



METRONIC GLOBAL BERHAD
(Company No.: 632068-V)
(Incorporated in Malaysia under the Companies Act, 1965)

ANNOUNCEMENT TO BURSA MALAYSIA

Control No:MGB/A/15/2006

SUBJECT MATTER:

METRONIC GLOBAL BERHAD (“MGB” or “Company”)

- The Proposed Acquisition of Unilink;
- The Proposed Acquisition of HK Broadway;
- Proposed Private Placement;
- Proposed Bonus Issue;
- Proposed IASC;
- Proposed M&A Amendments; and
- Proposed Transfer

***CONTENTS :-**

1. INTRODUCTION

On 30 June 2006, MGB announced that the Company had on 29 June 2006 entered into Heads of Agreements for the following:

- (i) Proposed acquisition of 125 ordinary shares of HK\$1.00 each in Unilink Development Limited (“Unilink”) (“Unilink Shares”) representing 12.5% equity interest in Unilink for a purchase consideration of Renminbi (“RMB”) 15,000,000 (equivalent to approximately RM6,912,442 at a foreign exchange rate of RM1.00:RMB2.17) to be satisfied by the issuance of 23,041,474 new ordinary shares of RM0.10 each in MGB (“MGB Shares”) at an issue price of RM0.30 per MGB Share (“Proposed Acquisition of Unilink”); and
- (ii) Proposed acquisition of 10,000 ordinary shares of Hong Kong Dollar (“HK\$”) 1.00 each in HK Broadway Electronics Company Limited (“HK Broadway”) (“HK Broadway Shares”) representing 100% equity interest in HK Broadway for a purchase consideration of RMB15,000,000 (equivalent to approximately RM6,912,442 at a foreign exchange rate of RM1.00:RMB2.17) to be satisfied by the issuance of 23,041,474 new MGB Shares at an issue price of RM0.30 per MGB Share (“Proposed Acquisition of HK Broadway”).

(collectively known as the “Proposed Acquisitions”)

On behalf of the Board of Directors (“Board”) of MGB, Hwang-DBS Securities Berhad (“Hwang-DBS”) is pleased to announced that the Company had, on 14 August 2006, entered into Share Sale Agreements with Zonemax Holdings Limited (“Zonemax”) and Newtron Company Limited (“Newtron”) for the Proposed Acquisition of Unilink and the Proposed Acquisition of HK Broadway respectively.

(Zonemax and Newtron are collectively known as the “Vendors”)

MGB had also, on the even date, entered into a call option agreement with Zonemax (“Call Option Agreement”) whereby Zonemax has granted MGB a call option to acquire 563 Unilink Shares representing approximately 56.25% equity interest in Unilink for a purchase consideration of RMB67,500,000 (“Call Option”) which shall be satisfied by the issuance of up to 182,976,416 new MGB Shares at an issue price of RM0.17 per MGB Share and/or cash payment to be mutually agreed upon by Zonemax and MGB (“Option Exercise Price”) (“Proposed Call Option”).

On behalf of the Board of MGB, Hwang-DBS wishes to announce that MGB also proposes to undertake the following:

- (i) Proposed private placement of up to 42,531,000 new MGB Shares (“Placement Shares”) representing fifteen percent (15%) of the existing issued and paid-up share capital of MGB at an issue price to be determined based on a discount of not more than ten percent (10%) on the five (5) day volume weighted average market price of MGB Shares (“VWAMP”) (“Proposed Private Placement”);
- (ii) Proposed bonus issue of up to 318,989,098 new MGB Shares (“Bonus Shares”) to be credited as fully paid-up on the basis of six (6) Bonus Shares for every seven (7) MGB Shares held (“Proposed Bonus Issue”);
- (iii) Proposed increase in the authorised share capital of MGB from RM50,000,000 comprising 500,000,000 MGB Shares to RM100,000,000 comprising 1,000,000,000 MGB Shares (“Proposed IASC”);
- (iv) Proposed amendments to the Memorandum and Articles of Association (“M&A”) of MGB (“Proposed M&A Amendments”); and
- (v) Proposed transfer of the listing of and quotation for the entire issued and paid-up share capital of MGB from the MESDAQ Market to the Main Board of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Proposed Transfer”)

The Proposed Private Placement, Proposed Bonus Issue, Proposed IASC, Proposed M&A Amendments and the Proposed Transfer are referred to as the Proposed Transfer of Listing Exercise. The Proposed Transfer of Listing Exercise, the Proposed Acquisitions and the Proposed Call Option are collectively referred to as the Proposals.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Acquisitions

2.1.1 Proposed Acquisition of Unilink

On 14 August 2006, MGB entered into a share sale agreement with Zonemax for the Proposed Acquisition of Unilink (“Unilink Share Sale Agreement”).

The 125 Unilink Shares to be acquired by MGB shall be free from all charges or liens or any other encumbrances and with all rights attaching thereto as at the completion date including but without limitation to all bonuses, rights, dividends and distributions declared paid or made in respect thereof.

The new MGB Shares to be issued pursuant to the Proposed Acquisition of Unilink will, upon issue and allotment, rank pari passu in all respects with the existing MGB Shares, be free from all encumbrances and include all rights attaching thereto including but without limitation to all bonuses, rights, dividends and distributions declared paid or made in respect thereof as from the completion date.

For the avoidance of doubt, the new MGB Shares to be issued pursuant to the Proposed Acquisition of Unilink will be entitled to the Proposed Bonus Issue as detailed in Section 2.4 below.

MGB is not expected to incur any additional financial commitment to put the business of Unilink on-stream.

2.1.2 Proposed Acquisition of HK Broadway

On 14 August 2006, MGB entered into a share sale agreement with Newtron for the Proposed Acquisition of HK Broadway (“HK Broadway Share Sale Agreement”).

The 10,000 HK Broadway Shares to be acquired by MGB shall be free from all charges or liens or any other encumbrances and with all rights attaching thereto as at the completion date including but without limitation to all bonuses, rights, dividends and distributions declared paid or made in respect thereof.

The new MGB Shares to be issued pursuant to the Proposed Acquisition of HK Broadway will, upon issue and allotment, rank *pari passu* in all respects with the existing MGB Shares, be free from all encumbrances and include all rights attaching thereto including but without limitation to all bonuses, rights, dividends and distributions declared paid or made in respect thereof as from the Completion Date.

For the avoidance of doubt, the new MGB Shares to be issued pursuant to the Proposed Acquisition of HK Broadway will be entitled to the Proposed Bonus Issue as detailed in Section 2.4 below.

MGB is not expected to incur any additional financial commitment to put the business of HK Broadway on-stream.

2.1.3 Background information on Unilink and HK Broadway

Unilink

Unilink was incorporated as a private limited company in Hong Kong, People’s Republic of China (“PRC”) on 15 February 2005. The authorised share capital of Unilink is HK\$10,000 comprising 10,000 Unilink Shares of which 1,000 Unilink Shares are issued and fully paid-up.

