1. INTRODUCTION

MESB Berhad ("the Company” or “MESB") wishes to announce that Crystal United Sdn Bhd (“CUSB” or “Vendor”), a wholly-owned subsidiary of the Company, had on 5 March 2013 entered into a Sale and Purchase Agreement (“Agreement”) with Huls Transmission Sdn Bhd (Company No.: 575052-P) (“Purchaser”) for the disposal of all that leasehold land expiring on 9 October 2099 held under HS(D) 58963 PT 7, Bandar Batu 26, Beranang, Daerah Ulu Langat, Negeri Selangor measuring in area of approximately 10,869 square metres together with a single storey detached factory annexed with a double-storey office erected thereon (which land and building shall hereinafter be referred to as “the Property”) and bearing postal address of No. 10, Jalan Perusahaan 1, Kawasan Perusahaan Beranang, 43700 Beranang, Selangor for a cash consideration of RM5,030,570.00 only (“Disposal Consideration”).

2. Details of the proposed disposal

 2.1 Information on CUSB

 2.1.1 CUSB was incorporated on 22 June 1989 under the Companies Act, 1965.

 2.1.2 The present authorised share capital of CUSB is RM25,000 divided into 25,000 ordinary shares of RM1.00 each. The present issued and paid-up share capital is RM10,002 divided into 10,002 ordinary shares of RM1.00 each.

 2.1.3 The principal activity of CUSB is investment holding.

 2.2 Information on the Purchaser

 2.2.1 The Purchaser was incorporated on 26 March 2002 under the Companies Act, 1965.

 2.2.2 The present authorised share capital of the Purchaser is RM5,000,000.00 divided into 5,000,000 ordinary shares of RM1.00 each. The present issued and paid-up share capital is RM2,450,000.00 divided into 2,450,000 ordinary shares of RM1.00 each.

 2.2.3 The principal activity of the Purchaser is in the business of power transmission line.

 2.3 Brief information on the Property

The Property is a leasehold land expiring on 9 October 2099 held under HS(D) 58963 PT 7, Bandar Batu 26, Beranang, Daerah Ulu Langat, Negeri Selangor measuring in area of approximately 10,869 square metres together with a single storey detached factory annexed with a double-storey office erected thereon and bearing postal address of No. 10, Jalan Perusahaan 1, Kawasan Perusahaan Beranang, 43700 Beranang, Selangor.

The land was purchased at RM290,741 on 8 July 1997 and the building was completely constructed in year of 2002 at RM822,072.

Based on CUSB’s audited financial statements for the financial year ended 31 March 2012, the original cost of the Property was approximately RM1,112,813.00 and the net book value of the Property was RM1,640,522.

 2.4 Basis of Determining the Disposal Consideration

The Disposal Consideration for the Property was arrived at based on comparison with the similar properties that are currently offered for sale in the same vicinity.

2.5 The Salient Terms of the Agreement

 (i) Conditions Precedent

a) The parties expressly agree that the Agreement shall be conditional upon the Vendor at its own costs and expense having obtained the Consent to Transfer from the State Authorities in favour of the Purchaser (“Consent to Transfer”) within six (6) months from the date of the Agreement, or such further extended period(s) as may be mutually agreed by the parties. The Vendor covenants and undertakes with the Purchaser that the Vendor shall submit the necessary application for the Consent to Transfer within two (2) months from the date of the Agreement provided always that the Purchaser's Documents, the duly signed application form for the Consent to Transfer, the accompanying statutory declaration required for the application for the Consent to Transfer and all other documents and/or information as may be required on the part of the Purchaser for the application of the Consent to Transfer to be submitted at the relevant State Authorities have been received by the Vendor's Solicitors within fourteen (14) days from the date of the Agreement. For the purpose of this clause, the Purchaser shall within fourteen (14) days upon the execution of the Agreement deposit with the Vendor's Solicitors the Purchaser's Documents, the duly signed application form for the Consent to Transfer, the accompanying statutory declaration required for the application for the Consent to Transfer and all other documents and/or information as may be required on the part of the Purchaser for the application of the Consent to Transfer to be submitted at the relevant State Authorities.

b) Upon the Purchaser's Solicitors' receipt of a certified true copy (certified as true copy by the Vendor's Solicitors) of the Consent to Transfer, the Agreement shall become unconditional ("Unconditional Date").

c) In the event that paragraph 2.5(i)(a) above cannot be fulfilled by the Vendor and/or is refused for any reason whatsoever after the Vendor's appeal within the aforesaid stipulated period or extended period or periods as may be mutually agreed by the parties, either party shall be entitled to terminate the Agreement and the Vendor shall within fourteen (14) days upon receipt of the Termination Notice in writing by the Purchaser or the issuance of the Termination Notice by the Vendor to the Purchaser, as the case may be, refund to the Purchaser the Deposit free of interest in exchange for all the documents which have been forwarded to the Purchaser with the Vendor's interest in the Property intact failing which the Vendor shall pay to the Purchaser interest at the rate eight per centum (8.0%) per annum calculated on a day to day basis after the expiry of the fourteen (14) days upon the Vendor's receipt of the Termination Notice to the date of actual receipt by the Purchaser of the Deposit or such refundable sum and upon such refund to the Purchaser, the Agreement shall be null and void and neither party shall have any claim against each other and the Vendor shall be at liberty to dispose of and/or otherwise deal with the Property in whatsoever manner the Vendor shall deem fit without reference to the Purchaser.

