

## UNITED MALACCA BERHAD (“UMB” OR THE “COMPANY”)

### PROPOSED ACQUISITION BY UMB OF 60% EFFECTIVE EQUITY INTEREST IN PT WANA RINDANG LESTARI FOR A CASH CONSIDERATION OF APPROXIMATELY USD7.19 MILLION (“PROPOSED ACQUISITION”)

*For the purpose of this announcement, the following exchange rates on 16 October 2017, being the latest practicable date prior to this announcement (“LPD”) as published by Bank Negara Malaysia (“BNM”), has been applied in this announcement where applicable:-*

United States Dollar (“USD”) 1.00 : Malaysian Ringgit (“RM”) 4.2185  
Indonesian Rupiah (“IDR”) 100 : RM 0.0313

#### 1. INTRODUCTION

The Board of Directors (“Board”) of UMB wishes to announce that the Company had on 17 October 2017 entered into a conditional sale and purchase agreement (“CSPA”) with Dalvey Star Limited (“Dalvey” or “Vendor”), Clifton Cove Pte Ltd (“Clifton”), PT Bintang Gemilang Permai (“BGP”) and PT Wana Rindang Lestari (“WRL”) for the proposed acquisition by UMB of one (1) ordinary share of USD1.00 each (“Sale Share”) representing 100% equity interest in Clifton, which in turn will hold 60% effective equity interest in WRL, for a total cash consideration of USD7,190,400 or approximately RM30,332,702 (“Proposed Acquisition”).

WRL, a private limited liability company incorporated in Indonesia, has obtained a business licence “Izin Usaha Pemanfaatan Hasil Hutan Kayu Pada Hutan Tanaman Industri” (“HTI License”) over land area measuring approximately 59,920 hectares in the Regencies of Tojo Una-Una and Morowali, Province of Central Sulawesi, Indonesia (“Land”) from the Minister of Forestry, Indonesia (“MOF”) on 4 June 2014.

UMB, Dalvey, Clifton, BGP and WRL shall hereinafter collectively be referred to as “Parties” and each a “Party”.

Further details on the Proposed Acquisition are set out in the ensuing sections of this announcement.

#### 2. THE PROPOSED ACQUISITION

##### 2.1 Details of the Proposed Acquisition

The Proposed Acquisition will involve the acquisition by UMB of 60% effective equity interest in WRL for a total cash consideration of USD7,190,400 or approximately RM30,332,702 (“Purchase Consideration”), free from all encumbrances and with all rights attached or accruing to them on completion.

Pursuant to the CSPA and prior to the completion of the Proposed Acquisition, BGP which currently holds 99.96% equity interest in WRL, will undertake an internal company restructuring of equity ownership structures in BGP and WRL (“Proposed Internal Restructuring”) whereby the current shareholders of BGP namely, Adhi Indrawan and Kartika Dianningsih Antono (who hold 75% and 25% equity interests in BGP respectively) will dispose of their entire stakes in BGP to Clifton and PT Sinar Kemilau Cemerlang (“SKC”). Simultaneously, the present shareholders of WRL namely, BGP and PT Mahkota Nughara Permai (which hold 99.96% and 0.04% equity interests in WRL respectively) will dispose of 7.64% and 0.04% of their respective stakes in WRL to SKC. As a result of the Proposed Internal Restructuring, Clifton will hold 65% equity interest in BGP which in turn will hold 92.32% equity interest in WRL (whilst the remaining stakes in both BGP and WRL will be held by SKC). The Proposed Internal Restructuring shall be implemented prior to the completion of the Proposed Acquisition.

In addition, pursuant to the terms of the CSPA, the following shareholders' agreements are to be entered into in relation to the Proposed Acquisition and delivered upon completion of the Proposed Acquisition in accordance with the terms of the CSPA ("**Completion**"):-

- (a) a shareholders' agreement between Clifton, BGP and SKC with the purpose of formalising and setting out certain aspects of the relationships of all the parties involved and their respective roles in the business and operations of BGP including but not limited to the shareholdings in BGP and WRL, pre-emption rights, directorship in BGP, business and management of BGP and WRL, financing needs of BGP and WRL and transfer of shares ("**BGP Shareholders' Agreement**"); and
- (b) a shareholders' agreement between the BGP, SKC and WRL with the purpose of formalising and setting out certain aspects of the relationships of all the parties involved and their respective roles in the business and operations of WRL including but not limited to the shareholdings in WRL, pre-emption rights, directorship in WRL, business and management of WRL, financing needs of WRL and transfer of shares ("**WRL Shareholders' Agreement**").

