

## FIMA CORPORATION BERHAD

**PROPOSED ACQUISITION BY CENDANA LAKSANA SDN. BHD., OF 2 PARCELS OF AGRICULTURAL LEASEHOLD LANDS HELD UNDER HSD 398, LOT PT 757 P, MUKIM TEBAK, DAERAH KEMAMAN, NEGERI TERENGGANU MEASURING APPROXIMATELY 940.73 ACRES (“LAND A”) & PN 7602, LOT 2925 (FORMERLY HSD 2406, PT 1037P), MUKIM TEBAK, DAERAH KEMAMAN, NEGERI TERENGGANU MEASURING APPROXIMATELY 1000.00 ACRES (“LAND B”) (LAND A AND LAND B ARE COLLECTIVELY REFERRED TO HEREINAFTER AS THE “LANDS”)**

### 1. INTRODUCTION

The Board of Directors of Fima Corporation Berhad (“FIMACORP”) wishes to announce that Cendana Laksana Sdn Bhd (the “Purchaser”), a wholly owned subsidiary of FCB Plantation Holdings Sdn Bhd which in turn is a wholly-owned subsidiary of FIMACORP had on 24 December 2012 entered into a conditional Sale and Purchase Agreement (“SPA”) with Lemo Sdn Bhd (Receiver and Manager Appointed) (“the Vendor”), Khuzamy Musa bin Muhammad and Khuzairy Musa bin Muhammad (“the Directors”) for the acquisition of the Lands for a total purchase consideration of RM29,110,000-00 (“Proposed Acquisition”).

### 2. INFORMATION ON THE PURCHASER

The Purchaser was incorporated on 9 November 2012. The Purchaser has an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each of which RM2.00 have been issued and are fully paid up. Its intended principal activity is oil palm production.

### 3. INFORMATION ON THE VENDOR

The Vendor was incorporated on 22 September 1977. The Vendor has an authorised share capital of RM10,000,000 divided into 10,000,000 ordinary shares of RM1.00 each, all of which have been issued and are fully paid-up. The Vendor is currently dormant. To-date, the directors of the Vendor are as follows:-

	Date of Appointment
Khuzamy Musa bin Muhammad	20/1/2006
Khuzairy Musa bin Muhammad	20/1/2006

Dato’ Saw Eng Guan of Messrs Guan & Associates has been appointed by Bank Pertanian Malaysia (“Chargee Bank”) as the receivers and managers of the Vendor on 16 January 2006 (hereinafter referred to as the “Receiver and Manager”) and is empowered under the relevant Debenture made between the Vendor and the Chargee Bank and a Notice of Appointment to execute the SPA on behalf of the Vendor.

### 4. DETAILS OF THE PROPOSED ACQUISITION

#### 4.1 The Proposed Acquisition

The Proposed Acquisition involves the acquisition of the Lands on an “as-is where-is basis” free from all encumbrances and caveats and free from any condition other than those imposed by the provisions of the SPA and with vacant possession at the Purchase Price or the adjusted Purchase Price, as the case may be, but subject to:

- (a) such express and/or implied conditions and restrictions contained in and endorsed on the issue documents of title for the said Lands; and

(b) the terms and conditions covenants and stipulations appearing in the SPA,

for a total purchase consideration of RM29,110,000.00 ("Purchase Price") or RM15,000.00 per acre. The purchase price for Land A is RM14,110,000.00 and the purchase price for Land B is RM15,000,000.00.

#### 4.2 Details of the Lands

(i) A summary of the information on the Lands, all of which are currently used and proposed to be used as oil palm plantation land with leasehold tenures are as follows:

	<b>Total approximate land area</b>	<b>Leasehold Tenure</b>	<b>Category of Land Use</b>	<b>Planted Area</b>	<b>Year Planted</b>
<b>Land A</b>	940.73 acres	60 years expiring 8/8/2039	Agricultural	300 acres	1981 - 1985
<b>Land B</b>	1000.00 acres	60 years expiring 8/2/2048	Agricultural	800 acres	1981 - 1985

(ii) The Lands are mature oil palm estates. The oil palm trees thereon were planted between the years 1981 and 1985. The estimated cost for replanting and new development will be approximately RM11 million. FIMACORP anticipates that the vacant/unplanted areas will be developed immediately upon completion of the Proposed Acquisition whilst the planted areas will be rehabilitated or replanted (as the case may be) in phases over a period of 5 years.

(iii) The said Lands are charged to the Chargee Bank as security for credit facilities granted by the Chargee Bank to the Vendor and which credit facilities are still outstanding as at the date of the SPA.

(iv) The Chargee Bank and the Directors have confirmed that each of them consent to and have no objections whatsoever to the sale of the said Lands by the Vendor, acting through the Receiver and Manager as its agent, to the Purchaser in accordance with the terms and conditions of the SPA.

#### 4.3 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 projected cashflow of the Lands. No independent valuation has been carried out on the Lands.

(ii) The Purchase Price shall be subject to an adjustment pursuant to Clauses 1.3 and 1.4 of the SPA wherein inter alia, upon the written confirmation of a qualified licensed land surveyor (who shall be acceptable to all parties in the SPA) that the surveyed measurement of the Lands differ from the measurements stipulated in the land titles of the respective Lands by a total of twenty (20) acres or more, the Purchase Price shall be adjusted accordingly to the extent of such increase or decrease in the land area.

