

THIS INDEPENDENT ADVICE CIRCULAR (“IAC”) IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. YOU SHOULD READ THIS IAC IN CONJUNCTION WITH THE OFFER DOCUMENT DATED 2 NOVEMBER 2020 ISSUED BY KAF INVESTMENT BANK BERHAD ON BEHALF OF THE JOINT OFFERORS (AS DEFINED HEREIN) WHICH HAS BEEN SENT TO YOU.

If you are in any doubt as to the action to be taken in relation to the Offer (as defined herein), please consult your stockbroker, solicitor, bank manager, accountant or other professional adviser immediately. If you have sold or transferred all your ordinary shares and warrants in MESB Berhad, you should at once hand this IAC to the purchaser or stockbroker or agent through whom you effected the sale or transfer for onward transmission to the purchaser or transferee of such Offer Securities (as defined herein).

Pursuant to Paragraph 11 of the Rules on Take-overs, Mergers and Compulsory Acquisitions, the Securities Commission Malaysia (“SC”) has notified that it has no further comments to the contents of this IAC. However, such notification shall not be taken to suggest that the SC agrees with our recommendations or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAC.



MESB BERHAD

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

**INDEPENDENT ADVICE CIRCULAR TO THE HOLDERS OF THE OFFER SECURITIES
IN RELATION TO THE CONDITIONAL MANDATORY TAKE-OVER OFFER**

BY

WONG SAK KUAN

AND

YAU MING TECK

(COLLECTIVELY, THE “JOINT OFFERORS”)

THROUGH

KAF INVESTMENT BANK BERHAD

(Registration No. 197401003530 (20657-W))

TO ACQUIRE

- (I) ALL THE REMAINING ORDINARY SHARES IN MESB BERHAD (“MESB”) NOT ALREADY OWNED BY THE JOINT OFFERORS AND SUCH NUMBER OF NEW ORDINARY SHARES IN MESB THAT MAY BE ISSUED AND ALLOTTED PRIOR TO THE CLOSING DATE (AS DEFINED HEREIN) ARISING FROM THE EXERCISE OF THE OUTSTANDING WARRANTS IN MESB NOT ALREADY OWNED BY THE JOINT OFFERORS (“OFFER SHARES”); AND**
- (II) ALL THE REMAINING UNEXERCISED OUTSTANDING WARRANTS IN MESB NOT ALREADY OWNED BY THE JOINT OFFERORS (“OFFER WARRANTS”),**

FOR A CASH OFFER PRICE OF RM0.315 PER OFFER SHARE AND RM0.015 PER OFFER WARRANT (“OFFER”)

Independent Adviser



(Registration No.: 201301002419 (1032257-D))

This Independent Advice Circular is dated 12 November 2020

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this IAC and the accompanying appendices:

- “Acceptance Condition” : The condition where the Joint Offerors having received Valid Acceptances by the Closing Date (provided that such acceptances are not, where permitted, subsequently withdrawn), which, together with such MESB Shares that have been acquired, held or entitled to be acquired or held by the Joint Offerors, will result in the Joint Offerors holding in aggregate more than 50.00% of the voting shares in MESB
- “Accepting Holders” : Holders who accept the Offer in accordance with the terms and conditions set out in the Offer Document
- “Acquisitions” : Acquisitions of a total of 29,487,104 MESB Shares, representing approximately 27.79% of the equity interest in MESB, for a total cash consideration of RM8,846,131.20 or RM0.30 per MESB Share via direct business transactions on 12 October 2020
- “Act” : Companies Act 2016, as amended from time to time including any re-enactment thereof
- “Board” : Board of Directors of MESB
- “Bursa Depository” : Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
- “Bursa Securities” : Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
- “Closing Date” : First Closing Date or in the event the Offer is extended or revised in accordance to the Rules, such extended or revised closing date(s) as the Joint Offerors may decide and as may be announced by KAF IB, on behalf of the Joint Offerors, at least 2 days before the closing date
- “CMCO” : Conditional Movement Control Order
- “CMSA” : Capital Markets and Services Act, 2007, as amended from time to time and any re-enactment thereof
- “Directors” : Directors of MESB
- “Dissenting Holder(s)” : Any Holder who does not accept the Offer and/or failed or refused to transfer the Offer Securities to the Joint Offerors in accordance with the terms and conditions of the Offer Document
- “Distribution(s)” : Any dividend and/or distribution that MESB declares and/or pays to its shareholders
- “First Closing Date” : 5:00 p.m. (Malaysian time) on Monday, 23 November 2020, being the day falling 21 days from the Posting Date
- “Forms of Acceptance and Transfer” : The forms of acceptance and transfer for the Offer Shares and Offer Warrants, as enclosed with the Offer Document
- “FPE” : Financial period ended or ending, as the case may be

DEFINITIONS (Cont'd)

“FYE”	:	Financial year ended or ending, as the case may be
“Holder(s)”	:	Holder(s) of the Offer Securities
“IAC”	:	Independent advice circular to the Holders dated 12 November 2020 in relation to the Offer, comprising the letter from MESB Board, IAL from DWA Advisory and accompanying appendices
“IAL”	:	Independent advice letter to the Holders as contained in Part B of this IAC
“Independent Adviser” or “DWA Advisory”	:	DWA Advisory Sdn Bhd (Registration No. 201301002419 (1032257-D)), the Independent Adviser appointed by the Board in accordance with Paragraph 3.06 of the Rules to advise the non-interested directors of MESB and the Holders in relation to the Offer
“Independent Valuer”	:	Henry Butcher Malaysia Sdn Bhd (Registration No. 198701001968 (160636-P))
“Joint Offerors”	:	Wong Sak Kuan and Yau Ming Teck, collectively
“KAF IB”	:	KAF Investment Bank Berhad (Registration No. 197401003530 (20657-W))
“KLCSU”	:	Bursa Malaysia Consumer Product Index
“Listing Requirements”	:	Main Market Listing Requirements of Bursa Securities, as amended from time to time
“LPD”	:	5 November 2020, being the latest practicable date, which is not more than 7 days before the date of this IAC
“LTD”	:	9 October 2020, being the last full trading day prior to the date of the Notice
“Market Day”	:	Any day on which Bursa Securities is open for trading of securities
“MCO”	:	Movement Control Order
“MESB” or “Company” or “Offeree”	:	MESB Berhad (Registration No. 199501008356 (337554-D))
“MESB Group” or “Group”	:	MESB and its subsidiary companies, collectively
“MESB Shares” or “Shares”	:	Ordinary shares in MESB
“MESB Warrants” or “Warrants”	:	40,950,000 existing outstanding warrants 2017/2022 in MESB which can be exercised into 40,950,000 new MESB Shares
“NA”	:	Net assets
“Non-resident Holder(s)”	:	Holder (including without limitation, any custodian, agent, representative, nominee and trustee of the Holder) who is a citizen or national of, or resident in, or has a registered address in a jurisdiction outside Malaysia, or is incorporated or registered with, or approved by any authority outside Malaysia or is a non-resident within the definition prescribed under the Financial Services Act, 2013
“NBV”	:	Net book value

DEFINITIONS (Cont'd)

“Notice”	:	Notice of the Offer dated 12 October 2020 issued by KAF IB, on behalf of the Joint Offerors, and served on the Board
“Offer”	:	Conditional mandatory take-over offer by the Joint Offerors, through KAF IB, to acquire the Offer Securities at the Offer Price in accordance with the terms and conditions set out in the Offer Document, including any revision thereof
“Offer Document”	:	Offer document dated 2 November 2020 which contains the details and terms and conditions of the Offer together with the Forms of Acceptance and Transfer, issued by KAF IB on behalf of the Joint Offerors
“Offer Document LPD”	:	27 October 2020, being the latest practicable date prior to the Posting Date
“Offer Period”	:	The period commencing from 12 October 2020, being the date of the Notice and expiring on: (i) the Closing Date; or (ii) the date on which the Offer lapses or is withdrawn with the prior written consent of the SC
“Offer Price”	:	The Shares Offer Price and Warrants Offer Price, collectively
“Offer Securities”	:	The Offer Shares and Offer Warrants, collectively
“Offer Shares”	:	All the remaining MESB Shares not already owned by the Joint Offerors and such number of new MESB Shares that may be issued and allotted prior to the Closing Date arising from the exercise of the outstanding MESB Warrants not already owned by the Joint Offerors. As at the date of the Notice, the number of MESB Shares which are not already held by the Joint Offerors is 59,267,896 MESB Shares, representing approximately 55.86% of the total number of issued MESB Shares
“Offer Warrants”	:	All the 40,950,000 MESB Warrants not already owned by the Joint Offerors, representing 100.00% of the total outstanding MESB Warrants as at the date of the Notice
“PAT/(LAT)”	:	Profit/(loss) after taxation
“Posting Date”	:	2 November 2020, being the date of despatch of the Offer Document
“Public Spread Requirement”	:	The requirement pursuant to Paragraph 8.02(1) of the Listing Requirements which stipulated that a listed issuer must ensure that at least 25% of its total listed shares (excluding treasury shares) are held by public shareholders to ensure its continued listing on the Main Market of Bursa Securities
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“Rules”	:	Rules on Take-overs, Mergers and Compulsory Acquisitions as issued by the SC
“RNAV”	:	Revalued Net Asset Value/Valuation, as the case may be
“RPGT”	:	Real Property Gains Tax

DEFINITIONS (Cont'd)

"SC"	:	Securities Commission Malaysia
"Share Offer Price"	:	Cash consideration for the Offer Shares, being RM0.315 per Offer Share, subject to any adjustment, where applicable, in the manner set out in Section 2.1 of the Offer Document
"sq. ft"	:	Square feet
"sq. m"	:	Square metre
"Valid Acceptance"	:	The acceptance of the Offer by a Holder in accordance with the terms and conditions of the Offer Document, which is deemed by the Joint Offerors to be valid and complete in all aspects
"VWAMP"	:	Volume-weighted average market price
"Warrant Offer Price"	:	Cash consideration for the Offer Warrants, being RM0.015 per Offer Warrant

In this IAC, the words denoting the singular shall, where applicable, include the plural and vice versa. Words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include companies or corporations, unless otherwise specified.

Where a period specified in the Rules, as appearing in this IAC, ends on a day which is not a Market Day, the period is extended until the next Market Day.

All references to "**you**" or "**Holder**" in this IAC are to each Holder, being the person to whom the Offer is being made.

All references to "**we**", "**us**" and "**our**" in this IAC are to DWA Advisory, the Independent Adviser.

All references to dates and times in this IAC shall be references to Malaysian dates and times, unless otherwise indicated.

Any reference in this IAC to any enactment or guideline in this IAC is reference to that enactment or guideline as amended or re-enacted from time to time.

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

This executive summary highlights the salient information of the Offer. We advise Holders to read carefully both Part A: Letter from the Board and Part B: IAL from DWA Advisory for their views and recommendations in relation to the Offer.

1. DETAILS OF THE OFFER

On 12 October 2020, KAF IB had, on behalf of the Joint Offerors, served the Notice on the Board in accordance with Paragraph 9.10(1)(b)(i) of the Rules. The Board had, on the same day, announced the receipt of the Notice and a copy of the Notice was subsequently despatched to the Holders on 16 October 2020.

On 13 October 2020, the Board had appointed DWA Advisory as the Independent Adviser to provide comments, opinions, information and recommendation in relation to the Offer to the non-interested directors of MESB and the Holders in accordance with Paragraph 3.06 of the Rules.

As at the Offer Document LPD:

- (i) The Joint Offerors collectively hold 46,832,104 MESB Shares, representing approximately 44.14% equity interest in MESB but they do not hold any MESB Warrants;
- (ii) there are no persons acting in concert with the Joint Offerors in relation to the Offer that hold Shares in MESB pursuant to Section 216 of the CMSA; and
- (iii) the Joint Offerors have not received any irrevocable undertaking from any Holder to accept or reject the Offer.

On 10 November 2020, the SC had notified that it has no further comments to the contents of this IAC. However, such notification shall not be taken to suggest that the SC agrees with the recommendations contained herein or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAC.

The purpose of this IAC is to provide you with relevant information on the Offer, Directors' views and recommendation on the Offer together with the recommendation of DWA Advisory. You are advised to read both this IAC and the Offer Document and consider carefully the recommendations contained herein before taking any action.

2. TERMS AND CONDITIONS OF THE OFFER

The terms and conditions of the Offer are set out below:

2.1 Consideration for the Offer

The Joint Offerors will pay a cash consideration of RM0.315 per Offer Share and RM0.015 per Offer Warrant respectively to the Accepting Holders.

Notwithstanding the above, if MESB declares and/or pays any Distribution on or after the date of the Notice but prior to the Closing Date and the Holders are entitled to retain such Distributions, the Joint Offerors shall reduce the Share Offer Price by the quantum of the Distribution per Offer Share which the Holders are entitled to retain. For avoidance of doubt, any reduction in the Shares Offer Price arising from the Distribution will not result in a reduction in the Warrants Offer Price. Hence, the Warrants Offer Price will remain the same notwithstanding the Distribution.

As at the LPD, MESB has not declared any Distribution which is payable on or after the date of the Notice.

Holders may accept the Offer in respect of all or any part of their Offer Securities. The Joint Offerors will not pay fractions of a sen, if any, to the Accepting Holders. Therefore, the cash consideration payable to the Accepting Holders will be rounded down to the nearest whole sen.

2.2 Condition of the Offer

The Offer is conditional upon the Joint Offerors having received Valid Acceptances by the Closing Date (provided that such acceptances are not, where permitted, subsequently withdrawn), which, together with such MESB Shares that have been acquired, held or entitled to be acquired or held by the Joint Offerors, will result in the Joint Offerors holding in aggregate more than 50.00% of the voting shares in MESB.

The Acceptance Condition shall be fulfilled no later than 5:00 p.m. (Malaysian time) on or before the Closing Date, which shall not be later than the 60th day from the Posting Date, failing which the Offer shall lapse and all acceptances shall be returned to the Accepting Holders and the Joint Offerors will thereafter, cease to be bound by any such prior acceptances of the Offer.

2.3 Duration of the Offer

The Offer will remain open for acceptances until 5:00 p.m. (Malaysian time) on Monday, 23 November 2020, being the First Closing Date, or such later date(s) as the Joint Offerors may decide, as may be announced by KAF IB on behalf of the Joint Offerors, at least 2 days before the Closing Date. Notice of such extension or revision will be posted to the Holders accordingly.

Please refer to Section 2 of Appendix I of the Offer Document for further details on the duration of the Offer.

