial year.*

(A) Active Fit

(i) PER

Active Fit registered a LAT of RM10.63 million based on the audited financial statements as at FYE 30 June 2022. Hence, the PER valuation is not applicable in assessing the fair value of Active Fit.

(ii) PBR

We note that AER has adopted a PBR of 1.0 time in arriving at the fair value of Active Fit as follows: -

	RM
Unaudited NA as at 30 June 2022	9,853,073
PBR (times)	1
Fair value of Active Fit	**9,853,073**

We note that the current PBR of the Comparable Companies ranges between 0.4 to 0.9 times whilst the PBR applied to derive the fair value of Active Fit is at 1.0 time.

Notwithstanding that the PBR applied is higher than the Comparable Companies, we are of the view that the PBR applied is justifiable as the disposal consideration is based on the unaudited NA of Active Fit as at 30 June 2022.

(iii) EV/EBITDA

We note that AER has adopted an EV/EBITDA of 4.0 times in arriving at the fair value of Active Fit as follows: -

	RM
Average EBITDA for FYE 30 June 2021 and FYE 30 June 2022[(i)]	4,435,629
EV/EBITDA (times)	4
EV	17,742,516
Add:	
Cash	15,202,804
Less:	
Debt	2,359,342
Non-operating liabilities	15,230,346
	15,355,632
Fair value of Active Fit after adjustment for DLOM of 15%	**13,052,287**

Note: -

(i) Including provision for a claim by the licensor of RM15.23 million for periods from 1 March 2016 to 30 June 2019 in FYE 30 June 2022.

We note that the current EV/EBITDA of the Comparable Companies ranges between 3.6 to 4.3 times, we are of the view that the EV/EBITDA of 4.0 times adopted by AER is acceptable.

Based on the above, the maximum Disposal Valuation Range for Active Fit is as follows: -

	RM
Fair value based on PBR	9,853,073
Fair value based on EV/EBITDA	13,052,287
Total	22,905,360
Average fair value for maximum Disposal Valuation Range for Active Fit	**11,452,680**

(B) Miroza

(i) PER

We note that AER has adopted a PER of 7.0 times in arriving at the fair value of Miroza as follows: -

	RM
Average PAT for FYE 30 June 2021 and FYE 30 June 2022	11,780,616
PER (times)	7
Implied disposal consideration for 100.0% equity interest in Miroza	82,464,312
Disposal consideration for 45.0% equity interest in Miroza	82,464,312 *45.0%
	37,108,940
Fair value of Miroza after adjustment for DLOM of 15%	**31,542,599**

As the average PER of the Comparable Companies is 7.0 times, we are of the view that the PER of 7.0 times adopted by AER is acceptable.

(ii) PBR

We note that AER has adopted a PBR of 1.0 time in arriving at the fair value of Miroza as follows: -

	RM
Unaudited NA as at 30 June 2022	71,657,721
PBR (times)	1
Implied disposal consideration for 100.0% equity interest in Miroza	71,657,721
Disposal consideration for 45.0% equity interest in Miroza	71,657,721* 45.0%
Fair value of Miroza	**32,245,974**

We note that the current PBR of the Comparable Companies ranges between 0.4 to 0.9 times whilst the PBR adopted by AER to derive the fair value of Miroza is at 1.0 time.

Notwithstanding that the PBR applied is higher than the Comparable Companies, we are of the view that the PBR applied is justifiable as the disposal consideration is based on the unaudited NA of Miroza as at 30 June 2022.

(iii) EV/EBITDA

We note that AER has adopted an EV/EBITDA of 4.0 times in arriving at the fair value of Miroza as follows: -

	RM
Average EBITDA for FYE 30 June 2021 and FYE 30 June 2022	18,208,694
EV/EBITDA (times)	4
EV	72,834,776
Add:	
Cash	50,800,989
Less:	
Debt	11,470,985
Implied purchase consideration for 100.0% equity interest in Miroza	112,164,780
Purchase consideration for 45.0% equity interest in Miroza	112,164,780* 45.0%
	50,474,151
Fair value of Miroza after adjustment for DLOM of 15.0%	**42,903,028**

We note that the current EV/EBITDA of the Comparable Companies ranges between 3.6 to 4.3 times, we are of the view that the EV/EBITDA of 4.0 times adopted by AER is acceptable.

Based on the above, the maximum Disposal Valuation Range for Miroza is as follows: -

	RM
Fair value based on PER	31,542,599
Fair value based on PBR	32,245,974
Fair value based on EV/EBITDA	42,903,028
Total	106,691,601
Average fair value for maximum Disposal Valuation Range for Miroza	**35,563,867**

Premised on the above, we noted that the Disposal Consideration falls within the Disposal Valuation Range between RM44.80 million and RM51.20 million as ascribed by AER. In this regard, we are of the view that the Disposal Consideration is justifiable.

8. BASIS OF ARRIVING AT AND JUSTIFICATION FOR THE PURCHASE CONSIDERATION

We take note on the basis of arriving at and justification for the Purchase Consideration as set out in Section 2.2.3 of Part A of the Circular.

As set out in Section 2.2.3 of Part A of the Circular, the Purchase Consideration was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the following: -

(i) *the future earnings potential of the Acquiree Companies pursuant to the outlook and prospects of the waste recycling industry, where the Acquiree Companies are involved in as more particularly set out in Section 5.3, Part A of this Circular;*

(ii) *the Acquisition Valuation Range of between RM49.40 million and RM52.70 million as appraised by AER, vide the Acquisition Valuation Certificate.*

In arriving at the Acquisition Valuation Range, AER has adopted, amongst others, the following parameters: -

(a) *equity discount rates of between 15.0% to16.0%;*

(b) *a terminal value based on the assumed annual steady state growth rate of 0%; and*

(c) *the Acquiree Companies' projected net margin of 12%, 12% and 11% for the 12-month FYE/FPE 30 June 2023, 30 June 2024 and 30 June 2025 respectively vis-à-vis their historical net margin of 3%, 8% and 7% for FYE 30 April 2020, FYE 30 April/FPE 30 June 2021 and FYE 30 April/30 June 2022 respectively, after due consideration of a two-year contract awarded to one of the Acquiree Companies with a projected sales value of RM9.0 million that has an incremental effect on increasing the projected gross margin by approximately 4% during the contract period.*

(iii) *the Profit Guarantee, which represents an implied PER of 10.2 times based on an average profit guarantee of RM5.0 million per year.*

The implied historical PER of the Acquiree Companies based on the Purchase Consideration were 122.8 times, 26.3 times and 17.9 times for FYE 30 April 2020, FYE 30 April/FPE 30 June 2021 and FYE 30 April/30 June 2022 respectively. The higher implied PERs in the historical years was due to the Acquiree Companies are still in the growth phase as evidenced by its declining PERs over the past financial years/period.

The Board is of the opinion that the Profit Guarantee is reasonable and realistic, after taking into consideration the following:-

(a) *the implied PER of 10.2 times based on an average profit guarantee of RM5.0 million per year is within the trailing PERs of the Comparable Companies of between 5.0 times and 10.9 times;*

(b) *the evaluation of the Valuer, particularly the forward PERs of the Acquiree Companies of 8.1 times to 8.7 times for FYE 30 April 2023 / FYE 30 June 2023 based on the Acquisition Valuation Range are within the trailing PERs of the Comparable Companies of between 5.0 times and 10.9 times;*

(c) *outlook of the recycling industry in Malaysia as set out in Section 5.3, Part A of this Circular; and*

(d) *future prospects of the Acquiree Companies as set out in Section 5.4, Part A of the Circular.*

Pursuant to the Acquisition SSA, in the event of any Profit Shortfall the Vendors are jointly and severally liable for the said Profit Shortfall. In the event the Vendors fail to settle the Profit Shortfall, if any, within the stipulated timeline, it is a breach of the terms of the Acquisition SSA and MESB may take necessary legal action against the Vendors pursuant to the Acquisition SSA.

AER had been appointed by the Company to conduct an independent valuation of the Acquiree Companies pursuant to the Proposed Acquisitions. We have reviewed and assessed the Acquisition Valuation Certificate prepared by AER.

Comments by Malacca Securities

In arriving at Acquisition Valuation Range, we note that AER has considered the FCFE approach for the valuation of Acquiree Companies. Pursuant to the Acquisition SSA, the Vendors had provided a two (2)-year profit guarantee to MESB of RM10.0 million in aggregate on the PAT of the Acquiree Companies for the 12-month FYE/FPE 30 June 2023 and 30 June 2024. Hence, we are of the view that the FCFE approach adopted by AER is appropriate as it is based on the present value of the expected future cash flows to be derived after discounting with the required rate of return of the Acquiree Companies.

The projected FCFE is primarily based on the period of three (3) years from FYE 30 June 2023 to FYE 30 June 2025 ("**Financial Projections**") which has been prepared by the management of the Acquiree Companies. The Board has reviewed and approved the Financial Projections. The key bases and assumptions adopted in the preparation of the Financial Projections as set out in the Acquisition Valuation Certificate in Appendix VII of the Circular is tabulated below: -

No.	Key bases and assumptions of the Financial Projections	Our comments
(a)	Two (2)-year profit guarantee to MESB of RM10.0 million in aggregate on the PAT of the Acquiree Companies for the 12-month FYE/FPE 30 June 2023 and 30 June 2024.	This assumption is made in reference to the salient terms of the Acquisition SSA. Please refer to Section 9.2 of this IAL for further details. We are of the view that this assumption is reasonable to be adopted in the Financial Projections.
(b)	Terminal value based on the assumed annual steady state growth rate of 0% and a required return of between 16% to 17%.	We note that the AER has assumed a steady state growth rate of 0% as the Acquiree Companies has reached a stage of maturity under the present set-up without additional further commitment of capital resources. We note that there is a tendency for companies to grow at higher than industry rate during the growth stage and undergo a resumption to normal growth rate upon reaching a stage of maturity. In this regard, the assumptions for the terminal value is on the basis that the Acquiree Companies has reached a steady state growth rate at the end of the Financial Projections period.
(c)	Projected net profit margin is 12%, 12% and 11% for each of 12-month FYE/FPE 30 June 2023, 30 June 2024 and 30 June 2025 for the Acquiree Companies respectively.	The Acquiree Companies recorded an aggregate revenue and PAT of RM37.1 million and RM2.8 million based on the Acquiree Companies respective latest audited financial results which represents a net profit margin of approximately 7.5%. Pursuant to the Acquisition SSA, the Vendors had provided a two (2)-year profit guarantee to MESB of RM10.0 million in aggregate on the PAT of the Acquiree Companies for the 12-month FYE/FPE 30 June 2023 and 30 June 2024. In this regard, we are of the view that these assumptions are reasonable.
(d)	Corporate tax rate is assumed at 24%.	The statutory tax rate of 24% is in line with Malaysia's taxation regime.

We have considered the Financial Projections and are satisfied that the key bases and assumptions used in the Financial Projections are reasonably reflected based on the best currently available estimates and judgement by the management of the Acquiree Companies on the future financial performance.

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The inputs used to determine the fair value of the Acquiree Companies via the FCFE approach are set out as below: -

Parameters	Input	Our comments
Cost of equity ("**K_e**")	15.0% - 16.0%	K_e represents the rate of return required by an investor on the cash flow streams generated given the risks associated with the cash flows. In deriving the K_e for the Acquiree Companies, AER has adopted the capital asset pricing model ("CAPM") and derived an estimated K_e of between 15.0% to 16.0% and after incorporating specific risk premium of 7.0% to 8.0% with the following inputs: - $K_e = R_f + \beta\ (R_m - R_f) + Rp_z$ Details of the inputs and their respective basis and calculation are set out below.
Risk-free rate ("**R_f**")	3.976%	AER has adopted a R_f of 3.976%. The R_f represents the expected rate of return from a risk free investment. R_f is extracted from Bloomberg.
Market return ("**R_m**")	12.429%	AER has assumed a R_m of 12.429% which was based on the estimated average annual equity market return of Malaysia extracted from Bloomberg. The expected market rate of return represents the expected rate of return for investment in a portfolio consisting of a weighted sum of assets representing the entire equity market. As such, the expected return used is appropriate.
Specific risk premium ("**Rp_z**")	7.0% - 8.0%	The Acquiree Companies are privately-owned company. Hence, there is no readily available market for the trading of the Acquiree Companies' shares. We note that AER has imputed a specific risk premium to the valuation of the Acquiree Companies. AER has noted that there is no identified listed company that is involved entirely in the business of recycling that are exactly similar as the Subject Companies. In this regard, AER has imputed a specific risk premium to account for the size, less diversified company and illiquidity risk. The specific risk premium adopted is attributable to: - (a) illiquidity discount of 25% on the fair value appraised which the specific risk allocation of approximately 4% is to account for risk inherent of a private company that is not listed; and (b) risk associated with the Acquiree Companies when compared with the Recycling Comparable Companies (as defined herein) which the specific risk allocation of between 3% to 4% is to account for the differences in size in terms of NA, market capitalisation and track record between the Recycling Comparable Companies and the Acquiree Companies. The basis of arriving at the specific risk allocation is appropriate.

<table>
<tr><th>Parameters</th><th>Input</th><th>Our comments</th></tr>
<tr><td>Beta ("β")</td><td>0.399</td><td>Beta is the sensitivity of an asset's returns to the changes in market returns. It measures the correlation of systematic risk between the said asset and the market. A beta of more than 1 signifies that the asset is riskier than the market and vice versa.

As the Acquiree Companies are not listed, the unlevered β of the comparable companies was used as a proxy for the unlevered β for the Acquiree Companies which is equivalent to 0.346. The unlevered β is re-levered to the capital structure of the Acquiree Companies.

