

**FIMA CORPORATION BERHAD**  
(Company No: 21185-P)

**PROPOSED ACQUISITION BY FIMA CORPORATION BERHAD ("COMPANY" OR "FIMACORP" OR "PURCHASER") OF TWO MILLION (2,000,000) ORDINARY SHARES OF RM1.00 EACH, REPRESENTING THE ENTIRE EQUITY INTEREST OF GABUNGAN WARISAN SDN BHD FOR A TOTAL PURCHASE CONSIDERATION OF RM3.702 MILLION**

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**1. INTRODUCTION**

The Board of Directors of FIMACORP is pleased to announce that FIMACORP had on 17 June 2014 entered into a conditional Sale and Purchase Agreement ("**SPA**") with Yee Kong Fatt and Cheong Kok Tong (collectively referred to as "**Vendors**") for the acquisition of two million (2,000,000) ordinary shares of RM1.00 each ("**Sale Shares**"), representing the entire equity interest of Gabungan Warisan Sdn Bhd for a total purchase consideration of RM3.702 million ("**Proposed Acquisition**").

**2. INFORMATION ON GABUNGAN WARISAN SDN BHD (327836-P)**

- (i) Gabungan Warisan Sdn Bhd ("**GWSB**") was incorporated on 19 December 1994 as a private company limited by shares under the name Irama Manis Sdn Bhd. It subsequently assumed its current name on 3 March 2006. The authorised share capital of GWSB is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, of which 2,000,000 ordinary shares have been issued and are fully paid-up. As at the date hereof, the directors of GWSB are as follows:-

	Date of Appointment
Yee Kong Fatt	30/09/2013
Cheong Kok Tong	30/09/2013

- (ii) GWSB has been granted a 99 year lease by Akademi Yakin Sdn Bhd ("**AYSB**"), a wholly-owned subsidiary of Yayasan Kelantan Darulnaim, to undertake the development of a parcel of land measuring approximately 617.3 acres held under PT 4718, HS(D) 9350, Mukim Kuala Stong, Jajahan Kuala Krai, Kelantan Darul Naim ("**the Land**") in accordance with the terms and conditions as set out in the agreement to lease dated 18 May 2014 ("**Agreement to Lease**"). No independent valuation had been carried out on the Land. However, the indicative value of the Land is approximately RM6,000 per acre.
- (iii) For the financial year ended 31 December 2012, GWSB registered a loss after tax of RM8,573 with net current liabilities of RM230,685.
- (iv) Upon completion of the Proposed Acquisition, GWSB will become a wholly-owned subsidiary of FIMACORP.

**3. DETAILS OF THE PROPOSED ACQUISITION**

**3.1 The Proposed Acquisition**

The Proposed Acquisition involves the acquisition of the Sale Shares by FIMACORP from the Vendors free from any and all encumbrances together with all rights attaching thereto, for a total purchase consideration of RM3.702 million ("**Purchase Price**").

### 3.2 Basis of determining the Purchase Price and satisfaction of the Purchase Price

- (i) The Purchase Price is arrived at on a "willing seller and willing buyer basis" after taking into account the indicative value of the Land.
- (ii) The Purchase Price will be wholly satisfied by cash in accordance with the terms of the SPA through internally generated funds. Payment of the Purchase Price will be made at the times and in the manner set out in Paragraph 3.2(iii) below, consequent to the fulfilment of all the conditions precedent stipulated in the SPA.
- (iii) The Purchase Price shall be payable in the following manner:
  - a) the cash sum of RM740,400.00, constituting 20% of the Purchase Price ("**Deposit**") shall be payable simultaneously with the execution of the SPA to the Vendors' solicitors (as stakeholders of the parties); and
  - b) the cash sum of RM2,961,600, constituting 80% of the Purchase Price shall be payable to the Purchaser's solicitors (as stakeholders of the parties) on the Completion Date (as defined herein).
- (iv) In addition to the Purchase Price, FIMACORP shall reimburse the Vendors the following:
  - a) half of the contribution sum amounting to RM30,865.00 ("**Reimbursement Sum**") already paid by the Vendors to AYSB pursuant to the terms of the Agreement to Lease. The Reimbursement Sum shall be paid by the Purchaser to the Vendors' solicitors on Completion Date; and
  - b) the rental reimbursement amounting to RM154,325.00 for the Land (on a pro rata basis), which has already been paid by the Vendors to AYSB as set out in Clause 6.1(a) of the Agreement to Lease.

