
8. PARTICULARS OF THE OFFER AND PUBLIC ISSUE

8.1 Share Capital

Authorised: 1 00,000,000 ordinary shares of RM1.00 each	RM 100,000,000
Issued and fully paid-up: 55,000,000 ordinary shares of RM 1 .00 each	RM55,000,000
To be issued pursuant to the Public Issue: 5,000,000 new ordinary shares of RM1.00 each	RM5,000,000
Enlarged share capital	<u>RM60,000,000</u>
To be offered for sale pursuant to this Prospectus: 4,490,000 ordinary shares of RM 1 .00 each	RM4,490,000
Offer/ Issue Price	RM1.90

The Offer/Issue Price of **RM1.90** is payable in full on application.

There is only one class of shares in Mesiniaga being ordinary shares of RM 1 .00 each. The Offer Shares and Public Issue Shares will rank **pari passu** in all respects with the other existing issued and paid-up ordinary shares of the Company, including voting rights and rights to all dividends that may be declared subsequent to the date of this Prospectus.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of shares in the Company shall, in proportion to the amount paid up on the shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and in respect of any surplus in the event of the liquidation of the Company.

At any general meeting of the Company, each shareholder shall be entitled to vote in person or by proxy or by attorney, and, on a show of hands, every person present who is a shareholder or representative or proxy of a shareholder shall have one vote, and on a poll, every shareholder present in person or by proxy or by attorney or by other duly authorised representative shall have one vote for each share held. A proxy may but need not be a member of the Company.

8.2 Basis of Arriving at the Offer/ Issue Price

The Offer/ issue Price of **RM1.90** per Offer Share and Public Issue Share was **determined** and agreed upon by the Company and Amanah, as the Adviser and the Underwriter, after taking into consideration the following factors:

- (i) Group's financial and operating history and conditions as outlined in Sections 2, 5 and 12 of this Prospectus;
- (ii) prospects of the IT industry and the Group as outlined in Sections 6 and 7 of this Prospectus;
- (iii) forecast gross PE multiple of 7.12 times based on the forecast gross EPS of 26.67 sen based on the enlarged issued and paid-up share capital of 60,000,000 Mesiniaga Shares;
- (iv) **proforma** Group NTA per Share of **RM1.37** as at 30 June 1999; and
- (v) forecast dividend yield of 5.3%.

8. PARTICULARS OF THE OFFER AND PUBLIC ISSUE *(Cont'd)*

8.3 Details of the Offer and Public issue

The Offer and Public Issue is an invitation by the Offerors and the Company to eligible employees of the Mesiniaga Group and the Malaysian public, to apply for the 4,490,000 Offer Shares and 5,000,000 Public Issue Shares at an Offer and Public Issue price of RM1.90 per share, payable in full on application, upon the terms and conditions set out in this Prospectus.

The Offer and Public Issue shall be subject to the terms and conditions of this Prospectus and, upon acceptance, the Offer Shares and Public Issue Shares shall be allocated in the following manner:-

(a) Eligible Directors and Employees

1,850,000 Offer Shares will be reserved for all eligible directors and employees of Mesiniaga Group; and

(b) Malaysian Public

2,640,000 Offer Shares and 5,000,000 Public Issue Shares will be made available for application by Malaysian citizens, companies, co-operatives, societies -and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions

The 2,640,000 Offer Shares and the 5,000,000 Public Issue Shares made available to the Malaysian public listed under paragraph 8.3(b) above have been fully underwritten by the Underwriter as set out in Section 1 of this Prospectus.

As for the 1,850,000 Offer Shares in respect of paragraphs 8.3 (a) above, in the event that any of such Offer Shares are not taken up by the eligible employees of Mesiniaga Group, such Shares will be made available for application by the Malaysian public and the application is fully underwritten by the Underwriter.

8.4 Opening and Closing of Application Lists

The Application Lists will open at 10.00 a.m. on 18 October 1999 and will remain open until 8.00 p.m. on the same day or for such further period or periods as the Directors of Mesiniaga and/or the Offerors in their absolute discretion may decide.

8.5 Purposes of the Offer and Public Issue

The purposes of the Offer and Public Issue are as follows:-

- (i) to provide an opportunity for Malaysian investors, including Bumiputeras and eligible employees and Directors of the Mesiniaga Group to participate in the continuing growth of the Group through equity participation;
- (ii) to enable the Company better access to the capital markets for funds and investment opportunities so as to facilitate future expansion and continued growth of the Company and its subsidiaries; and
- (iii) to facilitate the listing of and quotation for the entire enlarged share capital of 60,000,000 ordinary shares of RM 1 .00 each in Mesiniaga on the Main Board of the KLSE.

8. PARTICULARS OF THE OFFER AND PUBLIC ISSUE (Cont'd)

8.6 Brokerage and Underwriting Commission

Brokerage is payable by the Offerors and the Company in respect of the Offer Shares and the Public Issue Shares respectively at the rate of one percentum (1 .0%) on the Offer Price of RM 1.90 per share in respect of successful applications bearing the stamp of Amanah, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIDFCCS.

The Underwriter has agreed to underwrite the 2,640,000 Offer Shares and 5,000,000 Public Issue Shares which are available for application by the Malaysian public. The Underwriter has further agreed to underwrite any Offer Shares reserved but which are not taken up by the eligible Directors and employees of the Mesiniaga Group. Underwriting commission is payable by the Offerors and the Company in respect of the Offer Shares and the Public Issue Shares respectively at the rate of one percentum (1 .0%) of the Offer/ Issue Price of RM1.90 per share.

9. MORATORIUM ON THE SALE OF SHARES

The SC in approving the flotation of Mesiniaga on the Main Board of the KLSE has imposed a moratorium on the disposal of shares by the major shareholders of Mesiniaga.

It is also a condition of the SC that the major shareholders of Mesiniaga will not be allowed to sell, transfer or assign their shareholdings in Mesiniaga amounting to **27,000,000** ordinary shares of **RM1.00** each, representing 45% of the issued and paid-up capital of Mesiniaga within one (1) year **from** the date of admission of Mesiniaga to the **Official** List of the Main Board of the KLSE. Thereafter, the major shareholders are permitted to divest or transfer up to a maximum of 20% **p.a.** on a straight line basis of its shareholding in Mesiniaga which is under moratorium.

The restriction is specifically endorsed on the notices of allotment representing the respective shareholdings of the major shareholders which are under moratorium to ensure that trading of these shares are not allowed in compliance with the restriction **imposed** by the KLSE. The restriction is fully accepted by the major shareholders and the public is deemed to have notice of this restriction.

The shareholdings of the major shareholders **after** the Offer and Public Issue which are under moratorium as imposed by the KLSE are set out below:

Major shareholder	No. of Mesiniaga Shares under moratorium	% of enlarged share capital
PNB	7,109,208	11.85
Ismail bin Sulaiman	6,471,863	10.79
Mohd Puzi bin Ahamad	2,843,683	4.74
Wan Mohamad Fusil bin Wan Mahmood	2,843,683	4.74
Hor Yee	2,843,683	4.74
Ramli bin Amat	2,775,145	4.62
IBM WTC	2,112,735	3.52
	27,000,000	45.00

10. INFORMATION ON THE OFFERORS

Set out below are the Offerors and their respective shareholdings in Mesiniaga before and after the Offer and Public Issue:

Offeror	Before the Offer/ ← Public Issue →		After the Offer/ ← Public Issue →	
	No. of Shares held	%	No. of Shares held	%
PNB	14,310,131* ¹	26.02	11,822,349* ²	19.70
Ismail bin Sulaiman	12,360,237	22.47	10,762,468	17.94
Mohd Puzi bin Ahamad	5,174,053	9.41	4,728,940	7.88
Wan Mohamad Fusil bin Wan Mahmood	5,174,053	9.41	4,728,940	7.88
Hor Yee	5,174,053	9.41	4,728,940	7.88
Ramli bin Amat	5,059,073	9.20	4,614,963	7.69
	47,251,600	85.92	41,386,600	68.97

By letter dated 26 June 1997, Amanah Saham **Pahang** Berhad ("**ASPA**") had agreed to acquire from PNB 1,375,000 Mesiniaga Shares ("Acquisition"). As at 20 September 1999 (being the last practicable date prior to the printing of this Prospectus), the Acquisition has not been completed. However, both PNB and **ASPA** had, on 15 September 1999 and 16 September 1999 respectively, given their respective declarations confirming the Acquisition and that the Acquisition shall be completed by 29 September 1999.

¹ Before taking into account the Acquisition.

² After taking into account the Acquisition.

11. FINANCIAL INFORMATION

11.1 Profit And Dividend Records

The following table sets out the summary of the audited consolidated results of Mesiniaga Group for the five (5) financial years ended 31 December 1998 and the six (6) months ended 30 June 1999 and is extracted from the Accountants' Report in Section 12 and should be read in conjunction with the notes thereto:

	Financial year ended 31 December					6 months ended
	1994	1995	1996	1997	1998	30 June 1999
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	102,154	110,831	145,654	191,301	139,258	77,681
Profit before depreciation and interest	9,683	14,472	19,469	20,941	15,074	8,040
Depreciation	(2,235)	(2,414)	(2,781)	(2,718)	(2,683)	(1,340)
Interest Expense	(1,230)	(1,287)	(1,759)	(1,921)	(2,064)	(560)
Profit before taxation	6,218	10,771	14,929	16,302	10,327	6,140
Taxation	(2,735)	(3,936)	(4,476)	(4,393)	(3,555)	
Profit after taxation	3,483	6,835	10,453	11,909	6,772	6,140
Minority interest		(33)	(119)	(254)	99	(325)
Profit attributable to shareholders of the Company	3,483	6,802	10,334	11,655	6,871	5,815
Number of ordinary shares in issue ('000)	10,000	10,000	10,000	10,000	10,000	10,000
Gross EPS (RM)	0.62	1.08	1.49	1.63	1.03	1.23*
Net EPS (RM)	0.35	0.68	1.03	1.17	0.69	1.16*
Gross Dividend Rate (%)	30	50	48	50	4	3

Notes:

* Annualised

1. There was no extraordinary item for the financial years and period under review.
2. The effective tax rates of the Group for the financial years ended 31 December 1994, 1995 and 1998 were higher than the statutory tax rates due to certain expenses being disallowed for tax purposes. For the six (6) months ended 30 June 1999, all income, (except for dividend) derived are exempted from tax in accordance with Section 8 of the Income Tax (Amendment) Act, 1999.
3. The gross and net EPS is calculated based on the profit before taxation and profit after taxation of the Company for the financial years/period divided by the number of ordinary shares in issue during each of the respective financial years/period. For illustrative purposes, the gross and net EPS calculated on the results for the six (6) months ended 30 June 1999 have been reflected on an annualised basis.
4. The increase in profit for the financial years ended 31 December 1994 to 1997 was due to increased productivity resulting in proportionately lower fixed expenses and cost savings as well as the increased emphasis on the provision of IT services.
5. The decrease in profit for the financial year 1998 was due to lower turnover and high fixed operating expenses.

11. FINANCIAL INFORMATION (Cont'd)

The following table sets out the summary of the audited results of Mesiniaga for the five (5) financial years ended 31 December 1998 and the six (6) months ended 30 June 1999 and is extracted from the Accountants' Report in Section 12 of this Prospectus and should be read in conjunction with the notes thereto:

	← Financial year ended 31 December →					6-months ended
	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	30 June 1999 RM'000
Turnover	102,154	110,125	142,403	182,341	132,385	74,321
Profit before depreciation and interest	9,703	13,771	17,985	20,248	14,518	7,917
Depreciation	(2,235)	(2,412)	(2,745)	(2,609)	(2,532)	(1,259)
Interest	(1,230)	(1,287)	(1,759)	(1,921)	(1,935)	(533)
Profit before taxation	6,238	10,072	13,481	15,718	10,051	6,125
Taxation	(2,725)	(3,747)	(4,078)	(3,973)	(3,230)	
Profit after taxation	3,513	6,325	9,403	11,745	6,821	6,125
Number of ordinary shares of RM 1.00 in issue ('000)	10,000	10,000	10,000	10,000	10,000	10,000
Gross EPS (RM)	0.62	1.01	1.35	1.57	1.01	1.23*
Net EPS (RM)	0.35	0.63	0.94	1.17	0.68	1.23*
Gross Dividend Rate (%)	30	50	48	50	43	

* Annualised

1. There was no extraordinary item for the financial years and period under review.
2. The effective tax rates of the Company for the financial years ended 31 December 1994, 1995 and 1998 were higher than the statutory tax rates due to certain expenses being disallowed for tax purposes. For the six (6) months ended 30 June 1999, all income, (except for dividend) derived are exempted from tax in accordance with Section 8 of the Income Tax (Amendment) Act, 1999.
3. The gross and net EPS is calculated based on the profit before taxation and profit after tax of the Company for the financial years/period divided by the number of ordinary shares in issue during each of the respective financial years/period. For illustrative purposes, the gross and net EPS per share calculated based on the results for the six (6) months ended 30 June 1999 have been reflected on an annualised basis.
4. The increase in profit for the financial years ended 31 December 1994 to 1997 was due to increased productivity resulting in proportionately lower fixed expenses and cost savings as well as the increased emphasis on the provision of IT services.
5. The decrease in profit for the financial year 1998 was due to lower turnover and high fixed operating expenses.

11.2 Working Capital, Borrowings and Contingent Liabilities

11.2.1 Working Capital

The Directors are of the opinion that, after taking into account the cashflow forecast and projections and the banking facilities available, the Mesiniaga Group will have adequate working capital for its foreseeable requirements.

11. FINANCIAL INFORMATION (Cont'd)

11.2.2 Borrowings

As at 20 September 1999 (being the last practicable date at which such amounts could be calculated prior to the printing of this Prospectus), the total bank borrowings and overdraft facilities of the Mesiniaga Group amounts to RM8.94 million.