We have considered the comparable companies as ascribed by AER in the valuation report dated 30 August 2022. As there is no identified listed company that involves entirely in the business of recycling that are exactly similar to the Acquiree Companies, the comparable companies selected include listed company that has recycling business as one of its business segments and also listed company that is the purchaser of recycled paper products collected by the Acquiree Companies. Selected comparable companies are Analabs Resources Berhad and Muda Holdings Berhad (collectively, "Recycling Comparable Companies"), details as follows: -

<table>
<tr><th>Recycling Comparable Companies</th><th>Principal Activity</th><th>Beta[(i)]</th><th>Unlevered beta</th></tr>
<tr><td>Analabs Resources Berhad</td><td>An investment holding company. Through its subsidiaries, principally involved in recovery and sale of recycled products in collecting, treating, recovering, and recycling of industrial waste and sale of recycled products; manufacturing, formulating and sale of resin, chemicals and building materials and trading in tiles; culture and sale of prawns involved in breeding and selling of prawns; investment holding and property letting; and contract work, pipe laying and rehabilitation general contracting</td><td>0.4464</td><td>0.312</td></tr>
<tr><td>Muda Holdings Berhad</td><td>An investment holding company. Through its subsidiaries, principally involved in manufacture of various types of industrial paper, corrugated cartons, paper bags, paper stationery and paper based food packaging products; and trading in paper, recovered paper and stationery products</td><td>0.7332</td><td>0.380</td></tr>
<tr><td colspan="3">Average</td><td>0.346</td></tr>
</table>
</td></tr>
</table>

Parameters	Input	Our comments
		Note: - *(i) Extracted from S&P Global Pro for a two (2)-year period based on daily measurement from 19 August 2020 to 19 August 2022.* There are no companies that are exactly similar or directly comparable to the Acquiree Companies in terms of composition of business, scale of operations, track record, shareholders' profile, client profile, technology employed, marketability and liquidity of shares, prospects and market capitalisation. As such, any comparison made is necessarily limited and merely serves as a guide. We are of the view that the Comparable Companies are appropriate in terms of their principal activities in relevant business as compared to the Acquiree Companies.
Sustainable growth rate ("**g**")	0%	Terminal value is the present value of an entity at a future point in time. AER has applied a terminal growth rate of 0% on the FCFE in arriving at the terminal value of the Acquiree Companies as the Acquiree Companies has reached a stage of maturity under the present set-up without additional further commitment of capital resources. We note that there is a tendency for companies to grow at higher than industry rate during the growth stage and undergo a resumption to normal growth rate upon reaching a stage of maturity. In this regard, the assumptions for the terminal value is on the basis that the Acquiree Companies has reached a steady state growth rate at the end of the Financial Projections period and is appropriate. The formula to derive the terminal value for the Acquiree Companies is as follows: - $Terminal\ value = \frac{FCFE\ in\ FYE\ 2025\ \times (1+g)}{(k_e - g)}$ Based on the above, AER has ascribed the terminal value of between RM49.33 million to RM52.61 million for the Acquiree Companies.
Fair value of the Acquiree Companies	**RM49.40 million – RM52.70 million**	The formula used to derive the fair value of the Acquiree Companies is as follows: - = Present value of the projected FCFE based on the Financial Projections + Terminal Value

On an overall basis, we have reviewed the key bases which has been prepared by the management of Acquiree Companies. We are satisfied with the key bases of the parameters and assumptions adopted by AER as set out above] and the parameters are consistent with the valuation methodology of the FCFE approach.

We noted that the Purchase Consideration falls within the Acquisition Valuation Range between RM49.40 million and RM52.70 million as ascribed by AER. In this regard, we are of the view that the Purchase Consideration is fair and reasonable.

9. EVALUATION OF THE SALIENT TERMS OF THE AGREEMENTS

(Unless otherwise defined in Section 9 of this IAL, capitalised terms used herein without definition shall have the meaning assigned to them in Appendices I and VI of the Circular.)

Our comments on the salient terms of the Agreements are as follows: -

9.1 Disposal SSA

No.	Salient terms of the Disposal SSA	Our comments
1.0	**Agreement**	
1.1	Sale and Purchase of Sale Shares The Company as the legal and beneficial owner of the Sale Shares agrees to sell to the Purchaser and the Purchaser agrees to purchase the Sale Shares free from all claims, liens, pledges, charges, encumbrances and any equities whatsoever together with all rights attached and all dividends, rights and distributions declared, paid or made in respect of the same on the terms and conditions of the Disposal SSA as at the completion of the Disposal SSA ("**Disposal Completion**").	These terms are justifiable. Please refer to our evaluation on the Disposal Consideration In addition, we note that the Proposed Disposals shall be implemented in two (2) tranches in the following manner as the Company anticipates that it would require an extended time to procure the release of the Active Fit Corporate Guarantee: - (i) First Tranche Sale Shares MESB had on 15 April 2020 provided corporate guarantee in favour of a licensor, for the benefit of Active Fit, in relation to the licence granted by the licensor to Active Fit for the Jeep brand. We note that the Active Fit Corporate Guarantee shall be for all amounts due under the relevant licensing agreement, including, without limitation, all minimum guaranteed royalty payments, all royalties, and all other amounts due, which shall be no less than the cumulative minimum guaranteed royalty amount of USD1,675,000 (equivalent to approximately RM7,919,400 based on an exchange rate as at LPD of USD1: RM4.7280). The Purchaser undertakes to execute and deliver a corporate guarantee in lieu of the Active Fit Corporate Guarantee or in supplement to the Active Fit Corporate Guarantee as joint guarantor, if required by the Company and/or the brand principal on the First Completion Date.
1.2	Disposal Consideration The Disposal Consideration for the Sale Shares shall be satisfied via cash by the Purchaser to the Company or such person(s) nominated by the Company in the proportion and manner as set out in the Disposal SSA.	
1.3	Basis of Sale and Purchase The parties expressly declare, acknowledge and agree that the sale and purchase of the Sale Shares pursuant to the Disposal SSA is on the basis that: - (i) at the completion date of the Disposal SSA ("**Disposal Completion Date**"), being the First Completion Date and the Second Completion Date, the Sale Shares are free from any security interest; (ii) at the Disposal Completion Date, the Company's and the Purchaser's respective representations and warranties set out in the Disposal SSA are true and accurate;	

No.	Salient terms of the Disposal SSA	Our comments
	(iii) the Sale Shares consist of the First Tranche Sale Shares and the Second Tranche Sale Shares, the sale and purchase of which are subject to the terms of this Disposal SSA; and (iv) on the First Completion Date, the Purchaser undertakes to execute and deliver a corporate guarantee in lieu of the Active Fit Corporate Guarantee or in supplement to the Active Fit Corporate Guarantee as joint guarantor, if required by the Company and/or the brand principal. The parties further agree that commencing from the First Completion Date to the fulfilment of the Second Tranche Condition Precedent (as defined below), any liabilities arising from the Active Fit Corporate Guarantee, is to be borne by the parties proportionately based on their respective shareholdings in Active Fit upon the completion of the transfer of the First Tranche Sale Shares ("**First Completion**"), namely 80% by the Purchaser and 20% by MESB. On the above basis and in consideration of the Company continuing to be a guarantor for the benefit of Active Fit, the Purchaser shall indemnify and keep the Company indemnified against all costs, expenses, claims, demands and liabilities arising from the Active Fit Corporate Guarantee which is in excess of the Company's proportion of liability set out in this clause.	The Company shall transfer 80.0% of the Active Fit Sale Shares to the Purchaser on the First Completion Date. Upon the First Completion, the Purchaser shall hold 80.0% in Active Fit and MESB holds the remaining 20.0%. In addition, we also note that the parties agree from the First Completion Date to the fulfilment of the Second Tranche Condition Precedent, any liabilities arising from the Active Fit Corporate Guarantee, is to be borne by the parties proportionately based on their respective shareholdings in Active Fit upon the First Completion as prior to the fulfilment of the Second Tranche Condition Precedent, the Company continues to be a guarantor for the benefit of Active Fit. The above are justifiable as they serve to safeguard the interest of the Company and the Purchaser. (ii) Second Tranche Sale Shares are to be disposed of by the Second Completion Date, subject to and conditional upon the release and discharge of the Company as a guarantor to the Active Fit Corporate Guarantee. Further, we note that MESB and the Purchaser have mutually agreed not to impose a deposit payment upon execution of the Disposal SSA. We note that deposits are usually imposed to provide the selling party with some form of certainty and protection in case the buyer decides to terminate the purchase prior to the settlement of the consideration. In any event, the non-payment of deposit does not preclude MESB from pursuing its contractual rights set out in the Disposal SSA (including among others rights to claim for damages). Based on the above, the term is deemed fair and reasonable.

No.	Salient terms of the Disposal SSA			Our comments
2.0	**Conditions Precedent**			
2.1	Conditions			
2.1.1	The parties agree that the Proposed Disposals are conditional upon the effective fulfilment of the conditions precedent in the Disposal SSA as follows: -			
	(A)	**First Tranche Condition(s) Precedent**		
		(i)	No material adverse findings on the Disposal Companies based on the results of the financial and/or legal due diligence inquiry conducted on the Disposal Companies and/or all due diligence findings having been rectified to the satisfaction of the Purchaser;	This term is acceptable as it is the responsibility of the Purchaser to undertake the necessary due diligence on the Disposal Companies to safeguard its interest prior to completing the Proposed Disposals.
		(ii)	The approval of the directors of the Company at the Board' meetings and the shareholders of the Company at a general meeting for (i) the sale of the Sale Shares, in accordance with the terms of the Disposal SSA and (ii) the continued provision of the Active Fit Corporate Guarantee after the First Completion, in accordance with the Listing Requirements and the terms of the Disposal SSA;	This term is acceptable as the approvals are pre-requisites for the Proposed Disposals to take place which are in accordance with the guidelines issued by the relevant authorities.
		(iii)	The approval of the directors of the Purchaser at the board of directors' meetings and the shareholders of the Purchaser, for the purchase of the Sale Shares, subject to the basis of the sale and purchase and in accordance with the terms of the Disposal SSA;	This term is acceptable as this would normally require the approval of the directors of the Purchaser for the purchase of the Sale Shares.
		(iv)	Such other consents or approvals as may be necessary for the Proposed Disposals, from any governmental or regulatory body or competent authority, or third party, having been waived or obtained; and	This term is acceptable as all necessary consents or approval required has been granted, waived or obtained prior to completion.
		(v)	The Acquisition SSA being unconditional in respect of all its conditions precedent in accordance with the terms therein (other than the condition precedent for the Disposal SSA to be unconditional).	This term is acceptable as the Acquisition SSA being unconditional in respect of all its conditions precedent in accordance with the terms therein other than the condition precedent for the Disposal SSA to be unconditional.

No.	Salient terms of the Disposal SSA	Our comments
	(B) Second Tranche Condition Precedent (i) The release and discharge of the Company as a guarantor to the Active Fit Corporate Guarantee.	This term is acceptable as Second Tranche Sale Shares are to be disposed of by the Second Completion Date, subject to and conditional upon the release and discharge of the Company as a guarantor to the Active Fit Corporate Guarantee.
2.1.2	The parties undertake to procure the fulfilment of the conditions precedent that are applicable to them within 6 months from the date of the Disposal SSA or such other date(s) the parties may mutually agree in writing ("**Disposal SSA First Conditional Period**") and within 6 months from the First Completion Date or such other date(s) the parties may mutually agree in writing ("**Disposal SSA Second Conditional Period**").	This term is justifiable as it is fair for the parties to impose a sufficient time to satisfy all the conditions precedent.
2.1.3	If any approval contains terms and conditions which are not acceptable to any party, the relevant party may within fourteen (14) days from the date of receipt of that approval: - (i) notify the other party in writing that the approval is not acceptable; and (ii) apply to the relevant authority to vary the terms and conditions of that approval.	Please refer to the commentaries above.
2.1.4	If no notice is given under paragraph 2.1.3, an approval will be deemed to have been obtained.	
2.1.5	If any party applies for variation of an approval under paragraph 2.1.3(i), that approval will not be deemed to be obtained for the purpose of this paragraph 2 until the relevant authority accedes to the request for variation. In the event the relevant authority does not accede to the request for variation, the respective condition shall be deemed not to be met and/or fulfilled.	

No.	Salient terms of the Disposal SSA	Our comments
2.2 2.2.1	Non Fulfilment of the Conditions Precedent Subject to the terms as set out in the Disposal SSA, unless specifically waived by the parties, if any of the conditions precedent are not fulfilled before the Disposal SSA First Conditional Period and Disposal SSA Second Conditional Period respectively or such extended time as the parties agree in writing (or in the event of paragraph 2.1.5 above), the Disposal SSA shall cease and determine and neither party shall have any claims against the other for costs, damages, compensations or otherwise, save for any antecedent breach of any representation, undertaking and/or any of the terms of the Disposal SSA.	These terms are acceptable as they serve to safeguard the interest of the Company and Purchaser. In the event the conditions precedent is not fulfilled and/or waived, none of the either party will incur any compensation or otherwise. In the event the conditions precedent is fulfilled and/or waived, the Proposed Disposals would be completed.
2.3 2.3.1	When Disposal SSA becomes Unconditional When all the First Tranche Conditions Precedent are fulfilled, the Disposal SSA shall become unconditional.	
3.0 3.1	**Disposal SSA Completion** The First Completion shall take place on the First Completion Date.	
3.2	The completion of the transfer of the Second Tranche Sale Shares of the Disposal SSA ("**Second Completion**") shall take place on the Second Completion Date.	
3.3	The Company or the Purchaser may waive in writing any obligation of the other to observe and perform the completion obligations pursuant to the Disposal SSA, provided always that any such waiver must not be prohibited by the relevant laws applicable to the parties, the Disposal Companies and/or the Proposed Disposals as contemplated under the Disposal SSA.	

No.	Salient terms of the Disposal SSA	Our comments
4.0	**Conduct of business pending completion and post completion**	
4.1	Non-Compete and Non-Solicitation	
4.1.1	The Company undertakes to the Purchaser acting for itself and as agent and trustee for the Disposal Companies that pending the Disposal Completion, the Company shall not, directly or indirectly: - (i) enter into or be involved in any discussion or negotiation with any person except the Purchaser in connection with the sale of Sale Shares (or any part thereof) and/or the Disposal Companies; (ii) enter into an agreement or arrangement with any person except the Purchaser in connection with the sale of Sale Shares (or any part thereof) and/or the Disposal Companies; or (iii) make available to any person except the Purchaser, its directors, officers, duly authorised representatives, advisers or agents any information relating to the sale of Sale Shares (or any part thereof) and/or the Disposal Companies.	This term is acceptable as they serve to safeguard the interest of the Purchaser where the Company shall not, directly or indirectly: - (i) enter into or be involved in any discussion or negotiation with any person except the Purchaser in connection with the sale of Sale Shares (or any part thereof) and/or the Disposal Companies; (ii) enter into an agreement or arrangement with any person except the Purchaser in connection with the sale of Sale Shares (or any part thereof) and/or the Disposal Companies; or (iii) make available to any person except the Purchaser, its directors, officers, duly authorised representatives, advisers or agents any information relating to the sale of Sale Shares (or any part thereof) and/or the Disposal Companies.
5.0	**Parties right to terminate**	
5.1	Any of the parties ("**Terminating Party**") may by written notice given to the other party any time prior to the Disposal Completion terminate the Disposal SSA if any fact, matter or event (whether existing or occurring on or before the Disposal SSA date or arising or occurring afterwards) comes to the notice of the Terminating Party at any time prior to the First Completion or the Second Completion (as applicable) which: - (i) constitutes a breach by the other party of any of the provisions under the Disposal SSA; (ii) constitutes a breach of any of the representations and warranties given by the other party; (iii) where the Terminating Party is the Purchaser, affects or is likely to affect in a materially adverse manner the business/operations, financial position or prospects of any of the Disposal Companies;	These terms are acceptable as these are typical terms governing the possible termination of the Disposal SSA and it serves to safeguard and protect the interest of the Vendor and Purchaser in the event of any breach by any of the parties.