Unilink is an investment holding company and is the legal and beneficial owner of United States Dollar (“USD”) 2,184,000 registered capital in Newtronics Hangzhou Co., Limited (“Newtronics”) representing 80% equity interest in Newtronics. Unilink has also entered into share transfer agreements with two (2) parties to acquire USD2,000,000 registered capital in Hangzhou HengAi Electronics Co., Limited (“Heng-Ai”) representing 80% equity interest in Heng-Ai (“Unilink Share Transfer”). The Unilink Share Transfer is pending the approval of the PRC authorities.

HK Broadway

HK Broadway was incorporated as a private limited company in Hong Kong, PRC on 28 May 2005. The authorised share capital of HK Broadway is HK\$10,000 comprising 10,000 HK Broadway Shares of which 10,000 HK Broadway Shares are issued and fully paid-up.

HK Broadway is an investment holding company. HK Broadway has entered into share transfer agreements with four (4) parties for the acquisition of the following:

- (i) USD273,000 registered capital in Newtronics representing 10% equity interest in Newtronics; and
- (ii) USD250,000 registered capital in Heng-Ai representing 10% equity interest in Heng-Ai.

The transfer of shares from the existing owners of 10% equity interest in Heng-Ai and 10% equity interest in Newtronics to HK Broadway (“HK Broadway Share Transfer”) are pending the approval of the PRC authorities.

2.1.4 Background information on Newtronics and Heng-Ai

Newtronics

Newtronics was registered as a limited liability company in Hangzhou, PRC on 5 June 2003 in accordance with the PRC Sino-foreign Equity Joint Venture Enterprises Law and the PRC Company

Law. The current total investment and registered capital in Newtronics is USD2,730,000. Newtronics is principally engaged in high volume printed circuit board assembly, cellular phone and other electronics products assembly. Based on the latest audited financial statements for the financial year ended 31 December 2005, Newtronics does not have any borrowings.

Heng-Ai

Heng-Ai was incorporated as a limited liability company in Hangzhou, PRC on 15 September 2004 in accordance with the PRC Sino-foreign Equity Joint Venture Enterprises Law and the PRC Company Law. The current total investment in Heng-Ai is USD4,750,000 and the registered capital is USD2,500,000.

The principal business of Heng-Ai is the assembly of mobile telecommunication component products. Based on the latest audited financial statements for the financial year ended 31 December 2005, Heng-Ai does not have any borrowings.

The financial information on Newtronics and Heng-Ai based on their latest audited financial statements for the financial year ended 31 December 2005 is set out in Table 1(a) and (b) attached herewith.

2.1.5 Basis of arriving at the purchase consideration

The total purchase consideration of RMB30,000,000 (equivalent to approximately RM13,824,884) for the Proposed Acquisitions was arrived at on a willing-buyer willing-seller basis after taking into consideration the following:

- (i) the latest available audited profit after taxation (“PAT”) of Newtronics for the financial year ended 31 December 2005 of RMB14,720,542 (equivalent to approximately RM6,783,660);
- (ii) the latest available audited PAT of Heng-Ai for the financial year ended 31 December 2005 of RMB6,646,663 (equivalent to approximately RM3,062,978);
- (iii) the latest available audited net assets of Newtronics as at 31 December 2005 of RMB27,763,725 (equivalent to approximately RM12,794,343);
- (iv) the latest available audited net assets of Heng-Ai as at 31 December 2005 of RMB26,817,073 (equivalent to approximately RM12,358,098); and
- (v) aggregate audited PAT of RMB30,000,000 (equivalent to RM13,824,884) of Newtronics and Heng-Ai guaranteed by the Zonemax and Newtron (“Vendors”) collectively for the financial year ending 31 December 2007.

The proposed issue price of RM0.30 per MGB Share represents a premium of approximately 11% over the volume weighted average market price (“VWAMP”) of MGB Shares of RM0.27 for the five (5) business days preceding the date of signing of the Heads of Agreements for the Proposed Acquisitions. The new MGB Shares shall be unencumbered in all respects saved for the amount held in escrow as disclosed in Section 2.1.6 below.

2.1.6 Salient terms of the Unilink Share Sale Agreement and the HK Broadway Share Sale Agreement (“Share Sale Agreements”)

Salient terms of the Share Sale Agreements are as follows:

- (i) The Vendors and MGB (“the Parties”) declare that MGB has agreed to enter into the Share Sale Agreements on the express representation and warranty by the Vendors that collectively Heng-Ai and Newtronics shall achieve an aggregate audited PAT of not less than RMB 30,000,000, based on the ordinary course of business of Heng-Ai and Newtronics for the financial year ending (“FYE”) 31 December 2007. Accordingly, the Vendors have agreed to provide a guarantee to MGB that the aggregate audited PAT of Heng-Ai and Newtronics, based on the ordinary course of business of Heng-Ai and Newtronics for the FYE 31 December 2007 shall be not less than RMB30,000,000 (“Guaranteed Profit”). The PAT of

Heng-Ai and Newtronics for the FYE 31 December 2007 shall be determined and certified by an independent auditor to be appointed by MGB. Actual Profit shall be defined as the aggregate audited PAT of Heng-Ai and Newtronics, based on the ordinary course of business of Heng-Ai and Newtronics for the FYE 31 December 2007. MGB agrees that in the event the Actual Profit recorded is less than the Guaranteed Profit by a margin of not more than 10% of the Guaranteed Profit or not more than RMB3,000,000 (“Allowable Profit Differential”) the Vendors would be deemed to have discharged their obligation with regard to the Guaranteed Profit;

- (ii) The Vendors agree that a total of 85% or 39,170,506 of the 46,082,948 new MGB Share(s) to be issued as consideration for the Proposed Acquisitions (“Consideration Shares”) to be issued and allotted to the Vendors shall be placed in an escrow account to be opened by the Vendors and managed by an independent Escrow Agent. The Escrow Agent shall only release the Consideration Shares held in escrow to the Vendors upon the fulfilment of the Guaranteed Profit or in the event where the Guaranteed Profit is not met, only where the difference between the Guaranteed Profit and Actual Profit is within the Allowable Profit Differential. Where the Escrow Agent is authorised to release the Consideration Shares pursuant to the Share Sale Agreements, such release of the Consideration Shares shall be made not later than 14 days after the certification of the independent auditor on the PAT of Heng-Ai and Newtronics;
- (iii) The Parties agree that in the event the Guaranteed Profit is not met and the difference between the Guaranteed Profit and Actual Profit is more than the Allowable Profit Differential, the Vendors shall pay MGB the difference between the Guaranteed Profit and Actual Profit attributable to MGB in cash payment within 14 days after the certification of the PAT of Heng-Ai and Newtronics. In the event the Vendors fail to make such cash payment in full, MGB shall be authorised via the Escrow Agent to deal with the Consideration Shares held in escrow in MGB’s absolute discretion. In the event that MGB directs the Escrow Agent to sell the Consideration Shares held in escrow and the proceeds realised from such sale is not sufficient to meet the shortfall between the Actual Profit and the Guaranteed Profit, the Vendors shall be liable to pay such amount of the unfulfilled Guaranteed Profit that is attributable to MGB based on the indirect equity interest of MGB in Heng-Ai and Newtronics.