Save for the above, Mesiniaga Group did not have any other loan capital created but unissued nor any mortgages or charges outstanding.

11.2.3 Contingent Liabilities

As at 20 September 1999 (being the last practicable date at which such amounts could be calculated prior to the printing of this Prospectus), the Mesiniaga Group did not have any material contingent liabilities, loan capital or convertible debt securities outstanding or created but unissued.

11.3 Consolidated Profit Forecast and Assumptions

The Directors of Mesiniaga forecast that, barring unforeseen circumstances, the consolidated profit after taxation and minority interests of the Group for the financial year ending 31 December 1999 will be as follows:

Consolidated profit after taxation and minority interests (RM'000)	16,000	16,000
Number of Shares in issue ('000)	60,000**	40,934***
Gross EPS (sen)	26.67	39.09
Gross PE multiple (times)*	7.12	4.86
Net EPS (sen)	26.67	39.09
Net PE multiple (times)*	7.12	4.86

* Based on the Offer/Issue Price of RM1.90

** Based on the enlarged share capital of 60,000,000 Mesiniaga Shares after the Public Issue

*** Based on the weighted average number of shares in issue of 40,933,833

The principal assumptions upon which the consolidated profit forecast after taxation and minority interests have been made are set out below:

- (i) there will be no significant changes in the prevailing economic conditions in Malaysia and elsewhere, especially those conditions that affect the IT industry, which will adversely affect the activities or the performance of the Group;
- (ii) there will be no material changes in the present legislation or Government regulations, rates and bases of duties, levies and taxes affecting the activities or the markets in which the Group operates;
- (iii) all income (except for dividend) derived in the financial year ending 31 December 1999 are exempted from tax, in accordance with Section 8 of the Income Tax (Amendment) Act, 1999;
- (iv) the rate of inflation will not vary significantly from current levels;
- (v) other than inflationary increases, there will be no material increase in wages, supplies and other costs;
- (vi) there will be no material fluctuations in foreign currency exchange rates from prevailing rates, including the exchange rate of RM3.80 to United States Dollar (LJSD) 1.00;

11. FINANCIAL INFORMATION *(Cont'd)*

- (vii) there will be no major industrial disputes, economic or political changes or any abnormal factors, including exceptional bad debts, which will adversely affect the activities of the Group;
- (viii) there will be no material acquisitions or disposals of assets or material changes in the present Group structure. There will be no significant changes in the current principal activities of the Group;
- (ix) existing financial and additional financing facilities will be available when required and at interest rates which will not vary significantly from their prevailing levels;
- (x) the gross proceeds of **RM29,366,000** arising from the rights issue and the Public Issue will be received by the Group by 1 November 1999;
- (xi) there will be no significant changes in customer demand, selling prices and product lines of the Group;
- (xii) there will be no significant changes to the existing management, operating and accounting policies adopted by the Group;
- (xiii) there will be no cancellation or significant changes in the value of existing contracts, and the value of the new contracts will be secured in line with forecast levels. There will not be any major delays in the timing of the commencement and completion of the contracts;
- (xiv) there will be no significant changes in the level of capital expenditure other than the planned increase in line with the expansion of the business operations which will be implemented as scheduled;
- (xv) Mesiniaga will remain as the distributor/reseller of IBM products and exclusive agent of IBM in Malaysia; and
- (xvi) There will be no major Year 2000 issues that will affect the operations of the Group.

11. FINANCIAL INFORMATION (Cont'd)

11.4 Auditors' Letter on the Consolidated Profit Forecast and Assumptions
(Prepared for inclusion in this Prospectus)



The Board of Directors
Mesiniaga Berhad
No. 1A, Jalan SS 16/1
Subang Jaya
47500 Petaling Jaya
Selangor Darul Ehsan

PricewaterhouseCoopers
(AF 1146)
Public Accountants
1 Ith Floor Wisma Sime Darby
Jalan Raja Laut
P O Box 10192
50706 Kuala Lumpur, Malaysia
Telephone +60(3) 293 1077
Facsimile +60(3) 293 0997

23 September 1999

PwC/CKH/maz/0384J

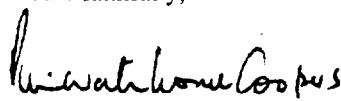
MESINIAGA BERHAD ("MESINIAGA")
CONSOLIDATED PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING
31 DECEMBER 1999

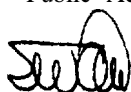
Dear Sirs,

We have reviewed the accounting policies and calculations for the consolidated profit forecast of Mesiniaga, and its subsidiary and associated companies ("Group") for which the Directors of Mesiniaga are solely responsible, for the financial year ending 31 December 1999, as set out in the Prospectus to be dated 30 September 1999, in connection with the Offer for Sale of 4,490,000 ordinary shares of RM 1.00 each in Mesiniaga at an offer price of RM 1.90 ordinary per share, the Public Issue of 5,000,000 new ordinary shares of RM 1.00 each in Mesiniaga at an issue price of RM 1.90 per ordinary share, and the listing of and quotation for the entire enlarged issued and paid up capital of 60,000,000 ordinary shares of RM 1.00 each on the Main Board of the Kuala Lumpur Stock Exchange.

In our opinion, the consolidated profit forecast, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of the assumptions made by the Directors of Mesiniaga as set out in the Prospectus, and is presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully,


PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Public Accountants



ERIC 001 LIP AUN
(No. 1517/6/00 (J))
Partner of the firm

11. FINANCIAL INFORMATION *(Cont'd)*

11.5 Dividend Forecast

It is the policy of the Directors of Mesiniaga to recommend dividends to allow shareholders to participate in the profits of the Company as well as leaving adequate resources for the future growth of the Company.

Based on the consolidated profit forecast for the financial year ending 31 December 1999, and on the assumption that the present basis for calculating taxation remains unchanged, the Directors of Mesiniaga anticipate that in the absence of unforeseen circumstances, the Company will be in a position to propose a tax-exempt dividend of 10% (based on the issued share capital of 60,000,000 ordinary shares).

The intended appropriation of the forecast consolidated profit after taxation and minority interests for the Group for the financial year ending 31 December 1999 would be as follows:

	Forecast
For the year ending 31 December 1999	1999
	RM'000
Consolidated profit after taxation and minority interests	16,000
Profit attributable to shareholders	16,000
Proposed tax-exempt dividend of 10 sen	(6,000)
Retained profit for the year	<u>10,000</u>
Tax-exempt dividend cover (based on the enlarged share capital of 60,000,000 Mesiniaga Shares after the Public Issue) (times)*	2.67
Tax-exempt dividend cover (based on the weighted average number of shares in issue of 40,933,833 Shares) (times)*	3.91
Tax-exempt dividend yield based on the Offer/ Issue Price of RM 1.90 per Share (%)	5.3

* *Based on the Offer/Issue Price of RM1.90*

11. FINANCIAL INFORMATION (Cont'd)

11.6 Proforma Consolidated Balance Sheets (Prepared for inclusion in this Prospectus)

The Proforma Consolidated Balance Sheets of the Group as set out below have been prepared solely for illustrative purposes to show the effects of the revaluation of landed property (I), bonus issue of 25,134,000 New Shares (II), rights issue of 19,866,000 New Shares (III) and the Offer for Sale and Public Issue (IV), on the assumption that these transactions were completed on 30 June 1999:

	Audited Consolidated Balance Sheet as at 30 June 1999	(I) After revaluation of landed Property RM'000	(II) After (I) and bonus issue RM'000	(III) After (II) and Rights Issue RM'000	(IV) After (III) and Offer and Public Issue RM'000
Fixed Assets	30,525	38,107	38,107	38,107	38,107
Investments	1,692	1,692	1,692	1,692	1,692
Software development expenditure	3,109	3,109	3,109	3,109	3,109
Current Assets	67,661	63,886	63,886	83,752	91,052
Current Liabilities	(4 1,947)	(4 1,947)	(4 1,947)	(4 1,947)	(4 1,947)
Net Current Assets	25,714	21,939	21,939	41,805	49,105
	6 1,040	64,847	64,847	84,713	92,013
Share Capital (Note 3)	10,000	10,000	35,134	55,000	60,000
Share Premium (Note 4)					2,300
Revaluation Reserves (Note 5)		7582	6,800	6,800	6,800
Retained Profits (Note 6)	44,499	40,724	16,372	16,372	16,372
Reserve on Consolidation	40	40	40	40	40
Shareholders' Funds	54,539	58,346	58,346	78,212	85,512
Minority Interests	1,494	1,494	1,494	1,494	1,494
Retirement Benefits	975	975	975	975	975
Terms Loans (secured)	1,406	1,406	1,406	1,406	1,406
Deferred tax	2,626	2,626	2,626	2,626	2,626
	61,040	64,847	64,847	84,713	92,013
NTA	5 1,430	55,237	55,237	75,103	82,403
NTA per share (RM)	5.14	5.52	1.57	1.36	1.37

11. FINANCIAL INFORMATION (Cont'd)

Notes to the Proforma Consolidated Balance Sheets

1. Basis of preparation

- (a) The Consolidated Balance Sheet of the Group is extracted from the audited accounts of the Group for the six-months ended 30 June 1999.
- (b) The Proforma Consolidated Balance Sheets have been prepared based on accounting policies and bases consistent with those adopted in the preparation of audited accounts of the Group.

2. Proforma Consolidated Balance Sheets

The Proforma Consolidated Balance Sheets incorporate on a proforma basis the following transactions as though they were effected as at 30 June 1999:

- (a) Proforma I incorporates the revaluation of the landed property based on an open market valuation by an independent firm of professional valuers which gave rise to a revaluation surplus of RM7,582,000 as adjusted by the SC, and the payment of cash dividends of RM3,775,000 to the existing shareholders as at 30 June 1999.
- (b) Proforma II incorporates the transaction in Proforma I and the bonus issue of 25,134,000 New Shares, of which RM782,000 is to be capitalised out of the revaluation reserve in (a) above and RM24,352,000 from retained profits.
- (c) Proforma III incorporates the transaction in Proforma II and the rights issue of 19,866,000 New Shares.
- (d) Proforma IV incorporates the transaction in Proforma III and the Offer for Sale and Public Issue, after deduction of the estimated listing expenses of RM2,200,000 from the share premium.

3. Share Capital

Movements in the issued and paid-up share capital are as follows:

	No. of shares '000
As at 30 June 1999	10,000
Bonus issue	25,134
As per Proforma II	35,134
Rights issue	19,866
As per Proforma III	55,000
Public Issue	5,000
As per Proforma IV	<u>60,000</u>

11. FINANCIAL INFORMATION (Cont'd)

4.	Share Premium	
	Movements in the share premium are as follows:	RM'000
	As at 30 June 1999	
	Premium on Public Issue	4,500
	Estimated listing expenses	<u>(2,200)</u>
	As per Proforma IV	<u>2,300</u>
5.	Revaluation Reserves	
		RM'000
	As at 30 June 1999	
	Revaluation surplus arising from revaluation of landed property	<u>7,582</u>
	As per Proforma I	7,582
	Capitalisation for bonus issue	<u>(782)</u>
	As per Proforma II	<u>6,800</u>
6.	Retained profits	
		RM'000
	As at 30 June 1999	44,499
	Payment of cash dividends (52.43 sen gross dividend per share, less income tax)	<u>(3,775)</u>
	As per Proforma I	40,724
	Capitalisation for bonus issue	<u>(24,352)</u>
	As per Proforma II	<u>16,372</u>

11. FINANCIAL INFORMATION (Cont'd)

11.7 Auditors' Letter on the Consolidated Balance Sheets
(Prepared for inclusion in this Prospectus)



The Board of Directors
Mesiniaga Berhad
No. 1 A, Jalan SS 16/1
Subang Jaya
47500 Petaling Jaya
Selangor Darul Ehsan

PricewaterhouseCoopers
(AF 1146)
Public Accountants
11th Floor Wisma Sime Darby
Jalan Raja Laut
PO Box 10192
50706 Kuala Lumpur, Malaysia
Telephone +60 (3) 293 1077
Facsimile +60 (3) 293 0997

23 September 1999

PwC/CKH/maz/0410J-V2


**MESINIAGA BERHAD ("MESINIAGA")
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 1999**

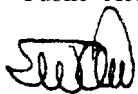
Dear Sirs,

We have reviewed the Proforma Consolidated Balance Sheets of Mesiniaga, and its subsidiary and associated companies ("Group") as at 30 June 1999 together with the notes thereon, for which the Directors are solely responsible, as set out in the Prospectus to be dated 30 September 1999 in connection with the Offer for Sale of 4,490,000 ordinary shares of RM 1.00 each in Mesiniaga at an offer price of RM 1.90 per ordinary share, the Public Issue of 5,000,000 new ordinary shares of RM1.00 each in Mesiniaga at an issue price of RM1.90 per ordinary share, and the listing of and quotation for the entire enlarged issued and paid up capital of 60,000,000 ordinary shares of RM1.00 each on the Main Board of the Kuala Lumpur Stock Exchange.

Based on the results of our review, we confirm that the Proforma Consolidated Balance Sheets of the Group as at 30 June 1999, which are provided for illustrative purposes only, have been properly compiled on the bases set out in the notes to the Proforma Consolidated Balance Sheets.