No.	Salient terms of the Disposal SSA	Our comments
	(iv) a petition for winding up or bankruptcy is presented against the other party; (v) where the Terminating Party is the Purchaser, an order is made or a member's resolution is passed for the winding up of any of the Disposal Companies; (vi) an administrator, a receiver and/or manager is appointed by the court or pursuant to any statute or regulation or by any creditor pursuant to a debenture or any other security document in favour of such creditor over the undertaking, assets and properties of the other party or any part of the other party's assets and properties; or (vii) an event analogous to any of the subparagraphs (iv), (v) or (vi) above has occurred in any jurisdiction, the Terminating Party will only give such written notice of termination to the other party where the other party's breach is capable of being remedied, is not remedied within fourteen (14) days from the date the Terminating Party gives written notice to the other party of any such breaches above.	Please refer to the commentaries above.
5.2	All rights and obligations of the parties shall cease to have effect immediately upon termination of the Disposal SSA save for the clauses which are stated to continue in force following termination of the Disposal SSA (for whatever reason) and further save that termination of the Disposal SSA (for whatever reason) shall be without prejudice to the respective rights and liabilities of each of the parties accrued prior to such termination including the right to claim for the loss, cost, expense, damage, consequence and third party claim for damages suffered directly or indirectly by the parties.	

9.2 Acquisition SSA

No.	Salient terms of the Acquisition SSA	Our comments
1.0	**Agreement**	
1.1	Sale and Purchase of Sale Shares The Vendors as the legal and beneficial owner of the Acquisition Shares agree to sell to the Company and the Company agrees to purchase the Acquisition Shares free from all claims, liens, pledges, charges, encumbrances and any equities whatsoever together with all rights attached and all dividends, rights and distributions declared, paid or made in respect of the same on the terms and conditions of the Acquisition SSA as at the completion of the Acquisition SSA ("**Acquisition Completion**").	This term is justifiable. Please refer to our evaluation on the Purchase Consideration as set out in Section 8 of this IAL.
1.2	Purchase Consideration The Purchase Consideration for the Acquisition Shares shall be satisfied via cash by the Company to the Vendors or such person(s) nominated by the Vendors in the proportion and manner as set out below: - (i) On the completion date of the Acquisition SSA ("**Acquisition Completion Date**"), the Company shall pay Ringgit Malaysia Forty-Five Million and Nine Hundred Thousand (RM45,900,000) ("**Completion Payment**") to the Vendors or such person(s) nominated by the Vendors in the proportion and manner as set out in the Acquisition SSA; and (ii) Upon the expiry of 12 months from the Acquisition Completion ("**Retention Period**"), the Company shall release and pay to the Vendors Ringgit Malaysia Five Million and One Hundred Thousand (RM5,100,000) ("**Retained Consideration**") or such person(s) nominated by the Vendors in the proportion and manner as set out in the Acquisition SSA. Prior to the payment of the Retained Consideration, there shall be deduction from the Retained Consideration for (i) any claims resulting or arising from the breach of any warranties, covenants and/or terms of the Acquisition SSA within the Retention Period; (ii) any claims arising from irregularities from the due diligence inquiry which had yet to be rectified to the satisfaction of the Company as at Acquisition Completion Date but subsequently moved to conditions subsequent at the discretion of	This term is justifiable as the settlement of the Purchase Consideration were mutually agreed upon between the Vendors and the Company. Please refer to our evaluation on the Purchase Consideration as set out in Section 8 of this IAL. In addition, the Retained Consideration safeguards the interest of the Company prior to completion of the Proposed Acquisitions where the Retained Consideration to be paid by the Company is subject to the following: - (i) any claims resulting or arising from the breach of any warranties, covenants and/or terms of the Acquisition SSA within the Retention Period; (ii) any claims arising from irregularities from the due diligence inquiry which had yet to be rectified to the satisfaction of the Company as at Acquisition Completion Date but subsequently moved to conditions subsequent at the discretion of the Company; and (iii) any claims being asserted by authorities, tax authorities or third parties arising from disclosure

<table>
<tr><th>No.</th><th>Salient terms of the Acquisition SSA</th><th>Our comments</th></tr>
<tr><td></td><td>the Company; and (iii) any claims being asserted by authorities, tax authorities or third parties arising from disclosure errors, irregularities or non-compliances, and potential penalties.</td><td>errors, irregularities or non-compliances, and potential penalties

Based on the above, the term is fair and reasonable.</td></tr>
<tr><td>1.3</td><td>Basis of Sale and Purchase

The parties expressly declare, acknowledge and agree that the sale and purchase of the Acquisition Shares pursuant to the Acquisition SSA is on the basis that as at the Acquisition Completion Date: -

(i) the Acquisition Shares are free from any security interest;

(ii) the Vendors' and Company's respective representations and warranties set out in the Acquisition SSA are true and accurate.</td><td>This term is justifiable as it would ensure that the Acquisition Shares are acquired free from any security interest and the Vendors' and Company's respective representations and warranties set out in the Acquisition SSA are true and accurate.</td></tr>
<tr><td>1.4
1.4.1</td><td>Profit Guarantee
Guaranteed Profit

(i) Subject to the payment of the Completion Payment in accordance with the terms and conditions of the Acquisition SSA, the Vendors warrant and guarantee to the Company a minimum aggregate profitability of the Acquiree Companies as set out in column 2 of the table below for the financial periods as set out in column 1 below: -

<table><tr><th>Column 1</th><th>Column 2</th></tr><tr><th>Guarantee Periods</th><th>Total Guaranteed Profit</th></tr><tr><td>Total guaranteed profit of the Acquiree Companies for 12-month financial years/period ending 30 June 2023 and 2024</td><td>Minimum aggregate PAT of RM10,000,000.00</td></tr></table>
For the purposes of this paragraph 1.4.1, the profitability of the Acquiree Companies shall be based on the audited PAT of the Acquiree Companies to be determined in accordance with the applicable accounting standards as set out in the audited accounts of the Acquiree Companies for the Guarantee Periods as set out in Column 1 of the table above, as audited by the Acquiree Companies' auditors.</td><td>The Profit Guarantee serves as an additional comfort provided by the Vendor to the Company in relation to the financial performance of Acquiree Companies. It is noted that the Total Guaranteed Profit is a minimum aggregate PAT of RM10.0 million for the twelve (12) months financial years/period ended 2023 and 2024.

We note that in relation to the Purchase Consideration, MESB shall retain RM5.1 million, being the Retained Consideration for a period of twelve (12) months from the Acquisition Completion which shall act as security for any event of claims arising from any events specified under Clause 1.2 (ii) above.

Notwithstanding, the Vendors are jointly and severally liable for any Profit Shortfall. In the event the Vendors fail to settle the Profit Shortfall within the stipulated timeline, MESB may take necessary legal action against the Vendors pursuant to the Acquisition SSA.

Premised on the above, we are of the view that this term is fair and reasonable.</td></tr>
</table>

No.	Salient terms of the Acquisition SSA	Our comments
1.4.2	Shortfall in the Profit Guarantee or Net Loss (i) The Vendors further agree and covenant with the Company that, in the event the aggregate PAT of the Acquiree Companies for the Guarantee Periods shall be less than the Total Guaranteed Profit (any amount of such shortfall in the said Total Guaranteed Profit shall hereinafter be referred to as the "**Profit Shortfall**"), then and in such an event, the Vendors shall make good the Profit Shortfall by paying to the Acquiree Companies the Profit Shortfall in cash within ninety (90) days from the date of the audited accounts of the Acquiree Companies for the 12-month FYE/FPE 30 June 2024 ("**Profit Shortfall Payment Date**"). (ii) The Vendors further agree and covenant that in the event the Acquiree Companies incur a net loss to be determined in accordance with the applicable accounting standards as shown in the audited accounts of the Acquiree Companies for the Guarantee Periods, the Vendors shall pay to the Acquiree Companies the maximum amount equivalent to the Total Guaranteed Profit in cash no later than the Profit Shortfall Payment Date.	This term is acceptable as it: - (i) allows the Vendor to pay the Profit Shortfall in cash within the Profit Shortfall Payment Date; and (ii) if the Acquiree Companies incur a net loss to be determined in accordance with the applicable accounting standards as shown in the audited accounts of the Acquiree Companies for the Guarantee Periods, it allows the Vendor to pay to the Acquiree Companies the maximum amount equivalent to the Total Guaranteed Profit in cash no later than the Profit Shortfall Payment Date.
2.0 2.1 2.1.1	**Conditions Precedent** Conditions The parties agree that the Proposed Acquisitions are conditional upon the effective fulfilment of the conditions precedent in the Acquisition SSA as follows: -	
	(i) No material adverse findings on the Acquiree Companies based on the results of the financial and/or legal due diligence inquiry conducted on the Acquiree Companies and/or all due diligence findings having been rectified to the satisfaction of the Company;	This term is acceptable as it is the responsibility of the Company to undertake the necessary due diligence on the Acquiree Companies to safeguard its interest prior to completing the Proposed Acquisitions.
	(ii) The approval of the directors of the Vendors, where relevant, at the board of directors' meetings and the shareholders of the Vendors for the sale of the Acquisition Shares at a general meeting, in accordance with the terms of the Acquisition SSA;	This term is acceptable as this would normally require the approval of the directors of the Vendors for the sale of the Acquisition Shares.

No.	Salient terms of the Acquisition SSA	Our comments
	(iii) The approval of the directors of the Company at the Board' meetings and the shareholders of the Company at a general meeting, for the purchase of the Acquisition Shares, subject to the basis of the sale and purchase and in accordance with the terms of the Acquisition SSA;	This term is acceptable as this would normally require the approval of the directors of the Company for the sale of the Acquisition Shares.
	(iv) Such other consents or approvals as may be necessary for the Proposed Acquisitions, from any governmental or regulatory body or competent authority, or third party, having been waived or obtained; and	This term is acceptable as all necessary consents or approval required has been granted, waived or obtained prior to completion.
	(v) The Disposal SSA being unconditional in respect of all its conditions precedent in accordance with the terms therein (other than the condition precedent for the Acquisition SSA to be unconditional).	This term is acceptable as the Disposal SSA being unconditional in respect of all the conditions precedent in accordance with the terms therein other than the condition precedent for the Acquisition SSA to be unconditional.
2.1.2	The parties undertake to procure the fulfilment of the conditions precedent that are applicable to them within 6 months from the date of the Acquisition SSA or such other date(s) the parties may mutually agree in writing ("**Acquisition SSA Conditional Period**").	This term is justifiable as it is fair for the parties to impose a sufficient time to satisfy all the conditions precedent.
2.1.3	If any approval contains terms and conditions which are not acceptable to any party, the relevant party may within fourteen (14) days from the date of receipt of that approval: - (i) notify the other party in writing that the approval is not acceptable; and (ii) apply to the relevant authority to vary the terms and conditions of that approval.	
2.1.4	If no notice is given under paragraph 2.1.3, an approval will be deemed to have been obtained.	
2.1.5	If any party applies for variation of an approval under paragraph 2.1.3 (ii), that approval will not be deemed to be obtained for the purpose of this paragraph 2 until the relevant authority accedes to the request for variation. In the event the relevant authority does not accede to the request for	

No.	Salient terms of the Acquisition SSA	Our comments
	variation, the respective condition shall be deemed not to be met and/or fulfilled.	
2.2 2.2.1	Non Fulfilment of the Conditions Precedent Subject to the terms as set out in the Acquisition SSA, unless specifically waived by the parties, if any of the conditions precedent are not fulfilled before the Acquisition SSA Conditional Period or such extended time as the parties agree in writing (or in the event of paragraph 2.1.5 above), the Acquisition SSA shall cease and determine and other than costs and expenses in relation to the Proposed Acquisitions neither party shall have any claims against the other for costs, damages, compensations or otherwise, save for any antecedent breach of any representation, undertaking and/or any of the terms of the Acquisition SSA.	These terms are acceptable as they serve to safeguard the interest of the Vendor and Purchaser. In the event the conditions precedent is not fulfilled and/or waived, none of the either party will incur any compensation or otherwise. In the event the conditions precedent is fulfilled and/or waived, the Proposed Acquisitions would be completed.
2.3 2.3.1	When Acquisition SSA becomes Unconditional When all the conditions precedent are fulfilled, the Acquisition SSA shall become unconditional.	
3.0 3.1 3.2	**Acquisition SSA Completion** The completion of the Acquisition SSA shall take place on the Acquisition Completion Date. The Vendors or the Company may waive in writing any obligation of the other to observe and perform the completion obligations pursuant to the Acquisition SSA, provided always that any such waiver must not be prohibited by the relevant laws applicable to the parties, the Acquiree Companies and/or the Proposed Acquisitions as contemplated under the Acquisition SSA.	
4.0 4.1 4.1.1	**Conduct of business pending completion and post completion** Non-Compete and Non-Solicitation The Vendors undertake to the Company acting for themselves and as agent and trustee for the Acquiree Companies that pending the Acquisition Completion, the Vendors shall not, directly or indirectly: - (i) enter into or be involved in any discussion or negotiation with any person except the Company in connection with the sale of Acquisition Shares (or any part thereof) and/or the Acquiree Companies;	This term is acceptable as they serve to safeguard the interest of the Purchaser where the Vendors shall not, directly or indirectly: - (i) enter into or be involved in any discussion or negotiation with any person except the Company in connection with the sale of Acquisition Shares (or any part thereof) and/or the Acquiree Companies;

No.	Salient terms of the Acquisition SSA	Our comments
	(ii) enter into an agreement or arrangement with any person except the Company in connection with the sale of Acquisition Shares (or any part thereof) and/or the Acquiree Companies; or (iii) make available to any person except the Company, its directors, officers, duly authorised representatives, advisers or agents any information relating to the sale of Acquisition Shares (or any part thereof) and/or the Acquiree Companies.	(ii) enter into an agreement or arrangement with any person except the Company in connection with the sale of Acquisition Shares (or any part thereof) and/or the Acquiree Companies; or (iii) make available to any person except the Company, its directors, officers, duly authorised representatives, advisers or agents any information relating to the sale of Acquisition Shares (or any part thereof) and/or the Acquiree Companies.
5.0 5.1	**Parties right to terminate** Any of the parties ("**Terminating Party**") may by written notice given to the other party any time prior to the Acquisition Completion terminate the Acquisition SSA if any fact, matter or event (whether existing or occurring on or before the Acquisition SSA date or arising or occurring afterwards) comes to the notice of the Terminating Party at any time prior to the Acquisition Completion which: - (i) constitutes a breach by the other party of any of the provisions under the Acquisition SSA; (ii) constitutes a breach of any of the representations and warranties given by the other party; (iii) where the Terminating Party is the Company, affects or is likely to affect in a materially adverse manner the business/operations, financial position or prospects of any of the Acquiree Companies; (iv) a petition for winding up or bankruptcy is presented against the other party; (v) where the Terminating Party is MESB, an order is made or a member's resolution is passed for the winding up of any of the Acquiree Companies; (vi) an administrator, a receiver and/or manager is appointed by the court or pursuant to any statute or regulation or by any creditor pursuant to a debenture or any other security document in favour of	These terms are acceptable as these are typical terms governing the possible termination of the Acquisition SSA and it serves to safeguard and protect the interest of the Vendor and Purchaser in the event of any breach by any of the parties.