(iii) The Purchase Price will be wholly satisfied by cash through internally generated funds and shall be payable by the Purchaser at the times and in the manner set out in the SPA.

#### 4.4 Salient terms of the SPA

4.4.1 The completion of the SPA is conditional upon the following approvals and/or consents and/or conditions (the "Conditions Precedent") being obtained:

- (i) *To be obtained and/or fulfilled by the Vendor*
  - (a) the approval of the relevant state authority(ies) to the transfer of the Lands in favour of the Purchaser;
  - (b) the approval of the Estate Land Board to the transfer of the Lands in favour of the Purchaser;
  - (c) the consent(s) to transfer the Lands in favour of the Purchaser from the Lembaga Kemajuan Terengganu Tengah; and
  - (d) if applicable, procurement of an order from the High Court of Malaya validating the sale of the Lands to the Purchaser pursuant to Section 223 of the Companies Act 1965 (hereinafter referred to as "Validation Order").

- (ii) *To be obtained and/or fulfilled by the Purchaser*

if applicable, the approval of the Economic Planning Unit of the Prime Minister's Department (hereinafter referred to as "EPU") in respect of the acquisition of the Lands from the Vendor.

- (iii) *To be obtained and/or fulfilled by the Directors*

- (a) the removal or withdrawal of private caveats which have been lodged against the Lands from the document of title(s) to the Lands; and
- (b) compliance with the terms set by the Companies Commission of Malaysia ("CCM") with regards to the striking off of the Vendor from the company register of the CCM pursuant to Section 308 of the Companies Act 1965 pursuant to CCM's letter dated 5th December 2012.

- (iv) *To be obtained and/or fulfilled jointly by the Receiver and Manager as agent of the Vendor and the Directors*

Entry into a consent judgment in respect of Court of Appeal Civil Appeal No: T-02-138-01/2012 upon agreed terms and conditions (the "Consent Judgment").

The duly executed draft Consent Judgment will be retained by the Purchaser's solicitors who shall only release the draft Consent Judgment to the Vendor's solicitors for purposes of lodgement with the Court of Appeal by the Vendor's solicitors in accordance with the terms of the SPA.

The Consent Judgment shall be the final Condition Precedent to be fulfilled in respect of the SPA.

- 4.4.2 The time for satisfaction of the conditions precedent shall be 6 months from the date of the SPA subject to an automatic extension of 6 months or such other date(s) as parties may in agree in writing.

#### **4.5 Assumption of liabilities**

There is no liability to be assumed by FIMACORP pursuant to the SPA.

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

The highest percentage ratio under Paragraph 10.02(g) of Chapter 10 of Bursa Malaysia Main Market Listing Requirements is 6.36%.

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

The Proposed Acquisition is a strategic investment in line with the FIMACORP Group's objective to acquire plantation land bank at strategic locations to complement its existing growth strategy, thereby improving FIMACORP's earnings profile in the long term which ultimately is expected to improve shareholder's value.

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

### **6.1 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.

### **6.2 Earnings**

The Proposed Acquisition is not expected to have any significant effect on the earnings or net assets per share of the Group for the financial year ending 31 March 2013. However, the Proposed Acquisition is expected to enhance the future earnings of the Group in the future.

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

The Proposed Acquisition is not expected to have any material impact on the NA and gearing level of the FIMACORP Group based on the audited financial statements for the financial year ended 31 March 2012.

### **6.4 Dividends**

The Proposed Acquisition is not expected to have any material effect on the dividend payable for the current financial year ending 31 March 2013.

## **7. OUTLOOKS AND PROSPECT**

During the year, crude palm oil (CPO) prices have declined from a high of RM3,600 per MT in April to a low of RM2,066 per MT in November, due to a variety of factors including high inventory levels and weak global demand.

The Malaysian Government has recently announced that it will reduce export duty for CPO and abolish duty-free export quota from 1 January 2013. The new export duty will range from 4.5% to 8.5% depending on the prevailing CPO price.

It is envisaged that the new tax structure will be effective *inter alia* in stimulating downstream activities and reducing palm oil inventory thereby stabilising CPO prices which is currently trading at a significant discount to soybean oil and rapeseed oil.

In light of the foregoing factors coupled with the expectation of sustainability of demand for palm oil related products, the Board is confident of the long term prospects of the Proposed Acquisition. Even at the current CPO prices, the Proposed Acquisition will contribute positive returns to FIMACORP Group.

## **8. RISK FACTORS**

### **8.1 Business Risk**

FIMACORP does not foresee any material risk factors pertaining to the Proposed Acquisition, save for the business/operating risks normally associated with the oil palm industry in which the FIMACORP Group is already involved.

As with other oil palm producers, the FIMACORP Group 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 Group 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 the FIMACORP Group.

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

### **9.1 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.

### **9.2 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.

## **10. 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.

## **11. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring unforeseen circumstances and subject to all the requisite approvals being obtained, the Proposed Acquisition is expected to be completed in the third quarter of the financial year ending 31 March 2014.

## **12. SHAREHOLDERS' APPROVAL**

The Proposed Acquisition is not subject to shareholders' approval.

## **13. COMPLIANCE WITH AND DEPARTURE FROM THE GUIDELINES OF THE SECURITIES COMMISSION**

FIMACORP is not aware of any departure from the SC Guidelines in relation to the Proposed Acquisition.

## **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.