Yours faithfully,


PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Public Accountants


ERIC 001 LIP AUN
(No. 1517/6/00 (J))
Partner of the firm



ACCOUNTANTS' REPORT
(Prepared for inclusion in this Prospectus)

PricewaterhouseCoopers
(AF 1146)
Public Accountants
11 th Floor Wisma Sime Darby
Jalan Raja Laut
PO Box 10192
50706 Kuala Lumpur, Malaysia
Telephone +60(3) 293 1077
Facsimile +60(3) 293 0997

The Board of Directors
Mesiniaga Berhad
No. 1 A, Jalan SS 16/1
Subang Jaya
47500 Petaling Jaya

23 September 1999

PwC/CKH/sw/0416J

Dear Sirs,

I INTRODUCTION

The following report has been prepared for inclusion in the Prospectus to be dated 30 September 1999 in connection with the floatation scheme as follows:

- (a) Revaluation of the landed property, Menara Mesiniaga, based on an open market valuation by an independent firm of professional valuers, which gave rise to a revaluation surplus of RM7,582,000, as adjusted by the SC and the payment of cash dividends of RM3,775,000 to the existing shareholders as at 30 June 1999;
- (b) Bonus issue of 25,134,000 New Mesiniaga Shares, on the basis of approximately three (3) New Shares for each existing Mesiniaga share held, of which RM782,000 is to be capitalised out of the revaluation reserve and RM24,352,000 from retained profits as at 31 December 1998;
- (c) Rights issue of 19,866,000 New Mesiniaga Shares at an issue price of RM1.00 per share on the basis of approximately two (2) New Shares for each existing Mesiniaga Share held before the bonus issue. In conjunction with the Rights Issue, IBM WTC renounced their entitlements to the Rights Issue which was subsequently taken up by certain major shareholders of Mesiniaga;
- (d) The Offer for Sale of 4,490,000 ordinary shares of RM 1.00 each in Mesiniaga at an offer price of RM 1.90 per ordinary share, and the Public Issue of 5,000,000 new ordinary shares of RM 1.00 each in Mesiniaga at an issue price of RM 1.90 per ordinary share;



The Board of Directors
Mesiniaga Berhad
PwC/CKH/sw/0416J
23 September 1999

I INTRODUCTION (CONTINUED)

- (e) The listing of and quotation for the entire enlarged issued and paid up capital of 60,000,000 ordinary shares of RM1 .00 each on the Main Board of the Kuala Lumpur Stock Exchange ('KLSE'); and
- (f) The establishment of an Employees' Share Option Scheme ('ESOS') for the benefits of its full-time Executive Directors and employees of Mesiniaga to be implemented not earlier than one (1) year after the date of Mesiniaga listing on the Main Board of the KLSE.

II GENERAL INFORMATION

(i) Incorporation

- (a) Mesiniaga Berhad ('Mesiniaga') was incorporated in Malaysia on 17 December 1981 as a private limited company under the name of Mesiniaga (Malaysia) Sdn. Bhd. On 28 December 1981, Mesiniaga (Malaysia) Sdn. Bhd. changed its name to Mesiniaga Sdn. Bhd. and on 24 December 1996, Mesiniaga Sdn. Bhd. changed its name to Mesiniaga Berhad.
- (b) The present authorised, issued and fully paid-up share capital of the Company is RM 1 0,000,000 comprising 1 0,000,000 ordinary shares of RM 1 .00 each.

The changes in the issued and paid-up share capital of MSB since the date of incorporation are summarised as follows:

Date of allotment	Class 'A' shares			Class 'B' shares			Total issued and paid-up capital (A) + (B) RM'000
	Type of issue	No. of shares	Total issued and paid-up (A) RM'000	Type of issue	No. of shares	Total issued and paid-up (B) RM'000	
17.12.1981	Subscribers' share at RM5,000 each	96	480	Subscribers' share at RM5,000 each	4	20	500
18.12.1983	Bonus issue at RM5,000 each	96	480	Bonus issue at RM5,000 each	4	20	500
10.3.1986	Bonus issue at RM5,000 each	192	960	Bonus issue at RM5,000 each	8	40	1,000
29.9.1989	Bonus issue at RM5,000 each	576	2,880	Bonus issue at RM5,000 each	24	120	3,000
			4,800			200	5,000



The Board of Directors
Mesiniaga Berhad
PwC/CKH/sw/0416J
23 September 1999

II GENERAL INFORMATION (CONTINUED)

(i) Incorporation (Continued)

Date of allotment	Type of issue	No. of shares '000	Ordinary shares
			Total issued and paid-up RM'000
27.8.1991	Conversion of existing shares (Class 'A' and 'B' shares) of RM5,000 each to RM1.00 each	5,000	5,000
27.9.1991	Bonus issue at RM1.00 each	5,000	5,000
			10,000

(ii) Principal activities

Mesiniaga's principal activities are that of the sale, lease and service of office products. The principal activities of the subsidiary and associated companies are set out in paragraph (iii) below.

(iii) Subsidiary and associated companies

The details of the subsidiary and associated companies of Mesiniaga, all of which are incorporated in Malaysia as of 23 September 1999, are as follows:

Company	Principal activities	Issued and paid-up capital RM	Effective interest %
VA Dynamics Sdn. Bhd. ('VA Dynamics')	Selling networking cables and related products	2,000,000	51
Mesiniaga - Tactics Sdn. Bhd. ('MTSB')	Consultancy in custom developed course materials, training and development of software	50,000	51



The Board of Directors
 Mesiniaga Berhad
 PwC/CKH/sw/0416J
 23 September 1999

II GENERAL INFORMATION (CONTINUED)

(iii) Subsidiary and associated companies (Continued)

Company	Principal activities	Issued and paid-up capital RM	Effective interest %
Secure Online Transactions Sdn. Bhd. ('SECTRON')	Now dormant, previously the provision of secured online transaction services for the banking, finance, insurance and securities business	250,000	100
Mesiniaga-SCS Sdn. Bhd. (formerly known as Infosolutions Sdn. Bhd.) ('MSCS')	Previously dormant, now the provision of management training and consulting services to the public and private sectors in strategic planning, strategic management implementation, management training and development, organisational development, strategic sales and marketing consulting and human resource management consulting	100,000	70
Mesiniaga MSC Sdn. Bhd. ('MMSC')	Currently dormant, where upon commencing operations will be the provision of R&D services in the areas of application software, application products and application solutions	500,000	100



The Board of Directors
 Mesiniaga Berhad
 PwC/CKH/sw/0416J
 23 September 1999

II GENERAL INFORMATION (CONTINUED)

(iii) Subsidiary and associated companies (Continued)

Company	Principal activities	Issued and paid-up capital RM	Effective interest %
Axis Systems Sdn. Bhd. (‘AXIS’)	Developing and marketing of software and hardware products and provision of software programming services	500,000	25
Commercial Software Services (M) Sdn. Bhd. (‘CSSM’)	Development and sale of computer software and equipment, installation and support of computer software systems	500,000	30

(iv) Accounts and auditors

We are the auditors of Mesiniaga, and its subsidiary and associated companies (“Group”) for all periods relevant to this report, except for CSSM which is audited by other firms of auditors, and reported on without any qualification.

The accounts of the Group for all periods under review were audited and reported on without any qualification.



The Board of Directors
Mesiniaga Berhad
PwC/CKH/sw/0416J
23 September 1999

III SUMMARISED PROFIT AND LOSS ACCOUNTS

(i) Group

The summarised profit and loss accounts based on the audited accounts of the Group for the past five (5) financial years ended 31 December 1998 and six (6) months ended 30 June 1999 are as follows:

	-----Year ended 31 December -----					6 months
	1994	1995	1996	1997	1998	ended
	RM'000	RM'000	RM'000	RM'000	RM'000	30.6.1999
						RM'000
Turnover	102,154	110,831	145,654	191,301	139,258	77,681
Profit before interest and depreciation	9,683	14,472	19,469	20,941	15,074	8,040
Depreciation	(2,235)	(2,414)	(2,781)	(2,718)	(2,683)	(1,340)
Interest	(1,230)	(1,287)	(1,759)	(1,921)	(2,064)	(560)
Profit before taxation	6,218	10,771	14,929	16,302	10,327	6,140
Taxation	(2,735)	(3,936)	(4,476)	(4,393)	(3,555)	
Profit after taxation	3,483	6,835	10,453	11,909	6,772	6,140
Minority interests		(33)	(119)	(254)	99	(325)
Profit attributable to shareholders of the Company	3,483	6,802	10,334	11,655	6,871	5,815
Number of ordinary shares of RM 1.00 each in issue ('000)	10,000	10,000	10,000	10,000	10,000	10,000
Gross EPS (RM)	0.62	1.08	1.49	1.63	1.03	1.23 *
Net EPS (RM)	0.35	0.68	1.03	1.17	0.69	1.16 *
Gross dividend rate (%)	30	50	48	50	43	-



The Board of Directors
Mesiniaga Berhad
PwC/CKH/sw/0416J
23 September 1999

III SUMMARISED PROFIT AND LOSS ACCOUNTS

(i) Group (Continued)

Notes:

* *Annualised*

(a) *There was no extraordinary item for **the** financial years/period under review.*

(b) *The effective tax rates of the Group for **the** financial years ended 31 December 1994, 1995 and 1998 were higher than the statutory tax rates due to certain expenses being disallowed for **tax** purposes. For the six (6) months ended 30 June 1999, all income (except for dividend) derived are **exempted from tax** in accordance with Section 8 of the Income Tax (Amendment) Act, 1999.*

(c) *The gross and net EPS is calculated based on the profit before taxation and the profit attributable to shareholders of the Company for **the financial** years/period divided by the number of ordinary shares in issue during each of the respective financial years/period. For illustrative purposes, the gross and net EPS calculated on the results for the six (6) months ended 30 June 1999 have been reflected on an annualised basis.*



The Board of Directors
Mesiniaga Berhad
PwC/CKH/sw/0416J
23 September 1999

III SUMMARISED PROFIT AND LOSS ACCOUNTS (CONTINUED)

(ii) Mesiniaga

This summarised profit and loss accounts based on the audited accounts of Mesiniaga for the past five (5) financial years ended 31 December 1998 and six (6) months ended 30 June 1999 are as follows:

	----- Year ended 31 December -----					6 months
	1994	1995	1996	1997	1998	ended
	RM'000	RM'000	RM'000	RM'000	RM'000	30.6.1999
						RM'000
Turnover	102,154	110,125	142,403	182,341	132,385	74,321
Profit before interest and depreciation	9,703	13,771	17,985	20,248	14,518	7,917
Depreciation	(2,235)	(2,412)	(2,745)	(2,609)	(2,532)	(1,259)
Interest	(1,230)	(1,287)	(1,759)	(1,921)	(1,935)	(533)
Profit before taxation	6,238	10,072	13,481	15,718	10,051	6,125
Taxation	(2,725)	(3,747)	(4,078)	(3,973)	(3,230)	
Profit after taxation	3,513	6,325	9,403	11,745	6,821	6,125
Number of ordinary shares of RM1.00 each in issue ('000)	10,000	10,000	10,000	10,000	10,000	10,000
Gross EPS (RM)	0.62	1.01	1.35	1.57	1.01	1.23 *
Net EPS (RM) j	0.35	0.63	0.94	1.17	0.68	1.23 *
Gross dividend rate (%)	30	50	48	50	43	

Notes:

* Annualised

(a) There was **no** extraordinary item for **the** financial years/period under review.



The Board of Directors
Mesiniaga Berhad
PwC/CKH/sw/0416J
23 September 1999

III SUMMARISED PROFIT AND LOSS ACCOUNTS (CONTINUED)

(iii) VA Dynamics

The summarised profit and loss accounts based on the audited accounts of VA Dynamics for the past five (5) financial years ended 30 June 1998, the financial year ended 31 December 1998 and six (6) months ended 30 June 1999 are as follows:

	Year ended 30 June					** Year ended	6 months ended
	1994	1995	1996	1997	1998	31.12.1998	30.6.1999
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover					9,872	2,478	2,749
Profit before depreciation and interest	-	-	-	-	1,214	165	259
Depreciation	-	-	-	-	(20)	(19)	(18)
Interest	-	-	-	-	(62)	(83)	(23)
Profit before taxation	-	-	-	-	1,132	63	218
Taxation	-	-	-	-	(325)	(38)	
Profit after taxation					807	25	218
Number of ordinary share of RM1.00 in issue ('000)	-	-	-	-	2,000	2,000	2,000
Gross EPS (RM)	-	-	-	-	0.57	0.03	0.22*
Net EPS (RM)	-	-	-	-	0.40	0.01	0.22*
Gross dividend rate (%)	-	-	-	-			-

Notes:

* Annualised

** VA Dynamics changed its financial year end from 30 June 1998 to 31 December 1998 to be co-terminous with the financial year end of its holding company, Mesiniaga.

(a) There was no extraordinary item for the financial years/period under review.



The Board of Directors
Mesiniaga Berhd
PwC/CKH/sw/0416J
23 September 1999

III SUMMARISED PROFIT AND LOSS ACCOUNTS (CONTINUED)

(iv) M T S B

The summarised profit and loss accounts based on the audited accounts of MTSB for the financial year ended 31 December 1994, the thirteen (13) months ended 31 December 1995, the three (3) financial years ended 31 December 1998 and the six (6) months ended 30 June 1999 are as follows:

	Year ended 31.12.1994 RM'000	13 months ended 31.12.1995 RM'000	---Year ended 31 December -- 1996 RM'000	1997 RM'000	1998 RM'000	6 months ended 30.6.1999 RM'000
Turnover		706	2,695	3,296	1,059	611
Profit before depreciation and interest		117	720	746	(515)	(107)
Depreciation		(2)	(22)	(87)	(99)	(50)
Interest		-		1	2	
Profit/(loss) before taxation		115	698	660	(612)	(157)
Taxation		(46)	(236)	-		
Profit/(loss) after taxation		69	462	660	(612)	(157)
Number of ordinary shares of RM 1.00 in issue ('000).		50	50	50	50	50
Gross EPS/(LPS) (RM)	-	2.30	13.96	13.20	(12.24)	(6.28)*
Net EPS/(LPS) (RM)	-	1.38	9.24	13.20	(12.24)	(6.28)*
Gross dividend rate (%)	-		180	1,200		

Notes.

