

AGREEMENT FOR THE SALE AND PURCHASE OF BUSINESS ASSETS IN RELATION TO THE PLANTATION LANDS BETWEEN FIMA CORPORATION BERHAD ("FIMACORP" OR "BUYER") AND PMBK SAWIT SDN BHD ("PMBKS" OR "SELLER")

1.0 INTRODUCTION

The Board of Directors of Fima Corporation Berhad ("FimaCorp") is pleased to announce that FimaCorp had on 28 September 2020 entered into a conditional Agreement for the Sale and Purchase of Business Assets in relation to the Plantation Lands with PMBK Sawit Sdn Bhd ("PMBKS") ("SBA") for a purchase consideration in the aggregate sum of Ringgit Malaysia Fifty One Million and Five Hundred Thousand (RM51,500,000.00) ("Proposed Acquisition").

2.0 INFORMATION ON THE BUYER

FimaCorp was incorporated on 5 December 1974 under the name Fima Metal Box Berhad. On 18 October 1993, FimaCorp changed its name to Fima Corporation Berhad and was subsequently listed on the Main Board of Kuala Lumpur Stock Exchange (now known as Bursa Securities) on 31 May 1976 as a public company limited by shares. As at the date of this announcement, the total issued share capital of FimaCorp is RM245,324,000.00, all of which have been issued and are fully paid-up. Its principal activity is property management and investment holding.

3.0 INFORMATION ON THE SELLER

PMBKS was incorporated on 6 May 2003 as a private company limited by shares under the name of Titik Rancang Sdn Bhd. It subsequently assumed its current name on 28 March 2007. PMBKS has an authorised share capital of RM21,500,000.00, all of which have been issued and are fully paid-up. Its principal activity is oil palm plantation.

4.0 DETAILS OF THE PROPOSED ACQUISITION

4.1 The Proposed Acquisition

4.1.1 The Proposed Acquisition involves the acquisition of the Business Assets which includes *inter alia* the lease of the Plantation Lands known as Ladang Aring and Ladang Kuala Betis, free from all encumbrances and caveats and free from any condition other than those imposed by the provisions of the SBA and with physical possession at the purchase consideration or the adjusted purchase consideration, 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 SBA,

for a purchase consideration in the aggregate sum of RM51,500,000.00 only ("Consideration") or RM6,573.07 per acre. The purchase consideration for Ladang Aring is RM14,947,160.18 and the purchase consideration for Ladang Kuala Betis is RM36,552,839.82.

4.1.2 PMBKS had on 19 February 2011 entered into two (2) lease agreements with Yayasan Islam Kelantan ("YIK"), whereupon YIK has agreed to lease to PMBKS the Plantation Lands for a term of 66 years commencing from 6 March 2011 and expiring on 5 March 2077 ("Lease Agreements") respectively.

4.2 Description of the Plantation Lands

	LADANG ARING	LADANG KUALA BETIS
Details	PN 6353, Lot 3468, Mukim of Relai, District of Jajahan Gua Musang, State of Kelantan	HSD 469, PT 4725, Mukim of Ulu Nenggiri, District of Jajahan Gua Musang, State of Kelantan
Leasehold Tenure	66 years expiring 5 March 2077	66 years expiring 5 March 2077
Total Approximate Land Area	935.3 hectares (2,311.2 acres)	2,302 hectares (5688.4 acres)
Category of Land Use	Agricultural	Agricultural
Express Condition	Rubber and Oil Palm	Oil Palm

The Plantation Lands are charged to CIMB Islamic Bank Berhad ("Chargee") as security for credit facilities granted by the Chargee to PMBKS and which credit facilities are still outstanding as at the date of the SBA.

4.2 Basis of determining the Consideration and satisfaction of the Consideration

- (i) The Consideration was arrived at on a "willing-seller and willing-buyer basis" after taking into account the value of the Plantation Lands and Business Assets together with the total liabilities as well as the area which have been carved out, details as follows:
- (a) an area in Ladang Aring measuring approximately 15 hectares that has been encroached by third parties;
 - (b) an area in Ladang Kuala Betis measuring approximately 52 hectares that has been earmarked for the proposed development of a 300MW hydroelectric dam

Based on the internal valuation carried out on the Plantation Lands, the indicative value of the Plantation Lands is approximately RM6,573.07 per acre.