2.4 Method of settlement

Except with the consent of the SC and the Joint Offerors' right to reduce the Shares Offer Price as set out in Section 2.1 of the Offer Document, the Joint Offerors will settle the consideration in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counter claim or other analogous rights to which the Joint Offerors may be entitled against the Accepting Holders. However, this is without prejudice to the Joint Offerors' right to make any claim against the Accepting Holders after such full settlement in respect of a breach of any of the warranties as set out in Section 1 of Appendix I of the Offer Document.

Subject to Valid Acceptances received under the Offer, the settlement of the consideration for the Offer will be effected via remittance in the form of cheque(s), banker's draft(s) or cashier order(s) which will be despatched by ordinary mail to the Accepting Holders (or their designated agent(s), as they may direct) at the Accepting Holders' registered Malaysian addresses last maintained with Bursa Depository at their own risk within 10 days from:

- (i) the date the Offer becomes or is declared wholly unconditional, if the Valid Acceptances are received during the period the Offer is still conditional; or
- (ii) the date of receipt of the Valid Acceptances, if the Valid Acceptances are received after during the period the Offer is or has become or has been declared wholly unconditional.

Non-resident Holders are advised that the settlement for the acceptances of the Offer will be made in RM. Non-resident Holders who wish to convert the consideration received into foreign currency for repatriation may do so after the Non-resident Holders' payment of the appropriate fee and/or charges as levied by the respective financial institutions.

EXECUTIVE SUMMARY

Please refer to Appendix I of the Offer Document for further information on the other terms of the Offer and Appendix II of the Offer Document for details on the procedures for acceptance and method of settlement of the Offer.

3. DETAILS OF ACCEPTANCES

As disclosed in Section 1 of the Offer Document, as at the Offer Document LPD, the Joint Offerors have not received any irrevocable undertaking from any Holder to accept or reject the Offer.

As at the LPD, there is no announcement made by KAF IB on behalf of the Joint Offerors of any acceptance of the Offer.

4. EVALUATION OF THE OFFER

In arriving at its conclusion and recommendation, DWA Advisory has assessed the fairness and reasonableness of the Offer in accordance with Paragraphs 1 to 6 under Schedule 2: Part III of the Rules, where the term “fair and reasonable” should generally be analysed as 2 distinct criteria, i.e. whether the offer is “fair” and whether the offer is “reasonable”, rather than as a composite term.

4.1 Fairness of the Offer

The assessment of the fairness of the Offer is based on the following factors, details of which are set out in Section 6 of Part B of this IAC:

(i) Valuation of MESB Shares

In arriving at the fair value of MESB Shares, DWA Advisory has adopted RNAV methodology for the investment properties held under MESB. DWA Advisory views that the RNAV methodology to be the most appropriate method to estimate the value of MESB Shares for the reasons as set out in Section 6 of Part B of this IAC.

Based on the RNAV methodology, DWA Advisory has derived an estimated value for the entire equity interest in MESB of approximately RM74.56 million or an estimated value per MESB Share of RM0.70.

Further information on the assessment on the valuation of MESB Shares is set out in Section 6.1 of Part B of this IAC.

(ii) Historical price performance of MESB Shares

The Share Offer Price represents:

- (a) a **discount** of 1.56% over the last transacted market price of MESB Shares on the LTD;
- (b) a **discount** of 4.43% against the 5-day VWAMP of MESB Shares up to and including the LTD;
- (c) a **premium** of between 7.11% and 18.51% against the 1-month, 3-month, 6-month and 1-year VWAMP of MESB Shares up to and including the LTD;
- (d) a **discount** of 22.91% against the 5-day VWAMP of MESB Shares up to and including the LPD; and
- (e) a **discount** of 25.88% over the last transacted market price of MESB Shares as at the LPD.

(iii) Valuation of MESB Warrants

In arriving at the theoretical value of MESB Warrants, DWA Advisory has adopted trinomial option pricing model.

Based on the trinomial option pricing model, DWA Advisory has arrived at a theoretical value of approximately RM0.1650 for each Offer Warrant.

Further information on the assessment on the valuation of MESB Warrants is set out in Section 6.3 of Part B of this IAC.

(iv) Historical price performance of MESB Warrants

The Warrant Offer Price represents:

- (a) a **discount** of 92.31% over the last transacted market price of MESB Warrants as at the LTD;
- (b) a **discount** of between 88.34% and 92.86% against the 5-day, 1-month, 3-month, 6-month and 1-year VWAMP of MESB Warrants up to the LTD;
- (c) a **discount** of 92.39% against the 5-day VWAMP of MESB Warrants up to the LPD; and
- (d) a **discount** of 92.68% over the last transacted market price of MESB Warrants as at the LPD.

The Share Offer Price of RM0.315 represents:

- (i) a **discount** of RM0.39 or approximately 55.18% over the estimated fair value per MESB Share of RM0.70 derived from the RNAV methodology; and
- (ii) a **premium** between 7.11% to 18.51% against the 1-month, 3-month, 6-month and 1-year VWAMP of MESB Shares up to and including the LTD.

The Warrant Offer Price of RM0.015 represents:

- (i) a **significant discount** of RM0.15 or approximately 90.91% to the theoretical value of the MESB Warrants computed based on the trinomial option pricing model; and
- (ii) a **discount** between 88.34% and 92.86% over the historical market prices of the MESB Warrants.

Premised on the above, we are of the view that the Offer is NOT FAIR.

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4.2 Reasonableness of the Offer

In assessing the reasonableness of the Offer, we have taken into consideration the following factors, details of which are set out in Section 7 of Part B of this IAC:

- (i) Although the Joint Offerors intend to maintain the listing status of MESB on the Main Market of Bursa Securities, the Holders should note that MESB Shares and MESB Warrants are relatively **illiquid** as compared to the trading liquidity turnover of the shares and warrants of the KLCSU.

Hence, Holders may have limited opportunities or it may require a longer time for Holders to dispose their Offer Securities in the open market after the Closing Date; and

- (ii) In the absence of a competing offer, the Offer provides an opportunity for the Holders to realise their investments in MESB at the Offer Price regardless of their holdings on an immediate basis during the Offer Period.

Further, in view that the Joint Offerors hold a controlling stake of approximately 44.14% in MESB as at the Offer Document LPD, any competing offer will unlikely be successful unless with their support. In addition, the Board had also announced that it does not intend to seek another person to make an alternative take-over offer.

Unless the Joint Offerors are required to abstain from voting on resolutions sought at shareholders' general meetings of the Company, they are able to, through casting of their votes which represent 44.14% of the total voting shares in MESB, vote down any special resolutions tabled at shareholders' general meetings (as such resolutions require approval from at least 75% of the total votes cast).

Premised on the above, we are of the view that the Offer is REASONABLE.

5. RECOMMENDATION

Premised on the above evaluation, DWA Advisory is of the opinion that the Offer is **NOT FAIR** but **REASONABLE**.

Accordingly, DWA Advisory recommends that the Holders to **ACCEPT** the Offer. Please refer to Sections 6 and 7 of Part B of this IAC for further details.

If you wish to accept the Offer, you may realise your investment in the Offer Securities at a lower price as compared to the prevailing closing prices of the Offer Shares and Offer Warrants as set out in Sections 6.1 and 6.3 of this IAL.

Notwithstanding the above, Holders who wish to exit their investments in MESB can consider selling the MESB Shares and/or MESB Warrants in the open market if they are able to obtain a price higher than the Offer Price, net of transaction cost. Holders should note that the share prices of MESB have been trading above the Share Offer Price after the date of Notice up until the LPD. The warrant prices of MESB have been trading above the Warrant Offer Price for the past 1 year up until the LPD. Holders of the MESB Warrants should also take note that the expiry date of the MESB Warrants is on 30 December 2022.

The Directors, after careful assessment of the terms and conditions of the Offer as contained in the Offer Document and the evaluation as contained in this IAC, have **CONCURRED** with the opinion of the DWA Advisory that the Offer is **NOT FAIR** but **REASONABLE**. Accordingly, the Directors also concur with the Independent Adviser's recommendation that you **ACCEPT** the Offer.

EXECUTIVE SUMMARY

6. IMPORTANT DATES AND EVENTS

The important relevant dates in relation to the Offer are as follows:

Events	Dates
Date of Notice	12 October 2020
Posting of the Offer Document	2 November 2020
Last day for the Independent Adviser to issue this IAC	12 November 2020
First Closing Date ⁽ⁱ⁾	23 November 2020

Note:

- (i) *For the avoidance of doubt, the Offer will remain open for acceptances until 5:00 p.m. (Malaysian time) on Monday, 23 November 2020, being the First Closing Date, unless revised or extended in accordance with the Rules. Any such revision or extension will be announced by KAF IB, on behalf of the Joint Offerors, at least 2 days before the Closing Date, and notice of such revision or extension will be posted to you accordingly.*

HOLDERS ARE ADVISED TO READ THE OFFER DOCUMENT AND THIS IAC THOROUGHLY, FOR MORE INFORMATION AND NOT RELY SOLELY ON THIS EXECUTIVE SUMMARY BEFORE FORMING AN OPINION ON THE OFFER.

HOLDERS ARE ADVISED TO CONSIDER CAREFULLY THE INFORMATION CONTAINED IN THE OFFER DOCUMENT AND THIS IAC BEFORE MAKING A DECISION ON THE COURSE OF ACTION TO BE TAKEN.

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PART A

LETTER FROM THE BOARD



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

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

12 November 2020

Board of Directors:

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

To: The Holders

Dear Sir/Madam,

CONDITIONAL MANDATORY TAKE-OVER OFFER BY THE JOINT OFFERORS THROUGH KAF INVESTMENT BANK BERHAD TO ACQUIRE THE OFFER SHARES AND OFFER WARRANTS AT A CASH CONSIDERATION OF RM0.315 PER OFFER SHARE AND RM0.015 PER OFFER WARRANT RESPECTIVELY

1. INTRODUCTION

On 12 October 2020, the Joint Offerors had acquired a total of 29,487,104 MESB Shares, representing approximately 27.79% of the equity interest in MESB, for a total cash consideration of RM8,846,131.20 or RM0.30 per MESB Share. The Acquisitions were effected via direct business transactions from the following parties:

- (i) 18,411,148 Shares, representing approximately 17.35% equity interest in MESB from Angsana Inai Sdn Bhd;
- (ii) 7,271,550 Shares, representing approximately 6.85% equity interest in MESB from Konwa Industrial Sewing Machine (M) Sdn Bhd; and
- (iii) 3,804,406 Shares, representing approximately 3.59% equity interest in MESB from Yew Kuok Yee.

In relation to the foregoing, the Joint Offerors confirmed that there isn't any arrangement or agreement entered into with the aforesaid vendors of the Acquisitions that would lead to any favourable deal.

Prior to the Acquisitions, the Joint Offerors collectively hold 17,345,000 MESB Shares, representing approximately 16.35% equity interest in MESB, but they do not hold any MESB Warrants. Upon completion of the Acquisitions, the Joint Offerors collectively hold 46,832,104 MESB Shares, representing an increase from approximately 16.35% to 44.14% equity interest in MESB. Although the Joint Offerors do not have any nominee on the current Board as at the Offer Document LPD, they intend to nominate themselves (or any other nominated party(ies)) to be a member of the Board after closing of the Offer.

Pursuant to Section 218(2) of the CMA and Paragraph 4.01(a) of the Rules, the Joint Offerors are extending a mandatory take-over offer for the Offer Securities. On 12 October 2020, KAF IB had, on behalf of the Joint Offerors, served the Notice on the Board in accordance with Paragraph 9.10(1)(b)(i) of the Rules. The Board had, on the same day, announced the receipt of the Notice and a copy of the Notice was subsequently despatched to the Holders on 16 October 2020.

On 13 October 2020, the Board had appointed DWA Advisory as the Independent Adviser to provide comments, opinions, information and recommendation in relation to the Offer to the non-interested directors of MESB and the Holders in accordance with Paragraph 3.06 of the Rules. Following thereto, DWA Advisory had via its letter dated 15 October 2020 declared its independence from any conflict of interest or potential conflict of interest in its capacity as the Independent Adviser in relation to the Offer.

The Offer is conditional upon the fulfilment of the Acceptance Condition.

As at the Offer Document LPD:

- (i) The Joint Offerors collectively hold 46,832,104 MESB Shares, representing approximately 44.14% equity interest in MESB but they do not hold any MESB Warrants;
- (ii) there are no persons acting in concert with the Joint Offerors in relation to the Offer that hold Shares in MESB pursuant to Section 216 of the CMA; and
- (iii) the Joint Offerors have not received any irrevocable undertaking from any Holder to accept or reject the Offer.

In addition to this IAC, you should have by now received a copy of the Offer Document dated 2 November 2020 which sets out the details, terms and conditions of the Offer together with the procedures for acceptance and method of settlement of the Offer.

On 10 November 2020, the SC had notified that it has no further comments to the contents of this IAC. However, such notification shall not be taken to suggest that the SC agrees with the recommendations contained herein or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAC.

The purpose of this IAC is to provide you with relevant information on the Offer, Directors' views and recommendation on the Offer together with the recommendation of DWA Advisory.

You are advised to read both this IAC and the Offer Document and consider carefully the recommendations contained herein before taking any action.

You should take note that in the event of any further restriction to movement due to the implementation of the CMCO by the government of Malaysia or any other emergency, electronic documentation and service may be the only mode that can be employed. As such, it is important for you to register your e-mail address with Bursa Depository via:

- (i) https://www.bursamalaysia.com/trade/our_products_services/central_depository_system/request_for_estatement; or
- (ii) Bursa Anywhere mobile application which can be downloaded from Google Play Store or Apple App Store.

2. TERMS AND CONDITIONS OF THE OFFER

The salient terms and conditions of the Offer are set out in Section 2 of Part B of this IAC. Please refer to Appendix I of the Offer Document for full terms and conditions of the Offer and Appendix II of the Offer Document for the procedures for acceptance and method of settlement of the Offer.

3. DETAILS OF ACCEPTANCES

As disclosed in the Offer Document, as at the Offer Document LPD, the Joint Offerors have not received any irrevocable undertaking from any Holder to accept or reject the Offer.

As at the LPD, there is no announcement made by KAF IB on behalf of the Joint Offerors of any acceptance of the Offer.