* Annualised

(a) There was no extraordinary item for the financial years/period under review.



The Board of Directors
 Mesiniaga Berhad
 PwC/CKH/sw/0416J
 23 September 1999

III SUMMARISED PROFIT AND LOSS ACCOUNTS (CONTINUED)

(v) SECTRON

The summarised profit and loss accounts based on the audited accounts of SECTRON for the two (2) financial years ended 31 December 1995, the fourteen (14) months ended 31 December 1996, the two (2) financial years ended 31 December 1998 and six (6) months ended 30 June 1999 are as follows:

	Year ended 31 December 1994 RM'000	Year ended 31 December 1995 RM'000	14 months ended 31.12.1996 RM'000	Year ended 31 December 1997 RM'000	Year ended 31 December 1998 RM'000	6 months ended 30.6.1999 RM'000
Turnover			557	43	8	-
Profit/(loss) before depreciation and interest	-	-	(257)	(508)	(10)	229
Depreciation			(14)	(18)	(15)	(7)
Interest						
Profit/(loss) before taxation	-	-	(271)	(526)	(25)	222
Taxation	-	-				
Profit/(loss) after taxation			(271)	(526)	(25)	222
Number of ordinary shares of RM 1.00 in issue ('000)	-	-	250	250	250	250
Gross EPS/(LPS) (RM)	-	-	(1.08)	(2.10)	(0.1)	1.78*
Net EPS/(LPS) (RM)	-	-	(1.08)	(2.10)	(0.1)	1.78*
Gross dividend rate (%)	-	-				-

Notes:

* Annualised

(a) There was no extraordinary item for the financial years/period under review.



The Board of Directors
Mesiniaga Berhad
PwC/CKH/sw/0416J
23 September 1999

III SUMMARISED PROFIT AND LOSS ACCOUNTS (CONTINUED)

(vi) M S C S

The summarised profit and loss accounts based on the audited accounts of MSCS for the past five (5) financial years ended 31 December 1998 and six (6) months ended 30 June 1999 are as follows:

	Year ended 31 December					6 months ended
	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	30.6.1999 RM'000
Turnover	1,983	1,777	1,283			
Profit/(loss) before depreciation and interest	(165)	85	73	(7)	(17)	(9)
Depreciation						-
Interest						-
Profit/(loss) before taxation	(165)	85	73	(7)	(17)	(9)
Taxation			10	-	-	
Profit/(loss) after taxation	(165)	85	83	(7)	(17)	(9)
Number of ordinary shares of RM 1.00 in issue ('000)	51	51	51	51	51	51
Gross EPS/(LPS) (RM)	(3.24)	1.67	1.43	(0.14)	(0.33)	(0.35)*
Net EPS/(LPS) (RM)	(3.24)	1.67	1.63	(0.14)	(0.33)	(0.35)*
Gross dividend rate (%)	-					

Notes.

* Annualised

(a) There was no extraordinary item for the financial years/period under review.



The Board of Directors
Mesiniaga Berhad
PwC/CKH/sw/0416J
 23 September 1999

III SUMMARISED PROFIT AND LOSS ACCOUNTS (CONTINUED)

(vii) M M S C

The summarised profit and loss accounts based on the audited accounts of MMSC for the past four (4) financial years ended 31 December 1997, the thirteen (13) months ended 31 December 1998 and six (6) months ended 30 June 1999 are as follows:

	----- 1994 RM'000	Year ended 1995 RM'000	31 December 1996 RM'000	----- 1997 RM'000	13 months ended 31.12.1998 RM'000	6 months ended 30.6.1999 RM'000
Turnover	=====	=====	=====	=====	=====	=====
Loss before depreciation and interest				-	(18)	(6)
Depreciation				-	(2)	(3)
Interest				-	-	
Loss before taxation	-----	-----	-----	-----	-----	-----
	-	-	-	-	(20)	(9)
Taxation						
	-	-	-	-	-	-
Loss after taxation	=====	=====	=====	=====	=====	=====
	-	-	-	-	(20)	(9)
Number of ordinary shares of RM1.00 in issue	-	-	-	-	2	2
Gross LPS (RM)	-	-	-	-	(10,000)	(9,000)*
Net LPS (RM)	-	-	-	-	(10,000)	(9,000)*
Gross dividend rate (%)	-	-	-	-		

Notes.

* Annualised

(a) There was no extraordinary item for the financial years/period under review.



The Board of Directors
 Mesiniaga Berhad
 PwC/CKH/sw/0416J
 23 September 1999

IV DIVIDENDS

The details of dividends paid or declared by the Group for the past five (5) financial years ended 31 December 1998 are as follows:

Mesiniaga

Financial year ended	Issued and paid-up share capital RM'000		Gross dividend RM'000	Tax rate %	Net dividend RM'000
31.12.1994	10,000	Final	3,000	30	2,100
31.12.1995	10,000	Final	5,000	30	3,500
31.12.1996	10,000	Final	4,800	30	3,360
31.12.1997	10,000	Final	5,000	28	3,600
31.12.1998	10,000	Final	4,300	28	3,096

MTSB

31.12.1996	50	Final	90	30	63
31.12.1997	50	Final	600	28	432



The Board of Directors
 Mesiniaga Berhrd
 PwC/CKH/sw/0416J
 23 September 1999

V SUMMARISED BALANCE SHEETS

(i) Group

The summarised balance sheets based on the audited accounts of the Group for the last six (6) financial years ended 31 December 1998 and six (6) months ended 30 June 1999 are as follows:

	As at 31 December						As at
	1993	1994	1995	1996	1997	1998	30.6.1999
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Reserves	15,235	16,618	19,920	26,894	34,949	38,724	44,539
	<u>25,235</u>	<u>26,618</u>	<u>29,920</u>	<u>36,894</u>	<u>44,949</u>	<u>48,724</u>	<u>54,539</u>
Minority interests			57	245	1,267	1,168	1,494
Deferred and long term liabilities	15,218	13,474	9,632	8,221	7,397	5,945	5,007
	<u>40,453</u>	<u>40,092</u>	<u>39,609</u>	<u>45,360</u>	<u>53,613</u>	<u>55,837</u>	<u>61,040</u>
Represented by:							
Fixed assets	34,589	34,332	33,555	32,945	32,317	31,324	30,525
Associated companies	406	541	897	1,705	1,751	1,943	1,692
Investments	1,000	1,000	600	-	-	-	-
Software development expenditure	387	290	246	1,514	2,223	3,060	3,109
Current assets	34,160	49,971	59,668	65,415	94,972	61,708	67,661
Current liabilities	(30,089)	(46,042)	(55,357)	(56,219)	(77,650)	(42,198)	(41,947)
Net current assets	<u>4,071</u>	<u>3,929</u>	<u>4,311</u>	<u>9,196</u>	<u>17,322</u>	<u>19,510</u>	<u>25,714</u>
	<u>40,453</u>	<u>40,092</u>	<u>39,609</u>	<u>45,360</u>	<u>53,613</u>	<u>55,837</u>	<u>61,040</u>
NTA per share (RM)	2.48	2.63	2.97	3.54	4.27	4.57	5.14



The Board of Directors
Mesiniags Berhd
PwC/CKH/sw/0416J
23 September 1999

V SUMMARISED BALANCE SHEETS (CONTINUED)

(ii) Mesiniaga

The summarised balance sheets based on the audited accounts of Mesiniaga for the last six (6) financial years ended 31 December 1998 and six (6) months ended 30 June 1999 are as follows:

	As at 31 December						As at
	1993	1994	1995	1996	1997	1998	30.6.1999
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Reserves	15,051	16,464	19,289	25,332	33,477	37,202	43,327
	<u>25,051</u>	<u>26,464</u>	<u>29,289</u>	<u>35,332</u>	<u>43,477</u>	<u>47,202</u>	<u>53,327</u>
Deferred and long term liabilities	15,218	13,474	9,627	8,165	7,331	5,869	4,931
	<u>40,269</u>	<u>39,938</u>	<u>38,916</u>	<u>43,497</u>	<u>50,808</u>	<u>53,071</u>	<u>58,258</u>
Represented by:							
Fixed assets	34,589	34,332	33,520	32,599	31,892	30,977	30,258
Subsidiary companies	51	51	77	470	2,026	2,787	1,849
Associated companies	275	275	275	275	425	425	425
Investments	1,000	1,000	600				
Software development expenditure	387	290	246	1,296	2,223	2,928	2,968
Current assets	33,777	49,750	59,244	66,371	86,742	56,546	63,208
Current liabilities	(29,810)	(45,760)	(55,046)	(57,514)	(72,500)	(40,592)	(40,450)
Net current assets	<u>3,967</u>	<u>3,990</u>	<u>4,198</u>	<u>8,857</u>	<u>14,242</u>	<u>15,954</u>	<u>22,758</u>
	<u>40,269</u>	<u>39,938</u>	<u>38,916</u>	<u>43,497</u>	<u>50,808</u>	<u>53,071</u>	<u>58,258</u>
NTA per share (RM)	2.47	2.62	2.90	3.40	4.13	4.43	5.03



The Board of Directors
Mesiniaga Berhad
PwC/CKH/sw/0416J
23 September 1999

V SUMMARISED BALANCE SHEETS (CONTINUED)

(iii) VA Dynamics

VA Dynamics was incorporated on 15 July 1996 and was acquired by Mesiniaga on 1 July 1997. The balance sheets based on the audited accounts of VA Dynamics for financial period ended 30 June 1997, the financial year ended 30 June 1998, the financial period ended 31 December 1998 and six (6) months ended 30 June 1999 are as follows:

	As at 30.6.1997 RM'000	As at 30.6.1998 RM'000	* As at 31.12.1998 RM'000	As at 30.6.1999 RM'000
Share capital	**	2,000	2,000	2,000
Retained profit		807	833	1,051
		<u>2,807</u>	<u>2,833</u>	<u>3,051</u>
Deferred taxation			13	13
		<u>2,807</u>	<u>2,846</u>	<u>3,064</u>
Represented by:				
Fixed assets		111	108	90
Deferred expenditure	5			
CURRENT ASSETS				
Stocks		3,695	3,041	2,347
Trade debtors		1,905	1,303	1,576
Other debtors		59	24	21
Bank balances		132	361	256
		<u>5,791</u>	<u>4,729</u>	<u>4,200</u>
Less: CURRENT LIABILITIES				
Trade creditors		683	402	814
Other creditors	5	72	52	13
Amount due to holding company		2,015	1,187	49
Taxation		325	350	350
	5	<u>3,095</u>	<u>1,991</u>	<u>1,226</u>
Net current assets/(liabilities)	(5)	<u>2,696</u>	<u>2,738</u>	<u>2,974</u>
		<u>2,807</u>	<u>2,846</u>	<u>3,064</u>
NTA per share (RM)		1.40	1.42	1.53

Notes:

* VA Dynamics changed its financial year end from 30 June 1998 to 31 December 1998 to be co-terminous with the financial year end of its holding company, Mesiniaga.

• * RM2.00



The Board of Directors
 Mesiniaga Berhd
 PwC/CKH/sw/0416J
 23 September 1999

V SUMMARISED BALANCE SHEETS (CONTINUED)

(iv) MTSB

MTSB was incorporated on 16 December 1994 and the accounts for the financial period ended 31 December 1995 was its first set of accounts since incorporation. The balance sheets based on the audited accounts of MTSB for the financial period ended 31 December 1995, the three (3) financial years ended 31 December 1998 and the six (6) months ended 30 June 1999 are as follows:

	----- As at 31 December -----				As at 30.6.1999 RM'000
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	
Share capital	50	50	50	50	50
Profit and loss accounts	69	468	510	(103)	(260)
	<u>119</u>	<u>518</u>	<u>560</u>	<u>(53)</u>	<u>(210)</u>
Deferred taxation	6	56	63	63	63
	<u>125</u>	<u>574</u>	<u>623</u>	<u>10</u>	<u>(147)</u>
Represented by:					
Fixed assets	35	282	269	190	141
Software development expenditure		-		97	141
CURRENT ASSETS					
Stocks		10	30	19	22
Trade debtors	547	484	997	293	184
Other debtors	21	21	74	73	13
Amount due from holding company		-	26		-
Bank balances	103	467	250	81	32
	<u>671</u>	<u>982</u>	<u>1,377</u>	<u>466</u>	<u>251</u>



The Board of Directors
Mesiniaga Berhnd
PwC/CKH/sw/0416J
 23 September 1999

V SUMMARISED BALANCE SHEETS (CONTINUED)

(iv) MTSB (Continued)

	As at 31 December				As at
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	30.6.1999 RM'000
Less: CURRENT LIABILITIES					
Trade creditors	189	179	60	75	30
Other creditors and accruals	23	247	183	36	43
Amount due to					
holding company	329	4		200	375
Taxation	40	197	348	40	40
Proposed dividend	-	63	432	392	192
	581	690	1,023	743	680
Net current assets/(liabilities)	90	292	354	(277)	(429)
	125	574	623	10	(147)
NTA per share (RM)	2.38	10.36	11.20	(3.00)	(7.02)



The Board of Directors
Mesiniaga Berhad
PwC/CKH/sw/0416J
23 September 1999

V SUMMARISED BALANCE SHEETS (CONTINUED)

(v) SECTRON

SECTRON was incorporated on 13 November 1995 and the accounts for the financial period ended 31 December 1996 was its first set of **accounts** since incorporation. The balance sheets based on the audited accounts of **SECTRON** for the financial period ended 31 December 1996, the two (2) financial years ended 31 December 1998 and six (6) months ended 30 June 1999 are as follows:

	--- As at 31 December ---			As at
	1996	1997	1998	30.6.1999
	RM'000	RM'000	RM'000	RM'000
Share capital	250	250	250	250
Profit and loss accounts	(271)	(798)	(823)	(600)
	<u>(21)</u>	<u>(548)</u>	<u>(573)</u>	<u>(350)</u>
Represented by:				
Fixed asset	63	41	21	14
Software development expenditure	218			
CURRENT ASSETS				
Trade debtors	378			-
Bank balances	213	96	3	3
	<u>591</u>	<u>96</u>	<u>3</u>	<u>3</u>
Less: CURRENT LIABILITIES				
Trade creditors	303	237	232	
Other creditors and accruals	264	9	7	5
Amount due to holding company	326	439	358	362
	<u>893</u>	<u>685</u>	<u>597</u>	<u>367</u>
Net current liabilities	<u>(302)</u>	<u>(589)</u>	<u>(594)</u>	<u>(364)</u>
	<u>(21)</u>	<u>(548)</u>	<u>(573)</u>	<u>(350)</u>
NTA per share (RM)	(0.96)	(2.19)	(2.29)	(1.40)



The Board of Directors
Mesiniaga Berhad
PwC/CKH/sw/0416J
23 September 1999

V SUMMARISED BALANCE SHEETS (CONTINUED)

(vi) MSCS

The balance sheets based on the audited accounts of MSCS for the last six (6) financial years ended 31 December 1998 and six (6) months ended 30 June 1999 are as follows:

	As at 31 December						As at
	1993	1994	1995	1996	1997	1998	30.6.1999
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	51	51	51	51	51	51	51
Profit and loss accounts	54	(111)	(26)	55	49	32	23
	<u>105</u>	<u>(60)</u>	<u>25</u>	<u>106</u>	<u>100</u>	<u>83</u>	<u>74</u>
Represented by:							
CURRENT ASSETS							
Stocks	136	146	-	-	-	-	-
Trade debtors	103	40	-	-	-	-	-
Other debtors	56	17	43	42	7	-	-
Amount due from holding company	67	55	345	119	114	93	84
Cash and bank balances	89	19	40	39	1	1	1
	<u>451</u>	<u>277</u>	<u>428</u>	<u>200</u>	<u>122</u>	<u>94</u>	<u>85</u>
Less: CURRENT LIABILITIES							
Trade creditors	264	262	272	68	-	-	-
Other creditors and accruals	45	55	111	16	12	1	1
Taxation	37	20	20	10	10	10	10
	<u>346</u>	<u>337</u>	<u>403</u>	<u>94</u>	<u>22</u>	<u>11</u>	<u>11</u>
Net current assets/(liabilities)	<u>105</u>	<u>(60)</u>	<u>25</u>	<u>106</u>	<u>100</u>	<u>83</u>	<u>74</u>
NTA per share (RM)	2.06	(1.18)	0.49	2.08	1.96	1.63	1.45



The Board of Directors
Mesiniaga Berhad
PwC/CKH/sw/0416J
23 September 1999

V SUMMARISED BALANCE SHEETS (CONTINUED)

(vii) MMSC

MMSC was incorporated on 12 December 1997 and the accounts for the financial period ended 31 December 1998 was its first set of accounts since incorporation. The balance sheets based on the audited accounts of MMSC for the financial period ended 31 December 1998 and the six (6) months ended 30 June 1999 are as follows:

	As at 31.12.1998 RM'000	As at 30.6.1999 RM'000
Share capital*	-	-
Profit and loss accounts	(20)	(29)
	<u>(20)</u>	<u>(29)</u>
	<u>(20)</u>	<u>(29)</u>
Represented by:		
Fixed assets	26	22
CURRENT LIABILITIES		
Other creditors and accruals	8	1
Amount due to holding company	38	50
	<u>(46)</u>	<u>(51)</u>
Net current liabilities	(46)	(51)
	<u>(20)</u>	<u>(29)</u>
	<u>(20)</u>	<u>(29)</u>
NTA per share (RM)	(10,000)	(14,500)

Note:

* RM2.00



The Board of Directors
 Mesiniaga Berhad
 PwC/CKH/sw/0416J
 23 September 1999

VI STATEMENT OF ASSETS AND LIABILITIES

The statement of assets and liabilities of the Group and the Company have been prepared based on the audited accounts of Mesiniaga as at 30 June 1999 and should be read in conjunction with the notes thereon.

	Notes	Group RM'000	Company RM'000
Share capital	3	10,000	10,000
Reserves	4	44,539	43,327
		<u>54,539</u>	<u>53,327</u>
Minority interests		1,494	
Term loan (secured)	5	1,406	1,406
Retirement benefits	6	975	975
Deferred taxation		2,626	2,550
		<u>61,040</u>	<u>58,258</u>
Represented by:			
Fixed assets	7	30,525	30,258
Subsidiary companies	8		1,849
Associated companies	9	1,692	425
Software development expenditure	10	3,109	2,968
CURRENT ASSETS			
Inventories	11	16,957	14,588
Debtors	12	45,531	43,739
Cash, bank balances and deposits	13	5,173	4,881
		<u>67,661</u>	<u>63,208</u>



The Board of Directors
Mesinigr Berhnd
PwC/CKH/sw/0416J
23 September 1999

VI STATEMENT OF ASSETS AND LIABILITIES (CONTINUED)

	Notes	Group RM'000	Company RM'000
CURRENT LIABILITIES			
Creditors	14	28,366	27,461
Short term borrowings	15	9,703	9,703
Provision for taxation		2,246	1,846
Proposed dividends		1,632	1,440
		<hr/>	<hr/>
		41,947	40,450
		<hr/>	<hr/>
Net current assets		25,714	22,758
		<hr/>	<hr/>
		61,040	58,258
		<hr/>	<hr/>
NTA per share (RM)		5.14	5.03



The Board of Directors
Mesiniaga Berhad
PwC/CKH/sw/0416J
23 September 1999

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

1 Basis of accounting

The accounts of the Group and the Company have been prepared under the historical cost convention in accordance with the applicable approved Accounting Standards in Malaysia.

2 Significant accounting policies

(a) Basis of consolidation

The consolidated accounts include the accounts of the Company and of its subsidiary companies made up to the end of the financial period. All significant intercompany accounts and transactions have been eliminated on consolidation.

(b) Fixed assets and depreciation

Fixed assets are stated at cost, less accumulated depreciation.

Freehold land is not depreciated. Other fixed assets are depreciated on a straight line basis to write off the cost of assets over its estimated useful life at the following annual rates of depreciation:

Building	2%
Rental machines	25% to 50%
Office equipment, furniture and fittings	12.5% to 50%

Included in office equipment is computer hardware or software costs which clearly represent an enhancement beyond their previously assessed standard of performance and are capitalised as fixed assets.

Costs associated with upgrading, modifying or improving internally used hardware or software and fixed assets embedded with software or computer-chips for Year 2000 readiness are recognised as an expense when incurred, other than hardware and software enhancement costs as stated above.



The Board of Directors
Mesiniaga Berhad
PwC/CKH/sw/0416J
23 September 1999

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONTINUED)

2 Significant accounting policies (Continued)

(c) Investment in subsidiary companies

Investment in subsidiary companies are stated at cost, less provision for any permanent diminution in value or at Directors' valuation which recognises the values of the underlying net tangible assets of the investments.

(d) Investment in associated companies

An associated company is a company, other than a subsidiary company, in which the Group has a long term equity investment of 20% to 50% and where the Group has representation on the board and is in a position to exercise significant influence in financial and operating policy decisions.

The consolidated profit and loss account includes the Group's share of profits of associated companies based on the latest management accounts of the companies concerned. In the consolidated balance sheet, the Group's interest in associated companies is stated at cost net of provision being made in the event of any permanent diminution in value, plus the Group's share of post acquisition retained profits and reserves.

(e) Software development expenditure

Software development expenditure relates to development work carried out in developing specialised software packages. Cost includes direct costs such as licence fee, salaries and hardware costs specifically attributable to each project. Costs incurred in software development which are not or have ceased to be commercially viable, are written off in the year.

Software development expenditure is amortised over a period of five years.

(f) Inventories

Inventories are valued at the lower of cost and net realisable value after providing for slow-moving and obsolete items. Cost, which includes purchase price and other import charges, is determined on a weighted average basis.



The Board of Directors
Mesiniaga Berhad
PwC/CKH/sw/0416J
23 September 1999

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONTINUED)

2 **Significant accounting policies** (Continued)

(g) **Debtors**

Known bad debts are written off and specific provision is made for any considered to be doubtful of collection. In addition, a general provision based on a percentage of trade debtors is made to cover possible losses which are not specifically identified.

(h) **Foreign currencies**

Transactions in foreign currencies are converted into Ringgit Malaysia at exchange rates approximating those ruling on the transaction dates. Assets and liabilities in foreign currencies at balance sheet date are translated into Ringgit Malaysia at exchange rates approximating those ruling at that date. All exchange differences are taken to the profit and loss account.

(i) **Hire purchase and finance lease assets**

Assets acquired under hire purchase and finance lease agreements are capitalised. The depreciation policy on these assets is similar to that of the Company's other fixed assets as set out in paragraph 2(b) above.

Outstanding obligations due under the hire purchase and finance lease agreements after deducting interest expense are included in current liabilities in the accounts. The interest expense of the hire purchase instalments are charged to the profit and loss account over the period of the agreement.

(j) **Retirement benefits**

Costs in respect of retirement benefits for eligible employees under the Mesiniaga Retirement Plan, a defined benefit plan, are allocated to the profit and loss account systematically over the expected remaining service lives of those employees. The cost of retirement benefits under this plan is determined using the Projected Benefit Valuation Method.



The Board of Directors
Mesiniagn Berhad
PwC/CKH/sw/0416J
23 September 1999

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONTINUED)

2 Significant accounting policies (Continued)

(k) Deferred taxation

Deferred taxation is provided using the liability method on timing differences between accounting income and taxable income except where the timing differences are not expected to reverse in the foreseeable future. Debit balances on the deferred taxation account are recognised where there is reasonable expectation of their realisation in the foreseeable future.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, short term deposits with a maturity of 3 months or less, and bank overdrafts.

3 Share capital

	Group RM'000	Company RM'000
Authorised, issued and fully paid: 10,000,000 ordinary shares of RM1 each	10,000	10,000
	<u> </u>	<u> </u>

4 Reserves

Retained profits	44,499	43,327
Capital reserve on consolidation	40	
	<u> </u>	<u> </u>
	<u>44,539</u>	<u>43,327</u>



The Board of Directors
Mesiniags Berhad
PwC/CKH/sw/0416J
23 September 1999

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONTINUED)

5 Term loan (secured)

	Group RM'000	Company RM'000
Term loan	3,281	3,281
Short term borrowings - amount repayable within 12 months (Note 15)	(1,875)	(1,875)
	<u>1,406</u>	<u>1,406</u>

The term loan is a facility under the Islamic financing contract of Al-Bai Bithaman Ajil which was utilised to finance the construction of the Company's building. This loan is repayable over 10 years commencing January 1991 and carries an average finance charge of approximately 4.7% per annum. The term loan is secured on the freehold land and the building of the Company.

6 Retirement benefits

Contributions for retirement benefits in respect of eligible employees are paid by the Company into the Mesiniaga Retirement Plan, a fund independent of the Company's finances. Contribution rates are determined from time to time by consulting actuaries.

The last actuarial valuation using the 'Aggregate Method', a form of the Projected Benefit Valuation method, was as at 31 December 1996.



The Board of Directors
Mesiniaga Berhad
PwC/CKH/sw/0416J
23 September 1999

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONTINUED)

7 Fixed assets

Group	At	Additions	Reclassifications	Disposals	At
	1.1.1999				RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Cost: Own Assets</u>					
Freehold land	3,805				3,805
Building	26,045		-		26,045
Rental machines	987	483	(364)		1,106
Office equipment, furniture and fittings	12,413	58	591	(30)	13,032
	<u>43,250</u>	<u>541</u>	<u>227</u>	<u>(30)</u>	<u>43,988</u>
<u>Cost: Assets acquired under hire purchase and finance lease</u>					
Computer software	349	-	(227)		122
Office equipment	107	-			107
	<u>43,706</u>	<u>541</u>		<u>(30)</u>	<u>44,217</u>
<u>Accumulated depreciation: Own Assets</u>					
Freehold land			-		-
Building	3,172	260	-		3,432
Rental machines	641	138	(39)	-	740
Office equipment, furniture and fittings	8,311	914	281	(30)	9,476
	<u>12,124</u>	<u>1,312</u>	<u>242</u>	<u>(30)</u>	<u>13,648</u>
<u>Accumulated depreciation: Assets acquired under hire purchase and finance lease</u>					
Computer software	258	15	(242)		31
Office equipment		13	-		13
	<u>12,382</u>	<u>1,340</u>		<u>(30)</u>	<u>13,692</u>



The Board of Directors
Mesiniaga Berhad
PwC/CKH/sw/0416J
23 September 1999

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONTINUED)

7 Fixed assets (Continued)

	At 1.1.1999 RM'000	Additions RM'000	Reclassifications RM'000	Disposals RM'000	At 30.6.1999 RM'000
<u>Company</u>					
<u>Cost: Own Assets</u>					
Freehold land	3,805	-			3,805
Building	26,045		-		26,045
Rental machines	987	483	(364)		1,106
Office equipment, furniture and fittings	11,777	57	591	(30)	12,395
	<u>42,614</u>	<u>540</u>	<u>227</u>	<u>(30)</u>	<u>43,351</u>
<u>Cost: Assets acquired under hire purchase and finance lease</u>					
Computer software	349		(227)	-	122
Office equipment	107				107
	<u>43,070</u>	<u>540</u>	<u> </u>	<u>(30)</u>	<u>43,580</u>
<u>Accumulated depreciation: Own Assets</u>					
Freehold land					
Building	3,172	260	-		3,432
Rental machines	641	138	(39)		740
Office equipment, furniture and fittings	8,022	833	281	(30)	9,106
	<u>11,835</u>	<u>1,231</u>	<u>242</u>	<u>(30)</u>	<u>13,278</u>
<u>Accumulated depreciation: Assets acquired under hire purchase and finance lease</u>					
Computer software	258	15	(242)		31
Office equipment		13			13
	<u>12,093</u>	<u>1,259</u>	<u> </u>	<u>(30)</u>	<u>13,322</u>



The Board of Directors
Mesiniaga Berhad
PwC/CKH/sw/0416J
23 September 1999

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONTINUED)

7 Fixed assets (Continued)

	Group RM'000	Company RM'000
<u>Net Book Value</u>		
<u>Own Assets</u>		
Freehold land	3,805	3,805
Building	22,613	22,613
Rental machines	366	366
Office equipment, furniture and fittings	3,556	3,289
	<u>30,340</u>	<u>30,073</u>
<u>Assets acquired under hire purchase and finance lease</u>		
Computer software	91	91
Office equipment	94	94
	<u>30,525</u>	<u>30,258</u>

The freehold land and building of the Company are charged to a facility under the Islamic financing contract of Al-Bai Bithaman Ajil.