Upon the Completion, UMB will effectively hold 60% equity interest in WRL via its 100%-owned subsidiary, Clifton.

## **2.2 Salient terms of the CSPA**

The salient terms of the CSPA are as set out below.

### **2.2.1 Sale and purchase of the Sale Share**

The Vendor shall sell and UMB shall purchase the Sale Share with all rights attached to it and free from any encumbrance subject to the following:-

- (a) upon the Completion, Clifton having 65% of the total issued and paid-up share capital in BGP, and BGP having 92.32% of the total issued and paid-up share capital in WRL;
- (b) Clifton, BGP and WRL remains operational and continues as a going concern unless expressly required otherwise in the CSPA;
- (c) the HTI License is not revoked by the issuer and not returned to the issuer, nor reviewed or recommended to be revoked by any Government Authority in Indonesia;
- (d) the plantable area of the HTI License under the work plan for the timber product utilisation prepared by WRL pursuant to the HTI License and approved by the relevant authorities ("**Work Plan**") shall be no less than 40,000 hectares; and
- (e) save for expenses in the ordinary course of business, the Vendor shall cause all debts, taxes and liabilities of Clifton, BGP and WRL respectively to be fully settled and extinguished prior to Completion.

### **2.2.2 Considerations and payment**

The Purchase Consideration is payable as follows:-

- (a) USD1,438,080 representing 20% of the Purchase Consideration as refundable earnest deposit to be paid into the escrow account (to be managed by escrow agent appointed by UMB) upon signing of the CSPA and transferred to the Vendor's bank account upon completion of the Proposed Internal Restructuring;

- (b) USD4,314,240 representing 60% of the Purchase Consideration to be paid to the Vendor's bank account upon Completion on the 5<sup>th</sup> business day after all the Conditions Precedent (as set out in Section 2.2.3 below) have been fulfilled or waived (as the case may be) or such other date as the Parties mutually agree in writing ("**Completion Date**"); and
- (c) USD1,438,080 representing 20% of the Purchase Consideration to be paid into the Vendor's bank account upon fulfilment of the post-completion obligations.

In the case of the plantable area under the Work Plan is more than 40,000 hectares, the Purchase Consideration shall be adjusted to the calculation basis of USD200 per hectare ("**Consideration Adjustment**"). The Consideration Adjustment must be determined by the Completion Date.

### 2.2.3 Conditions precedent

The Completion shall be subject to and conditional upon the following events ("**Conditions Precedent**") being fulfilled and satisfactory to UMB on the 90<sup>th</sup> calendar day after the date of the CSPA or such other date as mutually agreed in writing by the Parties ("**Long-Stop Date**"):-

- (a) The outcome of all financial, legal, taxation and commercial due diligence investigations by UMB being satisfactory to UMB in its sole and absolute discretion.
- (b) Announcement by the Board of BGP on the Proposed Internal Restructuring in one (1) Indonesian newspaper, no earlier than thirty (30) calendar days prior to the date of invitation to a general meeting of shareholders ("**GMS**") that is scheduled to approve all necessary actions in relation to the Proposed Internal Restructuring, as required under Article 127 of Indonesian Law No. 40 Year 2007 concerning Limited Liability Company ("**Law 40/2007**").
- (c) Written announcement by the Board of BGP to its employees (if any) on the Proposed Internal Restructuring, no earlier than thirty (30) days prior to the date of invitation to a GMS that is scheduled to approve all necessary actions in relation to the Proposed Internal Restructuring, as required under Article 127 of Law 40/2007; or a statement letter of the Board of BGP stating that the requirement for announcement to employees is not necessary due to the absence of employee.
- (d) Resolution of the GMS of BGP and WRL respectively, either in the form of a minutes of GMS or a written resolution made in lieu of GMS, approving the amendment of provisions regarding status of company, purpose and objective, capital (to be complied with the requirement of the Indonesian Investment Coordinating Board ("**BKPM**")), shares, board of commissioners ("**BOC**"), shareholders and shareholding compositions in articles of association of BGP and WRL respectively to accommodate the required amendments in relation to the Proposed Internal Restructuring.
- (e) Deposits of funds by Clifton and SKC for purpose of subscription of new shares in BGP and WRL in relation to the Proposed Internal Restructuring has been fully paid by Clifton to BGP's account in relation to the subscriptions of 165,000 ordinary shares in BGP which have not been issued and paid-up and 1,427,000 newly issued ordinary shares.
- (f) A Principle License issued by the BKPM to BGP and WRL respectively as proof of BKPM's approval on the conversion of the status of BGP and WRL respectively to become a company with foreign investment capital, resulting from the Proposed Internal Restructuring.