4. DIRECTORS' VIEWS

4.1 Rationale for the Offer

The Directors have noted the rationale for the Offer as set out in Section 3 of the Offer Document:

- (i) The Acquisitions were undertaken for the Joint Offerors to increase their collective shareholdings in MESB from 16.35% to 44.14%, with the aim of gaining control over MESB Group. The Acquisitions allow the Joint Offerors the flexibility to participate as shareholders in MESB Group's business;
- (ii) The Joint Offerors believe that, with their background and experience particularly in construction, land logistics and recycling, they may be able to enhance MESB Group's earnings by exploring opportunities and diversifying its existing core business, if appropriate;
- (iii) The Offer is a mandatory obligation pursuant to Section 218(2) of the CMSA and Paragraph 4.01(a) of the Rules, as the Joint Offerors collectively hold 46,832,104 MESB Shares, representing an increase from approximately 16.35% to 44.14% equity interest in MESB, upon the completion of the Acquisitions; and
- (iv) The Offer will provide an equal opportunity to the Holders to realise their investment in the Offer Shares at the Shares Offer Price, which represents the highest price (excluding stamp duty and commission) paid by the Joint Offerors for the Offer Securities during the past 6 months prior to the Offer Period and up to the Offer Document LPD.

4.2 Future plans for MESB Group and its employees

The Directors have noted the following intentions of the Joint Offerors in respect of the future plans and employees of MESB Group as stated in Section 6 of the Offer Document:

- (i) Continuation of the Group's business

The Joint Offerors intend to continue with the Group's existing business after the completion of the Offer. However, the Joint Offerors will, from time to time, review the Group's business and operations and, if deemed appropriate, effect such appropriate rationalisation, reorganisation and/or arrangements, including diversification from the existing core business of MESB Group, if deemed appropriate, through leveraging on the experience and business interests of Wong Sak Kuan (as one of the Joint Offerors), particularly in construction, land logistics and recycling, with the aim of improving the overall financial performance and prospects of MESB Group;

(ii) Major changes to the Group's business

The Joint Offerors do not have any immediate plan or intention to introduce or effect any major change to the business of the Group, liquidate any company within the Group or dispose of any major assets or re-deploy the fixed assets of the Group. Nonetheless, the Joint Offerors may, from time to time, explore potential opportunities, including diversification into new business segments, such as construction, land logistics and recycling, and effect certain changes and/or dispose of certain assets of the Group in line with any rationalisation, reorganisation and/or arrangement of the Group as the Joint Offerors consider appropriate and suitable.

(iii) Employees of the Group

The Joint Offerors have no plan to dismiss or make redundant any existing employees of the Group as a direct consequence of the Offer. Nevertheless, subject to the review of the Group's operations to be undertaken by the Joint Offerors, there may be actions taken as a result of rationalisation and/or restructuring of the business activities and/or to further improve efficiency of the operations of the Group. Such changes may include a reorganisation of the Group's senior management which may result in changes to senior personnel, including at the Board's level.

Notwithstanding the above, the Joint Offerors retain the flexibility to consider any options/opportunities, from time to time, which are deemed to be in the best interest of the Group.

4.3 Listing status of MESB

The Directors take note that the **Joint Offerors intend to maintain the listing status of MESB on the Main Market of Bursa Securities.**

Please refer to Section 8.1 of Part B of this IAC for further details.

4.4 Compulsory Acquisition and rights of Dissenting Holders

The Directors take note that **the Joint Offerors do not intend to invoke the provisions of Section 222(1) of the CMSA** to compulsorily acquire any outstanding Offer Securities for which Valid Acceptances have not been received prior to the Closing Date even if the conditions stipulated in Section 222(1) of the CMSA are fulfilled.

The Directors also take note that notwithstanding the above and subject to Section 224 of the CMSA, Section 223 of the CMSA provides that if the Joint Offerors receive Valid Acceptances from the Holders resulting in the Joint Offerors holding not less than nine-tenths in the value of all the shares in MESB on or before the Closing Date, a Dissenting Holder may exercise his/her/its rights under Section 223(1) of the CMSA, by serving a notice on the Joint Offerors to require the Joint Offerors to acquire his/her/its Offer Securities on the same terms as set out in the Offer Document or such other terms as may be agreed between the Joint Offerors and such Dissenting Holder.

Please refer to Section 8.2 of Part B of this IAC for further details.

5. INDEPENDENT ADVICE LETTER

The Holders are advised to read and consider the views and recommendation of DWA Advisory, the Independent Adviser appointed by the Board in accordance with Paragraph 3.06 of the Rules to provide comments, opinions, information and recommendation to the Holders on the fairness and reasonableness of the Offer. The IAL is included in Part B of this IAC.

6. DISCLOSURE OF DIRECTORS' INTEREST

None of the Directors have any interest (direct and indirect) in MESB Shares and MESB Warrants as at the LPD.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Board has seen and approved the contents of this IAC. The Board, jointly and severally, accepts full responsibility for the accuracy and completeness of the information contained in this IAC (*save for the view and recommendation of DWA Advisory*) and confirms, after having made all reasonable enquiries, that to the best of their knowledge, the opinions expressed in this IAC have been arrived at after due and careful consideration and there are no other facts not contained in this IAC, the omission of which would make any statement in relation thereto false or misleading.

The responsibility of the Board in respect of:

- (i) the information relating to the Joint Offerors (as extracted from the Offer Document and other publicly available information) is limited to ensuring that such information is accurately reproduced in this IAC; and
- (ii) the independent advice and expression of opinion by DWA Advisory in relation to the Offer as set out in Part B of this IAC is limited to ensuring that accurate information in relation to MESB Group was provided to DWA Advisory for its evaluation of the Offer and to ensure that all information in relation to MESB Group that are relevant to DWA Advisory's evaluation of the Offer have been completely disclosed to DWA Advisory and that there is no material fact, the omission of which would make any information provided to DWA Advisory false or misleading.

8. DIRECTORS' RECOMMENDATION

After considering all aspects of the Offer such as fairness and reasonableness of the Offer and the evaluation and recommendation by DWA Advisory as set out in Part B of this IAC, the Directors have **CONCURRED** with the opinion of DWA Advisory that the Offer is **NOT FAIR** but **REASONABLE**.

Accordingly, the Directors also concur with DWA Advisory's recommendation that you **ACCEPT** the Offer.

YOU ARE ADVISED TO CONSIDER CAREFULLY THE INFORMATION CONTAINED IN THE OFFER DOCUMENT AND THIS IAC BEFORE MAKING A DECISION ON THE COURSE OF ACTION TO BE TAKEN.

THE BOARD HAS NOT TAKEN INTO CONSIDERATION ANY SPECIFIC INVESTMENT OBJECTIVES, FINANCIAL SITUATION AND PARTICULAR NEEDS OF ANY INDIVIDUAL HOLDER OR ANY SPECIFIC GROUPS OF HOLDERS.

THE BOARD RECOMMENDS THAT HOLDERS WHO REQUIRE ADVICE IN RELATION TO THE OFFER IN THE CONTEXT OF THEIR INVESTMENT OBJECTIVES, FINANCIAL SITUATION OR PARTICULAR NEEDS, SHOULD CONSULT THEIR RESPECTIVE STOCKBROKER, BANK MANAGER, ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

Yours faithfully,
For and on behalf of the Board
MESB Berhad

SAFFIE BIN BAKAR
Chairman/Senior Independent Non-Executive Director

PART B

INDEPENDENT ADVICE LETTER FROM DWA ADVISORY



Registered Office:

DWA Advisory Sdn Bhd
D-3A-11, Capital 4
Oasis Square
No. 2 Jalan PJU 1A/7A
Ara Damansara
47301 Petaling Jaya
Selangor Darul Ehsan

12 November 2020

To: The Holders

Dear Sir/Madam,

CONDITIONAL MANDATORY TAKE-OVER OFFER BY THE JOINT OFFERORS THROUGH KAF INVESTMENT BANK BERHAD TO ACQUIRE THE OFFER SHARES AND THE OFFER WARRANTS AT A CASH CONSIDERATION OF RM0.315 PER OFFER SHARE AND RM0.015 PER OFFER WARRANT RESPECTIVELY

1. INTRODUCTION

Please refer to Section 1 of Part A of this IAC for the sequence of events in relation to the Offer.

The purpose of this IAL is to provide our independent evaluation of the Offer together with our recommendation thereon, subject to the scope of our role and limitation specified herein.

HOLDERS ARE ADVISED TO CAREFULLY CONSIDER THE INFORMATION AND RECOMMENDATION CONTAINED IN THIS IAL, TOGETHER WITH THE OFFER DOCUMENT BEFORE MAKING A DECISION AS TO THE COURSE OF ACTION TO BE TAKEN. THIS IAL DOES NOT CONSTITUTE THE OFFER OR ANY PART THEREOF. IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION YOU SHOULD TAKE IN RELATION TO THE OFFER, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

THIS IAL IS SOLELY FOR THE USE OF THE HOLDERS FOR THE PURPOSE OF CONSIDERING THE OFFER AND SHOULD NOT BE USED OR RELIED UPON BY ANY OTHER PARTY OR FOR ANY OTHER PURPOSE.

2. TERMS AND CONDITIONS OF THE OFFER

The terms and conditions of the Offer are set out below:

2.1 Consideration for the Offer

The Joint Offerors will pay a cash consideration of RM0.315 per Offer Share and RM0.015 per Offer Warrant respectively to the Accepting Holders.

Notwithstanding the above, if MESB declares and/or pays any Distribution on or after the date of the Notice but prior to the Closing Date and the Holders are entitled to retain such Distributions, the Joint Offerors shall reduce the Share Offer Price by the quantum of the Distribution per Offer Share which the Holders are entitled to retain. For avoidance of doubt, any reduction in the Shares Offer Price arising from the Distribution will not result in a reduction in the Warrants Offer Price. Hence, the Warrants Offer Price will remain the same notwithstanding the Distribution.

As at the LPD, MESB has not declared any Distribution which is payable on or after the date of the Notice.

Holders may accept the Offer in respect of all or any part of their Offer Securities. The Joint Offerors will not pay fractions of a sen, if any, to the Accepting Holders. Therefore, the cash consideration payable to the Accepting Holders will be rounded down to the nearest whole sen.

2.2 Condition of the Offer

The Offer is conditional upon the Joint Offerors having received Valid Acceptances by the Closing Date (provided that such acceptances are not, where permitted, subsequently withdrawn), which, together with such MESB Shares that have been acquired, held or entitled to be acquired or held by the Joint Offerors, will result in the Joint Offerors holding in aggregate more than 50.00% of the voting shares in MESB.

The Acceptance Condition shall be fulfilled no later than 5:00 p.m. (Malaysian time) on or before the Closing Date, which shall not be later than the 60th day from the Posting Date, failing which the Offer shall lapse and all acceptances shall be returned to the Accepting Holders and the Joint Offerors will thereafter, cease to be bound by any such prior acceptances of the Offer.

2.3 Duration of the Offer

The Offer will remain open for acceptances until 5:00 p.m. (Malaysian time) on Monday, 23 November 2020, being the First Closing Date, or such later date(s) as the Joint Offerors may decide, as may be announced by KAF IB on behalf of the Joint Offerors, at least 2 days before the Closing Date. Notice of such extension or revision will be posted to the Holders accordingly.

Please refer to Section 2 of Appendix I of the Offer Document for further details on the duration of the Offer.

2.4 Method of settlement

Except with the consent of the SC and the Joint Offerors' right to reduce the Shares Offer Price as set out in Section 2.1 of the Offer Document, the Joint Offerors will settle the consideration in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counter claim or other analogous rights to which the Joint Offerors may be entitled against the Accepting Holders. However, this is without prejudice to the Joint Offerors' right to make any claim against the Accepting Holders after such full settlement in respect of a breach of any of the warranties as set out in Section 1 of Appendix I of the Offer Document.

Subject to Valid Acceptances received under the Offer, the settlement of the consideration for the Offer will be effected via remittance in the form of cheque(s), banker's draft(s) or cashier order(s) which will be despatched by ordinary mail to the Accepting Holders (or their designated agent(s), as they may direct) at the Accepting Holders' registered Malaysian addresses last maintained with Bursa Depository at their own risk within 10 days from:

- (i) the date the Offer becomes or is declared wholly unconditional, if the Valid Acceptances are received during the period the Offer is still conditional; or
- (ii) the date of receipt of the Valid Acceptances, if the Valid Acceptances are received during the period after the Offer is or has become or has been declared wholly unconditional.

Non-resident Holders are advised that the settlement for the acceptances of the Offer will be made in RM. Non-resident Holders who wish to convert the consideration received into foreign currency for repatriation may do so after the Non-resident Holders' payment of the appropriate fee and/or charges as levied by the respective financial institutions.

Please refer to Appendix I of the Offer Document for further information on the other terms of the Offer and Appendix II of the Offer Document for details on the procedures for acceptance and method of settlement of the Offer.

3. DETAILS OF ACCEPTANCES

As disclosed in Section 1 of the Offer Document, as at the Offer Document LPD, the Joint Offerors have not received any irrevocable undertaking from any Holder to accept or reject the Offer.

As at the LPD, there is no announcement made by KAF IB on behalf of the Joint Offerors of any acceptance of the Offer.

4. SCOPE AND LIMITATIONS OF THE EVALUATION OF THE OFFER

DWA Advisory has evaluated the Offer and in rendering our advice, we have considered various factors which we believe are of relevance and general importance to an assessment of the Offer and which would be of general concerns to the Holders.

DWA Advisory's scope as the Independent Adviser is limited to expressing an independent opinion on the Offer as to whether the Offer is fair and reasonable insofar as the Holders are concerned based on information and documents provided to us or which are available to us and making reasonable enquiries in the circumstances.

In performing our evaluation, DWA Advisory has relied on and/or taken into consideration the following sources of information:

- (i) information contained in the Notice, the Offer Document and the appendices attached thereto;
- (ii) audited consolidated financial statements of MESB for the FYE 31 March 2017, FYE 31 March 2018, 15-month FPE 30 June 2019 and FYE 30 June 2020;
- (iii) discussions with and representations by the Board and management of MESB;
- (iv) other relevant information, documents, confirmations and representation furnished to us by the Board and management of MESB;
- (v) updated valuation letters of the investment properties as appraised by the Independent Valuer; and
- (vi) other publicly available information which we deem to be relevant.

DWA Advisory relied on the Board and the management of MESB to take due care to ensure that all information, documents and representations provided by them to facilitate our evaluation of the Offer are accurate, valid and complete in all material aspects. Nonetheless, we have made reasonable enquiries in the circumstances and as at the date hereof, we are satisfied that the information provided to us or which are available to us is sufficient and have no reason to believe that the aforementioned information is unreliable, incomplete, misleading and/or inaccurate.