For purposes of illustration -

For Unilink		RMB
Actual Profit		25,000,000
Guaranteed Profit		30,000,000
Shortfall		5,000,000
Total payable to MGB		$5,000,000 \times 12.5\% \times 80\% = \mathbf{500,000}$

For HK Broadway		RMB
Actual Profit		25,000,000
Guaranteed Profit		30,000,000
Shortfall		5,000,000
Total payable to MGB		$5,000,000 \times 100\% \times 10\% = \mathbf{500,000}$

For the avoidance of doubt –

- (a) in the event the difference between the Actual Profit and the Guaranteed Profit is within the Allowable Profit Differential the Vendors shall be discharged from any liability under the Guaranteed Profit;
- (b) in the event the difference between the Actual Profit and the Guaranteed Profit is more than the Allowable Profit Differential and the sale of the Consideration Shares

held in the escrow account is insufficient to meet the shortfall between the Actual Profit and the Guaranteed Profit, the Vendors shall be liable to pay to MGB the amount of the unfulfilled Guaranteed Profit as illustrated above.

- (iv) The balance 15% or 6,912,442 of the Consideration Shares to be issued shall not be held under any form of moratorium and as such are freely able to be dealt with by the Vendors.
- (v) The Vendors represents and warrants that upon the issuance of the Consideration Shares by MGB to the Vendors, any amount due to the Vendors in respect of the Unilink Share Transfer and the HK Broadway Share Transfer shall be assigned by the Vendors to MGB based on the proportion of the shares acquired by MGB pursuant to the Proposed Acquisitions to the total issued and paid-up share capital of Unilink and HK Broadway respectively. Similarly, any amount owing to the Vendors (if applicable) in relation to the Proposed Acquisitions shall be assigned by the Vendors to MGB based on the proportion of the shares acquired by MGB pursuant to the Proposed Acquisitions to the total issued and paid-up share capital of Unilink and HK Broadway respectively.
- (vi) The Vendors have procured their directors and shareholders to jointly and severally provide a personal guarantee to MGB to pay any sums due and owing to MGB in the event the Vendor fails to make any payment to MGB for any reason whatsoever including but not limited to the winding up of the Vendors provided that such amount shall not exceed RMB2,250,000 for the Proposed Acquisition of Unilink and the Proposed Acquisition of HK Broadway respectively.
- (vii) Completion of the Proposed Acquisitions is conditional upon the following conditions being satisfied within six (6) months from the date of the Share Sale Agreements with an automatic extension of one (1) month or within such further period as may be mutually agreed upon by the Parties hereto in writing, namely -
 - (a) the completion of the Unilink Share Transfer resulting in Unilink being the legal and beneficial owner of 80% equity interest in the registered capital of Heng-Ai;
 - (b) the completion of the HK Broadway Share Transfer resulting in HK Broadway being the legal and beneficial owner of 10% equity interest in the registered capital of Heng-Ai and Newtronics respectively;
 - (c) the approvals of the shareholders of MGB for the Proposed Acquisitions;
 - (d) the approval of the Securities Commission (“SC”) (Securities Issues Department) being obtained by MGB for the Proposed Acquisitions and the issuance, allotment and listing of the Consideration Shares;
 - (e) the approval of the SC(Equity Compliance Unit) being obtained by MGB for the transaction contemplated herein under the Foreign Investment Committee Guidelines on the Acquisition of Interest, Mergers and Takeovers by Local and Foreign Interest;
 - (f) the approval of Bank Negara Malaysia;
 - (g) the approval of Bursa Securities being obtained by MGB for the listing of and quotation for the Consideration Shares; and
 - (h) the approval of or waiver from any other regulatory requirements by any relevant authorities or persons, if required.

2.1.7 Background information on the Vendors

Zonemax

Zonemax was incorporated on 11 February 2005 in the British Virgin Island. Zonemax has an authorised share capital of USD50,000 comprising 50,000 ordinary shares of USD1.00 each in

Zonemax of which 1,000 shares are issued and fully paid-up. Zonemax is an investment holding company.

Zonemax is wholly owned by Ooi Kok Leong, who is also the Director of Zonemax.

Newtron

Newtron was incorporated on 8 February 2005 in the British Virgin Island (“BVI”). Newtron has an authorised share capital of USD50,000 comprising 50,000 ordinary shares of USD1.00 each in Newtron, all of which are issued and fully paid-up. Newtron is an investment holding company.

The substantial shareholders of Newtron are Gu Ying, Cui Jun and Jin Yao Quan, who are also the Directors of Newtron.

2.1.8 Original cost and date of investment

The original cost and dates of investment of Zonemax in Unilink are provided in Table 2(a) attached herewith.

The original cost and dates of investment of Newtron in HK Broadway are provided in Table 2(b) attached herewith.

2.1.9 Liabilities to be assumed

No liabilities will be assumed by MGB pursuant to the Proposed Acquisitions.

2.2 Proposed Call Option

On 14 August 2006, MGB and Zonemax entered into a call option agreement whereby in consideration of RM1.00, Zonemax unconditionally and irrevocably granted MGB a call option to acquire 563 Unilink Shares representing approximately 56.25% equity interest in Unilink for a purchase consideration of RMB67,500,000 (equivalent to approximately RM31,105,991) to be satisfied by the issuance of up to 103,686,636 new MGB Shares at an issue price of RM0.30 per MGB Share and/or cash payment to be mutually agreed upon by Zonemax and MGB.

In the event that the Proposed Bonus Issue (as detailed in Section 2.4 below) is implemented, the exercise of the Call Option will be satisfied by the issuance of up to 182,976,416 new MGB Shares at an issue price of RM0.17 per MGB Share and/or cash payment to be mutually agreed upon by Zonemax and MGB.

The issue price of RM0.17 per MGB Share for the Proposed Call Option represents a premium of 14.9% over the theoretical ex-bonus price of RM0.15 per MGB Share pursuant to the implementation of the Proposed Bonus Issue.

In the event Zonemax and MGB cannot come to an agreement on the ratio of the new MGB Shares to be issued and the cash payment, the ratio between the new MGB Shares and the cash payment shall be on an equal proportion of 50:50. The MGB Group will fund any cash payment to be made via internally generated funds and/or bank borrowings.

MGB can exercise the Call Option within a period of fifteen (15) months from the completion of the Proposed Acquisitions (“Option Period”). Notwithstanding the Option Period, the completion of the issuance of the new MGB Shares and/or cash payment may be longer from the Option Period for MGB to exercise the Call Option.

2.2.1 Basis of arriving at the purchase consideration

The basis of arriving at the Option Exercise Price is the same as per the consideration for the Proposed Acquisitions, as set out in Section 2.1.5 above.