- (g) Written spouse consent to sell shares in respect of the Proposed Internal Restructuring.
- (h) Notarial deed on the re-statement of the resolutions taken in the GMS of BGP and WRL respectively in connection with the Proposed Internal Restructuring.
- (i) Notarial deed(s) of sale and purchase of shares in connection with the Proposed Internal Restructuring.
- (j) Decrees of Minister of Law and Human Rights of Indonesia (“**MOLHR**”) on approval and MOLHR’s acknowledgment letter(s) on notification on the amendments to BGP’s and WRL’s articles of association and company’s data respectively resulting from the Proposed Internal Restructuring, are issued to BGP and WRL respectively.
- (k) Valid evidence of installation of boundary by WRL on the working area within the HTI License’s area, as obliged under the HTI License.
- (l) Delivery to UMB of a copy of the Work Plan executed by WRL and submitted to the MOF for approval.
- (m) Issuance of approval by the Director General of Forest Business Development on behalf of the MOF or an official appointed by the Director General of Forest Business Development to WRL on the Work Plan.
- (n) All loans given to WRL as set out in Schedule 6 of the CSPA shall be fully settled and extinguished from WRL’s balance sheet.
- (o) Approval or acknowledgment (whichever applicable) granted by BNM to UMB in relation to the using of USD for the Purchase Consideration.
- (p) Execution of a memorandum of understanding by UMB and the Vendor regarding the following:-
  - (i) the shareholding structure on the stevia processing plant;
  - (ii) the mechanism for determining the selling price of stevia;
  - (iii) the change in cycle of financial year of BGP and WRL; and
  - (iv) the minimum limit of damaged plantable area for description of force majeure events.

UMB may in its absolute discretion waive any Condition Precedent by giving a written notification to the Vendor.

#### **2.2.4 The Vendor’s covenants and undertakings**

- (a) From the date of the CSPA until Completion or termination of the CSPA, except as expressly contemplated by the CSPA or as consented to in writing by UMB, the Vendor shall not undertake, grant, allow, ratify, approve, or permit (as the case may be):-
  - (i) the amendment to the respective memorandum and articles of association (or the equivalent constitutive documents) of Clifton, BGP and WRL;
  - (ii) the merger or consolidation of either Clifton, BGP and WRL with any other company;