 (ii) Payment of Disposal Consideration

a) the Earnest Deposit has been paid to the Vendor's agent, Reapfield Properties (Taman Sea) Sdn Bhd as stakeholders before the execution of the Agreement;

 b) the Balance Deposit shall be paid to the Vendor upon execution of the Agreement, the receipt whereof the Vendor hereby acknowledges;

c) the Balance Disposal Consideration shall be paid to the Vendor's Solicitors as stakeholders within the Completion Period (“means ninety (90) days from the date of the Unconditional Date”).

In the event that the Purchaser shall fail to pay the Balance Disposal Consideration on or before the expiry of the Completion Period, the last day for payment of the Balance Disposal Consideration shall be automatically extended to the Extended Completion Period (“means the extension of thirty (30) days to be granted by the Vendor to the Purchaser commencing immediately after the last day of the Completion Period”.) in consideration of the Purchaser paying interest on the Balance Disposal Consideration (or such part thereof remaining unpaid to the Vendor) at the rate of eight per centum (8%) per annum on daily basis calculated from the expiry of the Completion Period to the date of full payment of the Balance Disposal Consideration to the Vendor’s Solicitors as stakeholders.

 (iii) Completion

Vacant possession of the Property on an as is where is basis shall be delivered by the Vendor to the Purchaser within five (5) working days from the Completion Date (“means the date of the Vendor’s Solicitors receipt of the Balance Disposal Consideration and late payment interest (if any)”.) and upon the Purchaser paying the apportioned outgoings payable by the Purchaser to the Vendor, failing which the Vendor shall pay interest on the Purchase Price at rate of Eight per centum (8%) per annum calculated on a daily basis after the expiry of five (5) working days from the Completion Date until vacant possession of the Property is delivered to the Purchaser.

The Vendor's Solicitors are authorised by the parties to release the Balance Disposal Consideration to the Vendor upon the expiry of fourteen (14) days from the date of presentation for registration of the Transfer or upon the expiry of twenty one (21) days from the date of receipt by the Purchaser's Solicitors or the Financier's Solicitors of the Transfer Documents whichever shall be earlier. Provided Always That vacant possession to the Property having been delivered to the Purchaser and further provided that there is no delay in the Purchaser in settling the late payment interest (if any) and the apportionment of outgoings, failing which the Vendor’s Solicitors are irrevocably to release the Balance Disposal Consideration to the Vendor, notwithstanding that the vacant possession of the Property has not been delivered to the Purchaser.

2.6 Expected gain arising from the Proposed Disposal

 The expected gain from the Proposed Disposal is approximately RM3,239,131.00

2.7 Utilisation of Proceeds

The proceeds from the Proposed Disposal will be utilised to fund the repayment by CUSB of the amounts owing to the Company and the working capital of CUSB, thereby strengthening the liquidity position of the Group.

2.8 Percentage ratios

The highest percentage ratio applicable to the Proposed Disposal pursuant to paragraph 10.02(g) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements is the value of assets ratio of 9.39% based on the latest audited financial statements of MESB as at 31 March 2012.

3. RATIONALE FOR THE PROPOSED DISPOSAL

The disposal of the Property was undertaken to realise the investment by CUSB. The disposal will result in cash inflow of RM5.03 million to the Group which will strengthen the liquidity position of the Group. Further, the cash proceeds will enable CUSB to settle the amounts owing to the Company.

4. FINANCIAL EFFECTS

4.1 Share Capital

The Proposed Disposal will not have any effect on the issued and paid-up share capital of the Company as it does not involve the issuance of the Company’s shares.

4.2 Net assets and gearing

 The Proposed Disposal will not have any material effect on the net assets and gearing of the Company.

4.3 Earnings

 The Proposed Disposal will not have any material effect on the future earnings of the Company.

4.4 Substantial Shareholders’ Shareholdings

The Proposed Disposal will not have any effect on the shareholdings of the substantial shareholders of the Company and will not result in a change in the controlling or dominant shareholder of the Company.

5. APPROVAL REQUIRED

Other than the Consent to Transfer to be obtained from the State Authorities, no approval from the shareholders and other authorities is required for the Proposed Disposal.

6. ESTIMATED TIMEFRAME FOR THE COMPLETION OF THE Proposed DISPOSAL

Barring unforeseen circumstances, the Proposed Disposal will be completed within nine months from the date of the Agreement.

7. DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

None of the Directors and/or major shareholders of MESB and/or persons connected or associated with any of them have any interests, direct or indirect, in the Proposed Disposal.

8. DIRECTORS’ RECOMMENDATION

The Board having considered all the relevant factors in respect of the Proposed Disposal, is of the opinion that the Proposed Disposal is in the best interest of MESB Group.

9. DEPARTURE FROM THE SECURITIES COMMISSION’S GUIDELINES

The Proposed Disposal is not subject to the approval of the Securities Commission (“SC”) and does not fall under the SC Guidelines. Therefore, to the best knowledge of the Board, the Proposed Disposal has not departed from the SC Guidelines.

10. Documents for inspection

The Agreement will be available for inspection during normal business hours at the Registered Office of the Company at 10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur, for a period of three (3) months from the date of this announcement.