No.	Salient terms of the Acquisition SSA	Our comments
5.2	such creditor over the undertaking, assets and properties of the other party or any part of the other party's assets and properties; or (vii) an event analogous to any of the subparagraphs (iv), (v) or (vi) above has occurred in any jurisdiction, the Terminating Party will only give such written notice of termination to the other party where the other party's breach is capable of being remedied, is not remedied within fourteen (14) days from the date the Terminating Party gives written notice to the other party of any such breaches above. All rights and obligations of the parties shall cease to have effect immediately upon termination of the Acquisition SSA save for the clauses which are stated to continue in force following termination of the Acquisition SSA (for whatever reason) and further save that termination of the Acquisition SSA (for whatever reason) shall be without prejudice to the respective rights and liabilities of each of the parties accrued prior to such termination including the right to claim for the loss, cost, expense, damage, consequence and third party claim for damages suffered directly or indirectly by the parties.	Please refer to the commentaries above.

Premised on the above, we are of the view that the salient terms of the Agreements are acceptable.

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10. EFFECTS OF THE PROPOSALS

We noted the following effects of the Proposals as set out in Section 6 of Part A of the Circular: -

10.1 Share capital and substantial shareholders' shareholdings

The Proposals are not expected to have any effect on the share capital and the substantial shareholders' shareholdings of the Company as no new MESB Share will be issued pursuant thereto.

10.2 Earnings and EPS

Barring any unforeseen circumstances and on the assumption that the Proposals will be fully completed by the fourth quarter of 2023: -

(i) the Proposed Disposals will result in a Proforma Gain on Disposals of RM0.65 million based on the audited consolidated financial statements of MESB for the FYE 30 June 2022, after taking into consideration, *inter alia*, the associated cost of investment in Active Fit and MCD which will be translated into a consolidated EPS of approximately 0.54 sen to the Company after taking into consideration of MESB's existing issued share capital of 122,107,100 Shares as at the LPD; and

(ii) the Proposed Acquisitions are expected to contribute positively to the consolidated earnings and EPS of the Group for the FYE 30 June 2023.

For clarity, the revenue and profits from Miroza will continue to be consolidated in the Group's consolidated statement of profit or loss, however only 55.0% of Miroza's net profits will be accounted to the Group's profit attributable to owners of the Company upon completion of the Proposed Disposals.

In accordance with Malaysian Financial Reporting Standards 10 (Consolidated Financial Statements), changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are considered equity transactions. When the proportion of the equity held by the non-controlling interest changes, an entity shall adjust the carrying amount of the controlling and non-controlling interests to reflect the changes in their relative interest in the subsidiary. The entity shall recognise directly in equity any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration received and attribute it to the owners of the parent.

As MESB does not lose control over Miroza upon completion of the Proposed Disposals, the disposal of Miroza Sale Shares shall be accounted for as an equity transaction. Pursuant thereto, no gain or loss arising from the disposal of Miroza Sale Shares shall be recognised in the Company's consolidated statement of profit or loss.

Based on the audited consolidated financial statements of MESB for the FYE 30 June 2022 and assuming that the Proposals had been completed at the beginning of FYE 30 June 2022, the proforma effects of the Proposals on the consolidated earnings and EPS of MESB are as follows: -

	Audited as at FYE 30 June 2022 RM'000	(I) After the Proposed Acquisitions RM'000	After (I) and upon completion of the Proposed Disposals RM'000
PAT	6,669	9,435[(i)]	18,810[(ii)]
Add: Proforma Gain on Disposals	-	-	654[(iii)]
Proforma PAT	**6,669**	**9,435**	**19,464**
No. of Shares ('000)	112,792	112,792	112,792
EPS (sen)	5.91	8.36	17.26

Notes: -

(i) *After adjusted for 100% of the Acquiree Companies' latest audited PAT for the FYE 30 April 2022/30 June 2022 of RM2.77 million.*

(ii) *After adjusted for the following: -*

(a) deconsolidating the latest audited LAT of Active Fit of RM10.63 million and latest audited LAT of MCD of RM0.04 million for FYE 30 June 2022; and

(b) the estimated expenses for the Proposals of RM1.30 million.

(iii) *On the assumption that the Proposals are completed at the beginning of FYE 30 June 2022, the Proforma Gain on Disposals based on the audited consolidated financial statements of MESB for FYE 30 June 2022 are set out as below: -*

	RM'000
Disposal consideration for Active Fit Sale Shares and MCD Sale Shares	*13,000*
Less: Carrying value of Active Fit and MCD	*(12,346)*
Proforma Gain on Disposals	***654***

Based on the table above, for the FYE 30 June 2022, MESB recorded a EPS of 5.91 sen. Upon completion of the Proposed Acquisitions, the proforma EPS is expected to increase to 8.36 sen and further increase to 17.26 sen after the Proposed Disposals. We note that based on the audited consolidated financial statements of MESB for the FYE 30 June 2022 and assuming that the Proposals had been completed at the beginning of FYE 30 June 2022, the Proposed Disposals will result in a Proforma Gain on Disposals of RM0.65 million while the Proposed Acquisitions are expected to contribute positively to the consolidated earnings and EPS of the Group for the FYE 30 June 2023.

10.3 NA and gearing

The proforma effects of the Proposals on the consolidated NA per share and gearing of MESB based on the audited consolidated financial statements of MESB for the FYE 30 June 2022 are as follows: -

	Audited as at 30 June 2022 RM'000	**(I) After subsequent events up to LPD RM'000**	**(II) After (I) and upon completion of the Proposed Acquisitions RM'000**	**After (II) and upon completion of the Proposed Disposals RM'000**
Total equity/NA	90,320	93,115	93,115	125,469
No. of Shares ('000)	112,792	122,107[(i)]	122,107	122,107
NA per Share (sen)	0.80	0.76	0.76	1.03
Borrowings	13,475	13,475	13,475	11,151[(ii)]
Gearing (times)	0.15	0.14	0.14	0.09

Notes: -

(i) *After adjusted for the exercise of 9,315,100 Warrants at an exercise price of RM0.30 per Warrant.*

(ii) *After deconsolidating the borrowings of Active Fit of RM2.32 million as at 30 June 2022 upon the completion of the Proposed Disposals.*

Based on the table above, for the FYE 30 June 2022 and after taking into consideration the subsequent events up to the LPD, MESB recorded a NA per Share and gearing ratio of 0.76 sen and 0.14 times respectively. Upon completion of the Proposals, the proforma NA per Share is expected to increase to 1.03 sen and the gearing ratio will reduce to 0.09 times.

10.4 Convertible securities

Save for the outstanding 24,942,900 Warrants, the Company does not have any outstanding convertible securities as at the LPD.

Premised on the above, we are of the view that the effects of the Proposals are acceptable.

11. RISK FACTORS ASSOCIATED WITH THE PROPOSALS

The risk factors associated with the Proposals is highlighted in Section 4 of Part A of the Circular: -

We note that there is no assurance that the Proposals can be completed within the time period permitted under the Agreements. In the event that the conditions precedent are not fulfilled or approvals required under the Agreements are not obtained within the stipulated time period, the parties may either mutually extend the stipulated period or terminate the Agreements. We note that the Board shall endeavour to ensure that there is no delay in fulfilling all the conditions precedent by the parties concerned and should there be any delay beyond the agreed time period, the Board shall negotiate with the relevant parties to Agreements to mutually extend the relevant period prior to its expiry.

Upon completion of the Proposed Disposals, Active Fit and MCD will cease to be the subsidiaries of MESB and the equity interest of MESB in Miroza will be reduced to 55.0%. There is no assurance that after the completion of the Proposals, the Group will be able to generate the desired return from its remaining business. We note that MESB is optimistic about the future financial performance of the Group with the consolidation of the earnings from the Acquiree Companies pursuant to the Proposed Acquisitions.

In addition, we note that upon completion of the Proposed Acquisitions, the Group will be exposed to general business risk and risks inherent in Recycling Business such as non-renewal or revocation or suspension of licence to conduct recycling activities, dependency on suppliers, fluctuations in commodity prices and competition which may have a greater impact on the enlarged MESB Group. Nevertheless, we note that leveraging on the experiences of the Group and the Acquiree Companies in the Recycling Business, the enlarged MESB Group is expected to prevail over any adversities and sustain its business operations.

Non-interested shareholders of MESB are advised to carefully consider the risk factors as set out above and in Section 4 of Part A of the Circular prior to voting on the resolution pertaining to the Proposals. It is important to note that there can be no assurances that any risk factors set out above and in Section 4 of Part A of the Circular will not adversely affect the financial results of MESB.

12. INDUSTRY OVERVIEW AND PROSPECTS

We take note of the industry overview and outlook of the Malaysian economy, the retail sector in Malaysia, the recycling industry in Malaysia as well as the prospects of the Group as set out in Section 5 of Part A of the Circular.

We note that the Malaysian economy registered a strong growth of 8.9% in the second quarter of 2022 (1Q 2022: 5.0%). The growth was particularly robust, underpinned by the continued recovery in labour market conditions and policy support in April and May 2022. The improvement also reflected normalising economic activity as the country moved towards endemicity and reopened international borders. In terms of economic activity, the services and manufacturing sectors continued to drive growth.

Domestic demand registered a higher growth of 13.0% (1Q 2022: 4.4%) which was mainly supported by a robust growth in private expenditure amid further normalisation of economic activity, as well as improving labour market conditions. Private consumption grew at a faster pace of 18.3% (1Q 2022: 5.5%), driven by higher spending on necessities and selected discretionary items such as restaurants and hotels, recreational services and household furnishings. Public consumption expanded at a moderate pace of 2.6% (1Q 2022: 6.7%), weighed down by lower supplies and services spending, reflecting smaller COVID-19 related expenditure.

Private investment expanded by 6.3% (1Q 2022: 0.4%), supported by increased capital spending in the services and manufacturing sectors while public investment registered a growth of 3.2% (1Q 2022: -0.9%), driven mainly by improvement in capital expenditure by public corporations in the oil and gas, and telecommunication sectors.

Upon completion of the Proposed Disposals, MESB will retain 55.0% equity interest in Miroza which contributed approximately 75.10% of the Group's total revenue of RM198.50 million based on the audited consolidated financial statements of MESB for the FYE 30 June 2022. We observe that retail sales rose 62.5% year on year from April to June 2022 - the highest quarterly growth recorded - setting the stage for the industry to recover any dips and losses sustained during the pandemic. We also observe that, a weaker ringgit against the US dollar, for example, has led to higher import costs for raw materials and semi-finished goods used to make end-consumer products in Malaysia. This, in turn, has resulted in higher prices of imported finished goods. Coupled with labour shortage and higher minimum wage, the increase in the prices of goods is likely to put pressure on consumer spending. The higher cost of operations, will reduce or eliminate profits made by retailers, while lower sales due to slowing consumer spending mean there may be more store closures in the near future, with chain retailers opting to consolidate their stores.

In addition, upon completion of the Proposed Acquisitions, the Group may further enhance their presence into the Recycling Business through the Acquiree Companies with the aim to bolster its earnings stream and market share. We observe that as of September 2021, a total of 372 recycling projects were approved with a total investment of RM15.13 billion. The companies involved are mainly from the paper, printing and publishing industry with investments of RM6.11 billion, followed by the chemicals and chemical products industry (RM3.17 billion) and the rubber products industry (RM2.15 billion). In exploring more integrated waste management solutions, the Government, through Budget 2020, has extended the Green Technology incentive to 31 December 2023, which was introduced in Budget 2014. The incentive is expected to encourage firms to rethink their approach by incorporating waste management techniques that include collection, storage, composting and disposal with other core recycling, recovery or waste treatment activities. This aims to further strengthen the green technology ecosystem in Malaysia and enhance firms' operations to include a more holistic approach to waste management.

Premised on the above, we are of the view that the outlook of the Malaysian economy, the recycling industry in Malaysia as well as the prospects of the Group are expected to be encouraging in the long term.

13. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Acquisitions. Due to the inter-conditionality of the Proposals, in carrying out our evaluation of the Proposed Acquisitions, we have also evaluated the Proposed Disposals to arrive at our overall opinion on the Proposed Acquisitions to provide the non-interested shareholders of the Company with a holistic view of the Proposals.

You should carefully consider the merits and demerits of the Proposed Acquisitions as well as the Proposed Disposals based on all relevant and pertinent factors including those which are set out in this IAL and Part A of the Circular before voting on the ordinary resolution in respect of the Proposed Acquisitions at the forthcoming EGM.

