ANNOUNCEMENT
BERJAYA FOOD BERHAD

PROPOSED ACQUISITION OF A PROPERTY UNIT IN BERJAYA TIMES SQUARE FROM DERU KLASIK SDN BHD

1.0 INTRODUCTION

1.1 The Board of Directors (“Board”) of Berjaya Food Berhad (“BFood”) wishes to announce that its wholly-owned subsidiary, Berjaya Starbucks Coffee Company Sdn Bhd (“BStarbucks”) had on 5 August 2016 entered into a Sale and Purchase Agreement (“SPA”) for the proposed acquisition by BStarbucks of a freehold commercial unit located at Lot G-09A (Postal No. Lot G-11), Ground Floor, Berjaya Times Square, Jalan Imbi, Kuala Lumpur (“Property”) from Deru Klasik Sdn Bhd (“Deru Klasik”) for a cash consideration of RM17,468,640 or at RM10,080 per square foot (“Consideration”) (“Proposed Acquisition”).

2.0 INFORMATION ON THE PROPERTY

2.1 The Property, with a surveyed floor area of about 1,733 square feet, is held under Strata Title Geran 56069/M1/1/97, Lot No. 2001, within Section 52, Town of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.

2.2 The Property is a retail lot tenanted to BStarbucks to carry out its “Starbucks Coffee” café and retail business. The Starbucks Coffee outlet operated from this Property is one of the top five (5) in terms of sales volume contribution. The age of the Property is approximately 13 years.

2.3 Berjaya Times Square is one of the largest integrated shopping, leisure and office complex in Malaysia which offers easy access with its strategic location in the city’s busiest and most prestigious shopping and commercial belt, convenience of a car-park with approximately 4,500 parking bays and high traffic flow of tourists, visitors, shoppers and other customers.

2.4 The Property was acquired by Deru Klasik in 2005 for about RM8.12 million and has a net carrying value as at 31 December 2015 of about RM6.53 million.

3.0 DETAILS OF THE PROPOSED ACQUISITION

3.1 The Consideration for the Proposed Acquisition is payable as follows:

i) RM1,746,864, being 10% of the Consideration was paid upon execution of the SPA; and

ii) RM15,721,776, being balance 90% of the Consideration is payable within ninety (90) days from the date of the SPA (“Completion Date”), with a further extension of thirty (30) days from the Completion Date subject to interest at the rate of ten percent (10%) per annum until full payment.
3.2 The Consideration for the Proposed Acquisition was arrived at on a “willing-buyer willing-seller” basis after taking into consideration, inter-alia, the market valuation of the Property of RM26.0 million as appraised by the independent valuer, Messrs Jordan Lee & Jaafar Sdn Bhd on 27 July 2016 (“Valuation Report”).

3.3 The Consideration for the Proposed Acquisition will be funded entirely from borrowings of the BFood Group.

3.4 The Property will be acquired on an “as is where is” basis and free from all claims, charges, liens and other encumbrances.

3.5 There are no other liabilities to be assumed by BStarbucks arising from the Proposed Acquisition.

4.0 INFORMATION ON DERU KLASIK

4.1 Deru Klasik was incorporated in Malaysia on 17 November 2003 under the Companies Act 1965. The current issued and paid-up share capital of Deru Klasik is RM5.0 million comprising 5.0 million ordinary shares of RM1.00 each. The principal activities of Deru Klasik are property investment and investment holding. Deru Klasik is owned by Madam Wong Yoke Lian (80%) and Ms. Chryseis Tan Sheik Ling (“Ms. Chryseis Tan”) (20%). Currently, the directors of Deru Klasik are Ms. Chryseis Tan, Mr. Hew Chee Wai, Mr. Tan Boon Pien, and Ms. Tan Choon Lui.

5.0 RATIONALE FOR THE PROPOSED ACQUISITION

5.1 Currently, the Property is rented by BStarbucks to carry out its “Starbucks Coffee” café business and the Proposed Acquisition will enable the BFood Group to mitigate future hike in rental on the Property as well as benefit from future capital appreciation. The Proposed Acquisition also represents an opportunity for the BFood Group to own the Property in a strategic location in an established shopping complex at an attractive price.

6.0 CONDITIONS OF THE PROPOSED ACQUISITION

6.1 The Proposed Acquisition is not subject to the approval of the shareholders of BFood or any authority.

7.0 RISK FACTORS

7.1 As in any property acquisition, the Proposed Acquisition is exposed to normal inherent risks in the property market sector due to the overall macroeconomic environment cyclical or otherwise. The property market is exposed to factors such as liquidity and credit risks as well as inflationary pressures such as increase in lending rates. The Board of BFood is aware of such inherent risks and will take appropriate measure to mitigate them as and when necessary.
8.0 EFFECTS OF THE PROPOSED ACQUISITION

8.1 The Proposed Acquisition will not have any effect on the issued and paid-up share capital and substantial shareholders’ shareholdings in BFood.

8.2 The Proposed Acquisition will not have any material effect on the earnings, net assets and gearing of the BFood Group for the current financial year ending 30 April 2017.

9.0 EXPECTED COMPLETION DATE

9.1 The Proposed Acquisition is expected to be completed by end of 2016.

10.0 DIRECTORS’ AND MAJOR SHAREHOLDERS’ INTERESTS

10.1 Tan Sri Dato’ Seri Vincent Tan Chee Yioun (“TSVT”) is a major shareholder of BFood by virtue of his 0.26% direct interest and 43.82% deemed interest through his shareholdings in Berjaya Corporation Berhad.

10.2 Dato’ Sri Robin Tan Yeong Ching (“Dato’ Sri Robin Tan”), a son of TSVT, is the Executive Chairman and a shareholder of BFood.

10.3 Ms. Chryseis Tan, a director and a major shareholder of Deru Klasik, is a daughter of TSVT and a sister of Dato’ Sri Robin Tan.

10.4 Ms. Tan Choon Lui, a director of Deru Klasik, is a sister of TSVT and an aunt of Dato’ Sri Robin Tan and Ms. Chryseis Tan.

10.5 Save as disclosed above, none of the other Directors and major shareholders of BFood or persons connected with them has any interest, direct or indirect, in the Proposed Acquisition.

11.0 HIGHEST PERCENTAGE RATIO

11.1 The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of Bursa Malaysia Securities Berhad’s Main Market Listing Requirements is about 4.45% (computed based on the audited consolidated financial statements of BFood for the financial year ended 30 April 2015).

12.0 AUDIT COMMITTEE’S STATEMENT

12.1 The Audit and Risk Management Committee of BFood, after having considered all aspects of the Proposed Acquisition (including but not limited to the rationale and financial effects), is of the opinion that the Proposed Acquisition is fair, reasonable and on normal commercial terms and not detrimental to the interest of the minority shareholders.
13.0 DIRECTORS’ RECOMMENDATION

13.1 Having considered all aspects of the Proposed Acquisition, the Board of BFood (save for Dato’ Sri Robin Tan) is of the opinion that the Proposed Acquisition is in the best interest of the Group.

14.0 DOCUMENTS AVAILABLE FOR INSPECTION

14.1 The SPA and the Valuation Report are available for inspection at the Registered Office of BFood at Lot 13-01A, Level 13 (East Wing), Berjaya Times Square, No.1 Jalan Imbi, 55100 Kuala Lumpur during normal office hours from Monday to Friday (except public holidays) for a period of three (3) months from the date of this Announcement.

This Announcement is dated 5 August 2016.