8 Subsidiary companies

	Group RM'000	Company RM'000
Unquoted shares, at cost		1,247
Provision for diminution in value		(150)
		<u>1,097</u>
Amount owing by subsidiary companies		836
Amount owing to subsidiary companies		(84)
		<u>1,849</u>



The Board of Directors
 Mesiniaga Berhad
 PwC/CKH/sw/0416J
 23 September 1999

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONTINUED)

8 **Subsidiary companies** (Continued)

The Group's equity interest in the subsidiary companies and their respective principal activities are as follows:

Name of company	Principal activities	Country of incorporation	Equity interest %
Mesiniaga - Tactics Sdn. Bhd.	Consultancy in custom developed course materials, training and development of software	Malaysia	51
VA Dynamics Sdn. Bhd.	Selling networking cables and related products	Malaysia	51
Secure Online Transactions Sdn. Bhd.	Provision of secured online transaction services for the banking, finance, insurance and securities business	Malaysia	100
Mesiniaga-SCS Sdn. Bhd. (formerly known as Infosolutions Sdn. Bhd.)	Dormant	Malaysia	100
Mesiniaga MSC Sdn. Bhd.	Dormant	Malaysia	100



The Board of Directors
Mesiniaga Berhad
PwC/CKH/sw/0416J
23 September 1999

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONTINUED)

9 Associated companies

	Group RM'000	Company RM'000
Unquoted shares, at cost	425	425
Group's share of post-acquisition profits	1,267	
	<u>1,692</u>	<u>425</u>

The Group's equity interest in the associated companies and their respective principal activities are as follows:

Name of company	Principal activities	Country of incorporation	Equity interest %
Axis Systems Sdn. Bhd.	Developing and marketing of software and hardware products and provision of software programming services	Malaysia	25
Commercial Software Services (M) Sdn. Bhd.	Development and sale of computer software and equipment, installation and support of computer software systems	Malaysia	30



The Board of Directors
Mesiniaga Berhad
PwC/CKH/sw/0416J
23 September 1999

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONTINUED)

10 Software development expenditure

	Group RM'000	Company RM'000
At 1.1.1999	3,025	2,928
Incurred during the financial period	379	335
Amortised during the financial period	(295)	(295)
	<u>3,109</u>	<u>2,968</u>
At 30.6.1999	<u>3,109</u>	<u>2,968</u>

11 Inventories

Equipment	13,008	13,008
Spare parts	1,741	1,741
Supplies	215	181
Cables	5,434	2,976
	<u>20,398</u>	<u>17,906</u>
Less: Provision for stocks obsolescence	(3,441)	(3,318)
	<u>16,957</u>	<u>14,588</u>

12 Debtors

Trade debtors	47,287	45,372
Less: Provision for doubtful debts	(3,083)	(2,927)
	<u>44,204</u>	<u>42,445</u>
Other debtors	1,327	1,294
	<u>45,531</u>	<u>43,739</u>

Included in trade debtors is an amount due from an associated company of RM15,000.



The Board of Directors
Mesiniaga Berhad
PwC/CKH/sw/0416J
23 September 1999

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONTINUED)

13 Cash, bank balances and deposits

	Group RM'000	Company RM'000
Cash and bank balances	1,973	1,681
Deposits with licensed financial institutions	3,200	3,200
	<u>5,173</u>	<u>4,881</u>

14 Creditors

Trade creditors	25,707	24,863
Other creditors	2,659	2,598
	<u>28,366</u>	<u>27,461</u>

Included in other creditors is an amount of **RM174,878** representing outstanding obligations payable in respect of fixed assets acquired under hire purchase term agreement.

	Group RM'000	Company RM'000
Analysis of hire purchase commitments:		
Payable not later than one year	91	91
Payable later than one year, not later than two years	69	69
Payable later than two years, not later than five years	1 5	15
	<u>175</u>	<u>175</u>
Representing hire purchase liabilities:		
Current	91	91
Long term	84	84
	<u>175</u>	<u>175</u>



The Board of Directors
 Mesiniaga Berhad
 PwC/CKH/sw/0416J
 23 September 1999

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONTINUED)

15 Short term borrowings

	Group RM'000	Company RM'000
Bank overdraft (unsecured)	28	28
Bankers' acceptance (unsecured)	7,800	7,800
Term loan (secured) - amount repayable within 12 months (Note 5)	1,875	1,875
	<u>9,703</u>	<u>9,703</u>

The short term borrowings carry interest rates which vary according to prevailing base lending rate ranging from 3.09% to 9.30% per annum.

VII NET TANGIBLE ASSETS COVER

Based on the statement of assets and liabilities of the Group as at 30 June 1999 as set out in paragraph VI above and after adjusting for revaluation surplus and the payment of cash dividends, bonus, issue, rights issue and public issue under the terms of the prospectus and the estimated listing expenses, the adjusted net tangible assets will be as follows:

	RM'000
Group's net tangible assets as at 30 June 1999	51,430
Add: Incorporation of revaluation surplus and payment of cash dividends	3,807
Proceeds from rights issue	19,866
Proceeds from public issue	9,500
	<u>84,603</u>
Less: Estimated listing expenses	(2,200)
	<u>82,403</u>



The Board of Directors
Mesiniaga Berhad
PwC/CKH/sw/0416J
23 September 1999

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONTINUED)

VII NET TANGIBLE ASSETS COVER (CONTINUED)

	Number of ordinary shares '000
Ordinary shares of RM1 .00 each in issue as at 30 June 1999	10,000
Add: Bonus issue	25,134
Rights issue	19,866
Public issue	5,000
	<hr/> 60,000 <hr/>
NTA per share (RM)	<hr/> 1.37 <hr/>

VIII ACCOUNTS

No audited accounts have been prepared in respect of any period subsequent to 30 June 1999.

Yours faithfully,

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Public Accountants

ERIC 001 LIP AUN
(No. 15 17/6/00 (J))
Partner of the firm

13. DIRECTORS' REPORT

Registered Office :

11th Floor Menara Mesiniaga
1A, Jalan SS 16/1
Subang Jaya
47500 Petaling Jaya
Selangor Darul Ehsan

21 September 1999

The Shareholders
Mesiniaga Berhad

Dear Sir/Madam

On behalf of the Board of Directors of Mesiniaga Berhad, I report after due inquiry that during the period from 30 June 1999 (being the date to which the last audited accounts of the Company and its subsidiaries have been made up) to 20 September 1999 (being a date not earlier than fourteen (14) days before the issue of this Prospectus), that:

- (a) the business of the Company and its subsidiaries, in the opinion of the Directors, has been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen since the last audited accounts of the Company and its subsidiaries which have adversely affected the trading or the value of the assets of the Company or its subsidiaries;
- (c) the current assets of the Company and its subsidiaries which appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) no contingent liabilities have arisen by reason of any guarantees given by the Company and/or its subsidiaries; and
- (e) save as disclosed in the Proforma Consolidated Balance Sheets in Section 11.6 of this Prospectus, there have been no changes in the published reserves nor any unusual factors affecting the profits of the Company or its subsidiaries.

Yours faithfully,
For and on behalf of
the Board of Directors

ISMAIL BIN SULAIMAN
Executive Chairman/ Managing Director

14. VALUATION CERTIFICATE

C H Williams Talhar & Wong

C H Williams Talhar & Wong Sdn Bhd (118149-U)
Jurukukur Berkanun Perunding Hart. Antarabangsa
Chartered Surveyors International Property Consultants



15th Floor
Menara MPPJ
New Town Centre
46200 Petaling Jaya
Malaysia
Tel 03-7569211
Fax 037578049
URL www.wtw.com.my/wtw
E-mail wtwpj@trn.net.my

VALUATION CERTIFICATE

Board of Directors
Mesiniaga Berhad
Menara Mesiniaga
No. 1A, Jalan SS 16/1
Subang Jaya
47500 PETALING JAYA
Selangor Darul Ehsan

Dear Sir/Madam

LOT NO PT 12204
MUKIM OF DAMANSARA
DISTRICT OF PETALING, SELANGOR

This certificate has been prepared for inclusion in the prospectus to be dated 30th September 1999 in connection with the offer for sale of **4,490,000** ordinary shares of RM1.00 each in Mesiniaga and public issue of **5,000,000** new ordinary shares of RM1.00 each in Mesiniaga at an offer/issue price of RM1.90 per share.

We have inspected the property on 19th August 1999 and we have taken the date of inspection as the date of valuation.

The basis of the valuation is the market value of the subject property. The market value is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The valuation has been prepared in accordance with the requirements as set out in the Guidelines on Asset Valuation for submission to the Securities Commission, Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

We have valued the property as mentioned above by the Comparison and Investment Methods of valuation and the valuation details are shown in our Valuation Report under reference No. PJ/437/96/193/99/ZAI dated 23rd August 1999.

Kuala Lumpur Petaling Jaya Penang Johor Bahru Kuantan Malacca Ipoh Alor Setar Butterworth Kota Bharu Batu Pahat Kuala Terengganu
Seremban Kota Kinabalu Sandakan Tawau Lahad Datu Labuan Kuching Sibul Miri Bintulu Brunei

In Association with **CB Richard Ellis**

Atlanta Chicago Dallas Honolulu Las Vegas Los Angeles New York San Francisco Washington Toronto Vancouver Mexico City
Buenos Aires Rio de Janeiro Sao Paulo Vienna Brussels Prague Paris Frankfurt Budapest Rome Lisbon Barcelona Madrid Geneva
Amsterdam Warsaw Moscow Istanbul Birmingham Edinburgh Glasgow London Manchester Gaborone Johannesburg Harare
Bangalore Bombay New Delhi Jakarta Tokyo Beijing Guangzhou Hong Kong Kowloon Shanghai Manila Singapore Taipei
Bangkok Adelaide Brisbane Melbourne Perth Sydney Auckland Christchurch Wellington



V(1)0010/6

C H Williams Talhar & Wong

C H Williams Talhar & Wong Sdn Bhd (18149-u)



Pg 2

**LOT NO PT 12204
MUKIM OF DAMANSARA
DISTRICT OF PETALING, SELANGOR**

In our opinion, the market value of the subject property identified below, subject to the title being free from all encumbrances is as follows:-

Property held for owner occupation.

	Property	Description, Age and Tenure	Market Value for Existing Use
1.	Lot No PT 12204, Mukim of Damansara, District of Petaling, Selangor [Address: Menara Mesiniaga, No. IA, Jalan SS 16/1, Subang Jaya, Petaling Jaya, Selangor]	<p>15-storey purpose built office building with sub-basement car-park floor and roof recreation floor.</p> <p>The building was completed in 1992.</p> <p><u>Built-Up Area</u> Gross Area : 11,364.31 square metres Net Area : 6,741.50 square metres</p> <p><u>Land Area</u> 6,503 square metres (70,000 square feet)</p> <p><u>Occupation Details</u> Owner occupied except for 9th floor which is tenanted to Selangor Human Resource Development Centre.</p> <p>Tenure : Freehold</p>	RM40,000,000/- (Ringgit Malaysia: Forty million only)

Yours faithfully
C H Williams Talhar & Wong Sdn Bhd

P'NG SOO THENG
BSc FRICS MISMIRRV
Registered Valuer, V140

15. MESINIAGA ESOS

Mesiniaga has proposed to implement an ESOS for the benefit of its full time executive directors and employees not earlier than one (1) year from the date of the listing of the Mesiniaga Shares on the KLSE. No option has been granted under the ESOS as at the date of this Prospectus.