In summary, we have considered the following factors in arriving at our opinion: -

(i) the rationale for the Proposals;

(ii) the basis of arriving at and justification for the Disposal Consideration;

(iii) the basis of arriving at and justification for the Purchase Consideration;

(iv) the salient terms of the Agreements;

(v) the effects of the Proposals;

(vi) the risk factors associated with the Proposals; and

(vii) the industry overview and prospects of the Group.

Based on our evaluation, we are of the opinion that the Proposed Acquisitions are **fair and reasonable and not detrimental to the interests of the non-interested shareholders of MESB**.

Accordingly, we recommend that you **vote in favour** of the ordinary resolution pertaining to the Proposed Acquisitions to be tabled at the forthcoming EGM.

Yours faithfully
For and on behalf of
MALACCA SECURITIES SDN BHD

TAN KOK TIAM
Head
Corporate Finance

TAN POH LIN
Senior Vice President
Corporate Finance

SALIENT TERMS OF THE DISPOSAL SSA

The salient terms of the Disposal SSA are as follows:-

1.0 AGREEMENT

1.1 Sale and Purchase of Sale Shares

The Company as the legal and beneficial owner of the Sale Shares agrees to sell to the Purchaser and the Purchaser agrees to purchase the Sale Shares free from all claims, liens, pledges, charges, encumbrances and any equities whatsoever together with all rights attached and all dividends, rights and distributions declared, paid or made in respect of the same on the terms and conditions of the Disposal SSA as at the completion of the Disposal SSA ("**Disposal Completion**").

1.2 Disposal Consideration

The Disposal Consideration for the Sale Shares shall be satisfied via cash by the Purchaser to the Company or such person(s) nominated by the Company in the proportion and manner as set out in the Disposal SSA.

1.3 Basis of Sale and Purchase

The parties expressly declare, acknowledge and agree that the sale and purchase of the Sale Shares pursuant to the Disposal SSA is on the basis that:-

(i) at the completion date of the Disposal SSA ("**Disposal Completion Date**"), being the First Completion Date and the Second Completion Date, the Sale Shares are free from any security interest;

(ii) at the Disposal Completion Date, the Company's and the Purchaser's respective representations and warranties set out in the Disposal SSA are true and accurate;

(iii) the Sale Shares consist of the First Tranche Sale Shares and the Second Tranche Sale Shares, the sale and purchase of which are subject to the terms of this Disposal SSA; and

(iv) on the First Completion Date, the Purchaser undertakes to execute and deliver a corporate guarantee in lieu of the Active Fit Corporate Guarantee or in supplement to the Active Fit Corporate Guarantee as joint guarantor, if required by the Company and/or the brand principal. The parties further agree that commencing from the First Completion Date to the fulfilment of the Second Tranche Condition Precedent (as defined below), any liabilities arising from the Active Fit Corporate Guarantee, is to be borne by the parties proportionately based on their respective shareholdings in Active Fit upon the completion of the transfer of the First Tranche Sale Shares ("**First Completion**"), namely 80% by the Purchaser and 20% by MESB. On the above basis and in consideration of the Company continuing to be a guarantor for the benefit of Active Fit, the Purchaser shall indemnify and keep the Company indemnified against all costs, expenses, claims, demands and liabilities arising from the Active Fit Corporate Guarantee which is in excess of the Company's proportion of liability set out in this clause.

2.0 CONDITIONS PRECEDENT

2.1 Conditions

2.1.1 The parties agree that the Proposed Disposals are conditional upon the effective fulfilment of the conditions precedent in the Disposal SSA as follows:-

SALIENT TERMS OF THE DISPOSAL SSA *(CONT'D)*

A) First Tranche Condition(s) Precedent

(i) No material adverse findings on the Disposal Companies based on the results of the financial and/or legal due diligence inquiry conducted on the Disposal Companies and/or all due diligence findings having been rectified to the satisfaction of the Purchaser;

(ii) The approval of the directors of the Company at the Board' meetings and the shareholders of the Company at a general meeting for (i) the sale of the Sale Shares, in accordance with the terms of the Disposal SSA and (ii) the continued provision of the Active Fit Corporate Guarantee after the First Completion, in accordance with the Listing Requirements and the terms of the Disposal SSA;

(iii) The approval of the directors of the Purchaser at the board of directors' meetings and the shareholders of the Purchaser, for the purchase of the Sale Shares, subject to the basis of the sale and purchase and in accordance with the terms of the Disposal SSA;

(iv) Such other consents or approvals as may be necessary for the Proposed Disposals, from any governmental or regulatory body or competent authority, or third party, having been waived or obtained; and

(v) The Acquisition SSA being unconditional in respect of all its conditions precedent in accordance with the terms therein (other than the condition precedent for the Disposal SSA to be unconditional).

(B) Second Tranche Condition Precedent

(i) The release and discharge of the Company as a guarantor to the Active Fit Corporate Guarantee.

2.1.2 The parties undertake to procure the fulfilment of the conditions precedent that are applicable to them within 6 months from the date of the Disposal SSA or such other date(s) the parties may mutually agree in writing ("**Disposal SSA First Conditional Period**") and within 6 months from the First Completion Date or such other date(s) the parties may mutually agree in writing ("**Disposal SSA Second Conditional Period**").

2.1.3 If any approval contains terms and conditions which are not acceptable to any party, the relevant party may within fourteen (14) days from the date of receipt of that approval:-

(i) notify the other party in writing that the approval is not acceptable; and

(ii) apply to the relevant authority to vary the terms and conditions of that approval.

2.1.4 If no notice is given under paragraph 2.1.3, an approval will be deemed to have been obtained.

2.1.5 If any party applies for variation of an approval under paragraph 2.1.3(i), that approval will not be deemed to be obtained for the purpose of this paragraph 2 until the relevant authority accedes to the request for variation. In the event the relevant authority does not accede to the request for variation, the respective condition shall be deemed not to be met and/or fulfilled.

2.2 Non Fulfilment of the Conditions Precedent

2.2.1 Subject to the terms as set out in the Disposal SSA, unless specifically waived by the parties, if any of the conditions precedent are not fulfilled before the Disposal SSA First Conditional Period and Disposal SSA Second Conditional Period respectively or such extended time as the parties agree in writing (or in the event of paragraph 2.1.5 above), the Disposal SSA shall cease and determine and neither party shall have any claims against the other for costs, damages, compensations or otherwise, save for any antecedent breach of any representation, undertaking and/or any of the terms of the Disposal SSA.

2.3 When Disposal SSA becomes Unconditional

2.3.1 When all the First Tranche Conditions Precedent are fulfilled, the Disposal SSA shall become unconditional.

3.0 DISPOSAL SSA COMPLETION

3.1 The First Completion shall take place on the First Completion Date.

3.2 The completion of the transfer of the Second Tranche Sale Shares of the Disposal SSA ("**Second Completion**") shall take place on the Second Completion Date.

3.2 The Company or the Purchaser may waive in writing any obligation of the other to observe and perform the completion obligations pursuant to the Disposal SSA, provided always that any such waiver must not be prohibited by the relevant laws applicable to the parties, the Disposal Companies and/or the Proposed Disposals as contemplated under the Disposal SSA.

4.0 CONDUCT OF BUSINESS PENDING COMPLETION AND POST COMPLETION

4.1 Non-Compete and Non-Solicitation

4.1.1 The Company undertakes to the Purchaser acting for itself and as agent and trustee for the Disposal Companies that pending the Disposal Completion, the Company shall not, directly or indirectly:-

(i) enter into or be involved in any discussion or negotiation with any person except the Purchaser in connection with the sale of Sale Shares (or any part thereof) and/or the Disposal Companies;

(ii) enter into an agreement or arrangement with any person except the Purchaser in connection with the sale of Sale Shares (or any part thereof) and/or the Disposal Companies; or

(iii) make available to any person except the Purchaser, its directors, officers, duly authorised representatives, advisers or agents any information relating to the sale of Sale Shares (or any part thereof) and/or the Disposal Companies.

5.0 PARTIES RIGHT TO TERMINATE

5.1 Any of the parties ("**Terminating Party**") may by written notice given to the other party any time prior to the Disposal Completion terminate the Disposal SSA if any fact, matter or event (whether existing or occurring on or before the Disposal SSA date or arising or occurring afterwards) comes to the notice of the Terminating Party at any time prior to the First Completion or the Second Completion (as applicable) which:-

(i) constitutes a breach by the other party of any of the provisions under the Disposal SSA;

(ii) constitutes a breach of any of the representations and warranties given by the other party;

(iii) where the Terminating Party is the Purchaser, affects or is likely to affect in a materially adverse manner the business/operations, financial position or prospects of any of the Disposal Companies;

(iv) a petition for winding up or bankruptcy is presented against the other party;

(v) where the Terminating Party is the Purchaser, an order is made or a member's resolution is passed for the winding up of any of the Disposal Companies;

(vi) an administrator, a receiver and/or manager is appointed by the court or pursuant to any statute or regulation or by any creditor pursuant to a debenture or any other security document in favour of such creditor over the undertaking, assets and properties of the other party or any part of the other party's assets and properties; or

(vii) an event analogous to any of the subparagraphs (iv), (v) or (vi) above has occurred in any jurisdiction,

the Terminating Party will only give such written notice of termination to the other party where the other party's breach is capable of being remedied, is not remedied within fourteen (14) days from the date the Terminating Party gives written notice to the other party of any such breaches above.

5.2 All rights and obligations of the parties shall cease to have effect immediately upon termination of the Disposal SSA save for the clauses which are stated to continue in force following termination of the Disposal SSA (for whatever reason) and further save that termination of the Disposal SSA (for whatever reason) shall be without prejudice to the respective rights and liabilities of each of the parties accrued prior to such termination including the right to claim for the loss, cost, expense, damage, consequence and third party claim for damages suffered directly or indirectly by the parties.

6.0 GOVERNING LAW AND JURISDICTION

6.1 The Disposal SSA is governed by and is to be construed in accordance with the laws of Malaysia.

6.2 Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Malaysia and waives any right to object to proceedings being brought in those courts.

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DISPOSAL VALUATION CERTIFICATE

FAIR VALUATION CERTIFICATE

Presented by
Asia Equity Research Sdn Bhd, a company licensed by Securities Commission Malaysia to provide advisory in corporate finance and investment advice.

Fair valuation report for following companies
- 100% equity interest in Active Fit Sdn Bhd
  (Registration No. 200401022908 (661413-A))
- 100% equity interest in MESB Capital & Development Sdn Bhd
  (Registration No. 199001014786 (206455-X))
- 45% equity interest in Miroza Leather (M) Sdn Bhd
  (Registration No. 199201010971 (242474-V))

Independent Fair Valuation Certificate ("Valuation Certificate") is prepared by Asia Equity Research Sdn Bhd (**"AER"**), a company licensed by Securities Commission Malaysia in providing advisory in Corporate Finance and Investment Advice, for the board of directors of MESB Berhad **("MESB" or "the Company").**

AER is not making any representation or warranty, expressed or implied, as to the contents of this Valuation Certificate. No liability whatsoever is accepted by AER for the accuracy of any information or opinions contained in this Valuation Certificate.

The directors of MESB are responsible to make available to us all relevant financial information pertaining to this fair valuation exercise, including informing us of any material changes which may have an impact on our valuation.

We have relied on information furnished to us by Active Fit Sdn Bhd (**"Active Fit"**), MESB Capital & Development Sdn Bhd (**"MCD"**) and Miroza Leather (M) Sdn Bhd (**"Miroza"**), external information which are extracted from Bloomberg, S&P Global Market Intelligence, information published in public domain and our own analysis in order for us to prepare this Valuation Certificate.

The preparation of the Valuation Certificate is based on prevailing economic, market and other conditions which may change over time.

Our Valuation Certificate is prepared based on the information / representation supplied to us on valuation date is correct / accurate. The results of our appraisal is also dependent upon no material omission of any information / representation of which the inclusion of such information / representation may have significant effects on the fair valuation results appraised by us. We reserve the exclusive right to revise our Valuation Certificate considering any information that existed at the date of the Valuation Certificate but which becomes known to us subsequent to the date of the Valuation Certificate.

30 August 2022

AER

ASIA EQUITY RESEARCH SDN BHD
Registration No.: 201401027762 (1103848-M)
(License Number: eCMSL/A0330/2015)
Licensed to provide advisory in corporate finance and investment advice

Registered Office:-
46-3 Jalan PJU 8/5B.
Damansara Perdana,
47820 Petaling Jaya
Email: contact@aer.finance
Website: www.aer.finance

30 August 2022

MESB BERHAD (Registration No. 199501008356 (337554-D)),
Registered office: -
Third Floor, No. 77, 79 & 81,
Jalan SS 21/60, Damansara Utama,
47400 Petaling Jaya, Selangor Darul Ehsan

ASCRIBING THE FAIR EQUITY VALUATION FOR THE FOLLOWING COMPANIES:-
- **100% equity interest in Active Fit Sdn Bhd**
- **100% equity interest in MESB Capital & Development Sdn Bhd**
- **45% equity interest in Miroza Leather (M) Sdn Bhd**

On 21 July 2022, MESB Berhad ("**MESB**") had engaged AER to perform an independent equity valuation to ascribe a fair value for the entire equity interest in the following companies:-

Item number	Name of company	Percentage of equity interest to be appraised	Principal activity	Abbreviation
1	Active Fit Sdn Bhd	100%	The principal activity of Active Fit in is brand building, concept development, fashion designing, sourcing, marketing, distribution and retailing of casual apparels ad accessories.	**Active Fit**
2	MESB Capital & Development Sdn Bhd	100%	Investment holding company.	**MCD**
3	Miroza Leather (M) Sdn Bhd	45%	The principal activity of Miroza is trading of leather products and apparels.	**Miroza**

*Active Fit, MCD and Miroza are referred to "**Disposal Companies**" or "**Disposal Company**" if referred to singly.

Asia Equity Research Sdn Bhd ("**AER**") is licensed to provide advisory in Corporate Finance and Investment Advice by the Securities Commission of Malaysia.

Sources of information

This Valuation Certificate has been prepared by AER based on information (but are not limited to the list as stated below), as provided to us by the Disposal Companies.

(i) Audited financial statements of for Financial Year Ending ("**FYE**") 30 June 2020 and FYE 2021.