2.2.2 Salient terms of the Call Option Agreement

The salient terms of the Call Option Agreement are as follows:

- (i) The Call Option granted may be exercised by MGB at any time during the Option Period by giving Zonemax notice in writing and the payment of the Option Exercise Price in full. Zonemax hereby agrees that the satisfaction of the Option Exercise Price whether by way of the issuance of new shares in MGB and/or by way of cash payment to be mutually agreed upon by Zonemax and MGB.
- (ii) Zonemax represents and warrants that upon the satisfaction of the Option Exercise Price, any amount due to Zonemax shall be assigned by Zonemax to MGB based on the proportion of the Unilink Shares acquired pursuant to the exercise of the Call Option to the total issued and paid-up share capital of Unilink.
- (iii) For the avoidance of doubt, the Call Option merely confers a right but not an obligation to MGB to exercise the Call Option.

2.3 Proposed Private Placement

MGB proposes to undertake a private placement of up to 42,531,000 new MGB Shares, representing fifteen percent (15%) of the existing issued and paid-up share capital of the Company.

The issue price of the Placement Shares will be determined at a later date after the approval of the SC has been obtained. The issue price of the Placement Shares shall be based on market-based principles and at a level which is in the best interests of the Company as well as taking into account the interests of the minority shareholders of MGB.

The discount to be adopted for the issue price (if any) of the Placement Shares will be determined by the Company and will depend on the performance and condition of Bursa Securities and the performance of MGB Shares and shall not be more than ten percent (10%) from the five (5)-day VWAMP of MGB Shares, prior to the price-fixing date. The issue price shall not, in any event, be less than the par value of MGB Shares.

Assuming an issue price of RM0.28 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of approximately RM11,908,680. The proceeds arising from the Proposed Private Placement will be utilised as follows:

	RM	Timeframe for utilisation
Working capital	10,408,680	Within 2 years from the completion of the Proposals
Estimated expenses for the Proposals	1,500,000	Within 1 month from the completion of the Proposals
	<u>11,908,680</u>	

The Placement Shares shall, upon issue and allotment, rank pari passu in all respects with the existing MGB Shares, except that they shall not be entitled to any dividends, rights, allotments and/or any other distributions that may be declared by the Company, the entitlement date of which is prior to the date of allotment of the Placement Shares.

2.4 Proposed Bonus Issue

MGB proposes to undertake a bonus issue of up to 318,989,098 Bonus Shares on the basis of six (6) Bonus Shares for every seven (7) MGB Shares held, to the shareholders of MGB whose names appear in the Record of Depositors at the close of business on a date to be determined and announced later.

The Proposed Bonus Issue will be capitalised from the Company's share premium and retained profits accounts based on the latest audited financial statements of the Company as at 31 December 2005 after adjusting for the payment of dividends by MGB's subsidiaries and the share premium arising from the Proposed Acquisitions (if applicable) and the Proposed Private Placement.

In the event that the Proposed Acquisitions are approved and implemented and assuming an issue price of RM0.28 for the Placement Shares, the Company will have RM23,278,392 in its share premium account. Together with the amount of RM15,317,711 in the Company's retained profits account, the Company will have sufficient reserves in its share premium and retained profits accounts to implement the Proposed Bonus Issue. In the event that the Proposed Acquisitions are not implemented and assuming an issue price of RM0.28 for the Placement Shares, the Company will have RM14,061,802 in its share premium account. Together with the amount of RM15,317,711 in the Company's retained profits account, the Company will still have sufficient reserves in its share premium and retained profits accounts to implement the Proposed Bonus Issue.

The total amount to be capitalised from the share premium and retained profits accounts for the Proposed Bonus Issue will depend on whether the Proposed Acquisitions are approved and implemented. In the event that the Proposed Acquisitions are approved and implemented, a total of RM31,898,910 will be capitalised from the share premium and retained profits accounts of the Company. In the event that the Proposed Acquisitions are not approved, a total of RM27,948,943 will be capitalised from the share premium and retained profits accounts of the Company.

The Bonus Shares shall, upon allotment and issue, rank *pari passu* in all respects with the existing MGB Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/ or any other distributions that may be declared by the Company, the entitlement date of which is prior to the date of allotment of the said Bonus Shares.

2.5 Proposed IASC

MGB proposes to increase its authorised share capital from RM50,000,000 comprising 500,000,000 MGB Shares to RM100,000,000 comprising 1,000,000,000 MGB Shares to accommodate the increase in the issued and paid-up share capital of MGB as a result of the Proposed Acquisitions, the Proposed Private Placement and the Proposed Bonus Issue.

2.6 Proposed M&A Amendments

MGB proposes to amend its M&A to cater for the changes in the Company as a result of the Proposed IASC and the Proposed Transfer.

2.7 Proposed Transfer

Subsequently, MGB will seek a transfer of the listing of and quotation for its enlarged issued and paid-up share capital of up to RM69,114,305 comprising 691,143,046 MGB Shares from the MESDAQ Market to the Main Board of Bursa Securities.

2.8 Conditionality

The Proposed Acquisitions and the Proposed Call Option are inter-conditional. However, the Proposed Acquisitions and the Proposed Call Option are not conditional upon any other proposals.

The Proposed Private Placement, Proposed Bonus Issue, Proposed IASC, Proposed M&A Amendments and the Proposed Transfer are inter-conditional. The Proposed Private Placement, Proposed Bonus Issue, Proposed IASC, Proposed M&A Amendments and the Proposed Transfer are either all implemented or not at all. The Proposed Transfer of Listing Exercise is not conditional upon the Proposed Acquisitions or the Proposed Call Option.

3. RATIONALE

3.1 Proposed Acquisitions

Unilink and HK Broadway are investment holding companies with investments in Heng-Ai and Newtronics. Newtronics is principally engaged in high volume printed circuit board assembly, cellular phone and other electronics products assembly and Heng-Ai is principally engaged in the assembly of mobile telecommunication component products. Upon completion of the Proposed Acquisitions, MGB will have an effective equity interest of 20% in Heng-Ai and Newtronics, respectively.

The Proposed Acquisitions will enable MGB to acquire a complementary manufacturing business and enable the Group to expand into upstream activities. MGB will be able to leverage on the manufacturing capabilities of Newtronics to manufacture industrial electronic modules which are inputs for the Group's building automation systems, thereby lowering the MGB Group's cost base for its building automation business activities. In addition, the Proposed Acquisitions will enable the MGB Group to penetrate the fast-growing telecommunications industry in the PRC and to diversify and enhance its earnings base to include revenue from manufacturing activities in addition to its current contract-based revenue from its building automation projects.

3.2 Proposed Call Option

The Proposed Call Option is intended to further increase MGB's equity interest in Unilink from 12.5% to 68.75%, assuming full exercise of the Call Option. Upon exercise of the Call Option, MGB will have an effective equity interest of 65% in both Newtronics and Heng-Ai and have control over the management and operations of Newtronics and Heng-Ai.

3.3 Proposed Private Placement

The Proposed Private Placement is to facilitate the Proposed Transfer by increasing the issued and paid-up capital of the Company. In addition, the proceeds raised via the Proposed Private Placement are to strengthen the Group's working capital and to defray the estimated expenses arising from the Proposals.

3.4 Proposed Bonus Issue

The Proposed Bonus Issue is to facilitate the Proposed Transfer by increasing the issued and paid-up share capital of the Company to a level which will meet the minimum share capital requirement of RM60 million for listing on the Main Board of Bursa Securities and to reward the shareholders of MGB.