The Bye-Laws of the Proposed ESOS, which was approved by the KLSE on 24 September 1999 is set out below:

1. DEFINITIONS

1.1 In this Scheme, the following words shall, unless the context otherwise requires, bear the following meanings:

“Act”	Companies Act, 1965 as amended from time to time
“Articles”	Articles of Association of the Company as amended from time to time
“Bye-Laws”	Bye-Laws of the Scheme, as amended from time to time
“Board”	Board of Directors of the Company
“CDS Account”	Central Depository System account
“Mesiniaga” or “Company”	Mesiniaga Berhad
“Mesiniaga Group” or “Group”	Mesiniaga and its subsidiaries, save for those subsidiaries that are dormant
“Date of Offer”	The date inscribed on a particular Offer document, being the date on which an Offer is deemed to have been made in accordance with these Bye-Laws
“EGM”	Extraordinary general meeting
“Eligible Employee”	Any employee or Executive Director employed by the Mesiniaga Group (including those employed overseas) who is eligible to participate in the Scheme in accordance with Bye-Law 3
“Executive Director”	Any executive director involved in the day-to-day management and on the payroll of the Group
“General Offer”	A general offer under the revised Malaysian Code on Take-Overs & Mergers 1998
“Grantee”	A Selected Employee who has accepted an Offer or any part thereof in accordance with the terms of the Scheme
“KLSE”	Kuala Lumpur Stock Exchange
“Market Day”	Any day when the KLSE is open for trading of securities
“Maximum Allowable Allocation”	The maximum aggregate number of new Shares that can be allocated to an Eligible Employee falling within a particular category of Eligible Employees as provided in Bye-Law 5 hereof

“Offer”	A written offer to take up options to subscribe for new Shares made by the Option Committee to an Eligible Employee in accordance with Bye-Law 4
“Offer Period”	: A period of forty five (45) days from the Date of Offer or such other period as the Option Committee may prescribe if such Offer or such part thereof is capable of immediate acceptance by the Selected Employee or within a period of forty five (45) days from a date or dates to be notified by the Option Committee from time to time or such other period as the Option Committee may prescribe from time to time
“Offeror”	The person or body corporate making a General Offer
“Option”	Each of the option contracts constituted upon each acceptance of an Offer or any part thereof in the manner set out in Bye-Law 6
“Option Committee”	: The committee appointed by the Board pursuant to Bye-Law 13 to administer the Scheme
“Option Period”	: A period commencing on the Date of Offer and expiring five (5) years therefrom or upon the date of expiry of the Scheme as provided in Bye-Law 17
“Exercise Condition”	: A condition attaching to an Option in accordance with Bye-Law 8.2
“Exercise Period”	: The specific period or periods within an Option Period during which Options may be exercised by Grantees, as determined by the Option Committee pursuant to Bye-Law 8.1
“Exercise Price”	: In respect of each Option, the price at which a Grantee shall be entitled to subscribe for new Shares by exercising his Option, as set out in Bye-Law 7
“RM”	Ringgit Malaysia
“ROC”	Registrar of Companies, Malaysia
“Scheme”	Mesiniaga employees’ share option scheme established for the granting of Options to employees of the Group to subscribe for new Shares
“Selected Employee”	: An Eligible Employee who has been selected by the Option Committee and to whom an Offer has been made by the Option Committee
“Share(s)”	Ordinary share(s) of RM 1 .00 each in Mesiniaga
“SC”	Securities Commission
“Subsidiary”	A corporation, which is a subsidiary of the Company within the meaning of Section 5 of the Companies Act. 1965

15. MESINIAGA ESOS (*Cont'd*)

- 1.2 In these Bye-Laws unless the context requires otherwise words denoting the singular shall include the plural and words denoting the masculine gender shall include the feminine and neuter genders.
- 1.3 The headings in these Bye-Laws are for convenience only and shall not be taken into account in the interpretation of these Bye-Laws.
- 1.4 If an event is to occur on a stipulated day, which is not a market day, then the stipulated day will be taken to be the next market day.

2. MAXIMUM AMOUNT OF SHARES AVAILABLE UNDER THE SCHEME

- 2.1 The total number of new Shares to be issued under the Scheme and in respect of which Options to be granted to the Grantee shall not exceed 10% of the total issued and paid-up share capital of Mesiniaga at any point in time during the duration of the Scheme as defined in Bye-Law 17 hereof.
- 2.2 Notwithstanding the provision of Bye-Law 2.1 nor any other provisions herein contained, in the event the maximum number of new Shares comprised in the Options granted under the Scheme exceeds the aggregate of ten percentum (10%) of the issued and paid-up share capital of the Company as a result of the Company purchasing its own Shares in accordance with the provisions of Section 67A of the Companies Act, 1965 and thereby diminishing its issued and paid-up capital, then such Options granted prior to the adjustment of the issued and paid-up capital of the Company shall remain valid and exercisable in accordance with the provisions of this Scheme.
- 2.3 The Company shall at all times ensure that there are sufficient Shares available as may be required to meet the subsisting rights of Grantees by ensuring that the Company shall keep available for allotment sufficient ordinary unissued shares to satisfy Options under which new Shares may be subscribed for.

3. ELIGIBILITY

- 3.1 To be eligible for participation in the Scheme and selection by the Option Committee, the person must satisfy the following conditions:
 - (a) the Eligible Employee must be a full-time and confirmed employee of the Group; AND
 - (b) the Eligible Employee must have served the Group for one (1) continuous year and has been confirmed in service on or prior to the Date of Offer and where the foreign employee or foreign Executive Director is serving under a **fixed** term contract of employment, the contract (including any period of employment which that person has already served) should be for a period of at least three (3) years as per the SC's Guidelines on Issue/ Offer of Securities.
 - (c) A foreign Eligible Employee who is serving the Group on a full-time basis, and whose contribution is vital to the Group, can be considered for allocation of options subject to a restriction on the exercise of options whereby not more than 20% of the total options allocated can be exercised on an annual basis; AND
 - (d) the Eligible Employee must have attained the age of eighteen (18) years on or before the Date of Offer.
- 3.2 Eligible Employees of the Group who have been granted Options under an earlier employee share option scheme may be allowed to participate in the new scheme subject to them having completed at least **five** (5) years of continuous service in the Group.

15. MESINIAGA ESOS (Cont'd)

- 3.3 In addition to the foregoing, an Executive Director of the Company shall only be eligible to participate in the Scheme if he is holding a full-time executive position and the specific allotment to be made to the Executive Director has been approved by the Company in general meeting.
- 3.4 No Eligible Employee shall at any one point in time participate or be eligible to participate in more than one (1) employees' share option scheme implemented by any company within the Group.
- 3.5 Selection for participation in the Scheme shall be at the discretion of the Option Committee.
- 3.6 Eligibility under the Scheme does not confer on an Eligible Employee a claim or right to participate in or any rights whatsoever under the Scheme and an Eligible Employee does not acquire or have any rights over or in connection with the Options or the new Shares comprised herein unless an Offer has been made by the Option Committee to the Eligible Employee and the Eligible Employee has accepted the Offer in accordance with the terms of the Offer and the Scheme.
4. OFFER
- 4.1 The Option Committee may at its discretion at any time and from time to time as it shall deem fit make an offer to any Eligible Employee whom the Option Committee may at its discretion select to subscribe for the new Shares, in accordance with the terms of the Scheme PROVIDED ALWAYS that the aggregate number of new Shares comprised in the Option to be offered to any Eligible Employee (inclusive of Shares comprised in the Option previously offered under the Scheme, if any) shall not exceed the Maximum Allowable Allocation as set out in Bye-Law 5.
- 4.2 An Offer may be made with such terms and conditions as the Option Committee may decide from time to time. The Offer is personal to the Selected Employee and cannot be assigned, transferred, charged or otherwise disposed in any manner whatsoever. An Offer or any part thereof which has not yet been accepted or which is not yet capable of being accepted shall automatically lapse and be null and void if any of the events stipulated as a termination event of Option in Bye-Law 15 shall occur in respect of the Selected Employee prior to the acceptance of such Offer or part thereof by that Selected Employee, or prior to such Offer or part thereof becoming capable of being accepted.
- 5. BASIS OF ALLOCATION AND MAXIMUM ALLOWABLE ALLOCATION**
- 5.1 The Option Committee shall be entitled at its discretion, after taking into consideration inter alia the seniority, performance and length of service of an Eligible Employee, to determine the number of new Shares to be offered to the Eligible Employee under the Scheme.
- 5.2 Subject to any adjustment which may be made under Bye-Law 10, the Option Committee shall be entitled in its discretion to determine the number of new Shares to be comprised in an Offer made to the Selected Employee under the Scheme.

15. MESINIAGA ESOS (Cont'd)

- 5.3 Subject to any adjustment which may be made under Bye-Law 10, the specific number or as the case may be, the maximum aggregate number of underlying new Shares comprised in Offers which can be made to an Eligible Employee is set out in the table below. The Maximum Allowable Allocation set out is not an obligation and the Option Committee shall not be obliged in any way to allocate to that Eligible Employee all of the specified maximum number of shares.

Category of Eligible Employees (for the purpose of the Scheme)	Maximum Allowable Allocation per Eligible Employee (No. of new Options)
Executive Director	300,000
Senior Manager	200,000
Manager	125,000
Executives	80,000
Non-Executives	50,000

- 5.4 For the purpose of the Scheme, in the event that an Eligible Employee is promoted to a new category, the Maximum Allowable Allocation applicable to such Eligible Employee shall be the Maximum Allowable Allocation corresponding to the new category.

6. ACCEPTANCE OF OFFER

- 6.1 An Offer or any part thereof shall be valid for a period of forty five (45) days from the Date of Offer or such other period as the Option Committee may prescribe if such Offer or such part thereof is capable of immediate acceptance by the Selected Employee or within a period of forty five (45) days from a date or dates to be notified by the Option Committee from time to time or such other period as the Option Committee may prescribe from time to time PROVIDED ALWAYS that the Option Committee may at its discretion extend the Offer Period by such further periods as it deems fit.
- 6.2 Acceptance of an Offer shall be in writing within the Offer Period in such form as may be prescribed by the Option Committee.
- 6.3 Each acceptance of an Offer or any part thereof must be accompanied by a non-refundable sum of Ringgit Malaysia One (RM1.00) only as consideration for the Option arising from such acceptance.
- 6.4 If any Offer or part thereof is not accepted in the manner prescribed above, such Offer or such part thereof shall on expiry of the said forty five (45)-day period or such other period as the Option Committee may prescribe, shall be deemed to have been rejected and shall automatically lapse and be null and void and of no further legal effect.

7. EXERCISE PRICE

- 7.1 The price at which the Grantee is entitled to subscribe for new Shares under an Option shall be based on the average of the mean market quotation of the Shares (calculated as the average of the highest and lowest prices of the Shares transacted) as shown in the Daily Diary issued by the KLSE for the five (5) market days immediately preceding the Date of Offer. Notwithstanding this, the Exercise Price per new Share shall in no event be less than its par value.
- 7.2 The Exercise Price shall be stipulated in each Option certificate.

8. EXERCISE OF OPTION

8.1 Subject to Bye-Law 8.2, as long as an Option remains valid, the Option may only be exercised on any Market Day during such periods as determined by the Option Committee (in its discretion at any time and from time to time) and notified in writing to the Grantees. Notwithstanding this, the Exercise Period shall not exceed the Option Period.

8.2 (a) An Option granted under the Scheme shall be capable of being exercised by notice in writing to the Option Committee in the form to be determined by the Option Committee from time to time, on any Market Day during the Option Period subject to the following limits on the exercise of Options:

No. of Options granted	Percentage of Options exercisable				
	Year 1	Year 2	Year 3	Year 4	Year 5
Below 20,000	100%				
20,000 to less than 100,000	40% ¹	30%	30% ²		
100,000 and above	20%	20%	20%	20%	20%

¹ 40% or 20,000 Options, whichever is the higher

² 30% or the remaining number of Options unexercised

(b) Any new Shares comprised in an Option which is exercisable in a particular year but not exercised in that year can be exercised in the subsequent years within the Option Period, subject to the Scheme remaining in force. Notwithstanding Bye-Law 8.2(a), if the Scheme is not renewed or extended, all the new Shares comprised in an Option remaining unexercised can be exercised prior to the expiry of the Scheme in the Option Period(s) designated by the Option Committee.

8.3 An Option may be exercised in whole or in part PROVIDED THAT such exercise of the Option must not be in respect of less than 1,000 Shares nor otherwise than in multiples of 1,000 Shares on any occasion.

8.4 The Grantee shall notify Mesiniaga in writing of his intention to exercise the Option in such form as may be prescribed by the Option Committee. Every notice of exercise of an Option shall be accompanied by the relevant Option certificate and a remittance for the full amount of the subscription monies in relation to the number of new Shares in respect of which the Option is being exercised. The Company shall within twenty (20) Market Days of receiving such notice, or such other period as may be prescribed by the KLSE, allot the relevant number of new Shares and despatch the notice of allotment to the Grantee and cause to be credited into the CDS Account of the Grantee such shares, subject to the provisions of the Articles, the Securities Industries (Central Depositories Act) 1991 and the rules of the Malaysian Central Depository Sdn Bhd. No physical share certificate will be issued. When an Option is exercised only in part, the Option certificate shall be endorsed by the Option Committee stating, inter alia, the remaining number of new Shares comprised in the Option which remain capable of exercise.

8.5 The Grantee shall state his CDS Account number in the notice of exercise and the Company shall within twenty (20) market days of the receipt of the notice of exercise, or such other period as may be prescribed by the KLSE, and remittance from the Grantee, allot the relevant number of new Shares and despatch the notice of allotment to the Grantee and cause to be credited into the CDS Account of the Grantee such shares, upon and subject to the provisions of the Articles, the Securities Industries (Central Depositories Act) 1991 and the rules of the Malaysian Central Depository Sdn Bhd.

15. MESINIAGA ESOS (*Cont'd*)

- 8.6 Failure by the Grantee to comply with the provisions of this Bye-Law 8, particularly failure to state the CDS Account number in the notice to exercise as mentioned in Bye-Law 8.5 hereof or inaccuracy in the CDS Account number shall result in the said notice to exercise being rejected. The Option Committee shall inform the Grantee of the rejection whereupon the Grantee shall be deemed not to have exercised his Option and the Grantee concerned shall be entitled to exercise the Option on any Market Day during the Option Period.

9. RIGHTS ATTACHING TO THE NEW SHARES

The new Shares to be allotted upon exercise of an Option will upon allotment rank **pari passu** in all respects with the then existing issued Shares except that they will not rank for any dividends, rights, allotments or any distributions declared, made or paid to shareholders which record date thereof precedes the relevant date of allotment of the new Shares and will be subject to all provisions of the Articles relating to transfer, transmission and otherwise. The expression "record date" means the date as at the close of business on which shareholders must be registered as members of the Company in order to participate in any dividends, rights, allotments or any distributions.