- (iii) the separation of business, including the branch office and business unit, of either Clifton, BGP and WRL;
  - (iv) the sale, transfer or disposal of any assets of either Clifton, BGP and WRL in any way;
  - (v) the issuance of new shares by either Clifton, BGP and WRL;
  - (vi) the sale or transfer or disposal of any shares in either Clifton, BGP and WRL (including transfer or disposal of any unissued shares);
  - (vii) any action by either Clifton, BGP and WRL (1) to effect a liquidation or dissolution of Clifton, BGP and WRL; or (2) to make an assignment for the benefit of its creditors; or (3) to file an application for any proceedings relating to itself under the laws of bankruptcy, reorganisation, insolvency, debt restructuring, dissolution or liquidation applicable to itself, whether now or hereafter in effect; or (4) to file an application to any tribunal for the appointment of a trustee or receiver of itself or of any part of its assets;
  - (viii) the establishment of any new subsidiary by either Clifton, BGP and WRL or the acquisition of any asset or business by either Clifton, BGP and WRL;
  - (ix) payment or declaration of any dividend or other distributions in respect of the shares in either Clifton, BGP and WRL;
  - (x) any actions by either Clifton, BGP and WRL to lend or borrow any money;
  - (xi) any actions by either Clifton, BGP and WRL to incur any other indebtedness to itself;
  - (xii) any actions by either Clifton, BGP and WRL to release, discharge or compound any of its liability or claim;
  - (xiii) the taking of any action or the omitting to take any action by either Clifton, BGP and WRL which has an adverse effect on the validity and financial condition of either Clifton, BGP and WRL;
  - (xiv) any actions by either Clifton, BGP and WRL to start, settle or agree to settle or compromise any litigation or arbitration proceedings;
  - (xv) the entry by either Clifton, BGP and WRL into, or vary any contract, agreement or commitment applicable and binding on either Clifton, BGP and WRL on or after the Completion Date;
  - (xvi) the entry by either Clifton, BGP and WRL into any guarantee, indemnity or other agreement to secure any obligation of a third party;
  - (xvii) the creation of any encumbrance over the Sale Share to any third party, or over any assets of either Clifton, BGP and WRL to any third party; and
  - (xviii) the amendment to any accounting policy of either Clifton, BGP and WRL, save as required by any applicable laws.
- (b) The Vendor undertakes to UMB that the Vendor shall deal exclusively with UMB, and not with any other third party, in connection with the Proposed Acquisition. This undertaking shall survive until the Completion Date.

## 2.2.5 Termination

- (a) The CSPA may be terminated on or before the Completion and only:-
  - (i) by UMB, if:-
    - (aa) the Vendor or either Clifton, BGP and WRL breaches any provisions of the CSPA and fails to remedy such breach within a period specified by UMB;
    - (bb) any of the Conditions Precedent has not been fulfilled by the Long-Stop Date; or
    - (cc) any event of default, i.e. breach of contracts, misrepresentation, insolvency, convicted of serious criminal offence and change of control ("**Events of Default**") occurs by the Vendor or either Clifton, BGP and WRL, and they fail to remedy such Event of Default within a period specified by UMB.
  - (ii) due to law, if any Governmental Authority issues any new Applicable Law before Completion and as a result thereof:-
    - (aa) the CSPA becomes illegal or otherwise prohibited; or
    - (bb) the rights, obligations and transactions agreed and contemplated herein becomes impossible to be performed.
  - (iii) due to force majeure event, whereby:-
    - (aa) if the HTI License is being revoked by the Government Authority in Indonesia, then UMB may terminate the CSPA.
    - (bb) if the plantable area within the HTI License being reduced by not more than 10%, then the Purchase Consideration shall be adjusted on the calculation basis of USD200 per hectare.
    - (cc) if the plantable area within the HTI License being reduced by 10% or more, then UMB may decide whether to continue with adjustment of the Purchase Consideration on calculation basis of USD200 per hectare or to terminate the CSPA.
  - (iv) by mutual written agreement by the Parties.
- (b) If the CSPA terminated due to the occurrence of Events of Default, the defaulting party shall indemnify the non-defaulting party for all costs, charges and expenses incurred by the non-defaulting party resulting from such Events of Default, including in connection with the negotiation, preparation and termination or nullification of the CSPA.
- (c) If the CSPA is terminated for any reason specified in paragraph (a) above, the Vendor shall refund all funds being part of the Purchase Consideration received by the Vendor no later than 3 business day following the date of the termination of the CSPA, to UMB's designated bank account, and UMB shall also be entitled to withdraw any of its funds which has been deposited into the escrow account.
- (d) The Parties hereby waive the applicability of Article 1266 of the Indonesian Civil Code which requires a court order to terminate the CSPA or to enable either Party to claim damages.

### **2.2.6 Force majeure**

Neither Party shall be considered in breach of the CSPA and liable for the performance of its respective obligations that are prevented due to unforeseeable circumstances beyond its reasonable control despite due diligence, and which are not caused by errors or omissions of either Party, including but not limited to earthquakes, flash floods, fire due to natural catastrophes, and other natural catastrophes, wars, riots, insurrections, strikes or labour dispute, or sabotage or acts of terrorists.