(ii) Unaudited financial statements of the Disposal Companies for FYE 30 June 2022.

(iii) Interview sessions

Although the information is obtained from sources considered as reliable by AER, we make no representation as to, and accepts no liability for any representations in relation to, the accuracy or completeness of the information contained in this Valuation Certificate.

Declaration of independence

AER and/or its directors and staff who are involved in this exercise **do not** own any equity ownership in MESB's shares or involve in any advisory matters except being mandated to act as an Independent Valuer.

This engagement has been undertaken with reference to the requirements of International Valuation Standard, 2022 ("**IVS**") published by the International Valuation Standards Council ("**IVSC**")

Definition of fair value

The fair value as appraised by us carries the meaning of "the estimated amount for which an asset or liability should exchange on the *valuation date* between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted *knowledgeably, prudently and without compulsion*". This is also defined as market value by the International Valuation Standards established by IVSC.

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DISPOSAL VALUATION CERTIFICATE *(CONT'D)*

Summary of the fair value of the Disposal Companies.

Minimum value of the Disposal Companies
Sum of parts valuation based on unaudited carrying value of the net assets of Active Fit and Miroza and unaudited adjusted net assets of MCD as at 30 June 2022 equivalent to **RM 44.8 million.**

Maximum value of the Disposal Companies
Sum of parts valuation based on the average of the fair values computed using the P/B of 1 time, P/E of 7 times and EV/EBITDA multiple of 4 times, for Active Fit and Miroza and unaudited adjusted net assets of MCD as at 30 June 2022 equivalent to **RM 51.2 million.**

Item number	Company	Minimum value RM million	Maximum value RM million	Note
1	Active Fit	9.9	11.5	Note 1
2	MCD	2.7	4.1	Note 2
3	Miroza	32.2	35.6	Note 3
	Total sum of parts valuation	**44.8**	**51.2**	

Note 1
The minimum value of Active Fit is determined based on the unaudited net assets of Active Fit as at 30 June 2022 of RM 9.9 million and the maximum value of Active Fit is derived based on the average value as appraised using EV/EBITDA multiple approach of RM 13.1 million and P/B multiple approach of RM 9.9 million. P/E multiple is not used as Active Fit is loss making.

Note 2
The minimum and maximum value of MCD is determined based on the unaudited adjusted net assets of MCD as at 30 June 2022 of RM 2.5 million and incorporating the revaluation surplus which translate to an unaudited adjusted net assets of RM 2.7 million and RM 4.1 million using the income approach and comparison approach respectively, for the investment property of a six storey terrace shop office bearing address no. 63, Jalan Tasik Selatan 8, Bandar Tasik Selatan, 57000 Kuala Lumpur owned by MCD.

Note 3
The minimum value of Miroza is determined based on the unaudited net assets of Miroza as at 30 June 2022 of RM 32.2 million and the maximum value of RM 35.6 is determined based on the average value as appraised using EV/EBITDA multiple approach of RM 42.9 million, P/B multiple approach of RM 32.2 million and P/E multiple approach of RM 31.5 million.

Other notes
For purpose of determining the denominators in the P/E and EV/EBITDA approaches, an average of the profit / loss after tax and EBITDA, respectively, for FYE 30 June 2021 and FYE 2022 is used.

Notes:

- P/E multiple refers to fair value appraised divided by share of profit after tax of a Disposal Company.

DISPOSAL VALUATION CERTIFICATE *(CONT'D)*

- EV/EBITDA multiple refers to the fair enterprise value appraised divided by the share of the earnings before interest, tax, depreciation, and amortization of a Disposal Company.

- A Discount of Lack of Marketability ("**DLOM**") of 15% is applied as the Comparable Companies are listed while the Disposal Companies are not listed. As such the fair value as appraised using the market based approach shall result in higher value to the Disposal Companies that needs to be adjusted for the DLOM effects. Example:- publicly traded securities can be bought and sold nearly instantaneously while shares in a private company may require more time to identify potential buyers to complete a transaction (Source: Paragraph 30.17 of IVS)

Readers are advised to read the entire Valuation Certificate and specifically **Section 3, Section 5, Appendix 1, Appendix 2 and Appendix 3** on the key inputs, risk considerations that could affect the fair value of the appraised on the Disposal Companies. Please do not hesitate to contact the undersigned if you have any queries on the above matter.

Yours faithfully
ASIA EQUITY RESEARCH SDN BHD

ONG TEE CHIN, CFA, FRM, CAIA
DIRECTOR

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TABLE OF CONTENTS

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DISPOSAL VALUATION CERTIFICATE *(CONT'D)*

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Valuation Certificate:

"Active Fit"	Active Fit Sdn Bhd (Registration No. 200401022908 (661413-A))
"Bursa Securities"	Bursa Malaysia Securities Berhad
"Comparable Companies"	Selected companies listed on Bursa Securities that are involved in brand building, concept development, fashion designing, sourcing, marketing, distribution, retailing of casual apparels and accessories, leather goods, accessories, undergarments business for men, women, kids and baby in Malaysia.
"DLOM"	Discount for lack of marketability
"EBITDA"	Earnings before interest, tax, depreciation, and amortisation
"EV"	Enterprise value
"EV/EBITDA"	EV divided by EBITDA multiple
"FYE"	Financial year ended
"LAT"	Loss after tax attributable to ordinary shareholders of a company
"MCD"	MESB Capital & Development Sdn Bhd (Registration No. 199001014786 (206455-X))
"MESB"	MESB BERHAD Registration No. 199501008356 (337554-D))
"MFRS"	Malaysian Fi\nancial Reporting Standards
"Miroza"	Miroza Leather (M) Sdn Bhd (Registration No. 199201010971 (242474-V))
"PAT"	Profit after tax attributable to ordinary shareholders of a company
"P/B"	Price to book multiple which is computed based on market capitalisation (i.e., numerator) divided by the net assets attributable to ordinary shareholders (i.e., denominator)
"P/E"	Price to earnings multiple which is computed based on market capitalisation (i.e., numerator) divided by the net profit after tax attributable to ordinary shareholders (i.e., denominator)
"RVA"	Relative Valuation Approach.

DISPOSAL VALUATION CERTIFICATE *(CONT'D)*

"Report"	Independent fair valuation report on appraising the fair value of the Disposal Companies
"Disposal Company"	Either Active Fit, MCD or Miroza
"Disposal Companies"	Collectively the entire equity interest in Active Fit and MCD and forty five percent equity interest in Miroza
"Valuation Certificate"	Independent fair Valuation Certificate on appraising the fair value of the Disposal Companies

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1. EXECUTIVE SUMMARY

Item number	Explanation on key message	Section reference
1	**Purpose and scope of work** On 21 July 2022, MESB had engaged AER to perform an independent equity valuation to ascribe a fair value for the entire equity interest in Active Fit, MCD and 45% equity interest in Miroza.	Section 2.1
2	**Results of valuation** Based on the use of market based approach, the aggregate fair value of the Disposal Companies is **RM 44.8 million** to **RM 51.2 million,** with an **average of RM 48.0 million** The key assumptions used in arriving at the fair value range is as listed below:- **Minimum value range** - The minimum value range of **RM 44.8 million** is the sum of parts valuation based on the unaudited net assets as at 30 June 2022 for Active Fit and Miroza, while MCD is appraised based on the adjusted net assets approach after incorporating the revaluation surplus of a six storey shop office, using the income approach. **Maximum value range** - The maximum value range of **RM 51.2 million**, is the aggregate value (i.e., also known as mid-point value) of Active Fit and Miroza based on following approaches:- - Approach 1 –P/B of one time multiple. The median multiple of the price to book multiple for the Comparable Companies is 0.7 times. The price to book of 1.0 time is used as this represents the minimum selling price of a company based on its net assets of a company. As more than 95% of the total assets of Active Fit and Miroza as at 30 June 2022 were made up of current assets and hence, the carrying value of their net assets approximates their fair value. - Approach 2 –P/E multiple of 7 times being the median P/E multiple of the Comparable Companies. - Approach 3 – EV/EBITDA multiple of 4 times being the median EV/EBITDA of the Comparable Companies. - The average fair value of each Disposal Company determined using each of the three approaches, after applying the effective - interest of 100% for both Active Fit and 45% for Miroza, is the maximum value range for Active Fit and Miroza.	Section 4

DISPOSAL VALUATION CERTIFICATE *(CONT'D)*

	- A DLOM of 15% is applied on Approach 2 and Approach 3. to take into consideration the lack of marketability of private companies. The said discount of 15% Note 1 was adopted with due reference to independent study on DLOM of private companies Source:- Note 1 Based on a reference to the 2021 edition of the Stout Restricted Study that studied 763 private placement transactions from July 1980 to December 2020, with registration rights (i.e. a share of stock that is registered under the Securities and Exchange Act 1993 of the United States of America that can be freely sold on to any investors) and without registration rights, the median of the DLOM is 15.8%. In another study performed by IRS in September 2009, the DLOM was 15.0%. - MCD is appraised using the adjusted net assets approach.	
3	**Explanation of the approach and justification / rationales of using market based approach for Active Fit and Miroza** Market based approach such as P/B, P/E and EV/EBITDA are appropriate approaches to determine the fair value of the Active Fit and Miroza as the companies are matured companies and there are a set Comparable Companies available to obtain the pricing multiples. **Explanation of the approach and justification / rationales of using adjusted net assets approach for MCD.** MCD is an investment holding company and owns a six storey terrace shop office bearing address no. 63, Jalan Tasik Selatan 8, Bandar Tasik Selatan, 57000 Kuala Lumpur, with a leasehold title maturing on June 29, 2087. Hence, the more appropriate approach to appraise the fair value of MCD is based on the adjusted net asset approach after incorporating the net of tax revaluation surplus using both the income method and comparison method on the property. Other approaches Income based approach requires a set of projected cash flow for the next few years of the Disposal Companies. We are not provided with the business plan and as such this approach is excluded. Cost based approach are suitable for companies with high tangible assets. For Active Fit and Miroza, the aggregate carrying value of tangible assets as at FYE 2022 (i.e. RM 3.65 million) constituted only 2.6% of the total assets of Active Fit and Miroza of RM 140.89 million. Note: - (i.e. 2.6% = 3.65/140.89 x 100)	Section 2.4

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DISPOSAL VALUATION CERTIFICATE *(CONT'D)*

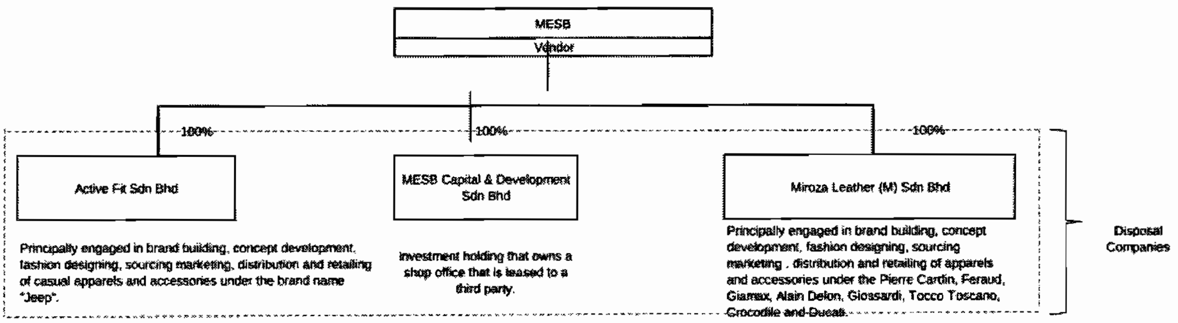
2. BACKGROUND

2.1 INTRODUCTION AND TERMS OF REFERENCE

On 21 July 2022, MESB had engaged AER to perform an independent equity valuation to ascribe a fair value for the entire equity interest in Active Fit and MCD and 45% equity interest in Miroza.

2.2 INFORMATION ON DISPOSAL COMPANIES

Summarise background of Disposal Group and past historical results as at date of report prior to proposed disposal



Active Fit	Year ended June	Year ended June	Year ended June
	Currency: RM million		
	Audited	Audited	Unaudited
	FYE 2020	FYE 2021	FYE 2022
Revenue	27.3	29.0	40.0
PBT / (LBT)	(2.2)	3.3	(10.6)
PAT / (LAT)	(2.2)	3.3	(10.6)
Net assets	17.2	20.5	9.9
EBITDA	(1.2)	4.2	4.7
Cash	5.7	6.0	15.2
Borrowings	5.0	2.9	2.3
Net margin, %	-8%	11%	-27%
ROE, %	-13%	16%	-108%

MCD	Year ended June	Year ended June	Year ended June
	Currency RM million		
	Audited	Audited	Unaudited
	FYE 2020	FYE 2021	FYE 2022
Revenue	0.043	0.027	0.049
PBT / (LBT)	(0.033)	(0.051)	(0.031)
PAT / (LAT)	(0.045)	(0.056)	(0.042)
Net assets	2.6	2.5	2.5
EBITDA	0.016	(0.001)	0.019
Cash	0.3	0.3	0.3
Borrowings	-	-	-
Net margin, %	-104%	-207%	-86%
ROE, %	-2%	-2%	-2%

Miroza	Year ended June	Year ended June	Year ended June
	Currency: RM million		
	Audited	Audited	Unaudited
	FYE 2020	FYE 2021	FYE 2022
Revenue	121.1	107.0	149.1
PBT / (LBT)	1.1	8.8	22.2
PAT / (LAT)	0.6	6.5	17.1
Net assets	48.1	54.6	71.7
EBITDA	5.3	11.9	24.5
Cash	25.2	36.4	50.8
Borrowings	20.2	14.7	11.5
Net margin, %	0%	6%	11%
ROE, %	1%	12%	24%

Source: Audited accounts for FYE 2020 and FYE 2021 and management accounts (unaudited) for FYE 2022.