3.5 Proposed IASC and Proposed M&A Amendments

The Proposed IASC and the Proposed M&A Amendments are to facilitate the Proposed Private Placement, Proposed Bonus Issue and the Proposed Transfer.

3.6 Proposed Transfer

The Proposed Transfer would serve the following purposes:

- (i) to better reflect the current stature of the operations and profitability of the MGB Group;
- (ii) to enhance the prestige and reputation of the MGB Group, thus further improve the confidence of MGB's employees, customers, suppliers, and bankers; and
- (iii) to accord MGB with greater recognition and acceptance amongst investors, particularly institutional investors, thereby enhancing the attractiveness of MGB Shares.

4. INDUSTRY OVERVIEW AND PROSPECTS

4.1 INDUSTRY OVERVIEW

As the principal activities of Newtronics and Heng-Ai are in the provision of manufacturing and assembly services for printed circuit boards (“PCBs”), mobile handset and other electronic products, the growth of the companies’ businesses is closely linked to the growth dynamics of the industries that they operate in, namely the PRC’s electronic manufacturing services (“EMS”) industry, PCB industry and the mobile handset industry. An overview of the said industries is set out below.

4.1.1 EMS Industry

According to a market assessment by a leading market researcher, worldwide EMS revenue was approximated at USD117.30 billion in 2005. The global EMS industry is expected to register a compounded annual growth rate (“CAGR”) of 11.92% from 2004 to 2007.

The high growth rate of the global EMS industry is primarily driven by the following factors:

- An ongoing trend by multi-national companies to adopt outsourced manufacturing model which provides efficiency and cost-saving benefits;
- Additional service offerings by the EMS industry such as more comprehensive design solutions and services, delivery and inventory logistics and aftermarket services, which provides further avenues for EMS players to increase their revenue and profitability growth; and
- Continuing growth of the existing customer base of the EMS players.

The EMS market in Asia Pacific forms the bulk of the global EMS industry approximated at 53% in 2005. This dominance is expected to increase over time in line with the estimated annual growth rate of approximately 21% over the period of 2005 to 2009 which is well ahead of the estimated annual growth rate of the global EMS industry.

Within the Asia Pacific EMS market, the PRC is the imminent dominant player with an estimated 69% market share in 2005. The PRC’s EMS revenue is expected to grow at an estimated annual growth rate of 30% over the period of 2005 to 2009 in line with expected continuous migration of manufacturing operations to the PRC in the near term.

(Source: SIM Technology Group Ltd’s prospectus dated 21 June 2005)

4.1.2 Printed Circuit Boards Industry

The global PCB industry is estimated at USD40.1 billion in 2005, based on production value. The industry is expected to grow at CAGR of 6.3% for the period 2006-2010. As the end-market of the PCB industry is in the electronics equipment industry, the demand for PCB is driven by the demand for electronics equipment. Since 2002, the world electronics equipment market has been recovering from a downturn. Backed by solid demand, specifically from the PRC, the global electronics equipment market is expected to reach USD1,645 billion in 2008 from USD1,106 billion in 2003, or to grow at a CAGR of 8.3%. Among the various market segments of electronics equipment, the communication segment is expected to grow at a faster rate than the other segments at an expected CAGR of 9.6% from 2003 to 2008.

The PCB industry in the PRC is primarily driven by the growing demand for electronics products such as mobile phones, personal computers, automobiles, electronics software and semiconductor packaging and components. The PRC Printed Circuit Association (“CPCA”) estimates that in 2005, the PRC’s PCB output was 110.57 million square meters with production value at RMB86.8 billion (approximately USD10.7 billion) or approximately a quarter of the world’s PCB production. The Chinese PCB industry is expected to grow steadily at an estimated CAGR of 11.7% from 2005 to 2010.

It is estimated that there is an approximately 1,000 PCB manufacturers in the PRC, representing 35% of a total of approximately 2,860 PCB manufacturers worldwide in 2004. However, in terms of revenue, the PCB manufacturers in the PRC accounted for only approximately 20% of the global revenue of approximately US\$40 billion and thus, indicating room for the PRC manufacturers to increase their market share globally. The PCB market in the PRC is one of the highest growth markets as production, procurement and final assembly are shifting to Asia from high-cost locations such as the United States and Europe in line with the ongoing outsourcing trend and the rising domestic demand in the PRC.

(Source: TC Interconnect Holdings Ltd's prospectus dated 23 June 2006)

4.1.3 PRC Mobile Handset Market

According to a market assessment by a leading market researcher, the PRC has become the largest mobile handset market worldwide. The number of mobile phone subscribers in the PRC increased from approximately 25.3 million in 1998 to estimated 378.2 million in 2005. It is estimated that the growth trend in mobile handset subscribers and penetration rate in the PRC will continue with a CAGR of 14.6% between 2003 and 2008.

(Source: Longcheer Holdings Limited's prospectus dated 3 May 2005)

The total production output and sales volume of mobile handsets in the PRC have experienced similar growth. In 2004, the total production output of mobile handsets in PRC was 226 million units, representing a growth rate of 31.3% over 2003. The total sales volume of mobile handsets manufactured in the PRC was 78.7 million units in 2004, representing a growth rate of 6.7% over 2003. The increase in the total sales volume of mobile handsets in the PRC is expected to continue to 83 million units in 2005 and 89 million units in 2006 at a growth rate of 5.5% and 7.2% respectively.

Source: SIM Technology Group Ltd's prospectus dated 21 June 2005

The mobile handset market growth in the PRC is expected to be driven by several factors as follows:

- Continued growth of the PRC economy will continue to spur the growth in the telecommunications industry
- High growth of mobile telecommunications driven by increasing mobile subscriptions and mobile telecom network coverage. The penetration rate of 20.9% in 2003 as compared to that of developed countries at 60-70% penetration rate indicates a large potential for growth in the PRC mobile handset market
- Developing the PRC's mobile handset replacement and secondhand markets provides an alternative channel for revenue growth in addition to the new mobiles handset sales market. The typical replacement market in the PRC is approximately 18 months

(Source: Longcheer Holdings Limited's prospectus dated 3 May 2005)

It is expected that the number of mobile handset subscribers and the mobile handset demand in the PRC will continue to grow in the near term. However, in line with the maturing PRC mobile handset market, the production growth rate and sales growth rate of mobile handsets in the PRC have seen a year-on-year decrease but the decline is expected to be mitigated by the mobile handset short product life cycle which would entail continuous production and sales demand.

4.2 PROSPECTS

4.2.1 The PRC Economy

Driven by surging investment and exports, the PRC economy grew by 9.9% in 2005. The strong economic performance of recent years has been anchored in export-oriented industrial production and powered by investment. On the other hand, the high investments levels have caused overcapacity in certain industries.