### **2.2.7 Governing law**

The CSPA is governed by and is to be construed, and all disputes arising under, relating to, or in connection with the CSPA shall be resolved in accordance with laws of the Republic of Singapore.

## **2.3 Basis and justification of arriving at the Purchase Consideration**

The Purchase Consideration was arrived at based on a willing buyer-willing seller basis after taking into consideration the following:-

- (a) the estimated market value of USD23,968,000 (equivalent to about RM101,109,008) for the Land as appraised by VPC Alliance (JB) Sdn Bhd, an independent registered valuer ("**Valuer**") vide its valuation letter dated 9 October 2017, using the comparison method of valuation ("**Valuation Letter**");
- (b) the Purchase Consideration represents a discount of approximately USD7.19 million or 50.0% to the estimated market value of the Land (based on UMB's 60.0% effective equity interest in WRL);
- (c) the validity period of the HTI License and the future earnings potential of the Land to the Company; and
- (d) the Company will have a controlling stake over WRL, via Clifton, which would allow it to better manage the business operations and effectively direct the day-to-day administrative affairs of WRL.

## **2.4 Source of funding**

The Purchase Consideration for the Proposed Acquisition will be funded via a combination of bank borrowings and/or internally generated funds of UMB and its subsidiaries ("**UMB Group**" or "**Group**"). The exact proportion of the consideration to be funded using bank borrowings and/or the Group's internally generated funds will be decided at a later stage

## **2.5 Liabilities to be assumed**

Save for those liabilities incurred by Clifton, BGP and WRL in their ordinary course of business, there are no liabilities, including contingent liabilities and guarantees which will be assumed by the UMB Group arising from the Proposed Acquisition.

## **2.6 Additional financial commitment required**

The Board expects to incur additional financial commitment of approximately RM240 million for the next 10 years for the development and planting related expenditure for the Land after the completion of the Proposed Acquisition.

Apart from the above, no other financial commitment is required in putting the business operations of WRL on-stream. Such additional financial commitment may be funded by the UMB Group via a combination of internally generated funds and/or bank borrowings.

### **3. INFORMATION ON THE VENDOR, CLIFTON, BGP AND WRL**

#### **3.1 Information on the Vendor**

Dalvey was incorporated on 13 February 2017 under the laws of British Virgin Islands pursuant to BVI Business Companies Act, 2004.

Dalvey is principally involved in investment holding services.

The existing authorised share capital of Dalvey is USD1.00 comprising one (1) ordinary share of which have been issued and fully paid up.

As at the LPD, the director and substantial shareholder of Dalvey is Tan Hang Huat with 100% equity interest in Dalvey.

#### **3.2 Information on Clifton**

Clifton was incorporated on 16 March 2017 under the laws of Singapore pursuant to The Companies Act (Chapter 50). Clifton is principally involved in investment holding and import and export of plantation products.

The existing authorised share capital of Clifton is USD1.00 comprising one (1) ordinary share of which has been issued and fully paid up.

As at the LPD, the director of Clifton is Lim Poh Kim.

As at the LPD, Clifton is a wholly-owned subsidiary of Dalvey.

#### **3.3 Information on the BGP**

BGP is a limited liability company incorporated in Indonesia based on the Deed of Establishment No. 3 dated 2 September 2013 made before Gisella Ratnawati, S.H., a Notary in Jakarta which has been ratified by the MOLHR by virtue of its Decree No. AHU-49991.AH.01.01.Tahun 2013 dated 26 September 2013.

BGP is principally involved in the wholesale trade of agricultural products and other living animals and management consultancy activity.

The existing authorised share capital of BGP is IDR220,000,000 divided into 220,000 shares of IDR1,000 each of which IDR55,000,000 comprising 55,000 shares of IDR1,000 each have been issued and fully paid-up.

As at the LPD, the member of the board and the BOC of BGP is Kartika Dianningsih Antono and Adhi Indrawan respectively.

As at the LPD, the substantial shareholders of BGP are Adhi Indrawan and Kartika Dianningsih Antono with 75% and 25% equity interest respectively.