DWA Advisory's evaluation as set out in this IAL is rendered solely for the benefit of the Holders as a whole and not for any specific group of Holders. Hence, in carrying out our evaluation, DWA Advisory has not taken into consideration any specific investment objectives, financial situation, risk profile or particular needs of any individual Holder or any specific group of Holders. DWA Advisory recommends that any Holder who is in doubt as to action to be taken in relation to the Offer in the context of his/her individual investment objectives, financial situation, risk profile or particular should consult his/her respective stockbroker, bank manager, solicitor, accountant or other professional advisers.

DWA Advisory's advice should be considered in the context of the entirety of this IAL. Our views expressed in this IAL are, among others, based on economic, market and other conditions prevailing, and the information and/or documents made available to us as at the LPD or such other period specified herein. Such conditions may change significantly over a short period of time.

DWA Advisory shall immediately disclose to the SC in writing and notify the Holders by way of announcement if, after despatching this IAC, as guided by Paragraph 11.07(1) of the Rules, we become aware that this IAC:

- (i) contains a material statement which is false or misleading;
- (ii) contains a statement from which there is a material omission; or
- (iii) does not contain a statement relating to a material development.

If circumstances require, we shall send a supplementary IAC to the Holders in accordance with Paragraph 11.07(2) of the Rules.

5. EVALUATION OF THE OFFER

In arriving at our opinion and recommendation in respect of the Offer, we have assessed the fairness and reasonableness of the Offer in accordance with Paragraphs 1 to 6 under Schedule 2: Part III of the Rules whereby:

- (i) The term "fair and reasonable" should generally be analysed as 2 distinct criteria, i.e. whether the Offer is "fair" and whether the Offer is "reasonable", rather than as a composite term;
- (ii) The Offer is considered as "fair" if the Offer Price is equal to or higher than the market price and is also equal to or higher than the value of the Offer Securities. However, if the Offer Price is equal to or higher than the market price but is lower than the value of the Offer Securities, the Offer is considered as "not fair". In making the assessment, the value of the Offer Securities is determined based on the assumption that 100% of the issued share capital of the Offeree is being acquired;
- (iii) In considering whether the Offer is "reasonable", we have taken into consideration matters other than the valuation of the Offer Securities;
- (iv) Generally, the Offer would be considered "reasonable" if it is "fair". Nevertheless, an independent adviser may also recommend for Holders to accept the Offer despite it being "not fair", if the independent adviser is of the view that there are sufficiently strong reasons to accept the offer in the absence of a higher bid and such reasons should be clearly explained; and
- (v) In the event the independent adviser concludes that the Offer is "not fair but reasonable", the independent adviser must clearly explain the following:
 - (a) what is meant by "not fair but reasonable";
 - (b) how has the independent adviser reached to this conclusion; and
 - (c) the course of action that the Holders are recommended to take pursuant to the conclusion.

Please refer to the following sections for further details pertaining to the fairness and reasonableness evaluation of the Offer:

Fairness of the Offer

	Factors	Details in this IAL
(i)	Valuation of MESB Shares	Section 6.1
(ii)	Historical price performance of MESB Shares	Section 6.2
(iii)	Valuation of MESB Warrants	Section 6.3
(iv)	Historical price performance of MESB Warrants	Section 6.4

Reasonableness of the Offer

	Factors	Details in this IAL
(i)	Liquidity analysis	Section 7.1
(ii)	No competing offers and level of control	Section 7.2

6. FAIRNESS OF THE OFFER

6.1 Valuation of MESB Shares

MESB is principally an investment holding company, while its subsidiaries are principally involved in the following activities:

- (a) Trading and retailing of leather products, apparels, and accessories (“**Retailing Segment**”). The leather product line includes bags, wallets and other related accessories for men and women. The apparel product line includes ranges for men, children and babies. The products are distributed on consignment basis at leading departmental stores in Malaysia as well as on outright sale basis to other retailers. Certain products are also available for sale at MESB Group’s boutiques and e-commerce site at www.miroza.com.my; and
- (b) Investment holding (“**Investment Holding Segment**”).

The contribution from the Investment Holding Segment to the Group’s revenue and total assets is minimal. The revenue generated from the Investment Holding Segment contributes not more than 1.00% of the Group’s historical revenue over the financial period reported below, while the total assets in the Investment Holding Segment contributes only 3.05% to the Group’s total assets as at 30 June 2020. We also noted that the carrying value of the investment properties contribute 2.03% to the Group’s total assets as at 30 June 2020. The investment properties owned by the Group are not occupied by the Group and are rented out to generate rental income.

In evaluating and arriving at the valuation of MESB Shares, we are of the opinion that the asset-based valuation method using the RNAV per MESB Share is the most suitable valuation methodology based on the following justifications:

- (i) Save for the 15-month FPE 30 June 2019, we noted that MESB Group has been recording losses for the remaining 3 financial years.

	Audited FYE 31 March 2017 RM'000	Audited FYE 31 March 2018 RM'000	Audited 15-month FPE 30 June 2019 RM'000	Audited FYE 30 June 2020 RM'000
Revenue	135,224	140,037	233,866	147,809
(LAT)/PAT	(2,630)	(6,043)	7,527	(26,775)

The losses registered for the FYE 31 March 2017 and FYE 31 March 2018 are mainly due to the decline in lower profit margin of certain apparel categories, higher write-down of certain inventories, depreciation of RM, and higher operating expenses associated with the expansion of the apparel business.

MESB Group recorded an improved financial performance for the 15-month FPE 30 June 2019, with reported PAT of RM7.53 million. The increase is mainly due to the enhanced operational performance by stepping up the sales efforts and implementing efficiency improving measures. In addition, the change in the financial year end from 31 March 2019 to 30 June 2019, had resulted in the Group recognising higher revenue deriving from 2 Hari Raya festival sales that fall in the 15-month FPE 30 June 2019.

MESB Group recorded a LAT of RM26.78 million for the FYE 30 June 2020. This is mainly due to the impairment losses of goodwill and trademark of RM24.67 million and RM0.50 million, respectively. In addition, the Retailing Segment was significantly affected by the Covid-19 pandemic and the enforcement of MCO and CMCO by the government of Malaysia between 18 March 2020 until 9 June 2020, where the Group recorded a drop in the revenue for the 4th quarter ended 30 June 2020 of RM20.33 million as compared to RM60.84 million for the corresponding period ended 30 June 2019.

The Covid-19 pandemic will continue to affect the retail business and operations. The departmental stores and retail outlets are expected to operate in a challenging environment due to the drop in tourist arrivals as a result of travel restrictions and reduced number of consumers as a result of the measures of physical distancing and the general Covid-19 precautions taken by consumers opting to stay away from crowded places.

In view of the erratic past financial performance, the uncertain economic outlook of the Retailing Segment due to the Covid-19 and assuming that there are no immediate changes to be introduced to improve the financial performance of the Group subsequent to the Offer, we are of the view that MESB Group is not expected to record any consistent or predictable earnings stream and cashflow in the immediate or near term, in view of the fluctuating profit track record. As such, we are unable to apply the earnings-based valuation method such as the price-to-earnings multiple, enterprise value/earnings before interest, taxation, depreciation and amortisation multiple and discounted cashflow based approach as a basis to determine the fair value of MESB Shares.

- (ii) MESB has not been declaring dividend for the past 10 years. Hence, the dividend discount valuation model cannot be adopted to determine the fair value of MESB Shares.

RNAV is a commonly adopted valuation methodology in approaching valuations of asset-based companies as all or certain substantial property-related assets may be carried at their historical costs or book values. The RNAV takes into consideration any surplus and/or deficit (net of deferred taxation) arising from the revaluation of the material assets of a company to reflect their market values, based on the assumption that the market values of the assets are realisable on willing buyer-willing seller basis in the open market.

In applying the RNAV methodology, we have taken into consideration the following assumptions made:

- (i) the Retailing Segment will continue to operate as a going concern despite the adverse impact of Covid-19 on its business operations;
- (ii) the investment properties owned by the Group are in good condition;
- (iii) there are existence of ready and committed buyer(s) for the investment properties at its fully revalued basis/notional realisable value after taking into accounts the potential transaction costs required to dispose of or realise the value of the investment properties and that the sale can be conducted efficiently without any timing constraints and other relevant market factors which may affect sale process;
- (iv) there are no breaches of relevant laws, regulations, rules and requirements on the investment properties;
- (v) there will not be any significant or material changes to the agreements, approvals, licences, permits and regulations governing the investment properties;
- (vi) there will not be any significant changes in the accounting policies of MESB Group which will have a material adverse impact on the financial performance and financial position of MESB Group; and
- (vii) there will be no material changes in the Malaysian economic conditions and regulatory requirements.

We also noted that approximately 92.86% of the Group's assets as at 30 June 2020 comprise liquid assets such as inventories, current tax assets, trade and other receivables, prepayments and cash and cash equivalents, whose carrying amounts are reasonably expected to approximate their fair values. Based on our enquiries with the management of MESB, we do not come across any evidence for impairment or any material appreciation in value of any non-real property assets of the Group as at the LPD. We further noted that the intangible assets which comprise goodwill and trademark had been fully impaired in the FYE 30 June 2020. We are satisfied with the explanation given by the management of MESB that no such event or circumstance which indicates that any non-real property assets of the Group ought to be impaired or have materially appreciated in value.

In our evaluation, we have also taken note of the composition of MESB's audited consolidated total assets as at 30 June 2020 which is set out below:

	Notes	Audited as at 30 June 2020	
		RM'000	(%)
Non-current assets			
Plant and equipment	(i)	5,286	3.97
Right-of-use assets	(ii)	1,258	0.95
Investment properties	(iii)	2,694	2.03
Deferred tax assets	(iv)	252	0.19
Total non-current assets		9,490	7.14
Current assets			
Inventories	(v)	68,847	51.78
Current tax assets	(vi)	1,819	1.37
Trade and other receivables	(vii)	19,422	14.60
Prepayments	(viii)	1,059	0.80
Cash and cash equivalents	(ix)	32,323	24.31
Total current assets		123,470	92.86
Total Assets		132,960	100.00

Notes:

- (i) *The plant and equipment comprise motor vehicles, office equipment, furniture and fittings, computers, renovation and warehouse equipment. The NBV of the plant and equipment which represents 3.97% of the total assets of MESB Group are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment from the date that they are available for use. We are of the view that the fair value of plant and equipment as at 30 June 2020 will not be materially different from its book value.*
- (ii) *The right-of-use assets represents a right to use the underlying lease asset and a lease liability with an obligation to make lease payments. The Group's right-of-use assets are in respect of leased boutiques, warehouses, office buildings and motor vehicles that run between 1 year and 7 years and in some cases, with an option to renew the lease after expiry date. The carrying value of the right-of-use assets approximates their fair values due to their short-term nature.*
- (iii) *The investment properties of the Group comprise of a 6-storey shop office located in Bandar Tasik Selatan, Kuala Lumpur ("**BTS Shop Office**") and a shop lot/office in Prangin Mall Komtar, Pulau Pinang ("**Penang Shop Lot**"). The said 2 investment properties are not occupied by the Group. Currently, only the Penang Shop Lot and the ground floor of the BTS Shop Office are being rented out to third parties. The remaining floors of the BTS Shop Office are vacant.*
- The details of the fair value of the investment properties are set out in the Section 6.1 of this IAL under the RNAV methodology.*
- (iv) *The carrying value of the deferred tax assets approximates their fair values due to their short-term nature.*
- (v) *The inventories comprise stocks in hands that are distributed on consignment basis, which are measured at the lower of cost and net realisable value. The inventories amounted to RM68.85 million as at 30 June 2020 is higher than the inventories amounted to RM54.65 million as at 30 June 2019. The higher inventories are due to the slower sale of goods during the 4th quarter of the FYE 30 June 2020 arising from the enforcement of MCO and CMCO due to the Covid-19. The Group writes down the inventories in accordance with the Group's policy and regularly assess the appropriate level of provisioning for items which may be ultimately sold below cost as a result of changing consumer demands and fashion trends. Based on the management's assessment, there is a reversal of write-down of inventories recognised in profit or loss amounted to RM341,000 for the FYE 30 June 2020. The carrying value of the inventories approximates their fair values due to their short-term nature.*
- (vi) *The carrying value of the current tax assets approximate their fair values due to their short-term nature.*
- (vii) *The receivables comprise trade receivables and other receivables amounted to RM17.28 million and RM2.14 million, respectively. The trade receivables are mainly referring to the sold products that are under consignment at departmental stores, which are granted with credit terms. Based on our discussion with the management of MESB, approximately 90% of the outstanding trade receivables had been subsequently collected after 30 June 2020 year end. The carrying value of the trade and other receivables approximate their fair values due to their relatively short-term nature.*
- (viii) *The prepayments mainly comprise advance payment of yearly royalty and banker's acceptance interest by the Group. The carrying value of the prepayments approximate their fair values due to their short-term nature.*
- (ix) *The cash and cash equivalents comprise liquid investments, deposits placed with licensed banks as well as cash and bank balances. The carrying amount of the cash and cash equivalents approximate their fair values due to their short-term nature.*

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We have relied upon the valuation conducted by the Independent Valuer for all investment properties held by the Group. The Independent Valuer had conducted valuation of the 2 investment properties for management purpose, on 23 April 2019 and 26 April 2019, respectively. Further, the Independent Valuer had conducted an updated valuation on 2 November 2020 for the 2 investment properties, as illustrated in the table below. We have reviewed the qualifications of the Independent Valuer and its scope of engagement. The Independent Valuer has valued the investment properties in accordance with the Malaysian Valuation Standard issued by the Board of Valuer, Appraisers, Estate Agents and Property Managers Malaysia with necessary professional responsibility and due diligence. We are of the view that the valuation methodologies are reasonable, appropriate and consistent with generally applied valuation methodologies. In addition, we are also satisfied with the reasonableness of the key bases and assumptions adopted by the Independent Valuer. As such, we are satisfied and have relied upon the valuation of the investment properties conducted by the Independent Valuer.