10. ALTERATION OF CAPITAL DURING THE OPTION PERIOD

- 10.1 In the event of any alteration in the capital structure of the Company during the Option Period, whether by way of capitalisation of profits or reserves, rights issues, consolidation of shares, sub-division of shares, reduction of capital or otherwise howsoever being effected, the necessary adjustment will be made to:

- (a) the Exercise Price; and/or
- (b) the number of new Shares in respect of which an Option may be exercised.

Such that the adjustment will result in the Grantee or the Selected Employee (if and when he accepts an Offer or part thereof) becoming entitled to the same proportion of the issued and paid-up share capital of the Company as that to which he was entitled prior to the alteration.

PROVIDED THAT any adjustment, other than an adjustment in relation to a capitalisation issue, will be subject to **confirmation** in writing **from** the Company's auditors (acting as experts and not as arbitrators) that in their opinion the adjustment is fair and reasonable and not to the detriment of the Grantee or the Selected Employee (if and when he accepts an Offer or part thereof). Such confirmation by the auditors shall be final and binding on the Grantee or the Selected Employee.

PROVIDED FURTHER THAT if there is any adjustment to the Exercise Price which results in the subscription price of the new Shares being less than the par value of such new Shares, **the** Exercise Price shall, notwithstanding such adjustment, be the par value of such new Shares.

PROVIDED FURTHER THAT any adjustment made to the Exercise Price shall be rounded down to the nearest sen.

PROVIDED FURTHER THAT the provisions of this Bye-Law shall not apply where an alteration in the capital structure arises from the purchase of the Company's own shares pursuant to Section 67A of the Companies Act, 1965, issue of securities as consideration for an acquisition, private placement or as a special issue to Bumiputeras nominated by the Ministry of International Trade and Industry, Malaysia or any other relevant authority as prescribed by the Companies Act, 1965 and/or any prevailing law at the time of such implementations.

15. MESINIAGA ESOS (*Cont'd*)

10.2 Upon any adjustment being made pursuant to this Bye-Law, the Option Committee shall (within forty five (45) days of the effective date of the alteration in the capital structure of the Company) notify the Grantee in writing informing him of the new Exercise Price in effect and/or the new number of new Shares in respect of which his Option may be exercised by the Grantee, and notify the affected Selected Employees in writing informing them of the new Exercise Price (which will become effective if and when the Offer or part thereof is accepted) and/or the new number of new Shares comprised in the Offer or part thereof which is already open for acceptance or may become capable of being accepted.

11. QUOTATION OF NEW SHARES

The new Shares referred to in Bye-Law 2 and the new Shares (if any) to be allotted to the Grantee will not be listed or quoted on the KLSE until the Option is exercised in accordance with these Bye-Laws whereupon the Company subject to the existing Shares being already quoted on the KLSE and the Company having obtained prior written approval of the SC will apply to the KLSE for listing of and quotation for such new Shares and will use its best endeavours to obtain permission for such listing and quotation PROVIDED THAT the Company has not at any time applied for and obtained blanket approval for the listing and quotation of all the Shares to be allotted pursuant to the Scheme.

12. RETENTION PERIOD

The new Shares to be allotted and issued to the Grantees pursuant to any exercise of the Options will not be subject to any retention period or restriction of transfer, save as specifically stated in the Articles. However, every Grantee is encouraged to hold the new Shares as long term investment.

13. ADMINISTRATION

13.1 The Scheme shall be administered by an Option Committee consisting of such persons as shall be appointed by the Board from time to time. The Board shall have the power at any time and from time to time to rescind the appointment of any member of the Option Committee and/or appoint additional or replacement members to the Option Committee.

13.2 The Scheme shall be administered by the Option Committee. The Option Committee shall so administer the Scheme in such manner as it shall in its discretion deem fit and with such powers and duties as are conferred upon it including the powers to:

- (a) subject to the provisions herein, construe and interpret the Bye-Laws, define the terms herein and to recommend to the Board to establish, amend and revoke rules and regulations relating to the Scheme and its administration. The Option Committee in the exercise of this power may correct any defect, supply any omission or reconcile any inconsistency in these Bye-Laws or in any documents pursuant hereto in a manner and to the extent it shall deem necessary to expedite and make the Scheme fully effective; and
- (b) determine all issues of policy and expediency that may arise in the administration of the Scheme and generally exercise such powers and perform such acts that are deemed necessary or expedient to promote the best interests of the Company and/or the Group.

14. MODIFICATION/VARIATION TO THE SCHEME

Subject to the approvals of the SC, ROC, KLSE and/or any other relevant authorities, the Option Committee shall recommend to the Board who shall have the power at any time and from time to time by resolution to amend all or any of the provisions of the Scheme and these Bye-Laws PROVIDED THAT no such amendment shall be made which would prejudice the rights then accrued to any Grantee without his prior consent or alter such rights to the advantage of the Grantee without the prior approval of the shareholders,

15. MESINIAGA ESOS (Cont'd)

15. TERMINATION OF OPTIONS

15.1 Any Option or any part of an Option which has not been exercised yet, shall terminate and cease to be valid and exercisable:

- (a) in the event of the death of the Grantee, upon the date of his death;
- (b) in the event of the Grantee ceasing to be an employee of Mesiniaga and/or its subsidiaries due to resignation of employment by the Grantee, upon the date of the notice of resignation;
- (c) in the event of the Grantee ceasing to be an employee of Mesiniaga and/or its subsidiaries due to termination of employment by the employer of the Grantee, upon the expiry of the notice of termination;
- (d) in the event of the Grantee ceasing to be an employee of Mesiniaga and/or its subsidiaries for any reason other than as stated in paragraphs (a), (b) or (c), upon the last day of the Grantee's employment;
- (e) in the event of bankruptcy of the Grantee, upon the date the Grantee is adjudged a bankrupt; and
- (f) in the event, where a Grantee is currently employed by a subsidiary of Mesiniaga, upon that subsidiary ceasing for any reason to be a subsidiary of Mesiniaga.

15.2 Notwithstanding anything to the contrary herein contained in these Bye-Laws, the Option Committee shall have the right at its discretion by notice in writing to that effect, to suspend the right of any Grantee who is being subjected to disciplinary proceedings (whether or not such disciplinary proceedings may give rise to a dismissal or termination of services of such Grantee) to exercise the Option pending the outcome of such disciplinary proceedings.

In addition to this right of suspension, the Option Committee may impose such terms and conditions as the Option Committee shall deem appropriate in its discretion, on the rights of exercise of his Option having regard to the nature of the charges made or brought against such Grantee, PROVIDED ALWAYS that:

- a) in the event such Grantee is found not guilty of the charges which give rise to such disciplinary proceedings, the Option Committee shall reinstate the right of such Grantee to exercise his Option;
- b) in the event such Grantee is found guilty resulting in the dismissal or termination of service of such Grantee, the Option shall immediately cease, without notice, upon pronouncement of the dismissal or termination of service of such Grantee; and
- c) in the event such Grantee is found guilty but no dismissal or termination of service is recommended, the Option Committee shall have the right to determine at its discretion whether or not the Grantee may continue to exercise his Option and if so, to impose such terms and conditions as it deems appropriate, on such exercise.

15.3 Where the Grantee ceases his employment or appointment with Mesiniaga and/or its subsidiaries by reason of his retirement at or after attaining normal retirement age or retirement before that age, he may exercise with the consent of the Option Committee, his Option or Options within the relevant Option period or periods or such other shorter period as the Option Committee may at its discretion stipulate.

15. MESINIAGA ESOS (*Cont'd*)

15.4 Notwithstanding the foregoing provisions regarding termination of the Option, the Option Committee may at its discretion allow the Option to be exercised by the Grantee (or such other person or persons as the Option Committee may specify) in respect of all the new Shares comprised in the Option (or any part thereof specified by the Option Committee) remaining unexercised within such period as the Option Committee may allow and subject to the provisions of the Bye-Laws and such terms as the Option Committee may specify.

16. LIQUIDATION OF THE COMPANY

In the event of liquidation of the Company, all unexercised or partially exercised Options shall lapse and be of no further legal effect.

17. DURATION OF THE SCHEME

17.1 The Scheme shall be in force for a period of five (5) years from the date when the last of the approvals from the following is obtained:

- (a) ROC;
- (b) S C ;
- (c) KLSE;
- (d) shareholders of the Company; and
- (e) any other relevant authorities.

17.2 The Company may, if the Board and the Option Committee deem it fit, renew the Scheme for another five (5) years subject to the approval of the shareholders and relevant authorities as may be necessary.

17.3 If the existing Scheme is not extended, the Company may establish a new Scheme after the expiry date of the existing Scheme. Where the existing Scheme has been extended, a new scheme is allowed upon the expiry of the extended existing Scheme.

17.4 No further Offers will be made nor Options granted thereafter unless the Company in general meeting resolves to approve the continuation of the Scheme with or without variations and provided further that the approval of the ROC, SC, KLSE and/or any other relevant authorities has been obtained for such continuation.

15. **MESINIAGA ESOS (Cont'd)**

18. RESTRUCTURING

- 18.1 Subject to the provisions of any applicable law, rules, regulations and/or conditions issued by the relevant authorities, in the event of a General Offer being made to acquire the whole of the issued share capital of the Company (or such part thereof as is not at the time owned by the Offeror, any company controlled by the Offeror and any person acting in concert with the Offeror) the Board shall, within forty five (45) days after becoming aware of such General Offer, notify the Grantee of such General Offer and use their endeavours to procure that such General Offer be extended to any new Shares that are issued upon the exercise of an Option within the offer period of the General Offer PROVIDED THAT if the Grantee elects to exercise a part of the Option so that he/she only takes up a portion of the new Shares available during the offer period of the General Offer, then the Option in relation to the balance new Shares shall automatically lapse and shall thereafter be null and void and PROVIDED FURTHER that any Options which are not exercised during the offer period of the General Offer shall remain in force and be exercisable until the expiry of the Option Period applicable thereto.
- 18.2 In the event of a take-over offer other than a General Offer being made for the Company and such offer becoming or being declared unconditional, notwithstanding Bye-Law 8.2 hereof, each Grantee shall be entitled to exercise within forty five (45) days of the date on which such offer becomes or is declared unconditional to exercise in whole or in part any Option to which the Grantee is entitled.
- 18.3 In the event the court sanctions a compromise or arrangement between the Company and its members for the purposes of, or in connection with, a scheme for the reconstruction of the Company under Section 176 of the Act or its amalgamation with any other company or companies under Section 178 of the Act, any Option shall remain exercisable by the Grantee at any time and from time to time in the period commencing with the date upon which the compromise or arrangement is sanctioned by the court and ending with the date upon which it becomes effective. Upon the compromise or arrangement becoming effective, all Options, to the extent unexercised shall automatically lapse and become null and void.

19. **DISPUTES**

In case any dispute or difference shall arise between the Option Committee and Eligible Employee or Selected Employee or Grantee, as the case may be, as to any matter or thing of any nature arising thereunder, then the Option Committee shall determine such dispute or difference by a written decision (without any obligation to give any reason thereof) given to the Eligible Employee or Selected Employee or Grantee, as the case may be. The said decision shall be final and binding on the parties.

20. **COMPENSATION**

- 20.1 The Scheme shall afford the Grantee no additional right to compensation or damages in consequence of the termination of his employment or appointment for any reason whatsoever.
- 20.2 Participation in this Scheme by a Grantee is a matter entirely separate from his terms or conditions of employment and participation in this Scheme shall in no respect whatever affect in any way a Grantee's terms and conditions of employment. In particular (but without limiting the generality of the foregoing words) any Grantee who leaves employment shall not be entitled to any compensation for any loss of any right or benefit or prospective right or benefit under this Scheme which he might otherwise have enjoyed whether such compensation is claimed by way of damages for wrongful dismissal or other breach of contract or by way of compensation for loss of office or otherwise howsoever.

21. **COSTS AND EXPENSES**

The Company will bear all costs and expenses incidental to the establishment and administration of the Scheme including but not limited to the costs and expenses relating to the issue, allotment and listing of and quotation for the new Shares upon the exercise of any Option.

15. **MESINIAGA ESOS (Cont'd)**

22. **INSPECTION OF THE AUDITED ACCOUNTS**

All Eligible Employees are entitled to inspect the latest audited accounts of the Company during normal office hours at the registered office of Mesiniaga at 1 lth Floor, Menara Mesiniaga, 1A, Jalan SS 16/1, Subang Jaya 47500 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

23. **NOT A TERM OF EMPLOYMENT**

This Scheme does not form part nor shall it in any way be construed as part of the terms and conditions of employment of any Eligible Employee or collective agreement.

24. **NOTICE**

24.1 Any notice which under the Scheme is required to be given to or served upon the Option Committee by an Eligible Employee, Selected Employee or Grantee or any correspondence to be made between an Eligible Employee, Selected Employee or Grantee and the Option Committee shall be given or served in writing and either delivered by hand or sent to the registered office of the Company by telex, facsimile or registered letter.

24.2 Any notice which under the Scheme is required to be given to or served upon an Eligible Employee, Selected Employee or Grantee or any correspondence to be made between an Eligible Employee, Selected Employee or Grantee shall be deemed to be sufficiently given or served in writing and either delivered by hand or sent to the Eligible Employee, Selected Employee or Grantee by telex, facsimile or registered letter addressed to the Eligible Employee, Selected Employee or Grantee at the place of employment or at the last address known to the Company as being his address. Any notice served by post as aforesaid shall not be deemed to have been received unless it has been received and acknowledged by the recipient.

25. **ARTICLES OF ASSOCIATION OF THE COMPANY**

Notwithstanding the terms and conditions contained in this Scheme, if a situation of conflict should arise between this Scheme and the Articles, the provisions of the Articles shall at all times prevail.