#### **3.4 Information on the WRL**

WRL is a private limited liability company incorporated in Indonesia based on the Deed of Establishment No. 50 dated 30 November 2012 made before Hadijah, S.H., Notary in Jakarta which has been ratified by the MOLHR by virtue of its Decree No. AHU-09255.AH.01.01.Tahun 2013 dated 27 February 2014.

WRL is principally involved in the wholesale trade of agricultural products and living animal and plant forest cultivation.

The existing authorised share capital of WRL is IDR10,000,000,000 divided into 10,000 shares of IDR1,000,000 each of which IDR2,500,000,000 comprising 2,500 shares of IDR1,000,000 each have been issued and fully paid-up.

As at the LPD, the members of the board of WRL are Kartika Dianningsih Antono and Yohanes Ade Bunian Moniaga, whilst the members of BOC are Pieter Tanuri and Ir. Sukarman.

As at the LPD, WRL is a 99.96%-owned subsidiary of BGP.

#### 4. INFORMATION ON THE LAND

WRL has obtained the HTI License over land area measuring approximately 59,920 hectares in the Regencies of Tojo Una-Una and Morowali, Province of Central Sulawesi, Indonesia from the MOF on 4 June 2014. As a HTI License holder, WRL has the right to develop the Land for agribusiness and the planting and cultivation of crops such as stevia, coconut, cocoa and coffee.

Approximately 40,132 hectares of the Land are plantable whilst the balance 19,788 hectares are not plantable. The Land comprises six (6) blocks of secondary forest land which are located nearby but not contiguous. Majority part of the Land appears to be hilly in terrain.

The nearest airport is located approximately 15 kilometres from the Kasiguncu Airport, Poso Regency, Central Sulawesi Province, Indonesia whilst the nearest port is Pantoloan Port in Palu Regency which is located about 195 kilometres northwest of Poso Regency.

The salient features of the Land are as follows:-

Location	<ul style="list-style-type: none"> <li>Tojo and Ulubongka Districts, Tojo Una-Una Regency, Central Sulawesi, Indonesia.</li> <li>Mori Atas, Soyo Jaya, Bungku Utara and Mamosalato Districts, Morowali Regency, Central Sulawesi, Indonesia.</li> </ul>
Existing and proposed use	Proposed to be used for the planting and cultivation of crops such as stevia, coconut, cocoa and coffee.
Type of estate or plantation	Concession land for production forest.
Particulars of HTI License	The HTI License was issued under the Decree of the MOF No. SK.510/Menhut-II/2014 dated 4 June 2014 concerning the granting of Business License for forest timber product utilisation-industrial plantation forest to WRL with production forest area of ±59,920 hectares in Tojo Una-una and Morowali Regencies, Central Sulawesi Province, Indonesia.
Concession tenure (as per HTI License)	60 years from 4 June 2014 to 3 June 2074.
Gross area including unplantable area (as per HTI License)	Plantable : 40,132 hectares Unplantable : 19,788 hectares Total : 59,920 hectares
Estimated market value *	USD23.97 million or approximately RM101.11 million.
Encumbrances	Nil.

Note:-

\* As estimated by the Valuer using the comparison method of valuation.

## 5. RATIONALE AND PROSPECTS OF THE PROPOSED ACQUISITION

The Board is of the opinion that the Proposed Acquisition will be a step closer for the UMB Group to realising its strategy of diversifying its crops mix into the planting of cash crops such as stevia, coconut, cocoa and coffee in order to widen its earnings base and reduce dependency on a single commodity, i.e. oil palm.

In considering the Proposed Acquisition, the Board has taken into consideration the various benefits and advantages including the fact that WRL has obtained the HTI License to develop approximately 40,000 hectares of the Land. Hence, the Proposed Acquisition will allow UMB Group to have immediate access and a controlling ownership over the Land which is located in Sulawesi, Indonesia.

## 6. RISK FACTORS

The Board does not foresee any additional or material risk factors pertaining to the Proposed Acquisition save for the business/operating risks, as well as political and regulatory risks associated with venture in a foreign country as follows:-

### (a) Non-completion of the Proposed Acquisition

The Completion is subject to the fulfilment of the Conditions Precedent set out in Section 2.2.3 of this announcement. In the event any of the Conditions Precedent is not fulfilled, the Proposed Acquisition may not be completed, which may result in the failure of the UMB Group to achieve the objectives and benefits of the Proposed Acquisition. Notwithstanding that, the Board will take all reasonable and necessary steps to ensure that the Conditions Precedent are met, within the stipulated timeframe, prior to the Completion.