In 2006 and 2007, growth is expected to remain vigorous, amid lower than recorded in 2005. GDP growth is expected to be about 9.5% and 8.8% in 2006 and 2007 respectively. The industrial growth is forecast to slow down to between 9% to 10%, from about 11% in the past 2 years. Due to the significant oversupply in some industrial sectors, moderation of investment expansion and deceleration in export growth. In 2006, the service sector is expected to record a growth rate of 9.5%. The growth is supported by government efforts to promote private consumption and services. The agriculture sector is forecast to expand by about 5.0% to 5.5%, due to higher levels of infrastructure investment and other targeted development measures. Notwithstanding the aim of rebalancing demand towards private consumption and anticipated slowing of growth of capital spending in manufacturing and real estate, investment remains a dominant driver of growth in the next two years.

In short, the overall economic growth of the PRC is seen as converging on a more sustainable trajectory but may require a rebalancing of demand in favour of private consumption and better use of investment resources. Risks to the outlook include incomplete reforms in the financial system, labour market, and state enterprises; widening income inequalities; a deteriorating natural environment; and international trade frictions.

(Source: Infocredit D&B Malaysia Sdn Bhd)

4.2.2 Prospects of the PRC EMS Industry

Between 2005 and 2009, the PRC's EMS revenue is expected to grow at an estimated annual growth rate of 30%, in line with expected continuous migration of manufacturing operations to the PRC in the near term. As leading global electronics manufacturers have set up manufacturing facilities, targeting both the domestic and world market, the EMS industry remains a promising industry. The rapid growth of the PRC's economy is creating a huge demand for PCs, mobile phones, digital cameras, liquid crystal display, etc. This is coupled with a high global demand for consumer electronics. As electronics consumers upgrade their digital products on regular basis to keep up with the latest technology, the EMS industry is expected to grow strongly. The setting up of EMS facilities in the PRC by MNCs such as Celestica Inc., Flextronics Corp., Soletron Corp., Sanmina-SCI Corp. and Jabil Circuit Inc. in recent years indicates the confidence placed by foreign investors in the PRC's EMS industry. Currently, the PRC is expanding to manufacture more advanced EMS including PCB assembling, surface mounting as well as final assembly. With support from both the government and foreign investors, the EMS industry is expected to flourish in the next few years.

(Source: Infocredit D&B Malaysia Sdn Bhd)

4.2.3 Prospects of Newtronics and Heng-Ai

As principally EMS providers, Newtronics and Heng-Ai are operating in an industry that is expected to register continuous strong growth in the near term in line with the expected continuous migration of manufacturing operations to the PRC. In addition, the customer base of Newtronics and Heng-Ai which is currently primarily made up of mobile handset design houses and manufacturers is also expected to register continuous growth in the near term. In accordance, Newtronics and Heng-Ai are expected to benefit from the growth dynamics of these two industries in which they operate in.

Newtronics and Heng-Ai are in the process of diversifying their customer base and product offerings. While the companies are currently primarily manufacturing mobile handset-related products, Newtronics and Heng-Ai have started the manufacturing services for other electronic products such as wireless modules in line with the flexibility of its production facilities. In addition, Newtronics and Heng-Ai have also commenced the development of its own value-added products such as the Bluetooth mobile headsets, which is expected to be ready for commercialisation in the very near term. The aforementioned efforts of Newtronics and Heng-Ai would serve to diversify and expand its revenue base while mitigating the risk of reliance on any particular customer, product or industry and thus, ensuring the sustainability of profitability and growth of Newtronics and Heng-Ai.

5. RISK FACTORS

5.1 Risks related to the business

5.1.1 Limited operating track record

Newtronics and Heng-Ai were incorporated in June 2003 and September 2004, respectively and thus, have only a limited operating history, which may provide only limited basis for evaluation for the business and prospects of the two companies. While the Directors and management of Newtronics and Heng-Ai have been able to manage the businesses profitably since incorporation, there is no assurance that the Directors and management of Newtronics and Heng-Ai may be able to effectively address the risks frequently encountered by early-stage companies, which may include the inability to:

- Manage growth effectively,

- Maintain profitability or margin,
- Acquire and retain customers,
- Attract, train and retain qualified and key personnel
- Maintain adequate control over costs and expenses,
- Keep up with evolving industry, technology and market developments, or
- Respond to competitive market conditions.

Should any of the above risks are failed to be addressed successfully, the businesses of Newtronics and Heng-Ai may be materially and adversely affected. Therefore, there is no assurance that the Proposed Acquisitions will necessarily result in an outcome in favour of the MGB Group in future.

5.1.2 Vulnerability to changes within the PRC telecommunications industry

The global telecommunications industry and similarly, the PRC telecommunication industry have been characterised by rapid technological and consumer preference changes, resulting in short product life cycles, technology obsolescence and evolving industry standards. If Newtronics and Heng-Ai were to fail to keep up with the rapid technological changes and upgrade their manufacturing facilities to meet the evolving needs of their customers, demand for their services may decline and therefore, may affect their financial results adversely.

In addition, the telecommunications industry has been characterised by wide fluctuations in product demand and supply, and fluctuations in price. The industry experiences significant downturns from time to time, often in connection with, or in anticipation of maturing product cycles and declines in general economic conditions. These downturns have been characterised by diminished product demand, production over-capacity and subsequent accelerated erosion of average selling prices. Any cyclical fluctuations experienced by the industry may result in delays or cancellations of existing orders or a reduction in demand from the customers of Newtronics and Heng-Ai. In such event, the revenue and profitability of the two companies will be adversely affected.

The telecommunications industry is also generally a heavily regulated industry. The impact of the potential changes in the regulation of the industry could affect the business of Newtronics and Heng-Ai adversely even though certain regulations may be not directly applicable to the two companies.

The Directors and management of Newtronics and Heng-Ai are well aware of the vulnerability of the companies to the changes within the telecommunications industry and shall endeavour to keep abreast with the latest technology, market conditions and regulations of the PRC telecommunications industry to mitigate the risk mentioned above.

5.1.3 Dependence on the PRC mobile handset market

Newtronics and Heng-Ai primarily derive their revenue from the PRC mobile handset market, specifically by providing manufacturing services to mobile handset manufacturers and design houses. Therefore, Newtronics and Heng-Ai are dependent and susceptible to the market dynamics and fluctuations of the PRC mobile handset market. The PRC mobile handset market is characterised by intense competition among a concentrated group of mobile handset vendors, rapidly evolving technology, and constantly changing consumer preferences, which result in frequent introduction of new products, short product life cycles, continually evolving mobile specifications and significant price competition. If the mobile handset vendors, which include customers of Newtronics and Heng-Ai, are unable to manage product transitions or delay the rollout of new products or enhancements, the demand for the manufacturing services of Newtronics and Heng-Ai maybe materially affected and therefore, the operating results of the companies maybe adversely affected. To mitigate the risks associated with the PRC's mobile handset market, Newtronics and Heng-Ai are seeking opportunities to diversify its customer base, and products and services offering.

