

**ANNOUNCEMENT
TRANSACTION: CHAPTER 10**

MESB BERHAD

PROPOSED DISPOSAL OF PROPERTY BY MIROZA LEATHER (M) SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF MESB BERHAD

1. INTRODUCTION

MESB Berhad ("**the Company**" or "**MESB**") wishes to announce that Miroza Leather (M) Sdn Bhd (Company No.: 242474-V) ("**Miroza**" or "**Vendor**"), a wholly-owned subsidiary of the Company, had on 31 October 2013 entered into a Sale and Purchase Agreement ("**Agreement**") with Taetea (Malaysia) Sdn Bhd (Company No.: 1063558-P) ("**Purchaser**") for the disposal of all that piece of freehold land held under Geran 268438, Lot 21772, Bandar Sri Damansara, Daerah Petaling, Negeri Selangor together with a double storey building erected thereon bearing postal address of No. 10, Persiaran Dagang, Bandar Sri Damansara, 52200 Kuala Lumpur (land and building shall hereinafter referred to as "**The Property**") free from all caveats, charges, lies, mortgages, restraints or any encumbrances, for a cash consideration of RM14,500,000.00 only ("**Disposal Consideration**") ("**the Proposed Disposal**") subject to the terms and conditions as stipulated in the Agreement.

2. DETAILS OF THE PROPOSED DISPOSAL

2.1 Information on Miroza

- 2.1.1 Miroza was incorporated on 17 June 1992 under the Companies Act, 1965.
- 2.1.2 The present authorised share capital of Miroza is RM10,000,000 divided into 10,000,000 ordinary shares of RM1.00 each. The present issued and paid-up share capital is RM6,000,000 divided into 6,000,000 ordinary shares of RM1.00 each.
- 2.1.3 The principal activity of Miroza is trading of leather products.

2.2 Information on the Purchaser

- 2.2.1 The Purchaser was incorporated on 25 September 2013 under the Companies Act, 1965.
- 2.2.2 The present authorised share capital of the Purchaser is RM 500,000 divided into 500,000 ordinary shares of RM1.00 each. The present issued and paid-up share capital is RM 500,000 divided into 500,000 ordinary shares of RM1.00 each.
- 2.2.3 The principal activity of the Purchaser is export and import of tea.

2.3 Liabilities to be assumed

There were no liabilities to be assumed by the Purchaser arising from the Proposed Disposal.

2.4 Brief information on the Property

- 2.4.1 The Property is held under Geran 268438, Lot 21772, Bandar Sri Damansara, Daerah Petaling, Negeri Selangor measuring approximately 2,792 square metres together with a double storey building erected thereon bearing postal address of No. 10, Persiaran Dagang, Bandar Sri Damansara, 52200 Kuala Lumpur with main and ancillary floor areas measuring approximately 20,521 square feet.
- 2.4.2 The Property was purchased at RM4,300,000.00 pursuant to Sale and Purchase Agreement dated 8 August 2005 .
- 2.4.3 The Property is currently vacant and not in use by any party.
- 2.4.4 The amount of lettable space of the Property available for letting (if rented) is RM30,000.00 per month .
- 2.4.5 Based on Miroza's audited financial statements for the financial year ended 31 March 2013, the original cost of the Property was approximately RM4,481,393.70 and the net book value of the Property was RM3,819,188.94.

2.5 Basis of Determining the Disposal Consideration

The Disposal Consideration of RM14,500,000.00 was arrived at on a willing-buyer-willing seller basic, after taking into consideration of the comparison with the similar properties that are currently offered for sale in the same vicinity.

No formal valuation was carried out on the Property.

2.6 The Salient Terms of the Agreement

(i) Conditions Precedent

- a) The Agreement is conditional upon the Purchaser obtaining the State Authority's consent to the sale thereto under Section 433B of the National Land Code ("the State Authority's Consent") within three (3) months from the date of the Agreement.
- b) The Purchaser covenants and undertakes with Miroza that the Purchaser shall submit the necessary application for the State Authority's Consent within Seven (7) days from the date of receipt by the Purchaser's Solicitors of the documents stated in the Agreement provided always that the duly signed application form for the Consent to Transfer the accompanying statutory declaration required for the application for the State Authority's Consent and all other documents stated in Agreement and/or information as may be required on the part of Miroza for the application of the State Authority's Consent to be

submitted at the relevant State Authorities have been received by the Purchaser's Solicitors within seven (7) working days from the date of the execution of the Agreement from Miroza.

