

MESB BERHAD (“MESB” OR THE “COMPANY”)

PROPOSED PRIVATE PLACEMENT OF 12,600,000 NEW ORDINARY SHARES IN MESB, WHICH REPRESENT 30% OF THE COMPANY’S TOTAL NUMBER OF ISSUED SHARES, TO INDEPENDENT THIRD PARTY INVESTORS

For consistency purposes, the abbreviations and definitions used throughout this announcement shall have the same meanings as those previously defined in the Company’s announcement dated 11 July 2017 in relation to the Proposed Private Placement.

We refer to the Company’s announcement dated 11 July 2017 in relation to the Proposed Private Placement.

On behalf of the Board of Directors of MESB, KAF IB wishes to provide additional information in relation to the proposed utilisation of proceeds to be raised from the Proposed Private Placement, as duly underlined for your ease of reference.

The Proposed Private Placement is expected to raise gross proceeds of RM9.20 million based on the Issue Price, which are proposed to be utilised as follows:-

Proposed Utilisation	Expected utilisation time frame	RM’000
Working capital for MESB Group ⁽¹⁾	Within 6 months	2,498
Business expansion ⁽²⁾	Within 12 months	6,500
Estimated expenses relating to the Proposed Private Placement	Within 1 month	200
Total		9,198

Notes:-

- (1) *Intended to be utilised to meet the Group’s working capital requirements such as operating expenses (which include, inter alia, staff costs, rental charges and royalty fees), travelling expenses, payment to trade creditors and finance costs such as interest expenses on the MESB Group’s existing bank borrowings. The proceeds to be utilised for each component of working capital are subject to the operating requirements at the time of utilisation and therefore has not been determined at this juncture.*
- (2) *Intended to be utilised for the Group’s business expansion within 12 months from the completion of the Proposed Private Placement aimed at further strengthening the Group’s presence in the apparel industry in Malaysia. The said business expansion entails opening of new consignment counters, launching of new product lines and launching of a new brand.*

Solely for illustration purposes and based on the best estimates of the management of MESB, the RM6.50 million allocated for the Group’s business expansion are anticipated to be utilised as per the following breakdown:-

	RM’000
- Opening of <u>about 20 new consignment counters nationwide</u> ⁽ⁱ⁾	1,500
- Expenditure relating to the launching of new product lines <u>for babies’ apparel and accessories products under the “Jeep” brand</u> ⁽ⁱⁱⁱ⁾	2,500
- Expenditure relating to the launching of a new brand, <u>covering men’s, children’s and babies’ apparel, babies’ accessories and men’s leather accessories</u> ⁽ⁱⁱ⁾	2,500
Total	<u>6,500</u>

- (i) *The RM1.50 million earmarked for this purpose is expected to be utilised for, amongst others, renovation costs and purchases of inventory, the detailed breakdown of which has yet to be determined at this juncture. The new consignment counters are expected to be opened progressively within 12 months from the completion of the Proposed Private Placement in the following locations:-*

<u>Location</u>	<u>Targeted number of new consignment counters</u>
<u>Kuala Lumpur / Selangor</u>	<u>4</u>
<u>Pulau Pinang</u>	<u>3</u>
<u>Sarawak</u>	<u>4</u>
<u>Johor</u>	<u>2</u>

- (ii) *The total of RM5.00 million earmarked for these purpose are expected to be utilised for, amongst others, renovation costs for about 50 new consignment counters, purchases of inventory, advertising and promotion expenditures, and royalty fees, the detailed breakdown of which has yet to be determined at this juncture. The consignment counters to be located nationwide, are expected to be opened progressively within 12 months from the completion of the Proposed Private Placement.*

If the actual expenses relating to the Proposed Private Placement are higher than the estimated amount as set out above, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual expenses relating to the Proposed Private Placement are lower than the estimated amount, the excess will be utilised for working capital purposes.

This announcement is dated 21 July 2017.