### (b) Investment risk

Although the Proposed Acquisition is expected to contribute positively to the earnings of the UMB Group, there is no guarantee that the anticipated benefits from the Land will be realised. Nevertheless, the Board has exercised due care in considering the potential risks and benefits associated with the Proposed Acquisition and the Land and the Board believes that the Proposed Acquisition will be value accretive and synergistic to the UMB Group, after taking into consideration, *inter alia*, the HTI License granted to WRL, the development potential and prospects of the Land.

### (c) Business risk

The Board does not foresee any material risks pursuant to the Proposed Acquisition except for the inherent risk factors associated with plantation/cultivation of crops which include, amongst others, fluctuation in commodity prices, changes in the Indonesian export policies on crops, foreign currency exposure, changes in health, safety and environment policies, tariffs and trade barriers, changes in consumer preferences as well as fluctuations in the prices of raw materials and ingredients.

Notwithstanding the above, the UMB Group seeks to limit these risks through, *inter alia*, effective resource management and cost-control policies, diligent monitoring on the development and changes in the business environment and continuous review of operation.

## **7. FINANCIAL EFFECTS**

### **7.1 Issued and paid-up share capital and major shareholders' shareholdings**

The Proposed Acquisition will not have any effect on UMB's share capital and major shareholders' shareholdings as the Purchase Consideration is to be satisfied entirely in cash and does not involve any issuance of new shares in UMB.

### **7.2 NA, NA per share and gearing**

The Proposed Acquisition is not expected to have any immediate material effects on the UMB Group's NA and NA per share. However, the Proposed Acquisition will increase the gearing of the UMB Group by the quantum of term loan facility to be eventually secured to part finance the Purchase Consideration.

### **7.3 Earnings and earnings per share ("EPS")**

The Proposed Acquisition is not expected to have any material impact on the earnings and EPS of the UMB Group for the financial year ending 30 April 2018. Nonetheless, the Board is confident that the UMB Group will stand to benefit in the long term from the revenue and profit contribution from the Proposed Acquisition as and when the crops matured and are harvested.

## **8. APPROVALS REQUIRED**

The Proposed Acquisition is subject to the approval of BNM relating to the remittance by UMB of the Purchase Consideration to the Vendor pursuant to a foreign acquisition and/or remittance of monies outside Malaysia.

Save for the above, the Proposed Acquisition is not subject to the approval from UMB's shareholders or any other regulatory authorities. The Proposed Acquisition is not conditional upon any other corporate exercise/scheme of the Company.

## **9. INTEREST OF DIRECTORS' AND/OR MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO DIRECTORS AND/OR MAJOR SHAREHOLDERS**

None of the Directors and/or major shareholders of UMB and/or persons connected with them has any interest, direct or indirect, in the Proposed Acquisition.

## **10. DIRECTORS' STATEMENT**

The Board, after having considered all aspects of the Proposed Acquisition including, but not limited to, the rationale, benefits, effects, risk factors and terms of the CSPA, is of the opinion that the Proposed Acquisition is in the best interest of UMB and the Group.

## **11. HIGHEST PERCENTAGE RATIOS**

Pursuant to paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Securities, the highest percentage ratio applicable to the Proposed Acquisition is 1.73% (relating to the Purchase Consideration compared with the NA of the UMB Group), based on UMB's audited consolidated financial statements for the financial year ended 30 April 2017.

## **12. ESTIMATED TIME FRAME FOR COMPLETION**

The Proposed Acquisition is expected to be completed in the first quarter of 2018.

**13. DOCUMENTS AVAILABLE FOR INSPECTION**

The CSPA and the Valuation Letter will be available for inspection at the registered office of the Company at 6<sup>th</sup> Floor, No. 61, Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka during normal office hours on any working day for a period of three (3) months commencing from the date of this announcement.

This announcement is dated 17 October 2017.