2.3 BACKGROUND INFORMATION OF DISPOSAL COMPANIES AS AT DATE OF REPORT

Item number	Description	Active Fit	MCD	Miroza
1	**Company**	Active Fit Sdn Bhd	MESB Capital & Development Sdn Bhd	Miroza Leather (M) Sdn Bhd
2	**Incorporation date**	31 July 2004	18 October 1990	17 June 1992
3	**Registered Office**	Third Floor, No. 77, 79 & 81, Jalan SS 21/60, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan	Third Floor, No. 77, 79 & 81, Jalan SS 21/60, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan	Third Floor, No. 77, 79 & 81, Jalan SS 21/60, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan
4	**Principal Activity**	The principal activity of Active Fit in is brand building, concept development, fashion designing, sourcing, marketing, distribution and retailing of casual apparels and accessories.	Investment holding company that owns a six storey terrace shop office bearing address no. 63, Jalan Tasik Selatan 8, Bandar Tasik Selatan, 57000 Kuala Lumpur.	The principal activity of Miroza is trading of leather products and apparels.

5	**Directors**	Loke Lee Ping Chua Jin Kau	Loke Lee Ping Chua Jin Kau	Loke Lee Ping Chua Jin Kau
6	**Shareholders**	MESB Berhad, owns the entire equity interest.	MESB Berhad, owns the entire equity interest.	MESB Berhad, owns the entire equity interest.
7	**Subsidiaries and associates**	None	None	None
8	**Latest audited financial year ended**	30 June 2021	30 June 2021	30 June 2021
9	**Auditor**	KPMG PLT	KPMG PLT	KPMG, PLT
10	**Accounting standard**	MFRS	MFRS	MFRS
11	**Summary financial highlights** (RM millions) - FYE 2021 (audited)	For financial year ended 30 June 2021, the revenue was RM 29.05 million, with a profit after tax of RM 3.30 million and net assets of RM 20.49 million	For financial year ended 30 June 2021, the revenue was RM0.027 million with a loss after tax of RM 0.056 million and net assets of RM 2.54 million	For financial year ended 30 June 2021, the revenue was RM 106.96 million, with a profit after tax of RM 6.51 million and net assets of RM 54.60 million
	- FYE 2022 (unaudited)	For financial year ended 30 June 2022 the revenue was RM 39.97 million, with a loss after tax of RM 10.63 million and net assets of RM 9.85 million	For financial year ended 30 June 2022, the revenue was RM0.049 million with a loss after tax of RM 0.042 million and net assets of RM 2.49 million	For financial year ended 30 June 2022, the revenue was RM 149.07 million, with a profit after tax of RM 17.06 million and net assets of RM 71.66 million
12	**Brand portfolios**	Brand under licensed, i.e. Jeep.	-	Pierre Cardin, Feraud, Giamax, Alain Delon, Giossardi, Tocco Toscano, Crocodile and Ducati.

2.4 APPROACH USED TO VALUE THE DISPOSAL COMPANIES

Three main approaches are commonly used to appraise the fair value of an entity, namely cost approach, income approach and market approach (Source: IVS 105 Valuation Approaches and Methods).

Tabulated below are a discussion of the three approaches and the reason(s) of being selected / not selected.

Item number	Approach	Guidance of its applicability
1	Cost based approach which measures the net fair values of assets less the liabilities. This approach is **not selected** for appraising the fair value of Active Fit and Miroza.	This approach is suitable for a company that has substantial assets which are tangible based in nature such as manufacturing companies and property development companies.

	This approach is **selected** to appraise the fair value of MCD, as MCD is an investment holding company that owns a six-storey terrace shop at Bandar Tasik Selatan, Kuala Lumpur. The adjusted net asset approach is used by incorporating the net of tax revaluation surplus, using both the income method and comparison method on the property.	
2	Free cash flow-based approach which determines the value of a company based on a projected future cash flow of a business. Free cash flow approach is **not selected** as we are not provided with a projected cash flow for the Disposal Companies and as such this approach is excluded.	This approach requires a set of projected cash flow statement of Disposal Companies, which could be estimated with reasonable certainty with basis and assumptions.
3	Market based approach is an approach that compares a company's value to that of its Comparable Companies based on trading multiples such as price to book multiple (P/B), price to earnings multiple (P/E) and enterprise value to EBITDA multiple (EV/EBITDA). The use of multiples such as P/B, P/E and EV/EBITDA is also known as Relative Valuation Approach ("**RVA**"). Hence, RVA is also sometimes being used to refer to as market-based approach. This approach was **selected** as a primary approach for Active Fit and Miroza.	Active Fit and Miroza, is in the business of selling apparel, leather goods and accessories. The target market for both companies are adult males, adult females, kids and baby. The median multiples of the Comparable Companies are used to appraise the fair value of the Disposal Companies and after adjusting for DLOM.

2.5 Comparable Companies

Criteria for selection of Comparable Companies

- Active Fit and Miroza are wholly owned subsidiaries of MESB. The total consolidated revenue of MESB for FYE 2022 was RM 198.5 million and the aggregate revenue of the Active Fit and Miroza was RM 189.1 million which represents approximately 95.3% of the total consolidated revenue of RM 198.5 million. Hence, the criteria set for selection of Comparable Companies is that the market capitalisation is less than RM 200 million.

- The total market capitalisation of MESB as at 26 August 2022 was RM 64 million. Hence, our selection criteria used is that the Comparable Company's market capitalisation is less than RM 200 million.

- Four companies were identified including MESB Berhad, that meets the criteria and are listed below:-

- Teo Guan Lee Corporation Berhad

DISPOSAL VALUATION CERTIFICATE *(CONT'D)*

- Cheetah Holdings Berhad
- Asia Brands Berhad
- MESB Berhad.

The details of each company's description, financial and valuation metrics are as presented in **Appendix 4 and 5.**

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DISPOSAL VALUATION CERTIFICATE *(CONT'D)*

3 KEY ASSUMPTIONS USED IN DETERMINING THE FAIR VALUE OF DISPOSAL COMPANIES

The key assumptions that are used in ascribing the fair value:-

Item number	Input metrics	Source of input metrics and its basis	Active Fit	MCD	Miroza
1		Percentage appraised for fair valuation	100%	100%	45%
2	Trailing pricing multiple in times (x)	P/B	1x	1x	1x
		P/E	7x	7x	7x
		EV/EBITDA	4x	4x	4x
3	Net asset value	Unaudited net assets as at 30 June 2022 in RM	9,853,073	2,493,510	71,657,721
4	EBITDA	FYE 30 June 2021 (audited), RM	4,184,000	(1,268)	11,893,000
		FYE 30 June 2022 (unaudited), RM	4,687,257	18,594	24,524,388
		Average, RM	4,435,629	17,326	18.208,694
5	PAT / (LAT)	FYE 30 June 2021 (audited), RM	3,305,557	(56,360)	6,506,000
		FYE 30 June 2022 (unaudited), RM	(10,633,474)	(41,905)	17,055,232
		Average, RM	(3,664,959)	(49,133)	11,780,616
6	Cash	FYE 30 June 2022 (unaudited), RM	15,202,804	325,993	50,800,989
7	Borrowings, non-operating liabilities, and lease liabilities	FYE 30 June 2022 (unaudited), RM	17,589,688* Included a provision for a payable to a third party licensor.	Nil	11,470,985
8		DLOM	A 15% DLOM is applied on the fair value derived for each Disposal Company computed using the P/E approach and EV/EBITDA approach.		

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4. FAIR EQUITY VALUE FOR DISPOSAL COMPANIES

Based on the use of Market Based Approach, the aggregate fair value for the entire equity interest in Active Fit and MCD and 45% equity interest in Miroza is between **RM 44.8 million** to **RM 51.2 million** with an average of **RM 48.0 million**.

<table>
<tr><th>Item number</th><th colspan="2">Disposal Companies</th><th>Minimum fair value range Effective share of net assets / adjusted net assets as at 30 June 2022 (unaudited)</th><th>Maximum fair value range Average of three approaches using the P/B multiple, P/E multiple and EV/EBITDA multiple</th><th>Approach 1- Effective share of the unaudited net assets as at 30 June 2022 (unaudited)</th><th>Approach 2 – P/E multiple of 7 times on average share of profit after tax attributable to Disposal Companies for FYE 2021 and FYE 2022.</th><th>Approach 3 – EV/EBITDA multiple of 4 times on average share of EBITDA attributable to Disposal Companies for FYE 2021 and FYE 2022.</th></tr>
<tr><td></td><td>Disposal Company</td><td>Effective interest appraised</td><td colspan="5">RM million</td></tr>
<tr><td>1</td><td>Active Fit</td><td>100%</td><td>9.9</td><td>11.5</td><td>9.9</td><td>Loss</td><td>13.1</td></tr>
<tr><td>2</td><td>Miroza</td><td>45%</td><td>32.2</td><td>35.6</td><td>32.2</td><td>31.5</td><td>42.9</td></tr>
<tr><td rowspan="2">3</td><td rowspan="2">MCD</td><td rowspan="2">100%</td><td colspan="5">Minimum and maximum fair value range for MCD is based on adjusted net assets approach.</td></tr>
<tr><td>2.7</td><td>4.1</td><td colspan="3">The minimum value of MCD is determined based on the unaudited adjusted net assets of MCD as at 30 June 2022 of RM 2.5 million and incorporating the revaluation surplus which translate to an unaudited adjusted net assets of RM 2.7 million and RM 4.1 million using the income approach and comparison approach respectively, for the investment property of a six storey terrace shop office bearing address no. 63, Jalan Tasik Selatan 8, Bandar Tasik Selatan, 57000 Kuala Lumpur owned by MCD.</td></tr>
<tr><td>4</td><td colspan="2">Total sum of parts</td><td>44.8</td><td>51.2</td><td colspan="3"></td></tr>
<tr><td></td><td colspan="2">Discount for Lack of Marketability ("DLOM")</td><td colspan="5">No discount of DLOM is applied on the minimum fair value range determined for each company.

A 15% DLOM is applied on the maximum fair value range appraised for Active Fit and Miroza determined using the average fair values determined using the P/E, P/B and EV/EBITDA approaches.</td></tr>
</table>

5. RISK CONSIDERATION IN FAIR VALUATION ASCRIBED

The fair valuation ascribed for Disposal Companies, could be affected by a number of major risk factors including as follows under the following broad categories amongst others: -

(i) In the use of market based approach it is assumed that the historical earnings trend measured by profitability and cash flow trend measured by EBITDA shall remain in the foreseeable future. Any future factors that contributes positively to future profitability and cash flow trend from its past historical results shall represent a premium to the fair value as appraised by us. Similarly, any future factors that contributes negatively to future profitability and cash flow trend from its past historical results shall represent a discount to the fair value as appraised by us.

(ii) In the fourth quarterly results of MESB for the financial year ended 30 June 2022 that was announced on 31 August 2022, it was reported that Active Fit may incur a potential liability covering from 1 March 2016 up to 30 June 2022, to its licensor for a sum of approximately RM18.10 million. For purpose of appraising the fair value results of Active Fit using the EV/EBITDA approach, a sum of RM 15.23 million was deducted from the enterprise value to arrive at the equity value. In the event that the actual amount owing to the licensor is higher, this shall translate to a discount to the fair value as appraised by us. Conversely, in the event that the actual amount owing to the licensor in lower, this shall translate to a premium to the fair value as appraised by us.

(iii) Any unforeseen factors has a negative effect on the brands licensed from third parties or brand portfolios that are owned by the Disposal Companies shall translate to a discount to the fair value ascribed by us.

(iv) Any deviations in the major assumptions as listed in Section 3 of this Valuation Certificate from the base case assumptions shall have a positive or negative effects of the fair value as appraised by us.

(v) Any unforeseen cost overrun that resulted in lower return of equity shall represent a discount to the fair value ascribed by us.

(vi) Global and regional economic activity which is dependent on a number of factors such as political and macro-economic factors beyond the control of Disposal Companies subjected to fair valuation exercise. Significant global events that affect the regional and global growth may translate to lesser business volumes and accordingly shall negatively affect the fair valuation. During such period, valuation metrics may also change as investors tend to become risk adverse in most asset classes of investments and hence requiring higher required rate of return in appraising its valuation during periods of uncertainties which translate to a lower fair value range.

(vii) Changes in investor's risk appetite in the equity capital markets may contribute either positively or negatively to the fair value as appraised by us. In circumstances that lead to risk aversion shall result in lesser weightings allocated to equity capital markets and hence causing the equity price to be lower than the fair value as ascribed. Conversely, in circumstances that lead to increasing risk appetite shall result in increased weights allocated to equity capital markets and hence causing the equity price to be higher than its fair value as ascribed.

DISPOSAL VALUATION CERTIFICATE *(CONT'D)*

APPENDIX 1 - Workings for computing the fair value using the median P/E multiple of 7 times

Currency: RM

Item number	Description	Active Fit	Miroza
1	Average PAT for FYE 2021 and FYE 2022.	(3,664,959)	11,780,616
2	Multiplied by median of P/E Multiple	7	7
3	Market value of 100% Equity Interest of the entity	Not appropriate to be used as the entity is loss making	82,464,312
4	Multiplied by effective interest for the percentage of equity stake appraised	100%	45%
5	Market value of equity interest appraised of the entity before DLOM Adjustments	[redacted]	37,108,940
6	Multiplied by adjustment DLOM of 15%	(1-15%)	(1-15%)
7	Fair market value of each entity after effective interest and adjustment for DLOM	[redacted]	31,542,599
8	Fair market value of each entity after effective interest and adjustment for DLOM in **RM million**	[redacted]	**31.5**

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DISPOSAL VALUATION CERTIFICATE *(CONT'D)*

APPENDIX 2 - Workings for computing the fair value using the median P/B multiple of 1 time applied on the audited carrying value of the net assets of Active Fit and Miroza and adjusted net assets of MCD as at 30 June 2022.