The details of the theoretical net revaluation surplus of the investment properties based on the valuation conducted by the Independent Valuer are set out below:

No.	Description of subject property	Valuation method/ Valuation date	(A)		(B)		(C) = (A) – (B)		(D)		(E) = (C) - (D)	
			Market value RM'000	4,550	Audited NBV as at 30 June 2020 RM'000	2,239	Revaluation surplus RM'000	2,311	Deferred taxation of 10% ⁽ⁱⁱ⁾ RM'000	231	Net revaluation surplus RM'000	2,080
1	<p>6-storey corner terrace shop office at No. 63 Jalan Tasik Selatan 8 (Formerly Jalan 8/146), Bandar Tasik Selatan, 57000 Kuala Lumpur</p> <p>Title No: Hakmilik Sementera Daftar 72976 Lot No: PT3894 Land area: 427 sq. m (about 4,596 sq. ft)⁽ⁱⁱ⁾ Gross floor area: 1,850 sq. m (about 19,920 sq. ft)⁽ⁱⁱ⁾ Category of land use: Building Express condition: Commercial use Tenure: Leasehold for a term of 99 years, expiring on June 29, 2087 Registered owner: MESB Capital & Development Sdn Bhd (formerly known as Maintenance Capital & Development Sdn. Bhd.)</p> <p>Restriction in interests: Tanah ini tidak boleh dipindahmilik, dipajak atau dicagarkan melainkan dengan kebenaran Jawatankuasa Kerja Tanah Wilayah Persekutuan Kuala Lumpur</p> <p>Encumbrances: Charged to Standard Chartered Bank Malaysia dated 5 December 2011 Year of acquisition: 1995</p>	<p>Comparison approach/ 2 November 2020</p>	<p>4,550</p>	<p>2,239</p>	<p>2,311</p>	<p>231</p>	<p>2,080</p>					

No.	Description of subject property	Valuation method/ Valuation date	(A)		(B)		(C) = (A) – (B)		(D)		(E) = (C) - (D)	
			Market value RM'000		Audited NBV as at 30 June 2020 RM'000		Revaluation surplus RM'000		Deferred taxation of 10% ⁽ⁱ⁾ RM'000		Net revaluation surplus RM'000	
2	<p>Shoplot/office at Prangin Mall Komtar bearing address No. 33-1-48, Jalan Dr Lim Chwee Leong, Prangin Mall Komtar, 10100 Georgetown, Penang⁽ⁱⁱⁱ⁾</p> <p>Title No: PN2542 & PN2543 Lot No: Lot 398 & 399, Section 17 Surveyed land area: Lot 398: 8,076 sq. m (about 86,929 sq. ft)⁽ⁱⁱⁱ⁾ Lot 399: 8,401 sq. m (about 90,428 sq. ft)⁽ⁱⁱⁱ⁾ Floor area: 42 sq. m (about 452 sq. ft)⁽ⁱⁱⁱ⁾ Category of land use: Building Express condition: Commercial use Tenure: Leasehold for a term of 99 years, expiring on June 9, 2096 Registered owner: Idris Hydraulic Properties Sdn Bhd^(iv) Restriction in interests: Tanah yang diberi milik ini tidak boleh dipecah sempadan, pindah milik, cagar, pajak, pajak kecil atau dengan apa-apa urusan sekali pun dilupuskan tanpa kebenaran bertulis daripada Pihak Berkuasa Negeri Encumbrances: A private caveat has been entered by Public Islamic Bank Berhad on 23rd November 2017 and 8th January 2019, respectively for Lot 398 only Year of acquisition: 2004</p>	<p>Valuation method/ Valuation date</p> <p>Comparison approach/ 2 November 2020</p>	500		455		45		5		40	
Total			5,050		2,694		2,356		236		2,120	

Notes:

- (i) *The provision of 10% RPTG will be imposed on companies when they dispose the property after holding it for more than 5 years, based on the net gain from the transaction. A 10% RPTG is thus provided for these properties as MESB Group has owned these properties for more than 5 years.*
- (ii) *As extracted from the updated valuation letters by the Independent Valuer dated 2 November 2020.*
- (iii) *The subject property is a renovated stratified shophot located on the 1st floor of an 8-storey commercial complex known as Prangin Mall Komtar.*
- (iv) *Idris Hydraulic Properties Sdn Bhd, being the proprietor of this property development, own the master title of the property as the separate individual strata title is not issued. The ownership of the property had been transferred to Miroza Leather (M) Sdn Bhd ("**Miroza**"), being the subsidiary of MESB, following the execution of the sale and purchase agreement dated 15 March 2004 between the vendor and Miroza.*

We noted that the Independent Valuer has adopted **comparison approach** in arriving at the opinion of the market value of the investment properties. The comparison approach is generally adopted in valuing properties where there are appropriate comparable sales evidences. Under this approach, the Independent Valuer compared 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, due consideration is given to factors such as location, size, building differences, improvements and amenities, time element and other relevant factors to arrive at the market value of the subject property.

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The RNAV of MESB Group after taking into account the theoretical net revaluation surplus of the investment properties and the issuance of 15,000,000 MESB Shares pursuant to a private placement which was completed on 24 September 2020 at an issue price of RM0.22 (“**Private Placement**”) is set out below:

	Notes	Total RM'000
Audited consolidated NA of MESB Group as at 30 June 2020		69,142
Add: Net revaluation surplus of investment properties	(i)	2,120
Add: Private Placement	(ii)	3,300
RNAV of MESB Group		74,562
RNAV per MESB Share	(iii)	0.70
Discount of Share Offer Price over RNAV (RM)		0.39
Discount of Share Offer Price over RNAV (%)		55.18

Diluted RNAV	Notes	Total RM'000
RNAV of MESB Group		74,562
Increase in capital assuming full exercise of the outstanding MESB Warrants	(iv)	12,285
Diluted RNAV		86,847
Number of proforma enlarged MESB Shares ('000)	(v)	147,050
Diluted RNAV per MESB Share	(vi)	0.59
Discount of Share Offer Price over diluted RNAV (RM)		0.28
Discount of Share Offer Price over diluted RNAV (%)		46.66

Notes:

- (i) Based on the revaluation surplus of investment properties of RM2.12 million
- (ii) Pursuant to the completion of the Private Placement
- (iii) Computed based on the total issued share capital of 106,100,000 MESB Shares as at the LPD
- (iv) As at the LPD, MESB has 40,950,000 outstanding MESB Warrants with an exercise price of RM0.30 each
- (v) Each outstanding MESB Warrant can be converted into 1 MESB Share
- (vi) Computed based on the total enlarged share capital of 147,050,000 MESB Shares assuming the full exercise of the outstanding MESB Warrants

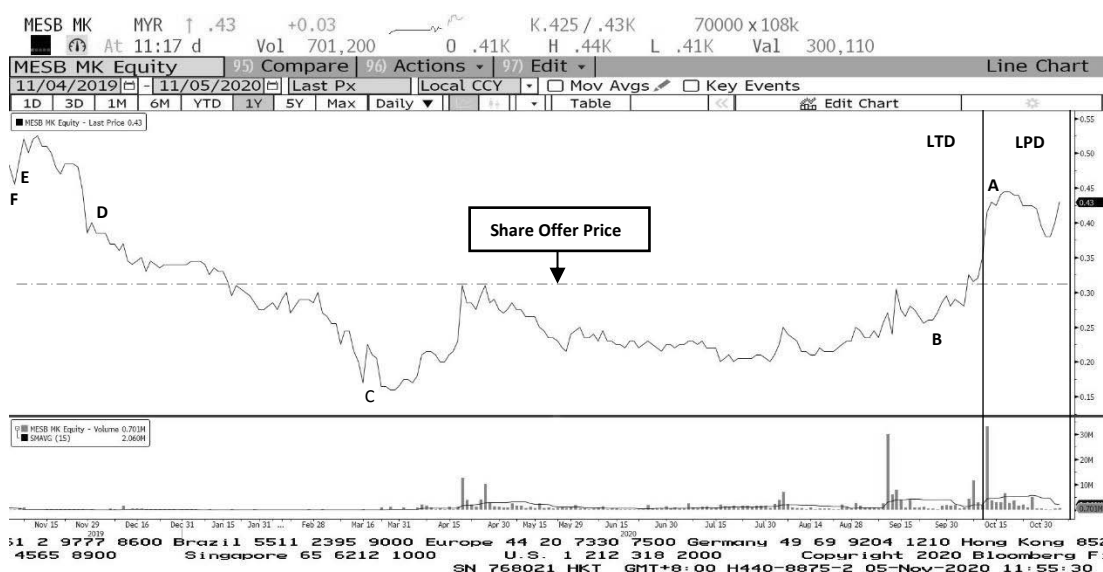
Based on the above, the estimated value of the entire equity interest in MESB based on RNAV methodology is approximately RM74.56 million, which translates into RM0.70 per MESB Share. The Share Offer Price of RM0.315 represents:

- (i) a **discount** of RM0.39 or approximately 55.18% over the RNAV of RM0.70 per MESB Share; and
- (ii) a **discount** of RM0.28 or approximately 46.66% over the diluted RNAV of RM0.59 per MESB Share.

Premised on the above, Holders should note that the RNAV of RM0.70 per MESB Share is deemed a more appropriate basis for the assessment of the fairness of the Offer as it represents the fair value of the Group as at the LPD and there is no certainty that all the outstanding MESB Warrants will be fully exercised subsequent to the LPD and up to the Closing Date. Notwithstanding the aforementioned, as the exercise price of MESB Warrants of RM0.30 is below the prevailing market price of MESB Share, there is a possibility that the MESB Warrants can be exercised by the Holders.

6.2 Historical price performance of MESB Shares

In considering the Offer, you should take into consideration the movement of the market price and trading volume of MESB Shares on Bursa Securities. The movement in the daily closing market price and trading volume of MESB Shares for the past 1 year up to LTD and LPD is shown in the chart below:



(Source: Bloomberg)

Based on the chart above, we note the Share Offer Price represents the following:

- (i) Highest closing price - RM0.525 - discount of RM0.21 or 40.00% to the highest closing price
12 November 2019
- (ii) Lowest closing price - RM0.160 - premium of RM0.16 or 96.88% to the lowest closing price
27 March 2020

Save as disclosed below and the announcements in relation to the financial results and annual report of MESB for the past 1 year up to the LPD, there is no significant events or announcements made by MESB which may have materially impacted the historical market price performance of MESB Shares:

Date	Notes	Announcements
12 October 2020	A	Notice was served to the Board.
24 September 2020	B	Completion of the Private Placement following the listing of and quotation for 15,000,000 placement shares (" Placement Share(s) "), being the second tranche, on the Main Market of Bursa Securities on 24 September 2020.
18 March 2020	C	Implementation of MCO by the government of Malaysia as a result of the Covid-19 outbreak.
26 November 2019	D	The Board had announced that it has fixed the issue price for the first tranche of the Private Placement comprising 10,200,000 Placement Shares at RM0.425 per Placement Share.
6 November 2019	E	The Board had announced that it has on 5 November 2019 received a notice of requisition of meeting of members pursuant to Section 311 of the Act from Mr Eng Yee Koon, Dr Ihsan Bin Osman and Datuk Seri Lee Sey Liang, who have stated therein that they are the shareholders of MESB collectively holding 9,408,000 ordinary shares representing 11.49% of the paid up capital of the Company in relation to the followings:

Date	Notes	Announcements
		(i) to increase the number of Directors; and (ii) to appoint Dr Ihsan bin Osman, Datuk Seri Lee Sey Liang and Mr Lim Gim Leong as the directors of MESB.
4 November 2019	F	The Company announced that Bursa Securities had, vide its letter dated 4 November 2019, approved the listing of and quotation for up to 36,855,000 MESB Shares representing up to 30% of the total number of issued shares of MESB (excluding treasury shares, if any and assuming all the 40,950,000 outstanding warrants are fully exercised), to be issued pursuant to the Private Placement subject to the following conditions: (i) MESB and KAF IB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Private Placement; (ii) MESB and KAF IB to inform Bursa Securities upon the completion of the Private Placement; and (iii) MESB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Private Placement is completed.

The premium/(discount) represented by the Shares Offer Price vis-a-vis the relevant VWAMP of MESB Shares are as follows:

	Market price of MESB Shares	Premium/(Discount) of the Share Offer Price to the prevailing market price	
	(RM)	(RM)	%
Last transacted price as at the LTD	0.3200	(0.0050)	(1.56)
5-day VWAMP up to and including the LTD	0.3296	(0.0146)	(4.43)
1-month VWAMP up to and including the LTD	0.2941	0.0209	7.11
3-month VWAMP up to and including the LTD	0.2658	0.0492	18.51
6-month VWAMP up to and including the LTD	0.2662	0.0488	18.33
1-year VWAMP up to and including the LTD	0.2790	0.0360	12.90
Before the posting date			
Last transacted price as at the LPD	0.4250	(0.1100)	(25.88)
5-day VWAMP up to and including the LPD	0.4086	(0.0936)	(22.91)

(Source: Bloomberg)

Based on the table above, the Shares Offer Price of RM0.315 represents:

- (i) a **discount** of 1.56% over the last transacted market price of MESB Shares on the LTD;
- (ii) a **discount** of 4.43% against the 5-day VWAMP of MESB Shares up to and including the LTD;
- (iii) a **premium** of between 7.11% and 18.51% against the 1-month, 3-month, 6-month and 1-year VWAMP of MESB Shares up to and including the LTD;

- (iv) a **discount** of 22.91% against the 5-day VWAMP of MESB Shares up to and including the LPD; and
- (v) a **discount** of 25.88% over the last transacted market price of MESB Shares as at the LPD.

For the period from 13 October 2020, being the next Market Day after the serving of the Notice until the LPD, the market prices of MESB Shares had been trending upwards and trading above the Offer Price.

However, this may not be an indication of future market price performance of MESB Shares which may be influenced by, amongst others, the performance and prospects of MESB Group, prevailing economic conditions, economic outlook, stock market conditions, market sentiments and other general macroeconomic conditions as well as company-specific factors. Accordingly, the historical market prices of MESB Shares may not be reliable indicator of the future price levels, and should not be relied upon as an indication of the future price levels.

As such, we are of the view that the **1-month, 3-month, 6-month and 1-year VWAMP of MESB Shares up to and including the LTD** would serve a more meaningful reference of the market price of MESB Shares to be used as part of our evaluation on the fairness of the Offer.

6.3 Valuation of MESB Warrants

The MESB Warrants are listed on Bursa Securities on 5 January 2018 pursuant to a bonus issue of warrants exercise. The MESB Warrants can only be exercised commencing on and including the date from the second anniversary date of the first issue, i.e. 2 January 2020 to 30 December 2022. The MESB Warrants which are not exercised during the exercise period will lapse and cease to be valid. As such, the MESB Warrants are considered to be American-style call options.