- (ii) The Consideration will be wholly satisfied by cash in accordance with the terms of the SBA. Payment of the Consideration will be made at the times and in the manner set out in Paragraph 4.2(iii) below, consequent to the fulfilment of all the conditions precedent stipulated in the SBA.
- (iii) The Consideration shall be payable in the following manner:
- (a) a sum of RM1,030,000.00 being two percent (2%) of the Consideration ("Earnest Deposit") has been paid by FimaCorp to PMBKS prior to the execution of the SBA, as part payment towards the account of the Consideration or Adjusted Consideration, as the case may be, which amount is refundable in full to FimaCorp;
 - (b) a further sum of RM4,120,000.00 being eight percent (8%) of the Consideration ("Balance Deposit") as part payment towards account of the Consideration or Adjusted Consideration, as the case may be, which amount is refundable in full to FimaCorp and shall be paid upon the signing of the SBA by FimaCorp to its solicitors as stakeholders. The Balance Deposit shall be released to PMBKS on the Unconditional Date.
 - (c) The sum of RM46,350,000.00 being ninety percent (90%) of the Consideration or a sum equivalent to the Adjusted Consideration, as the case may be, (*less Outstanding Sum, Redemption Sum and Retention Sum*) being the balance of the

Consideration ("Balance Consideration") shall be paid by FimaCorp to its solicitors as stakeholders on Completion Date.

- (iv) The Consideration shall be subject to adjustment pursuant to Clauses 3.3 of the SBA wherein inter alia, upon confirmation from a land surveyor reveals that the Plantation Lands area is 20 hectares (inclusive of any and all encroachment by squatter, if any) lesser than the actual total Plantation Lands of 3,237.3 hectares as provided in the final title to the Plantation Lands, the Consideration shall be adjusted accordingly in the following manner:

$$A \times B = C$$

Where

A = RM6,573.07 per acre

B = Difference of 20 hectares or more

C = the amount to be deducted from the Consideration

4.3 Salient terms of the SBA

- (i) The completion of the Proposed Acquisition is subject to, inter alia, the fulfilment of the following conditions precedent within 4 months from the date of the SBA ("Approval Period") subject to an extension of 1 month or such other period as mutually agreed by the parties ("Extended Approval Period"):
- (a) the conduct and completion of the legal, financial and technical due diligence investigation in relation to the Plantation Lands, the Business Assets as well as all the books, documents, contracts and records of PMBKS, the results of which are satisfactory to FimaCorp;
 - (b) the approval of the shareholders of FimaCorp for the acquisition of the Business Assets, if necessary;
 - (c) the approval of the board of directors of FimaCorp for the acquisition of the Business Assets;
 - (d) the approvals or consent of the relevant creditors, lenders and financiers of PMBKS, if any for the acquisition of the Business Assets, where applicable;
 - (e) all necessary approvals, consents or waivers which may be legally or contractually required including but not limited to YIK's consent, Estate Land Board, State Executive Council / EXCO and any other Relevant Authorities or third party for the sale and transfer of the Business Assets (if required);
 - (f) all such other necessary approvals, consents, permits or licenses from the relevant authorities or any other third party on matters relating to but not limited to the status and land use of the Plantation Lands and the approval of the Environmental Impact Assessment from the Department of Environment, Kelantan Forestry Department, Gua Musang Land and District Office (if required)) for the development and cultivation of the Plantation Lands into an oil palm plantation throughout the tenure of the Lease Agreements;
 - (g) the approval or consent from YIK for PMBKS to novate its rights and obligations under the Lease Agreements in favour of FimaCorp;
 - (h) the fulfilment of such other conditions as may be required by FimaCorp pursuant to the due diligence exercise;

the consents and/or approvals referred to in Paragraph 4.3.1 shall hereinafter be collectively referred to as the "Approvals".