Item number	Description	Active Fit	Miroza
1	Net assets as at 30 June 2022, RM	9,853,073	71,657,721
2	Multiplied by P/B multiple	1	1
3	Market value of 100% equity interest of the entity, RM	9,853,073	71,657,721
4	Multiplied by effective interest for the percentage of equity stake appraised	100%	45%
5	Fair market value of each entity after effective interest, RM	9,853,073	32,245,974
6	Fair market value of each entity after effective interest in **RM million**	**9.9**	**32.2**

MCD owns a six storey terrace shop office bearing address no. 63, Jalan Tasik Selatan 8, Bandar Tasik Selatan, 57000 Kuala Lumpur, with a leasehold title maturing on June 29, 2087, that translate to a remaining tenure of approximately 65 years. ("**Property**"). The Property is held for investment purpose. The ground and fourth floor is rented while the other four remaining floors are vacant. As at 30 June 2022, the carrying value of the Property was RM 2,139,521

Item number	Description	MCD Minimum Value Based on Income Approach to value Property. Note 1	MCD Maximum Value Based on Income Approach to value Property Note 2
1	Adjusted net assets as at 30 June 2022,RM	2,734,933	4,135,474.
2	Multiplied by P/B Multiple	1	1
3	Market value of 100% equity interest of the entity, RM	2,734,933	4,135,474.
4	Multiplied by effective interest for the percentage of equity stake appraised	100%	100%
5	Fair market value of each entity after effective interest, RM	2,734,933	4,135,474.
6	Fair market value of each entity after effective interest in **RM million**	**2.7**	**4.1**

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DISPOSAL VALUATION CERTIFICATE *(CONT'D)*

For purpose of computing the fair value of the Property, two approaches have been adopted namely:-

Note 1- Income approach

In this approach it is assumed that all the six floors are rented out based on an extrapolation of the rents received from the two floors which is estimated at approximately RM 256,320 a year. The annual projected expenses to maintain the Property is RM 30,000 and this shall translate to an annual net cash flow after tax of RM 172,003. Based on an expected net capitalisaton rate of 7%, this shall translate to an appraised value of RM 2,457,183. When compared with the carrying value as at 30 June 2022 of RM 2,139,521 shall translate to a revaluation surplus of RM 317,662. Upon incorporating the deferred tax liability at a rate of 24%, shall translate to a net revaluation surplus of RM 241,423.

The unaudited net assets of MCD as at 30 June 2022 was RM 2,493,510. The adjusted net assets of MCD after incorporating the net revaluation surplus of RM 241,423 shall translate to a net adjusted net assets of MCD as at 30 June 2022 of RM 2,734,933. (i.e. **RM 2.7 million**, rounded to one decimal point in RM million)

Item number	Description	RM	RM	Notes
1	Aggregate monthly rental for first and fifth floor	7,120		
2	Annual monthly rental for first and fifth floor	85,440		
3	On assumption that all the six floors are rented to tenants		256,320	256,320 = 85,440 x 3
4	Less annual expense to maintain Property		(30,000)	
5	Projected annual cash flow before tax		226,320	
6	Corporate tax rate assumed at 24%		(54,317)	
7	Projected annual cash flow after tax		172,003	172,003 = 226,320 x (1-24%)
8	Capitalisation rate at 7%, i.e. annuity factor		14.2857	
9	Appraised value using the income approach		2,457,183	

Note 2 - Comparison approach

In this approach it is noted from a property valuation report dated 17 June 2022, the Property is appraised at RM 4,300,000. When compared with the carrying value as at 30 June 2022 of RM 2,139,521 shall translate to a revaluation surplus of RM 2,160,479. Upon incorporating the deferred tax liability at a rate of 24%, shall translate to a net revaluation surplus of RM 1,641,964.

The unaudited net assets of MCD as at 30 June 2022 was RM 2,493,510. The adjusted net assets of MCD after incorporating the net revaluation surplus of RM 1,641,964 shall translate to a net adjusted net assets of MCD as at 30 June 2022 of RM 4,135,474. (i.e. **RM 4.1 million**, rounded to one decimal point in RM million)

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DISPOSAL VALUATION CERTIFICATE *(CONT'D)*

Appendix 3 - Workings for computing the fair value using the median EV/EBITDA multiple of 4 times

Currency: RM

Item number	Description	Active Fit	Miroza
1	Average EBITDA for FYE 2021 and FYE 2022	4,435,629	18,208,694
2	Multiplied by median of EV/EBITDA Multiple	4	4
3	Enterprise value	17,742,516	72,834,776
4a	Add: Cash	15,202,804	50,800,989
4b	Add: Non-Operating Assets (RM)	Nil	Nil
5a	Less: Debt (RM)	2,359,342	11,470,985
5b	Less: Non-Operating Liabilities (RM)	15,230,346	Nil
6 = Σ 1 to 5	Market value of 100% equity interest of the entity Before DLOM adjustments	15,355,632	112,164,780
7	Multiplied by effective interest for the percentage of equity stake appraised	100%	45%
8 = 6 x 7	Market value of equity Interest appraised of the entity Before DLOM Adjustments	15,355,632	50,474,151
9	Multiplied by adjustment DLOM of 15%	(1-15%)	(1-15%)
10 = 8 x 9	Fair market value of each entity after effective interest and adjustment for DLOM	13,052,287	42,903,028
11	Fair market value of each entity after effective interest and adjustment for DLOM in **RM million**	**13.1**	**42.9**

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DISPOSAL VALUATION CERTIFICATE *(CONT'D)*

APPENDIX 4 – Comparable Companies

Comparable Companies	Latest available financial year ending	Description
Teo Guan Lee Corporation Berhad ("**TGL**")	30 June 2021	TGL is an investment holding company. TGL is involved in following activities:- - Apparels - manufactures, markets, distributes, and retails garments and related accessories in Malaysia. - Investment holding – property and equity investment - TGL also distributes baby and children's apparels, accessories, and toiletries, and sports and casual wear. It operates under the Cuddles, Kikilala, Garfield, Power Puff Gilrs, Tom & Jerry, Baby Tom & Jerry, Dora the Explorer, and Pronic brand names brand names. - As of June 30, 2021, the company operated 542 consignment outlets. In addition, it is involved in the property and equity investment activities. Teo Guan Lee Corporation Berhad was founded in 1934 and is headquartered in Perai, Malaysia.
Cheetah Holdings Berhad ("**Cheetah**")	30 June 2021	Cheetah is an investment holding company. Cheetah is involved in following activities:- - designs, develops, markets, and retails various garments and apparels, clothing, footwear, and accessories principally in Malaysia. It offers sports apparel and accessories, as well as casual wear for men, ladies, and children. - Cheetah distributes its products under the Cheetah Sports, Cheetah Ladies, Cheetah Junior, C. Union, C2 United, CTH Unlimited, CTH Ladies, Baby Cheetah, and Arissa brands, as well as licensee brands comprising Ladybird and GQ. The company was incorporated in 1977 and is based in Seri Kembangan, Malays
Asia Brands Berhad (**"Asia Brands"**)	31 March 2022	Asia Brands Berhad, an investment holding company. Asia Brands is involved in the following actiivites:- - wholesales, retails, and distributes ready-made casual wear, baby and children wear, lingerie and ladies wear, and related accessories primarily in Malaysia. It offers a range of baby products, including fashion-wear, feeding equipment, toiletries, diapers, accessories, strollers, playpens, bottle brushes, teats, car and booster seats, high-chairs and travel systems, bath and hooded towels, wipes, and apparel. - Asia Brands distributes its products under the Anakku, Disney Baby, First Care, MiniCare, and Hello Kitty Audrey, Cottonshop, Kawaii, and Lilian brands. - The company was formerly known as Hing Yiap Group Berhad and changed its name to Asia Brands Berhad in 2013. Asia Brands Berhad was incorporated in 1975 and is based in Klang, Malaysia.

DISPOSAL VALUATION CERTIFICATE *(CONT'D)*

Outliers / excluded companies that does not meet selected criteria.

Comparable Companies	Latest available financial year ending	Description
CRG Incorporated Berhad ("**CRG**")	30 June 2021	CRG is an investment holding company. CRG is involved in following activities:- - designs, markets, retails, and wholesales women's footwear, handbags, and accessories in Malaysia, Vietnam, Indonesia, and internationally. - CRG offers its products primarily under the Carlo Rino brand. CRG is also involved in the marketing and distribution of fashionable goods and accessories; and the provision of management consultancy services. The company sells its products through boutiques and departmental stores, as well as e-commerce stores. It operates 37 boutiques and outlets, and approximately 90 departmental store counters. CRG Incorporated Berhad was incorporated in 2009 and is headquartered in Kuala Lumpur, Malaysia.
Padini Holdings Berhad ("**Padini**")	30 June 2021	Padini is an investment holding company. Padini is involved in following activities:- - the retail of garments and ancillary products. It operates through Apparels and Footwear, and Management Service segments. The company deals in, promotes, and markets ladies' shoes, garments, and accessories; and children's garments and accessories. It also provides bags. - The company offers its products through retail stores, franchised outlets, and consignment counters primarily under the Vincci, Vincci Accessories, Vincci Mini, Padini Authentics, PDI, Padini, Seed, Miki, and P&Co brands. - It also provides management and electronic commerce services. The company operates 120 stores and franchised outlets, and 10 consignment counters stores in Malaysia and various markets overseas, such as Cambodia, Bahrain, Brunei, Myanmar, Oman, Qatar, Thailand, and the United Arab Emirates. Padini Holdings Berhad was founded in 1971 and is based in Shah Alam, Malaysia.
Bonia Corporation Berhad ("**Bonia**")	30 June 2021	Bonia is an investment holding company. Bonia is involved in following activities:- - the design, manufacture, promotion, marketing, distribution, wholesale, and retail of leatherwear, footwear, apparel, accessories, and eyewear for men and women. It operates through retailing and manufacturing. - Investment and property development segments. - Bonia sells its products under Bonia, Braun Buffel, Sembonia, Renoma, Valentino Rudy, and Santa Barbara Polo & Racquet Club brand names. It operates a network of approximately 1,200 sales outlets and 185 standalone boutiques in Malaysia, Singapore, China, Taiwan, Japan, Vietnam, Thailand, Cambodia, Myanmar, Indonesia, Brunei, the Philippines, Australia, Hong Kong, Kuwait, and Saudi Arabia, as well as an online store. Bonia Corporation Berhad was founded in 1974 and is headquartered in Kuala Lumpur, Malaysia.

DISPOSAL VALUATION CERTIFICATE *(CONT'D)*

APPENDIX 5 – Financial and valuation metrics of Comparable Companies

							Latest audited accounts available							
Item number	Comparable Companies	Brands	Notes	Share price on 26 August 2022, RM	Market capitalisation as on 26 August 2022, RM million	Financial year end	Revenue, RM million	PAT/(LAT), RM million	Net assets, RM million	Net margin, %	ROE, %	trailing P/E	trailing P/B	trailing EV/EBITDA
	Apparels / Leather goods / Accessories / Children / Undergarments													
1	Teo Guan Lee Corporation Berhad	Cuddles, Kikilala, Garfield, Power Puff Girls, Tom & Jerry, Baby Tom & Jerry, Dora the Explorer, and Pronic brand		1.05	86	30 June 2022 (unaudited)	105	6.3	94	6.0%	6.8%	5.4	0.8	3.3
3	Cheetah Holdings Berhad	Cheetah started in 1977 with "CHEETAH" brand launched in 1979. Since then, Cheetah and its Cheetah Sport, Cheetah Unlimited, Cheetah Ladies, Cheetah Junior, C. Union, C2 United, Baby Cheetah and Arissa which cater all categories of consumers such as men, ladies and children.	1	0.12	56	30 June 2022 (unaudited)	104	6.7	131	6.5%	5.1%	Loss	0.4	NM
4	Asia Brands Berhad	Anakku, Disney Baby, First Care, MiniCare, and Hello Kitty brands; and innerwear products and sleepwear lingerie under the Audrey, Cottonshop, Kawaii, and Lilian brand		0.56	130	31 March 2022	170	15.6	228	9.2%	6.9%	8.3	0.6	4.7
5	MESB Berhad	Jeep, Pierre Cardin, Feraud, Glamax, Alain Delon, Giossardi, Tocco Toscano, Crocodile and Ducati.	2	0.55	64	30 June 2021	137	9.2	82	6.7%	11.2%	7.0	0.8	0.7 (1)
	Average									7.1%	7.5%	6.9	0.6	4.0
	Median									6.6%	6.8%	7.0	0.7	4.0
	Minimum									6.0%	5.1%	5.4	0.4	3.3
	Maximum									9.2%	11.2%	8.3	0.8	4.7
	Outliers / Not selected as it does not meet selection criteria of Comparable Companies													
	CRG Incorporated Berhad	Caro Rino	3	0.21	169	30 June 2021	81	3.0	72	3.7%	4.2%	56.4 (2)	2.3	9.8
	Padini Holdings Berhad	Vinci Accessories, Vincci Mini, Padini Authentics, PDI, Padini. Seed, Miki, and P&Co	4	3.26	2,145 (3)	30 June 2022 (unaudited)	1,029	54.1	802	5.3%	6.7%	13.9	2.4	8.3
	Bonia Corporation Berhad	Braun Buffel, Sembonia, Valentino Rudy, Renoma, Santa Barbara Polo & Racquet Club	5	2.30	462 (4)	30 June 2022 (unaudited)	333	45.0	398	13.5%	11.3%	11.6	1.2	5.4
	By AER. Source: S&P Cap IQ Pro and annual reports													

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DISPOSAL VALUATION CERTIFICATE *(CONT'D)*

Key message:-

- The trailing P/E of the Comparable Companies ranges from 5.4 times to 8.3 times, with a median of 7.0 times

- The trailing EV/EBITDA of the Comparable Companies ranges from 3.3 times to 4.7 times, with a median of 4.0 times.

- The trailing P/B of the Comparable Companies ranges from 0.4 times to 0.8 times, with a median of 0.7 times

Notes:-

Note 1 Cheetah

- For the 12 months unaudited results for financial year ending 30 June 2022, Cheetah reported a loss after tax of RM 7.087 million.

Note 2 MESB

The EV/EBITDA of MESB of 0.7 times has been excluded as an outlier as compared with the median EV/EBITDA multiple of 4.0 times of the selected Comparable Companies

Note 3 CRG

- CRG (i.e., a company listed on LEAP market) is excluded as an outlier. The P/E of CRG is 56.4 times as compared with the median of the selected Comparable Companies of 7.0 times

- CRG's business model is different from the Disposal Companies, as CRG's sales are substantially driven by boutiques and department stores. However for the Disposal Companies are substantially from department stores such as Parkson Group, AEON, and the Store.

Note 4 Padini

- Padini has been excluded for reason as follows:-

(i) market capitalisation of RM 2.14 billion exceeds the selection criterial of size of market capitalisation of below RM 200 million

(ii) the business of Padini is international and domestic while the business of the Disposal Companies are within Malaysia.

Note 5 Bonia

- Bonia has been excluded for reason as follows:-

(i) market capitalisation of RM 462 million exceeds the selection criterial of size of market capitalisation of below RM 200 million

(ii) The P/E of Bonia is 11.6 times is relatively high as compared with the median of the selected Comparable Companies of 7.0 times

END OF REPORT