We have applied the trinomial option pricing model to compute the theoretical value of the MESB Warrants. The main parameters used in the model are as follows:

- (a) 5-day VWAMP of MESB Shares up to LTD of RM0.3296;
- (b) each Warrant can be exercised into 1 new MESB Share at the exercise price of RM0.30;
- (c) expiry date on 30 December 2022;
- (d) risk-free interest rate is assumed to be 3.480%, based on 3-year Malaysian Government Securities as at the LTD;
- (e) indicated dividend yield of MESB Shares of 0% as MESB did not declare and/or pay any dividend in the past 5 years; and
- (f) MESB Shares' historical volatility for the past 1 year up to the LTD is 90.296%.

The theoretical value of the MESB Warrants is the sum of the “**intrinsic value**” and “**time value**” of the MESB Warrants. “**Intrinsic value**” refers to the difference between the value of MESB Shares and the exercise price of the MESB Warrants. “**Time value**” is the value attributable to the MESB Warrants taking into consideration factors such as, amongst others, the time to expiry of the MESB Warrants and the volatility of MESB Shares.

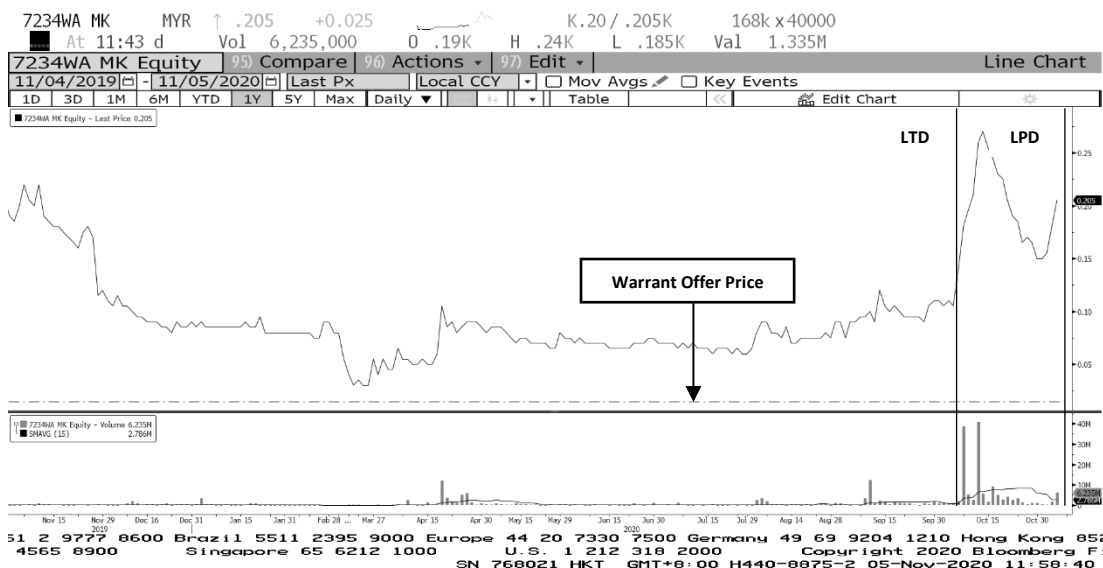
Based on the above, we have arrived at a theoretical value of approximately **RM0.1650** for each Offer Warrant. The Warrant Offer Price of RM0.015 represents a **significant discount of RM0.1500 or approximately 90.91%** to the theoretical value of the MESB Warrants computed based on the trinomial option pricing model.

Holdes should note that the theoretical value of the MESB Warrants is merely for illustrative purpose, and there is no assurance that Holdes may realise their investments in the Offer Warrants at the aforesaid theoretical value. The market price of the Warrants is affected by various factors, including amongst others, movement in prices of underlying Shares, liquidity of the MESB Warrants, and market

trading sentiments, and which may not be reflective of the theoretical value of the MESB Warrants. Furthermore, there is also no assurance that the market price of the MESB Warrants will continue to trade at the current level or will remain at current levels after the Closing Date.

6.4 Historical price performance of MESB Warrants

In assessing the Warrant Offer Price, we have considered the movement of the daily closing market prices of the Warrants and volume traded for the past 1 year up to the LTD and LPD, which is depicted in the warrant price chart below:



(Source: Bloomberg)

We note that the Warrant Offer Price of RM0.015 is significantly lower than the closing prices of MESB Warrants since its listing on Bursa Securities up to the LPD. Therefore, Holders who wish to dispose their Warrants can consider selling the Warrants in the open market at a price higher than the Warrant Offer Price, net of transaction cost.

In addition to the above, the table below sets out the comparison between the Warrant Offer Price of RM0.015 against the historical market prices of the Warrants:

	Market price of MESB Warrants	(Discount) of the Warrant Offer Price to the prevailing market price	
		(RM)	%
Last transacted price as at the LTD	0.1950	(0.1800)	(92.31)
5-day VWAMP up to and including the LTD	0.2101	(0.1951)	(92.86)
1-month VWAMP up to and including the LTD	0.1699	(0.1549)	(91.17)
3-month VWAMP up to and including the LTD	0.1536	(0.1386)	(90.23)
6-month VWAMP up to and including the LTD	0.1286	(0.1136)	(88.34)
1-year VWAMP up to and including the LTD	0.1288	(0.1138)	(88.35)
Before the posting date			
Last transacted price as at the LPD	0.2050	(0.1900)	(92.68)
5-day VWAMP up to and including the LPD	0.1972	(0.1822)	(92.39)

(Source: Bloomberg)

Based on the table above, the Warrant Offer Price of RM0.015 represents:

- (i) a **discount** of 92.31% over the last transacted market price of MESB Warrants as at the LTD;
- (ii) a **discount** of between 88.34% and 92.86% against the 5-day, 1-month, 3-month, 6-month and 1-year VWAMP of MESB Warrants up to the LTD;
- (iii) a **discount** of 92.39% against the 5-day VWAMP of MESB Warrants up to the LPD; and
- (iv) a **discount** of 92.68% over the last transacted market price of MESB Warrants as at the LPD.

6.5 Our view on the fairness of the Offer

Premised on our evaluation in Sections 6.1 and 6.2 of Part B of this IAC, the Share Offer Price of RM0.315 represents:

- (i) a **discount** of RM0.39 or approximately 55.18% over the estimated fair value per MESB Share of RM0.70 derived from the RNAV methodology; and
- (ii) a **premium** between 7.11% to 18.51% against the 1-month, 3-month, 6-month and 1-year VWAMP of MESB Shares up to and including the LTD.

Although the Share Offer Price of RM0.315 is higher than the 1-month, 3-month, 6-month and 1-year VWAMP of MESB Shares up to and including the LTD, we are of the view that the Share Offer Price is NOT FAIR as the Share Offer Price is lower and represents a discount of approximately 55.18% over the estimated value of RM0.70 per MESB Share using RNAV methodology.

Premised on our evaluation in Sections 6.3 and 6.4 of Part B of this IAC, the Warrant Offer Price of RM0.015 represents:

- (i) a **significant discount** of RM0.15 or approximately 90.91% to the theoretical value of the MESB Warrants computed based on the trinomial option pricing model; and
- (ii) a **discount** between 88.34% and 92.86% over the historical market prices of the MESB Warrants.

As such, we are of the view that the Warrant Offer Price is NOT FAIR.

Premised on the above, we are of the view that the Offer is NOT FAIR.

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7. REASONABLENESS OF THE OFFER

In assessing the reasonableness of the Offer, we have taken into consideration the following:

- (i) Liquidity analysis; and
- (ii) No competing offers and level of control.

7.1 Liquidity analysis

The historical trading volume of MESB Shares and MESB Warrants for the past 12 months from November 2019 to October 2020 (being the last full trading month prior to the LPD), are as follows:

	MESB Shares		MESB Warrants	
	Monthly trading volume ⁽ⁱ⁾	Monthly trading volume over free float ⁽ⁱⁱ⁾	Monthly trading volume ⁽ⁱ⁾	Monthly trading volume over outstanding warrants ⁽ⁱⁱⁱ⁾
	('000)	(%)	('000)	(%)
2019				
November	3,020	8.62	5,190	12.67
December	4,339	9.60	7,690	18.78
2020				
January	838	1.84	7,300	17.83
February	422	0.92	185	0.45
March	3,105	6.57	1,370	3.35
April	*49,506	*85.11	*38,230	*93.36
May	18,240	29.85	6,490	15.85
June	13,780	21.07	5,230	12.77
July	25,880	39.58	4,960	12.11
August	25,190	38.52	11,410	27.86
September	*69,600	*86.57	*31,170	*76.12
October	*91,546	*119.49	*128,804	*314.54
Simple average	10,535	17.40	5,536	13.52

(Source: Bloomberg and announcements on Bursa Securities)

Notes:

* Excluding outlier

(i) Monthly trading volume which excludes MESB Shares and MESB Warrants traded in the open market by the Directors, substantial shareholders of MESB and persons connected to them during the respective months.

(ii) Free float is computed based on the total MESB Shares held by the public shareholders that excludes the Directors and substantial shareholders of MESB and persons connected to them as at the end of the respective month.

(iii) Outstanding warrants of MESB Warrants as at the LPD.

Based on the table above, the average monthly trading volume of MESB Shares (excluding the MESB Shares and MESB Warrants traded in the open market by the Directors, substantial shareholders of MESB and persons connected to them) is approximately 10.54 million, representing a liquidity turnover of 17.40%, whilst the average monthly trading volume of MESB Warrants is approximately 5.54 million, representing a liquidity turnover of 13.52%.

In comparison, we have also derived the average monthly trading liquidity turnover of the shares and warrants of KLCSU over the same period under review, as follows:

Average liquidity turnover of shares of KLCSU ⁽ⁱ⁾	: 25.26%
Average liquidity turnover of warrants of KLCSU ⁽ⁱⁱ⁾	: 41.49%

(Source: Bloomberg)

Notes:

- (i) Computed based on average monthly trading volume for the past 12 months up to October 2020, being the last month prior to the LPD, divided by the average monthly free float*
- (ii) Computed based on average monthly trading volume for the past 12 months up to October 2020, being the last month prior to the LPD, divided by the total outstanding warrants as at the LPD*

The average monthly trading liquidity turnover shares and warrants of KLCSU are 25.26% and 41.49%, respectively, which are higher than the liquidity turnover of MESB Shares and MESB Warrants of 17.40% and 13.52%, respectively.

Although MESB Shares and MESB Warrants will remain traded on Bursa Securities, Holders (especially those with large blocks of Offer Securities) may have limited opportunities or may require a longer time to dispose their Offer Securities in the open market subsequent to the Closing Date. Notwithstanding the illiquidity of the MESB Warrants, we are of the view that Holders can continue to hold their Offer Warrants until its maturity date on 30 December 2022 and sell their Offer Warrants in the open market at a higher price than the Warrant Offer Price of RM0.015.

If you wish to accept the Offer, you may realise your investment in the Offer Securities at a lower price as compared to the prevailing closing prices of the Offer Shares and Offer Warrants as set out in Sections 6.1 and 6.3 of this IAL. Holders who choose not to accept the Offer may continue to hold their Offer Securities and enjoy any potential capital gains or yield accretion in the future, in the event of better financial performance of the Group under the direction of the Joint Offerors.

Notwithstanding the above, Holders who wish to exit their investments in MESB can consider selling the MESB Shares and/or MESB Warrants in the open market if they are able to obtain a price higher than the Offer Price, net of transaction cost. Holders should note that the share prices of MESB have been trading above the Share Offer Price after the date of Notice up until the LPD. The warrant prices of MESB have been trading above the Warrant Offer Price for the past 1 year up until the LPD. Holders of the MESB Warrants should also take note that the expiry date of the MESB Warrants is on 30 December 2022.

We wish to highlight that the above evaluation is based on the historical trading volume of MESB Shares and MESB Warrants as at the respective periods as well as the free float as at the respective periods and should not be relied upon as an indication of the future trading liquidity of MESB Shares and MESB Warrants, which may be influenced by, amongst others, the performance and prospects of MESB, prevailing economic conditions, economic outlook, stock market conditions, market sentiments and other general macroeconomic conditions as well as company specific factors. Further, there is no assurance that the market price of MESB Shares and MESB Warrants will continue to trade at current price levels after the Closing Date.

7.2 No competing offers and level of control

As at the LPD, save for the Offer, we note that the Board has not received any competing offer for the Offer Securities or any other offer to acquire its business, assets and liabilities.

In the absence of a competing offer, the Offer provides an opportunity to the Holders to realise their investments in MESB at the Share Offer Price and Warrant Offer Price.

Further, in view that the Joint Offerors hold a controlling stake of approximately 44.14% in MESB as at the Offer Document LPD, any competing offer will unlikely be successful unless with their support.

The Board had on 13 October 2020, announced to Bursa Securities that it does not intend to seek another person to make an alternative take-over offer.

Unless the Joint Offerors are required to abstain from voting on resolutions sought at shareholders' general meetings of the Company, they are able to, through casting of their votes which represent 44.14% of the total voting shares in MESB, vote down any special resolutions tabled at shareholders' general meetings (as such resolutions require approval from at least 75% of the total votes cast).

If you so wish, you may consider disposing of your Offer Securities in the open market to realise your investment in the Offer Securities in the event the market price is higher than the Shares Offer Price and/or the Warrants Offer Price and if the trading liquidity permits, after taking into consideration the associated transaction costs involved and assuming that there will not be any revision to the Shares Offer Price and/or the Warrants Offer Price. You are advised to closely monitor the market prices and trading volumes of MESB Shares and MESB Warrants and evaluate the Offer Price before making a decision on the course of action to be taken in respect of the Offer Securities.

7.3 Our view on the reasonableness of the Offer

Based on our evaluation in Sections 7.1 and 7.2 of Part B of this IAC, we are of the opinion that the Offer is **REASONABLE** due to the following:

- (i) Although the Joint Offerors intend to maintain the listing status of MESB on the Main Market of Bursa Securities, Holders should note that MESB Shares and MESB Warrants are relatively illiquid.

The average trading liquidity turnover of MESB Shares and MESB Warrants for the past 12 months up to the LPD of 17.40% and 13.52%, respectively are lower than the average trading liquidity turnover of the shares and warrants of the KLCSU of 25.26% and 41.49% respectively.

Hence, Holders (especially those with large blocks of Offer Securities) may have limited opportunities or it may require a longer time for Holders to dispose their Offer Securities in the open market after the Closing Date.

- (ii) In the absence of a competing offer, the Offer provides an opportunity for the Holders to realise their investments in MESB at the Offer Price regardless of their holdings on an immediate basis during the Offer Period. In view that the Joint Offerors hold a controlling stake of approximately 44.14% in MESB as at the Offer Document LPD, any competing offer will unlikely be successful unless with their support.

