

General AnnouncementReference No **CM-080709-70449**

Company Name : **MELEWAR INDUSTRIAL GROUP BERHAD**
 Stock Name : **MELEWAR**
 Date Announced : **09/07/2008**

Type : **Announcement**
 Subject : **MELEWAR INDUSTRIAL GROUP BERHAD (“MIG” or “the Company”)**
- PROPOSED ACQUISITION OF ADDITIONAL EQUITY INTEREST IN SIAM POWER GENERATION PUBLIC COMPANY LIMITED (“SIPCO”)

Contents : **1. INTRODUCTION**

We refer to the announcement dated 30 December 2005 wherein Mperial Power Ltd (“Mperial”), a wholly-owned subsidiary of Melewar Steel Engineering Sdn Bhd, who in turn is a wholly-owned subsidiary of the Company, entered into a share sale and purchase agreement (“SSPA”) with E Power Ltd (“E Power”) for the acquisition of a 70% equity interest in Siam Power Generation Public Company Limited (“SIPCO”) which has since been completed.

On 16 May 2008, the Board of Directors announced that the Company together with Mperial had on 15 May 2008 entered into a Shareholders’ Agreement (“SA”) with Sojitz Corporation (“Sojitz”) and SIPCO in respect of the parties agreeing to their joint ownership and development of SIPCO which shall engage in the business of generation of electricity particularly in relation to a project known as 160MW gas fired combined cycle cogeneration power plant located at Rayong, Thailand (“the Project”) in accordance with the provisions of the SA.

Sojitz had also on 15 May 2008 entered into a Share Purchase Agreement (“SPA”) with E Power to acquire a 25.03% stake in SIPCO.

On 1 July 2008, the Company announced that SIPCO had on 30 June 2008 executed a Credit Facilities Agreement with the financial institutions (“the Lenders”) and Bank of Ayudhya Public Company Limited, as the Facility Agent and Kasikornbank Public Company Limited, as the Security Agent for Credit Facilities for the purpose to finance part of the costs of the Project (“the Credit Facilities Agreement”).

On 8 July 2008, Sojitz terminated the acquisition of the 25.03% stake in SIPCO and therefore concurrently entered into a Deed of Acknowledgement regarding SA wherein all the parties concerned had agreed to the termination of the SA.

Announcement Details :

2. THE ADDITIONAL ACQUISITION

The Board of Directors of MIG wishes to announce that Mperial had on 9 July 2008 agreed to take over the stake of 25.03% equity in SIPCO which Sojitz was originally

to have acquired. In respect thereof Mperial entered into a new Share Sale and Purchase Agreement with E Power Ltd for the acquisition of an additional 25.03% equity interest in SIPCO for a cash consideration of USD11.3 million or RM36.16 million ("the Additional Acquisition").

3. RATIONALE

To prevent the Project from failure and in order to achieve the financial close, the Lenders had agreed to vary the terms of the Credit Facilities Agreement and to allow the funding to continue if Mperial together with the Company become the main sponsor and pledge additional shares in SIPCO. As such, Mperial had to step into the shoes of Sojitz to salvage the Project.

4. SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDING STRUCTURE OF MIG

The Additional Acquisition does not have any effect on the issued and paid up share capital and substantial shareholding structure of the Company as the purchase consideration shall be satisfied entirely by cash.

5. EARNINGS

The Additional Acquisition is not expected to have any effect on the earnings of the MIG Group for the financial year ending 30 June 2009. Barring the unforeseen circumstances, the Additional Acquisition is expected to contribute positively to the long term earnings of the MIG Group due to the long term stable cashflows to be generated from the Project.

6. NET ASSETS AND GEARING

The Additional Acquisition will not have any material effect on the Net Asset of MIG Group. The gearing of MIG Group is expected to increase as the Additional Acquisition shall be financed by bank borrowing.

7. APPROVALS REQUIRED

The Additional Acquisition is not subject to the approval of the shareholders of MIG and the relevant authorities.

8. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors, major shareholders of the Company and/or persons connected to them have any interest, direct or indirect, in the Additional Acquisition.

9. DIRECTORS' STATEMENT

The Board of Directors of MIG, having considered all aspects of the Additional Acquisition is of the opinion that the Additional Acquisition is in the best interests of MIG and its shareholders.

This announcement is dated 9 July 2008

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