### 3.3 Salient terms of the SPA

- (i) Subject to the terms of the SPA, each of the Vendors shall sell as legal and beneficial owner of the Sale Shares and FIMACORP shall purchase the Sale Shares free from any and all encumbrances and together with all rights attaching thereto.
- (ii) The completion of the Proposed Acquisition is subject to, inter alia, the satisfaction of the following conditions precedent within 60 days from the date of the SPA ("**Conditional Period**") or such other or such other extended period as may be granted by FIMACORP in writing:
  - a) the conduct of a legal and financial due diligence exercise into GWSB ("**Due Diligence Exercise**"), the results of which are satisfactory to FIMACORP; and;
  - b) the consent letter to be obtained by the Vendors from AYSB in relation to the sale of the Sale Shares to FIMACORP. The Vendors shall also bear and pay the necessary ex gratia payment to AYSB within the Conditional Period or extended Conditional Period whichever case it may be;
  - c) a confirmation in writing from the Vendors, confirming that Clause 2.13 of the letter from Pejabat Pengarah Tanah dan Galian Negeri Kelantan to AYSB dated 15 April 2013 is the consent given by the State Authority to AYSB in relation to the Agreement to Lease, being the restriction in interest as contained in the individual document of title to the Land;
  - d) the Vendors shall, at its own cost and expense, register GWSB to be endorsed on the individual document of title for the Land as the lessee with the relevant land office pursuant to the Agreement to Lease;

- e) the fulfilment of such other conditions as may be reasonably required by FIMACORP pursuant to the Due Diligence Exercise; and
  - f) such other consents or approvals (if any) as may be necessary from any governmental or regulatory body or relevant competent authority or financiers or any other third party having jurisdiction or interest over the transactions contemplated under the SPA being granted or obtained and not withdrawn or revoked.
- (iii) Subject to fulfilment of all the conditions precedent ("**Unconditional Date**"), the completion of the sale and purchase of the Sale Shares shall take place no later than 14 days from the Unconditional Date ("**Completion Date**").
- (iv) The Vendors acknowledge that the Purchaser is entering the SPA in reliance upon, among other things, the warranties to be given by the Vendors, as set out in Schedule 3 of the SPA.

### 3.4 Assumption of liabilities

There are no liabilities, including contingent liabilities and guarantees to be assumed by FIMACORP pursuant to the Proposed Acquisition.

### 3.5 Percentage ratios under Paragraph 10.02(g) of the Bursa Malaysia Main Market Listing Requirements

Based on the FIMACORP's Group Audited Accounts for FY 31 March 2013, the highest percentage ratio under Paragraph 10.02(g) of Chapter 10 of Bursa Malaysia Main Market Listing Requirements is 0.79%.

## 4. INFORMATION ON THE LAND

The salient features of the Land are as follows:

Total approximate land area	Leasehold Tenure	Category of Land Use
617.3 acres	99 years expiring 22 July 2112	Agricultural <i>Syarat Nyata: Kelapa Sawit Sahaja</i>

The Land is presently free from encumbrances.

It is anticipated that the Land, which is greenfield, will be developed progressively over a period of 2 years at a cost of approximately RM3.74 million using internally generated funds.

## 5. INFORMATION ON THE VENDORS

Details of the Vendors' shareholding interests in GWSB are as follows:-

Name	Number of Ordinary Shares held	Percentage
Yee Kong Fatt	1,400,000	70%
Cheong Kok Tong	600,000	30%

## **6. RATIONALE FOR THE PROPOSED ACQUISITION**

Over the years, FIMACORP's main growth driver has been its wholly-owned subsidiary, Percetakan Keselamatan Nasional Sdn. Bhd. which contributes substantially to the FIMACORP Group's revenue and profitability via its security and confidential documents businesses.