Unless the Joint Offerors are required to abstain from voting on resolutions sought at shareholders' general meetings of the Company, they are able to, through casting of their votes which represent 44.14% of the total voting shares in MESB, vote down any special resolutions tabled at shareholders' general meetings (as such resolutions require approval from at least 75% of the total votes cast).

8. LISTING STATUS OF MESB, COMPULSORY ACQUISITION AND RIGHTS OF DISSENTING HOLDERS

8.1 Listing status of MESB

Please refer to Section 4 of the Offer Document for the intention of the Joint Offerors in respect of the listing status of MESB.

Holders should also note that if they choose not to accept the Offer, they will continue to hold MESB Shares that are likely to remain listed on Bursa Securities.

We noted that **the Joint Offerors intend to maintain the listing status of MESB on the Main Market of Bursa Securities**. Accordingly, in the event MESB does not comply with the Public Spread Requirement as a result of the acceptances received under the Offer, the Joint Offerors will work together with MESB to rectify the public shareholding spread of MESB within 3 months from the Closing Date or such extended timeframe as may be allowed by the relevant authorities. As at the LPD, no such arrangement has been made.

Nevertheless, the Holders should note that any action taken to address the Public Spread Requirement may require the approvals of the relevant authorities and/or the approval of the shareholders of MESB. The actual course of action to be taken is dependent on, amongst others, the circumstances as well as the prevailing market conditions at the relevant time.

The Holders should also note that while the Joint Offerors will work together with MESB to attempt to rectify any shortfall in the public shareholding spread of MESB, there can be no assurance that the public shareholding spread of MESB can be rectified within the stipulated timeframe. In the event that MESB does not meet the Public Spread Requirement within the stipulated timeframe, the Joint Offerors and/or MESB may seek an extension of time from the relevant authorities. However, Bursa Securities reserves the absolute right to grant an extension or to reject the application.

For the avoidance of doubt, any decision to rectify the shortfall in the Public Spread Requirement will be subject to the Joint Offerors retaining a collective equity interest of more than 50% in MESB.

8.2 Compulsory acquisition and rights of Dissenting Holders

Please refer to Section 4 of the Offer Document for the intention of the Joint Offerors to invoke compulsory acquisition and the rights of Dissenting Holders.

We noted if the Joint Offerors receive acceptances of not less than nine-tenths in the value of the Offer Shares (excluding MESB Shares already held by the Joint Offerors as at the date of the Offer), the **Joint Offerors do not intend to invoke the provisions of Section 222 (1) of the CMSA** to compulsorily acquire any outstanding Offer Securities for which valid acceptances have not been received prior to the Closing Date even if the conditions stipulated in Section 222(1) of the CMSA are fulfilled.

Notwithstanding the above, subject to Section 224 of the CMSA, Section 223 of the CMSA provides that if the Joint Offerors receive Valid Acceptances from the Holders resulting in the Joint Offerors holding not less than nine-tenths in the value of all the shares in MESB on or before the Closing Date, a Dissenting Holder may exercise his/her/its rights under Section 223(1) of the CMSA, by serving a notice on the Joint Offerors to require the Joint Offerors to acquire his/her/its Offer Securities on the same terms as set out in the Offer Document or such other terms as may be agreed between the Joint Offerors and such Dissenting Holder.

If a Dissenting Holder invokes the provision of Section 223(1) of the CMSA, the Joint Offerors shall acquire such Offer Securities in accordance with the provisions of the CMSA, subject to the provisions of Section 224 of the CMSA. In accordance with Section 224(3) of the CMSA, when a Dissenting Holder exercises his/her/its rights under Section 223(1) of the CMSA, on an application made by such Dissenting Holder or by the Joint Offerors to a competent court, the court may order that the terms on which the Joint Offerors shall acquire such Offer Securities shall be as the court thinks fit.

Section 223(2) of the CMSA requires the Joint Offerors to give the Dissenting Holder a notice in the manner specified by the SC of the rights that are exercisable by the Dissenting Holders under Section 223(1) of the CMSA, within 1 month from which the Joint Offerors have acquired not less than nine-tenths in the value of all MESB Shares. Such notice may specify the period for the exercise of the rights of the Dissenting Holders and in any event, such period shall not be less than 3 months after the Closing Date.

9. RATIONALE FOR THE OFFER AND FUTURE PLANS FOR THE GROUP AND ITS EMPLOYEES

We refer to the rationale for the Offer and future plans for the Group and its employees as set out in Sections 3 and 6 of the Offer Document respectively.

9.1 Rationale for the Offer

We noted the following:

- (i) following the Acquisitions, the Joint Offerors had increased their collective shareholdings in MESB from 16.35% to 44.14%, with the aim of gaining control over MESB Group;
- (ii) as such, the Joint Offerors will have greater flexibility to plan and implement new strategies for MESB Group, including diversification from the existing core business of MESB Group, if appropriate, through leveraging on the experience and business interests of Wong Sak Kuan (as one of the Joint Offerors), particularly in construction, land logistics and recycling, with the aim of enhancing the overall financial performance and prospects of MESB Group; and
- (iii) notwithstanding the foregoing intention of the Joint Offerors, they do not have any concrete and specific implementation plan for MESB at this juncture pending the outcome of their review of MESB Group's business operations.

Having considered the above rationale, we note that the Offer was made by the Joint Offerors in compliance with Section 218(2) of the CMSA and Paragraph 4.01(a) of the Rules as a result of the Joint Offerors obtaining control in MESB by holding more than 33% of the voting shares in MESB after the Acquisitions.

9.2 Future plans for the Group and its employees

The intention of the Joint Offerors in relation to the future plans for the Group and its employees after the Closing Date (*see full details in Section 6 of the Offer Document*) is summarised as follows:

- (i) continuation of the existing business of the Group and continuous review the Group's business and operations and, if deemed appropriate, effect such appropriate rationalisation, reorganisation and/or arrangements, including diversification into new business segments, particularly in construction, land logistics and recycling, with the aim of improving the overall financial performance and prospects of MESB Group;
- (ii) there is no immediate plan or intention to introduce or effect any major change to the business of the Group, liquidate any company within the Group or dispose of any major assets or re-deploy the fixed assets of the Group; and
- (iii) there is no plan to dismiss or make redundant any of the existing employees of the Group as a direct consequence of the Offer.

In view of the rationale for the Offer as set out in the Section 3 of the Offer Document, we note that the rationale of the Joint Offerors is to gain control over MESB Group, which accord them with greater flexibility to plan and implement new strategies of MESB Group. We also note that the Joint Offerors may undertake review of the Group's business and operations, for the purpose of diversification from the existing core business of MESB Group.

As at the Offer Document LPD, we note that there is no concrete and specific implementation plan for MESB at this juncture. Nonetheless, the Joint Offerors retain the flexibility to consider any options and opportunities from time to time, which are deemed to be in the best interest of the Group.

Premised on the above, we are of the view that the businesses and management of MESB Group will continue to operate as usual and continue as a going concern, save for any implementation of plans pursuant to the diversification into new business segments.

10. FURTHER INFORMATION

The Holders are advised to refer to the views and recommendation of the Directors as set out in Part A of this IAC as well as the attached appendices and other relevant information in the Offer Document for further details in relation to the Offer.

11. CONCLUSION AND RECOMMENDATION

In arriving at our opinion and recommendation in respect of the Offer, we have assessed the fairness and reasonableness of the Offer in accordance with Paragraphs 1 to 6 under Schedule 2: Part III of the Rules, whereby the term "fair and reasonable" should generally be analysed as 2 distinct criteria, i.e. whether the Offer is "fair" and whether the Offer is "reasonable", rather than as a composite term.

The Offer is considered as "fair" if the Offer Price is equal to or higher than the market price and is also equal to or higher than the value of the Offer Securities. However, if the Offer Price is equal to or higher than the market price but is lower than the value of the Offer Securities, the Offer is considered as "not fair".

In considering whether the Offer is "reasonable", we have taken into consideration matters other than the valuation of the Offer Securities.

Generally, a take-over offer would be considered "reasonable" if it is "fair". Nevertheless, an independent adviser may also recommend for the Holders to accept the Offer despite it being "not fair", if the independent adviser is of the view that there are sufficiently strong reasons to accept the Offer in the absence of a higher bid and such reasons should be clearly explained.

Summarised below are the pertinent factors which you should carefully consider prior to making a decision whether to accept or reject the Offer:

Fairness of the Offer

We view that the Share Offer Price of RM0.315 is **NOT FAIR** as it represents a **discount** of RM0.39 or approximately 55.18% over the estimated fair value per MESB Share of RM0.70 derived from the RNAV methodology although the Share Offer Price represents a **premium** between 7.11% to 18.51% against the 1-month, 3-month, 6-month and 1-year VWAMP of MESB Shares up to and including the LTD.

We view that the Warrant Offer Price of RM0.015 is **NOT FAIR** as it represents a **significant discount** of RM0.15 or approximately 90.91% to the theoretical value of MESB Warrants computed based on the trinomial option pricing model and a **discount** between 88.34% and 92.86% over the historical market prices of MESB Warrants.

Premised on the above, we are of the view that the Offer is NOT FAIR.

Reasonableness of the Offer

In assessing the reasonableness of the Offer, we have taken into consideration the following factors:

- (i) Although the Joint Offerors intend to maintain the listing status of MESB on the Main Market of Bursa Securities, the Holders should note that MESB Shares and MESB Warrants are relatively illiquid as compared to the trading liquidity turnover of the shares and warrants of the KLCSU. Hence, Holders (especially those with large blocks of Offer Securities) may have limited opportunities or it may require a longer time for Holders to dispose their Offer Securities in the open market after the Closing Date; and
- (ii) In the absence of a competing offer, the Offer provides an opportunity for the Holders to realise their investments in MESB at the Offer Price regardless of their holdings on an immediate basis during the Offer Period.

Further, in view that the Joint Offerors hold a controlling stake of approximately 44.14% in MESB as at the Offer Document LPD, any competing offer will unlikely be successful unless with their support. In addition, the Board had also announced that it does not intend to seek another person to make an alternative take-over offer.

Unless the Joint Offerors are required to abstain from voting on resolutions sought at shareholders' general meetings of the Company, they are able to, through casting of their votes which represent 44.14% of the total voting shares in MESB, vote down any special resolutions tabled at shareholders' general meetings (as such resolutions require approval from at least 75% of the total votes cast).

Premised on the above, we are of the view that the Offer is REASONABLE.

Premised on the above and our evaluation of the Offer Securities, DWA Advisory views that the Offer in is **NOT FAIR** but **REASONABLE**. Accordingly, DWA Advisory recommends that the Holders **ACCEPT** the Offer.

If you wish to accept the Offer, you may realise your investment in the Offer Securities at a lower price as compared to the prevailing closing prices of the Offer Shares and Offer Warrants as set out in Sections 6.1 and 6.3 of this IAL. Holders who choose not to accept the Offer may continue to hold their Offer Securities and enjoy any potential capital gains or yield accretion in the future, in the event of better financial performance of the Group under the direction of the Joint Offerors.

Notwithstanding the above, Holders who wish to exit their investments in MESB can consider selling the MESB Shares and/or MESB Warrants in the open market if they are able to obtain a price higher than the Offer Price, net of transaction cost. Holders should note that the share prices of MESB have been trading above the Share Offer Price after the date of Notice up until the LPD. The warrant prices of MESB have been trading above the Warrant Offer Price for the past 1 year up until the LPD. Holders of the MESB Warrants should also take note that the expiry date of the MESB Warrants is on 30 December 2022.

The advice of DWA Advisory as contained in this IAL is addressed to the Holders at large and not to any particular Holder. Accordingly, in providing this advice, we have not taken into consideration any specific investment objectives, financial situation, risk profile and particular needs of any individual Holder or any specific group of Holders. DWA Advisory recommends that any individual Holder or any specific group of Holders who may require advice in the context of their investment objectives, financial situation, risk profile and particular needs should consult their respective stockbrokers, bank managers, solicitors, accountants or other professional advisers immediately.

Yours faithfully
For and on behalf of
DWA Advisory Sdn Bhd

Md Noor Abd Rahim
Senior Principal

Dato' Wan Asmadi Wan Ahmad
Managing Principal

INFORMATION ON MESB

1. HISTORY AND PRINCIPAL ACTIVITIES

MESB is a public limited company, incorporated and domiciled in Malaysia on 28 March 1995. It was listed on the Second Board of Kuala Lumpur Stock Exchange (now known as Main Market of Bursa Securities) on 8 May 1996.

The principal activity of MESB is in investment holdings, whilst its subsidiaries are involved in trading and retailing of leather products, casual apparels and accessories and investment holding.

The Group has 2 core business segments, namely:

- (a) trading and retailing of leather products, casual apparels and accessories; and
- (b) investment holding.

MESB Group's retailing segment maintains its licensing and distribution agreements with international licensors and partners. They also have their own brand whereby their products are distributed on consignment basis at leading departmental stores in Malaysia as well as on outright sale basis to other retailers.

2. SHARE CAPITAL

2.1 Issued share capital

As at the LPD, the issued share capital of MESB is as stated in the table below:

	No. of MESB Shares	Total (RM)
Issued share capital	106,100,000	58,450,240

As at the LPD, there is only 1 class of shares in MESB. All the Shares rank *pari passu* in terms of voting rights and entitlements to any dividends, rights, allotments and/or distributions (including any distributions) which may declared, made or paid to the shareholders.

2.2 Changes in the issued share capital

Save as disclosed below, there are no changes in MESB's issued share capital since the end of the FYE 30 June 2020 up to the LPD:

Date announced	No. of shares allotted	Issue price (RM)	Consideration/Type of issue
24 September 2020	15,000,000	0.22	Private Placement

2.3 Convertible securities

As at the LPD, the number of outstanding MESB Warrants is 40,950,000 Warrants, constituted by a deed poll dated 13 December 2017. The MESB Warrants are listed on Main Market of Bursa Securities. Each Warrant is exercisable into 1 new MESB Share at an exercise price of RM0.30 per MESB Share payable in cash during the 3 years exercise period of up to 30 December 2022.

