



General Announcement

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Submitted

Company Information

Main Market Company

New Announcement

Submitting Investment Bank/Advisor (if applicable)

Submitting Secretarial Firm (if applicable) EPSILON ADVISORY SERVICES SDN BHD

* **Company name** KESM INDUSTRIES BERHAD

* **Stock name** KESM

* **Stock code** 9334

* **Contact person** MS LEONG OI WAH

* **Designation** COMPANY SECRETARY

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Type * Announcement

Subject *: MATERIAL LITIGATION

Description *:-

(Note : Please enter the announcement description in this field and the announcement details in the Announcement Details/Table Section or attach the full announcement details as an attachment)

DEMAND FOR ARBITRATION BY DATAMATIC, LTD. AGAINST KESP SDN BHD

Announcement Details/Table Section :-

(This field is for the details of the announcement, if applicable)

The Board of Directors of KESM Industries Berhad ("KESMI") wishes to announce that its wholly-owned subsidiary, KESP Sdn Bhd ("KESP") had on 8 May 2013 received a Demand for Arbitration ("Demand") from the International Centre for Dispute Resolution, a division of the American Arbitration Association.

The Demand relates to an arbitration ("Arbitration") commenced by Datamatic, Ltd. (the "Claimant") for a dispute arising out of a contract dated 21 November 2008 between it and KESP ("the Contract") for the supply of utility meter reading equipment ("Products"). Claimant alleges in the Arbitration that it received allegedly defective Products from KESP and is entitled to US\$5,000,000 (approximately RM15,400,000). KESP adamantly denies Claimant's allegations and intends to vigorously defend itself at Arbitration. KESP also intends to pursue its own rights against Claimant, including filing a Counterclaim against Claimant, for non-payment of amounts owed under the Contract. The amount of KESP's Counterclaim against Claimant is anticipated to be at least US\$2,100,000 (approximately RM6,400,000).

Under the Contract, the parties are required to refer any disputes to the International Centre for Dispute Resolution in accordance with Commercial Arbitration Rules of the American Arbitration Association. The Arbitration is required to take place in Texas.

While KESP intends to vigorously defend itself, no assurances can be given as to the outcome of the Arbitration and a judgement in favour of the Claimant would have a material impact on the earnings and net assets of KESMI Group. We believe the Arbitration would not conclude until in financial year ending 31 July 2014 and therefore it will not have a material impact on the earnings and net assets of KESMI Group for the current financial year ending 31 July 2013.

This announcement is made on 9 May 2013.

Attachment(s):- (please attach the attachments here)

- No Attachment Found -