5.1.4 Dependence on major customers

The customers of Newtronics and Heng-Ai are mainly design houses for mobile handsets in the PRC. For the financial year ended 31 December 2005, the top three (3) customers of Newtronics are Shanghai Suncom, Shanghai Boda and Hangzhou Motorola that contributed approximately 59.8%, 10.2% and 10.2% respectively of their aggregate turnover from the provision of manufacturing services. As Heng-Ai

primarily serves as a manufacturing arm to Newtronics, Heng-Ai has only one customer being Newtronics. The loss of a significant portion of the sales to the major customers of Newtronics, in particular Shanghai Suncom, would have a material adverse effect on the business, financial condition and operating results of Newtronics and Heng-Ai. Although the Directors and management of both Newtronics and Heng-Ai believe that the relationship with these major customers are good, there can be no assurance that the good business rapport would translate into orders/revenue in the future and that the sales to the major customers would be able to be maintained at the current level.

Newtronics and Heng-Ai seek to limit the aforesaid risk by enhancing the relationship with their existing and potential customers as well as diversifying into other electronics products. However, no assurance can be given that their efforts would be successful and sufficient to mitigate risk of dependence on their major customers.

5.1.5 Dependence on key management and skilled personnel

The success of Newtronics and Heng-Ai is dependent on the extensive experience and the established relationship within the industry of their respective key management, and the continued contributions of their skilled personnel. If a significant number of the key management or skilled personnel cease to serve the two companies in the future, or fail to perform their duties as expected, the financial performance of Newtronics and Heng-Ai could be materially and adversely affected. Additionally, in order for Newtronics and Heng-Ai to achieve further business expansion, the companies must be able to attract and hire suitably qualified personnel to achieve their expansion plan and thus, the inability of the companies to achieve the aforesaid may materially affect their financial performance.

The Vendors who are also key management of Newtronics and Heng-Ai shall remain indirect substantial shareholders of the two companies pursuant to the Proposed Acquisitions and thus, have a vested interest in ensuring the continual profitability and operations of the two companies. The ability of Newtronics and Heng-Ai to attract and retain key employees generally depends on their ability to offer competitive compensation, training, fair advancement opportunities and other incentives. Thus far, Newtronics and Heng-Ai have been enjoying good employer-employee relationship with its employees and shall endeavour. Nonetheless, no assurance can be given that the two companies will be able to retain their key management and skilled personnel in the future, and to successfully hire the requisite skilled personnel.

5.1.6 Competition from existing competitors and new entrants

As primarily an EMS provider, Newtronics and Heng-Ai are operating in an industry that has relatively low barrier to entry and is highly competitive. Newtronics and Heng-Ai not only have to compete with existing electronics manufacturing services providers, they also face competition from the new entrants, which may include their existing customers who may decide to produce electronics modules or assemble mobile handsets themselves in order to reduce their reliance on third parties and to better control their costs. The competition from other EMS providers as well as new entrants to the industry will result in price reductions, reduced profit margins and loss of market share, which may adversely impact the financial performance of Newtronics and Heng-Ai. Whilst Newtronics and Heng-Ai seek to mitigate the risk by, among others, constantly enhancing the relationship with mobile handset design houses via better products and services, seeking opportunities to form partnerships with sourcing houses, and diversifying into other electronics products, no assurance can be given that the efforts would be successful and sufficient to address the risk arising from increasing market competition.

5.1.7 Insurance Coverage

Under the PRC law, Newtronics and Heng-Ai are not required to maintain product liability insurance and business interruption insurance. Accordingly, Newtronics and Heng-Ai have not maintained any product insurance liability and business interruption insurance. In addition, Newtronics and Heng-Ai currently do not have insurance coverage for their plants and equipment. However, the Directors and management of Newtronics and Heng-Ai are in the process of obtaining insurance coverage for the plants and equipment of the companies to mitigate the risk arises from insurance non-coverage on the plants and equipments, but there is no assurance that the said insurance coverage would be sufficient to address the risk thereof. In accordance to the above, any business disruption, litigation or natural disaster may result in substantial costs and diversion of the resources of Newtronics and Heng-Ai.

5.2 Risks Related to the PRC

5.2.1 Political and economic conditions in the PRC

The revenue of both Newtronics and Heng-Ai is currently derived from the PRC market. In the event that there are major changes in the political or economic climate in the PRC and such changes directly or indirectly affect the demand for electronics manufacturing services, particularly in relation to that of mobile handset, the profitability of Newtronics and Heng-Ai may be adversely impacted.

The PRC government has undergone various reforms of its economic system since 1978. Many of the reforms are unprecedented or experimental and are expected to be refined and modified from time to time. Other political, economic and social factors may also lead to further readjustment of the reform measures. The refinement and readjustment process may consequently have a material impact on the operating or financial performance of Newtronics and Heng-Ai. Any changes in the PRC's social, economic, political and regulatory conditions as well as changes in the policies of the PRC government or changes in laws, regulations or the interpretation or implementation thereof may adversely affect the financial results and financial position of the two companies.

5.2.2 PRC foreign exchange control

Newtronics and Heng-Ai are subject to the PRC rules and regulations on currency conversion. Under the existing foreign exchange regulations in PRC, Newtronics and Heng-Ai may undertake current account foreign exchange transactions, including payment of dividends, without prior approval from the State Administration of Foreign Exchange of PRC ("SAFE"), by complying with certain procedural requirements. However, foreign exchange transactions for capital account purposes, which may include overseas investment and various international loans, require prior approval of SAFE. Should Newtronics and Heng-Ai fail to obtain the consent of SAFE to convert Renminbi into foreign currencies for such purposes, the capital expenditure plan and thus the future growth of the two companies may be adversely affected.

5.2.3 Electricity shortages in the PRC

In recent years, eastern and southern China have reportedly experienced acute electricity shortages as a result of high industrial activities in those areas. Many businesses were reported to have experienced rotating electricity shutdowns as a result of the electricity shortages. Any prolonged interruption to the operation of the manufacturing facilities of Newtronics and Heng-Ai due to the shortages in electricity supply may have a material adverse effect on the operations and thus, financial performance of the two companies. Although Newtronics and Heng-Ai have not been materially affected by electricity shortages in their operating history and have taken the step in owning a power generator to address any power shortage, there is no assurance that the two companies will not suffer from any blackouts or electricity shortage in the future that would materially and adversely affect the business and financial performance of Newtronics and Heng-Ai.

6. FINANCIAL EFFECTS

The Proposed IASC, the Proposed M&A Amendments and the Proposed Transfer will not have any effects on the share capital, NTA, earnings, shareholding structure, shareholdings of substantial shareholders and dividends of MGB.

The proforma effects of the Proposed Acquisitions, the Proposed Private Placement, the Proposed Bonus Issue and the exercise of the Call Option (assuming that the exercise of the Call Option will be fully satisfied via the issuance of new MGB Shares) are set out below based on the following scenarios:

- Scenario 1: Assuming the Proposals are all implemented**
- Scenario 2: Assuming the Proposed Acquisitions are implemented and the Call Option is exercised**
- Scenario 3: Assuming the Proposed Transfer of Listing Exercise is implemented**

6.1 Share capital

The issued and paid-up share capital of MGB following the Proposed Acquisitions, the Proposed Private Placement, the Proposed Bonus Issue and the exercise of the Call Option based on Scenario 1, 2 and 3 are provided in Table 3(a), (b) and (c) attached herewith.