INFORMATION ON MESB

3. SUBSTANTIAL SHAREHOLDERS

Details of MESB's substantial shareholders as at the LPD are as follows:

Name	Nationality	Direct		Indirect	
		No. of MESB Shares	%	No. of MESB Shares	%
Wong Sak Kuan	Malaysian	35,507,898	33.47	-	-
Yau Ming Teck	Malaysian	11,324,206	10.67	-	-

4. SUBSTANTIAL WARRANTHOLDERS

Details of MESB's substantial warrant holders as at the LPD are as follows:

Name	Nationality	Direct ⁽ⁱ⁾		Indirect	
		No. of MESB Warrants	%	No. of MESB Warrants	%
Maybank Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Lim Gim Leong)	Malaysia	4,998,675	12.21	-	-
UOB Kay Hian Nominees (Asing) Sdn Bhd	Malaysia	4,162,750	10.17	-	-
Lee Wai Fun	Malaysia	2,088,000	5.10	-	-

Note:

(i) Computed based on 40,950,000 Warrants.

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INFORMATION ON MESB

5. DIRECTORS OF MESB

Details of MESB's directors, and their respective holdings in the securities of MESB as at the LPD are as follows:

Name	Nationality	Designation	Date of appointment	Correspondence address	MESB Shares				MESB Warrants				
					Direct		Indirect		Direct		Indirect		
					No. of MESB Shares	%	No. of MESB Shares	%	No. of MESB Warrants	%	No. of MESB Warrants	%	
Saffie Bin Bakar	Malaysian	Chairman/Senior Independent Non-Executive Director	19 March 2004	14 Jalan Permai 2, Taman Sena Indah, 01000 Kangar, Perlis	-	-	-	-	-	-	-	-	-
Tan Yew Kim	Malaysian	Independent Non-Executive Director	10 February 2010	3 Elitis Palma Valencia, 47000 Sungai Buloh, Selangor	-	-	-	-	-	-	-	-	-
Lee Kok Heng	Malaysian	Independent Non-Executive Director	25 November 2015	No. 255, Jalan Sekata, Taman United, Off Jalan Kelang Lama, 58200 Kuala Lumpur, W.P. Kuala Lumpur	-	-	-	-	-	-	-	-	-
Loke Lee Ping	Malaysian	Chief Executive Officer cum Executive Director	16 October 2015	47, Jalan Sengaring, Taman Tenaga, Cheras, 56100 Kuala Lumpur, W.P. Kuala Lumpur	-	-	-	-	-	-	-	-	-
Chua Jin Kau	Malaysian	Executive Director	1 October 2016	16, Jalan Awana 22, Taman Cheras Awana, Batu 9, 43200 Cheras, Selangor	-	-	-	-	-	-	-	-	-

INFORMATION ON MESB

6. SUBSIDIARIES AND ASSOCIATED COMPANIES

Details of MESB's subsidiaries as at the LPD are as follows:

Name of company	Country of incorporation	Effective equity interest (%)	Principal activities
Miroza Leather (M) Sdn. Bhd.	Malaysia	100.00	Trading and retailing of leather products and apparels
MESB Capital & Development Sdn. Bhd.	Malaysia	100.00	Investment holding
Active Fit Sdn. Bhd.	Malaysia	100.00	Trading and retailing of casual apparels and accessories
Crystal United Sdn. Bhd. ⁽ⁱ⁾	Malaysia	100.00	Dormant

Note:

(i) In the midst of striking off pursuant to the Section 550 of the Act.

As at the LPD, MESB does not have any associate company.

7. PROFIT AND DIVIDEND RECORD

A summary of MESB Group's results based on the audited consolidated financial statements for the FYE 31 March 2018, 15-month FPE 30 June 2019 and FYE 30 June 2020 are as follows:

	Audited		
	FYE 31 March 2018 (RM'000)	15-month FPE 30 June 2019 (RM'000)	FYE 30 June 2020 (RM'000)
Revenue	140,037	233,866	147,809
(Loss)/Profit before tax	(5,413)	10,486	(26,241)
(Loss)/Profit after tax	(6,043)	7,527	(26,775)
<u>(Loss)/Profit after tax attributable to:</u>			
- non-controlling interests	-	-	-
- Equity holders of MESB	(6,043)	7,527	(26,775)
(Loss)/Profit after tax	(6,043)	7,527	(26,775)
Weighted average number of MESB Shares in issue ('000)	72,011	81,900	87,179
(Loss)/Profit per Share (sen)	(8.39)	9.19	(30.71)
Dividend per Share	-	-	-

(Source: Annual reports of MESB for the FYE 31 March 2018, 15-month FPE 30 June 2019 and FYE 30 June 2020)

Save as disclosed below, there were no exceptional items in the audited consolidated financial statements of MESB for the FYE 31 March 2018, 15-month FPE 30 June 2019 and FYE 30 June 2020:

(i) RM25.17 million impairment losses on intangible assets for the FYE 30 June 2020.

INFORMATION ON MESB

There are no interim financial statements or preliminary announcement made since the last published audited financial statement.

8. STATEMENT OF ASSETS AND LIABILITIES

The statements of assets and liabilities of MESB Group based on the audited consolidated statements of financial position of MESB as at 31 March 2018, 30 June 2019 and 30 June 2020 are as follows:

	Audited		
	As at 31 March 2018 (RM'000)	As at 30 June 2019 (RM'000)	As at 30 June 2020 (RM'000)
ASSETS			
Non-current assets			
Property, plant and equipment	6,380	6,477	5,286
Right-of-use assets	-	-	1,258
Investment properties	2,836	2,757	2,694
Intangible assets	25,168	25,168	-
Deferred tax assets	-	182	252
Total non-current assets	34,384	34,584	9,490
Current assets			
Inventories	36,399	54,650	68,847
Current tax assets	3,841	3,757	1,819
Trade and other receivables	27,023	42,389	19,422
Prepayments	1,391	676	1,059
Cash and cash equivalents	26,597	21,779	32,323
Total current assets	95,251	123,251	123,470
Total assets	129,635	157,835	132,960
EQUITY AND LIABILITIES			
Equity			
Share capital	51,240	51,240	55,150
Retained earnings	33,240	40,767	13,992
Equity attributable to owners of the Company	84,480	92,007	69,142
Total equity	84,480	92,007	69,142
Non-current liabilities			
Loans and borrowings	4,750	2,688	1,987
Deferred tax liabilities	47	-	250
Total non-current liabilities	4,797	2,688	2,237
Current liabilities			
Loans and borrowings	22,656	28,762	22,250
Lease liabilities	-	-	1,138
Trade and other payables	17,702	32,880	38,193
Current tax liabilities	-	1,498	-
Total current liabilities	40,358	63,140	61,581
Total liabilities	45,155	65,828	63,818
TOTAL EQUITY AND LIABILITIES	129,635	157,835	132,960
NA per Share	1.03	1.12	0.76

(Source: Annual reports of MESB for the FYE 31 March 2018, 15-month FPE 30 June 2019 and FYE 30 June 2020)

INFORMATION ON MESB

On 24 September 2020, the Company had announced that the Private Placement approved by the shareholders of the Company on 26 November 2019 is deemed completed following the listing of and quotation for 15,000,000 Placement Shares, being the second tranche, on the Main Market of Bursa Securities.

Save for the above, as at the LPD, there is no known material change in the financial position of MESB Group subsequent to the latest audited consolidated financial statements for the FYE 30 June 2020.

9. ACCOUNTING POLICIES

The audited consolidated financial statements of MESB for the FYE 31 March 2018, 15-months FPE 30 June 2019 and FYE 30 June 2020, have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Act. There was no audit qualification for MESB's financial statements for the respective years under review.

Save for the adoption of MFRS 16 Leases, there is no change in the accounting standards adopted by MESB Group which would result in a material variation to the comparable figures for the audited consolidated financial statements of MESB for the FYE 31 March 2018, 15-month FPE 30 June 2019 and FYE 30 June 2020. For further details of the impact of the adoption of MFRS 16 Leases by MESB Group, please refer to Note 27 of the audited consolidated financial statements of MESB for the FYE 30 June 2020.

10. BORROWINGS

As at 31 August 2020, MESB Group has total outstanding borrowings of approximately RM25.35 million as set out below:

Borrowings	(RM'000)
Long term borrowings:	
Term loans	2,024
	2,024
Short term borrowings:	
Term loans	965
Bank overdrafts	1,033
Bankers' acceptances	21,332
	23,330
Total borrowings	25,354

11. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed below, as at the LPD, the Board confirms that there is no contingent liabilities incurred or known to be incurred by MESB Group, which may, upon becoming enforceable, have a material impact on MESB Group's financial position or business.

- (i) Ongoing Litigation between MESB and Zelleco Engineering Sdn. Bhd. ("Zelleco")

On 22 August 2019, MESB has been served with a writ of summons by Kuala Lumpur High Court, with a sum of RM5.24 million alleged to be due together with interest and cost thereon, in relation to a claim filed by Zelleco. As at the LPD, MESB has been informed that a new decision date is yet to be confirmed by the court.

INFORMATION ON MESB**12. MATERIAL LITIGATION**

Save as disclosed in Section 11(i) of Appendix I of this IAC, as at the LPD, MESB Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which may have a material effect on the financial position or business of MESB Group and the Board confirms that there are no proceedings, pending or threatened, or of any fact likely to give rise to any proceedings, which may have a material impact on the financial position or the business of MESB Group.

13. MATERIAL CONTRACTS

The Group has not entered into any other material contracts (not being contracts entered into in the ordinary course of business) during the past 2 years prior to the commencement of the Offer Period and up to the LPD.

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FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

The Board has seen and approved this IAC. The Board, collectively and individually accepts full responsibility for the accuracy and completeness of the information contained in this IAC and confirm that, after making all enquiries as were reasonable in the circumstances and to the best of their knowledge and belief:

- (i) no statement and/or information relating to MESB Group in this IAC is incomplete, false and/or misleading;
- (ii) there are no other facts and/or information, the omission of which would render any statement, and/or information relating to MESB Group in this IAC incomplete, false and/or misleading;
- (iii) all material facts and/or information in relation to the Offer (including those required under the Rules) have been accurately and completely disclosed in this IAC; and
- (iv) opinions expressed in this IAC have been arrived at after due and careful consideration.

The responsibility of the Board in respect of:

- (i) the information relating to the Joint Offerors and the Offer (as extracted from the Offer Document) is to ensure that such information is accurately reproduced in this IAC; and
- (ii) the independent advice and expression of opinion by DWA Advisory in relation to the Offer as set out in Part B of this IAC, is to ensure that accurate information in relation to MESB Group was provided to DWA Advisory for its evaluation of the Offer and that all information in relation to MESB Group that is relevant to DWA Advisory's evaluation of the Offer has been accurately and completely disclosed to DWA Advisory and that there is no material fact, the omission of which would make any information provided to DWA Advisory is false or misleading.

2. CONSENTS

DWA Advisory, KAF IB and the Independent Valuer have given and have not subsequently withdrawn their written consent to the inclusion of their names and all references thereto in the form and context in which they appear in this IAC.

3. DISCLOSURE OF INTERESTS AND DEALINGS

3.1 By MESB

(i) Disclosure of interests in the Joint Offerors

Not applicable as the Joint Offerors are individuals.

(ii) Dealings in the securities of the Joint Offerors

Not applicable as the Joint Offerors are individuals.

FURTHER INFORMATION

(iii) Disclosure of dealings in MESB Shares and MESB Warrants

MESB has not dealt, directly or indirectly, in any of its own voting shares or convertible securities during the period commencing 6 months before the commencement of the Offer Period and up to the LPD.

3.2 By the Directors**(i) Disclosure of interests in the Joint Offerors**

Not applicable as the Joint Offerors are individuals.

(ii) Dealings in the securities of the Joint Offerors

Not applicable as the Joint Offerors are individuals.

(iii) Disclosure of interests in MESB Shares and MESB Warrants

Save as disclosed in Section 6 of Part A of this IAC, the Directors do not have any interest, whether direct or indirect, in any voting shares or convertible securities of MESB as at the LPD.

(iv) Disclosure of dealings in the MESB Shares and MESB Warrants

None of the Directors have dealt, directly or indirectly, in any of its own voting shares or convertible securities during the period commencing 6 months before the commencement of the Offer Period and up to the LPD.

3.3 By the persons with whom MESB or any persons acting in concert with it has any arrangement over MESB Shares and MESB Warrants

As at the LPD, there is no person with whom MESB or any persons acting in concert with it has entered into any arrangement including any arrangement involving rights over shares, any indemnity arrangement, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or to refrain from dealing.

3.4 By the persons with whom MESB or any persons acting in concert with it has borrowed or lent

As at the LPD, there is no person with whom MESB or any persons acting in concert with it has borrowed or lent any voting shares or convertible securities of MESB.

3.5 By DWA Advisory and funds whose investments are managed by DWA Advisory on a discretionary basis ("Discretionary Funds")**(i) Disclosure of interests in MESB Shares and MESB Warrants**

DWA Advisory and its Discretionary Funds do not have any interest, whether direct or indirect, in any voting shares or convertible securities of MESB as at the LPD.

(ii) Disclosure of dealings in MESB Shares and MESB Warrants

DWA Advisory and its Discretionary Funds have not dealt, directly or indirectly, in MESB Shares during the period commencing 6 months before the commencement of the Offer Period and ending on the LPD.

FURTHER INFORMATION

4. ARRANGEMENT AFFECTING DIRECTORS

- (i) As at the LPD, no payment or other benefit will be made or given to any Director as compensation for loss of office or otherwise in connection with the Offer.
- (ii) As at the LPD, there is no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the outcome of the Offer.
- (iii) As at the LPD, the Joint Offerors have not entered into any material contract in which any Director has a material personal interest.

5. SERVICE CONTRACTS

As at the LPD, neither MESB nor its subsidiaries have any service contracts with any Directors or proposed Directors, which have been entered into or amended within 6 months before the commencement of the Offer Period or which are fixed-term contracts with more than 12 months to run.

For the purpose of this section, the term “service contracts” excludes those expiring or determinable by the employing company without payment of compensation within 12 months from the date of this IAC.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of MESB at 10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee 50250 Kuala Lumpur during normal business hours from Mondays to Fridays (excluding public holidays) from the date of this IAC up to and including the Closing Date:

- (i) the Constitutions of MESB;
- (ii) the audited consolidated financial statements of MESB for the FYE 31 March 2017, FYE 31 March 2018, 15-month FPE 30 June 2019 and FYE 30 June 2020;
- (iii) a copy of the Notice dated 12 October 2020;
- (iv) the updated valuation letters of the investment properties as appraised by the Independent Valuer;
- (v) a copy of the letter from the SC notifying it has no further comments on this IAC dated 10 November 2020; and
- (vi) the letters of consent referred to in Section 2 of this Appendix II.

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