- (ii) In the event the Approvals or any one or more of them is only granted or obtained for either one of the Plantation Lands and not both (such land which has been rejected by the relevant authority shall be referred to hereinafter as the "Rejected Land"), the parties agree to further negotiate in good faith with a view to reviewing and agreeing on alternative terms and conditions of the SBA and to enter into a new agreement, if necessary. If parties are unable to reach an agreement as aforesaid, then FimaCorp may terminate the SBA by giving notice in writing to the other party whereupon the provisions of Clause 4.7 of the SBA shall apply mutatis mutandis.
- (iii) Subject to fulfilment of all the conditions precedent ("Unconditional Date"), the completion of the SBA shall take place within 30 days from the Unconditional Date ("Completion Date").
- (iv) If, before or on the Completion Date, a party to the SBA shall have committed an event of default as stated in the SBA ("Defaulting Party") which is not capable of remedy or which is capable of remedy but not remedied by the Defaulting Party within the stipulated time, the non-Defaulting Party shall be entitled to:
 - (a) in the case where PMBKS is the non-Defaulting Party –
 - claim for specific performance; or
 - terminate the SBA by notice in writing whereupon PMBKS shall be entitled to forfeit the Earnest Deposit received by PMBKS from FimaCorp as agreed liquidated damages and return the documents exchanged of already provided by FimaCorp.
 - (b) in the case where FimaCorp is the non-Defaulting Party –
 - claim for specific performance; or
 - terminate the SBA by notice in writing whereupon FimaCorp shall have no further obligation to purchase the Business Assets and PMBKS shall within 5 business days of such termination refund all monies paid (including the Earnest Deposit) to FimaCorp and return all such documents received by FimaCorp from PMBKS.
- (v) FimaCorp shall be entitled to terminate the SBA in the event that the novation and transfer of the lease of both or any one of the Plantation Lands in favour of FimaCorp free from encumbrances cannot be registered for any non-rectifiable reason whatsoever and not attributable to either PMBKS or FimaCorp, subject to the parties exhausting all reasonable means possible.

4.4 Assumption of liabilities

FimaCorp shall assume and undertakes to:

- redeem the Plantation Lands from the Chargee through the settlement of amount due and owing by the Seller to the Chargee which as at 31 August 2020 stood at RM29,777,477.51.
- pay in cash the total amount due and owing by PMBKS to YIK in relation to the Plantation Lands which as at 30 June 2020 stood at RM9,008,907.93

The actual amount of the total liabilities to the Chargee and YIK will be determined upon receipt of the redemption statement from the Chargee and YIK, respectively, on or before the Completion Date.

5.0 RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition represents an opportunity for FimaCorp to acquire brownfield plantations and expand its plantation land bank in Malaysia.

The Proposed Acquisition is a strategic investment in line with FimaCorp'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. The Plantation Lands are located in close proximity with FimaCorp Group's 3 existing oil palm estates situated in Gua Musang and Kuala Krai, resulting in a significant increase of FimaCorp's plantation land bank in Kelantan from 1,985.5 hectares to 5,222.8 hectares which in turn will enable FimaCorp Group to achieve economies of scale and operational efficiencies.

It is envisaged that the Proposed Acquisition would enable FimaCorp to develop and establish its own palm oil mill in the medium term to enjoy better margins as opposed to selling Fresh Fruit Bunches (FFB) to third party mills.

6.0 DETAILS OF THE PLANTATION LANDS

The Plantation Lands are partially developed oil palm estates, with 2,149.8 hectares planted with oil palms and the remaining 1,087.5 hectares unplanted. The oil palms thereon were planted between the years 2000 and 2006. Total production of FFB of the Plantation Lands for the preceding three (3) years prior to its cessation of operations sometime in 2019 are as follows:

Year	FFB (MT)
2018	3,735
2017	5,286
2016	7,655

Source: PMBKS

Area Statement:

	Hectare
Gross Area	3,237.3
Less: Encroachment Area (Aring)	(15.0)
Less: Hydro Dam (Kuala Betis)	(52.0)
Net Area	3,170.3
Less: Unplantable Area	(102.0)
Plantable Area	3,068.3
- Existing Planted Area	2,149.8
- Unplanted Area/Jungle	918.5
Proposed Plantation Development	
Rehabilitation	682.5
Replanting	1,467.3
New Planting	918.5
Plantable Area	3,068.3

Although the Plantation Lands have been partially planted, FimaCorp anticipates that 682.5 hectares will require immediate rehabilitation at an estimated cost of approximately RM1.02 million.