6.2 Net Assets

The proforma effects of the Proposed Acquisitions, the Proposed Private Placement, the Proposed Bonus Issue and the exercise of the Call Option on the audited consolidated net assets of the MGB Group as at 31 December 2005 based on Scenario 1, 2 and 3 are provided in Table 4(a), (b) and (c) attached herewith.

6.3 Earnings/EPS

The Proposed Acquisitions, the Proposed Private Placement, Proposed Bonus Issue and exercise of the Call Option are not expected to have any material effect on the earnings of the MGB Group for the FYE 31 December 2006 as these exercises are expected to be completed in the first quarter of FYE 31 December 2007.

The Proposed Acquisitions and the exercise of the Call Option are expected to contribute positively to the future earnings of MGB as the results of Unilink and HK Broadway will be consolidated into the MGB Group.

The Proposed Private Placement is expected to contribute positively to the future earnings of MGB as the proceeds arising from the Proposed Private Placement will be utilised for working capital purposes of the MGB Group.

The net EPS of the MGB Group will be reduced accordingly as a result of the increase in the total number of MGB Shares due to the Proposed Bonus Issue.

6.4 Shareholdings of substantial shareholders

Based on the Register of Substantial Shareholders dated 6 July 2006, the effects of the Proposed Acquisitions, the Proposed Private Placement, the Proposed Bonus Issue and the exercise of the Call Option on the shareholdings of the substantial shareholders of MGB as at 6 July 2006 based on Scenario 1, 2 and 3 are provided in Table 5(a), (b) and (c) attached herewith.

6.5 Foreign equity ownership

The effects of the Proposed Acquisitions, the Proposed Private Placement, the Proposed Bonus Issue and the exercise of the Call Option on the shareholdings of the substantial shareholders of MGB as at 6 July 2006 based on Scenario 1, 2 and 3 are provided in Table 6(a), (b) and (c) attached herewith.

6.6 Dividends

The Board of MGB does not expect the Proposals to have a material effect on the dividend policy of the Company for the FYE 31 December 2006. The declaration of dividend for the FYE 31 December 2006 is dependent on the performance of the MGB Group during the financial year.

There is no fixed dividend policy adopted by Unilink, HK Broadway, Newtronics and Heng-Ai. The declaration of future dividends by Unilink, HK Broadway, Newtronics and Heng-Ai will depend upon the retained earnings, cashflow position and funding requirements of the respective companies.

7. APPROVALS REQUIRED

The Proposals are conditional upon approvals being obtained from:

- (i) the SC(Securities Issues Department) for the Proposed Acquisitions, Proposed Call Option, Proposed Private Placement and the Proposed Transfer;
- (ii) the SC(Equity Compliance Unit) for the Proposed Acquisitions, the Proposed Call Option and the Proposed Private Placement,;
- (iii) Bursa Securities for the following:
 - (a) listing of and quotation for the 46,082,948 Consideration Shares on the MESDAQ Market of Bursa Securities;
 - (b) listing of and quotation for up to 42,531,000 Placement Shares on the MESDAQ Market of Bursa Securities;
 - (c) listing of and quotation for up to 318,989,098 Bonus Shares on the MESDAQ Market of Bursa Securities;
 - (d) listing of and quotation for the enlarged issued and paid-up share capital of MGB pursuant to the Proposed Acquisitions, Proposed Private Placement and Proposed Bonus Issue of up to RM69,114,305 comprising up to 691,143,046 MGB Shares on the Main Board of Bursa Securities;
 - (e) listing of and quotation for up to 182,976,416 new MGB Shares to be issued pursuant to the exercise of the Call Option on the Main Board of Bursa Securities;
- (iv) Bank Negara Malaysia for the Proposed Acquisitions and the Proposed Call Option;
- (v) the shareholders of MGB at the forthcoming EGM; and
- (vi) any other relevant authorities/parties.

8. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Save for their respective entitlements under the Proposed Bonus Issue, none of the Directors and/or substantial shareholders of MGB, and/or person(s) connected to them, have any interest, direct or indirect, in the Proposals.

9. SUBMISSION TO AUTHORITIES AND ESTIMATED TIME FRAME FOR COMPLETION

The application to the authorities on the Proposals is expected to be made within one (1) month from the date of this announcement.

The Proposals are expected to be completed by the first quarter of 2007.

10. SPONSOR/ADVISER

The adviser for the Proposals is Hwang-DBS, which is also the sponsor of MGB.

11. DEPARTURES FROM THE SC'S GUIDELINES FOR THE MESDAQ MARKET

There is no departure from the SC's Guidelines for the MESDAQ Market in respect of the Proposals.

12. POLICIES ON FOREIGN INVESTMENTS, REPATRIATION OF PROFITS AND EXPECTED TIMEFRAME IN WHICH PROFITS ARE TO BE REPATRIATED TO MALAYSIA

12.1 Policies of Hong Kong

The Hong Kong government in general makes no distinction between local and foreign companies and welcomes investment from both. Hong Kong does not subject foreign investments to special regulatory regimes or requirements. Foreign companies setting up operations in Hong Kong do not face any special approval procedures and the procedural requirements are not materially different from those for the local counterparts. 100% foreign ownership of companies is generally permitted and common in Hong Kong.

Funds from profit or capital accounts may be freely repatriated and remitted overseas and there is no foreign exchange control. The time frame for repatriation of funds depends on the nature of the funds to be repatriated and whether other documents need to be prepared to facilitate the repatriation of funds, e.g. financial statement and board resolutions.

12.2 Policies of the PRC

In PRC it is generally possible to set up a foreign invested enterprise ("FIE"), or acquire a domestic company and convert it into a FIE, or simply acquire an equity interest in an FIE.

Only FIE with registered capital that is completely paid up in accordance with the terms of the registration documents will be permitted to make the remittance of profits, dividends and bonuses out of the PRC.

Within the first five working days of each month, the foreign exchange bank will submit to local foreign exchange administration department report on profits, dividends and bonuses remitted by FIEs during the previous month. The time frame for repatriation of funds depends on the practice of each foreign exchange bank.

13. ENFORCEABILITY OF THE AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY FOREIGN COUNTER-PARTIES UNDER RELEVANT LAWS OF DOMICILE

MGB has appointed Messrs Angela Wang & Co to furnish a legal opinion in relation to the enforceability of agreements, representations and undertakings given by foreign counter-parties under the relevant laws of domicile. The legal opinion will be disclosed in the Circular to shareholders.

14. DIRECTORS' STATEMENT

The Board of MGB, after careful deliberation, is of the opinion that the Proposals are in the best interest of the MGB Group.

15. DOCUMENTS AVAILABLE FOR INSPECTION

The Heads of Agreements for the Proposed Acquisitions, the Unilink Share Sale Agreement, the HK Broadway Share Sale Agreement and the Call Option Agreement are available for inspection at the registered office of MGB at 650, Block A, Kelana Centre Point, No.3, Jalan SS 7/19, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan during the normal business hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 14 August 2006.