The Proposed Acquisition would enable the FIMACORP to realise its strategy to expand its plantation business, particularly in Malaysia, and capitalise on the bright prospects of the palm oil industry, which in turn would provide a broader earnings base for FIMACORP.

## **7. EFFECTS OF THE PROPOSED ACQUISITION**

### **7.1 Share capital and substantial shareholders' shareholdings**

The Proposed Acquisition will not have any effect on the share capital and substantial shareholders' shareholdings as the Proposed Acquisition will be satisfied entirely in cash and does not involve any issuance of new ordinary shares in FIMACORP.

### **7.2 Earnings**

The Proposed Acquisition is not expected to have any significant effect on the earnings or net assets per share of FIMACORP for the financial year ending 31 March 2015. However, the Proposed Acquisition is expected to enhance the future earnings of FIMACORP in the future.

### **7.3 Net assets ("NA") and gearing**

The Proposed Acquisition is not expected to have any material impact on the NA and gearing level of FIMACORP based on the audited financial statements for the financial year ended 31 March 2014.

### **7.4 Dividends**

The Proposed Acquisition is not expected to have any material effect on the dividend payable for the current financial year ending 31 March 2015.

## **8. INDUSTRY PROSPECT**

During 2013, crude palm oil ("CPO") prices moved within an unusually-tight band of around RM2,230 to RM2,485 per MT attributed to the historically high palm oil stock levels and the abolishment of the duty-free CPO export quota.

Prospects are more optimistic for 2014 as the anticipated higher palm biodiesel usage in Indonesia and Malaysia coupled with the forecasted effects of dry weather have recently resulted in an appreciation of CPO prices.

Although CPO prices tend to correlate with the supply and demand conditions in the world's oils and fats market, the Board remains confident that the long term prospects of the Proposed Acquisition and the palm oil business as a whole will be positive, driven by the sustainability of the demand for palm oil related products as well as the competitive advantage of palm oil, in terms of yield and cost efficiency, compared to other edible oils.

## **9. RISK FACTORS**

### **9.1 Business Risk**

FIMACORP does not foresee any extraordinary or abnormal risk factors pertaining to the Proposed Acquisition, save for the completion risks of the SPA and the business/operating risks normally associated with the oil palm industry in which FIMACORP is already involved.

As with other oil palm producers, FIMACORP would be subject to risks inherent to the plantation industry. These business risks may include, but not limited to, external risks such as fluctuations in CPO prices, changes in the world demand for edible oil and fats, threat of substitutes for palm oil products, weather conditions, outbreak of pests and crop diseases constraints in labour supply and increase in production costs. Although the Board and management of FIMACORP will continuously take appropriate measures to limit such risks, there can be no assurance that any changes to these factors will not have a material impact on the business and financial performance of FIMACORP.

### **9.2 Non-completion of the Proposed Acquisition**

The completion of the Proposed Acquisition could be subject to conditions that are beyond FIMACORP's control. Accordingly, there can be no assurance that the Proposed Acquisition will be completed as contemplated.

## **10. INTERESTS OF MAJOR SHAREHOLDERS AND DIRECTORS**

### **10.1 Directors**

None of the directors of FIMACORP or any other persons connected with them has any material interest, direct or indirect, in the Proposed Acquisition.

### **10.2 Substantial Shareholders**

None of the substantial shareholders of FIMACORP nor any person connected to them has any material interest, whether direct or indirect in the Proposed Acquisition.

## **11. DIRECTORS' RECOMMENDATION**

The Board of Directors of FIMACORP, having considered all aspects of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is fair and reasonable and is in the best interests of the Company.

## **12. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring unforeseen circumstances, the Proposed Acquisition is expected to be completed in the second quarter of the current financial year ending 31 March 2015.

## **13. SHAREHOLDERS' APPROVAL**

The Proposed Acquisition is not subject to shareholders' approval.

## **14. DOCUMENTS FOR INSPECTION**

Copies of the SPA are available for inspection at FIMACORP's registered office during normal business hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this Announcement.

This announcement is dated 17 June 2014.