The estimated cost for new development will be approximately RM45.33 million, of which RM27.88 million for the replanting of 1,467.3 hectares and RM17.45 million for the development on the unplanted area of 918.5 hectares.

There is completed and ready infrastructure on the Plantation Lands, among them, manager and staff quarters, workers quarters, equipment store, fertiliser store, office, workshop, FFB ramp and electricity supply.

7.0 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 2021. However, the Proposed Acquisition is expected to enhance the future earnings of FimaCorp.

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 2020.

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 2021.

7.5 Percentage ratios under Paragraph 10.06(1) of the Bursa Malaysia Main Market Listing Requirements

Based on FimaCorp's Group Audited Accounts for financial year ended 31 March 2020, the highest percentage ratio under Paragraph 10.06(1) of Chapter 10 of Bursa Malaysia Main Market Listing Requirements is 9.10%

8.0 OUTLOOKS AND PROSPECT

Malaysia is the second largest producer of crude palm oil ("CPO") in the world after Indonesia. CPO exports are a key source of revenue for Malaysia.

Global production of CPO in 2020 is expected to decrease marginally compared to 2019. Malaysian production is estimated to fall by 1% to 19.7 million MT this year while Indonesia's output is expected to decline from 47.1 million MT to 46 million MT¹. Expectations of lower production in 2020 are due to the lagged impact of dry weather conditions and the reduction of fertiliser application when CPO prices were low in the first half of 2019.

Prices of palm oil products have experienced some volatility since end-2019, having risen strongly in December 2019 before falling sharply in March 2020 as the Covid-19 pandemic and volatile crude oil prices adversely affected global demand and supply chains. Subsequently in June 2020, palm oil prices began to recover on the back of: 1) the pick-up in demand from several key importing countries, particularly China, as lockdown measures ease; 2) weaker CPO production in Indonesia; and 3) the comparatively low inventory levels in both Malaysia and Indonesia².

CPO price weighted average achieved for the 8-month period beginning January 2020 to August 2020 is RM2,545 per/MT, 27.8% higher than the RM1,991 per/MT recorded in the same corresponding period last year³.

While the near-term outlook appears to remain volatile on the back of uncertainties related to the Covid-19 pandemic coupled with stringent environmental policies of certain importing countries, FimaCorp is optimistic about the palm oil industry over the longer term. Because of its high yield per hectare and low cost of production, palm oil (including its derivatives) is well positioned to benefit from increasing demand for food and oleochemical products from a growing global population. Further, domestic consumption of palm oil as biodiesel in Malaysia and Indonesia is also expected to alleviate any weakness in external demand.

The Board is confident that the fundamentals 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 its versatility, yield and cost efficiency compared to other edible oils.

Sources: ¹MPOC, Gapki; ²MPOB, Public Invest Research; ³MPOB

9.0 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 SBA 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 subjected 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, 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 is conditional upon the conditions precedent in the SBA being satisfied and/or waived (as the case may be). In the event any of the conditions precedent is not fulfilled or waived, the SBA may be terminated. Notwithstanding this, FimaCorp and/or the Buyer will take all reasonable steps to satisfy the conditions of the SBA.

10.0 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 Major Shareholders

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

11.0 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.

12.0 ESTIMATED TIMEFRAME FOR COMPLETION

Barring unforeseen circumstances, the Proposed Acquisition is expected to be completed in the first quarter of the current financial year ending 31 March 2021.

13.0 SHAREHOLDERS' APPROVAL

The Acquisition is not subject to FimaCorp shareholders' approval.

14.0 DOCUMENTS FOR INSPECTION

Copies of the SBA is available for inspection at FimaCorp's registered office during normal business hours from Monday to Friday (except public holidays) for a period of 3 months from the date of this Announcement.