- c) Upon the Purchaser obtaining the State Authority's Consent and shall within 3 working days communicating the same in writing to Miroza's Solicitors, the Agreement shall become unconditional (the date of receipt of the notice by Miroza's Solicitors shall be referred to as "the Said Date").
- d) In the event the State Authority approves the acquisition with conditions which are unreasonable and are unacceptable to the Purchaser or rejects the application and/or the State Authority's Consent are not obtained within the time stipulated in paragraph 2.6(i)(a) above, the Purchaser shall have the option to:-
 - i. terminate the Agreement whereupon Miroza shall refund without interest to the Purchaser the Deposit referred to paragraph 2.6 (ii) (a) below and all other monies paid by the Purchaser (if any) pursuant to the Agreement within fourteen (14) days from the date of receipt of written notice from the Purchaser. Thereafter, the Agreement shall be null and void and neither party shall have any further claim against the other in any matter arising out of or in relation to this Agreement; or
 - ii. proceed with the sale and all other terms shall continue to be effective and binding notwithstanding any late approval or non-approval of the State Authority with the Purchaser undertaking to render such assistance as required by Miroza to obtain the approval or appeal against the rejection.

(ii) Payment Of Disposal Consideration

- a) The deposit of RM1,450,000.00 shall be paid by the Purchaser to Miroza in the manner as set out below:-
 - 1) Earnest Deposit of RM362,500.00 had been paid on 14 September 2013; and
 - 2) Balance Deposit of RM1,087,500.00 which shall be paid to Miroza upon the execution of the Agreement.
- b) On or before the expiry of the period of Ninety (90) days from the date of the Agreement ("the Due Date") or extended as provided in the Agreement, the Purchaser shall pay the balance of the disposal consideration amounting to RM13,050,000.00 ("the Balance Sum") to Miroza's Solicitors as stakeholders.
- c) Miroza hereby agrees that all payments made to Miroza's Solicitors shall be deemed to be payments made to and received by Miroza towards the Disposal Consideration and shall constitute valid receipt by Miroza of such sum and amounts to good discharge of Purchaser's liability therein.

- d) Notwithstanding anything to the contrary contained in the Agreement, if the Property at any time during the continuance of the Agreement is however encumbered or subjected to any caveats whatsoever (other than for the caveat lodged by the Purchaser's Financier and/or for the Purchaser's benefits) the Purchaser shall be entitled to suspend the time for payment of the Balance Sum until the said encumbrance or caveat (as the case may be) is removed at the cost and expense of Miroza.
- e) Miroza's Solicitors shall within fourteen (14) days from Miroza's Solicitors release of the documents to the Purchaser's Solicitors or fourteen (14) days from the presentation of Memorandum of Transfer for registration at the appropriate Land Registry, whichever is later, release the Balance Sum to Miroza.

(iii) Delivery of Vacant Possession

Vacant possession of the Property on an as is where is basis free from debris and together with fixtures and fitting (including seven (7) units of ceiling air conditioning system) shall be delivered by Miroza to the Purchaser within five (5) working days from the date of receipt of the balance Disposal Consideration together with late payment interest if any, from the Purchaser and the apportioned outgoings payable by the Purchaser to the Vendor (thereafter referred to as "the Delivery Date").

2.7 Expected gain arising from the Proposed Disposal

The expected gain from the Proposed Disposal is approximately RM10.25 million.

2.8 Utilisation of Proceeds

The intended utilisation by Miroza/MESB Group of the total cash proceeds from the Proposed Disposal and the breakdown including the time frame for full utilisation of the proceeds are as follows:

	Amount allocated RM'000	Intended Timeframe for utilisation	Explanations
Repayment of the Bank borrowing	4,000	Within 1 year from the receipt of the proceeds	The balance amount shall be paid and settled by Miroza to the bank borrowing within the timeframe.
Placement of Fixed Deposit	5,100	Within 2 months from the receipt of the proceeds	As collateral to replace the Property to be discharged

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	Amount allocated RM'000	Intended Timeframe for utilisation	Explanations
Working capital	5,050	Within 2 years from the receipt of the proceeds	The proceeds shall be utilised for working capital of the MESB Group thereby strengthening the liquidity position of the Group.
Estimated expenses related to the Proposed Disposal	350	Within 1 month from the receipt of the proceeds	Professional fee to Property Agent, fees to authorities, printing cost, and other incidental expenses in connection with the Proposed Disposal.
Total	14,500		

2.9 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 aggregate value of the consideration of 21.91% based on the latest consolidated audited financial statements of MESB as at 31 March 2013.

3. RATIONALE FOR THE PROPOSED DISPOSAL

The disposal of the Property was undertaken to realise the investment and strengthen the liquidity of the Group.

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 improve the net assets per share 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 Authority, 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 four (4) 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.

This announcement is dated 31st day of October 2013