

**Type : ANNOUNCEMENT**

**Subject : TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS)  
NON RELATED PARTY TRANSACTION**

**Description : PROPOSED DISPOSALS OF 100% EQUITY INTERESTS IN BUMI SURIA VENTURES SDN. BHD. AND MAJU WARISANMAS SDN. BHD. BY TH PLANTATIONS BERHAD ("THP" OR THE "COMPANY")**

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## **1. INTRODUCTION**

The Company wishes to announce that on 5 December 2019, the Company had entered into a Share Purchase Agreement ("**SPA**") with Tamaco Plantation Sdn. Bhd. (Company No.: 197901001650)(45922-D)) ("**the Purchaser**" or "**Tamaco**") to dispose 13,135,000 ordinary shares held by THP in Bumi Suria Ventures Sdn. Bhd. (Company No. 200501005839)(682886-U)) ("**BSV**") for a sum of RM148,852,436.37 (Ringgit Malaysia: One Hundred and Forty Eight Million Eight Hundred and Fifty Two Thousand Four Hundred and Thirty Six and Sen Thirty Seven) and 1,151,998 ordinary shares held by THP in Maju Warisanmas Sdn. Bhd. (Company No. 200401036835)(675346-M)) ("**MW**") for a sum of RM21,147,563.63 (Ringgit Malaysia: Twenty One Million One Hundred and Forty Seven Thousand Five Hundred and Sixty Three and Sen Sixty Three) (collectively "**Sale Shares**") for a total cash consideration of RM170,000,000.00 (Ringgit Malaysia: One Hundred Seventy Million) only representing THP's 100% equity interests each in BSV and MW ("**Disposals Consideration**") ("**Proposed Disposals**"). The inter-company advances owing by BSV to THP Suria Mekar Sdn. Bhd. ("**THPSM**") of RM247,472,885.00 ("**Inter-company Advances**") will be assigned by THPSM to the Purchaser as part of the Proposed Disposals.

Upon completion of the Proposed Disposals, BSV and MW will cease to be subsidiaries of THP.

## **2. DETAILS OF THE PROPOSED DISPOSALS**

The Proposed Disposals involve the disposals of the Sale Shares, free from all liens, charges, encumbrances, and with all rights, benefits and entitlements now and thereafter attached thereto at the Disposals Consideration mentioned above subject to the terms and conditions of the SPA.

## 2.1 Statutory Information of BSV

BSV, having its registered address at Level 35, Menara TH Platinum, No. 9 Persiaran KLCC, 50088 Kuala Lumpur, was incorporated in Malaysia under the Companies Act, 2016 as a private limited liability company on 2 March 2005.

BSV is principally engaged in the cultivation of oil palms and selling of fresh fruit bunches ("**FFB**").

The present directors of BSV are as follows:

<b>No.</b>	<b>Name</b>
1.	Muzmi bin Mohamed
2.	Maizura binti Mohamed

Presently, BSV has an issued share capital of 13,135,000 ordinary shares, all of which have been issued and fully paid-up. The existing shareholder of BSV is:

<b>Shareholder</b>	<b>Total Shareholding</b>	<b>% of Equity Held</b>
THP	13,135,000	100%

As at the date of this announcement, BSV does not have any subsidiary or associated company.

## 2.2 Statutory Information of MW

MW, having its registered address at Level 35, Menara TH Platinum, No. 9 Persiaran KLCC, 50088 Kuala Lumpur, was incorporated in Malaysia under the Companies Act, 2016 as a private limited liability company on 15 December 2004.

MW is principally engaged in the letting out of investment property.

The present directors of MW are as follows:

<b>No.</b>	<b>Name</b>
1.	Muzmi bin Mohamed
2.	Maizura binti Mohamed

Presently, MW has an issued share capital of 1,151,998 ordinary shares, all of which have been issued and fully paid-up. The existing shareholder of MW is:

<b>Shareholder</b>	<b>Total Shareholding</b>	<b>% of Equity Held</b>
THP	1,151,998	100%

As at the date of this announcement, MW does not have any subsidiary or associated company.

### 2.3 Plantation Land and Financial Information of BSV and MW

BSV is the registered legal owner of four (4) parcels of agricultural lands, each having a lease period of sixty (60) years located in Tatau, Bintulu and Arip, Sibul with a total land area of approximately 5,703.5 hectares ("**BSV Lands**"). The BSV Lands are not encumbered. MW is the registered legal owner of one (1) parcel of agricultural land, having a lease period of sixty (60) years located in Arip, Sibul with a land area of approximately 810.3 hectares ("**MW Land**").

Further details of the BSV Lands and MW Land are set out in Table 1 of this announcement.

The total production figures of the FFB of the BSV Lands and MW Land are set out in Table 2 of this announcement.

The financial information of BSV, derived from its audited financial statements for the years ended 31 December 2016, 31 December 2017 and 31 December 2018 are set out in Table 3 of this announcement.

## 2.4 Basis and Justification of arriving at the Disposals Consideration

The Proposed Disposals were undertaken by way of a tender exercise managed by an appointed transaction adviser.

- i. The Company, after evaluating the bids, had accepted the offer from the Purchaser, being the highest bidder, after considering the following factors:-
  - (a) The prices offered by the other potential purchasers;
  - (b) The transaction structure i.e. through direct sale of BSV Lands and MW Land or through sale of shares in BSV and MW;
  - (c) The timing of execution of share purchase agreement; and
  - (d) The expected cash flow from the transaction.
- ii. The Disposals Consideration of RM170.0 million was arrived at on a willing-buyer willing-seller basis and after taking into consideration the following factors:-
  - (a) The Disposals Consideration is the highest offer received by THP through the tender exercise;
  - (b) The comparison against selected precedent transactions in Sarawak and enterprise values of other comparable plantation companies to BSV and MW;
  - (c) The rationale of the Proposed Disposals as set out in Section 3 of this announcement;
  - (d) The valuation carried out by an independent registered valuer; and
  - (e) The Disposals Consideration represents a discount of approximately RM13.9 million or 7.6% to the market values of BSV Lands and MW Land reported by the independent registered valuer.

## 2.5 Salient Terms of the SPA

The salient terms of the SPA are as follows:

- i. The Disposals Consideration shall be paid by the Purchaser in the following manner:
  - A. A sum of RM50,000,000.00, being 29.4% of the Disposals Consideration, as deposit and part payment of the Disposals Consideration, shall be paid on the date of the SPA, or such mutually agreed alternative date, as follows:
    - aa. RM5,100,000.00, being 3% of the Disposals Consideration, shall be paid to the Purchaser's solicitors to be held by them as stakeholders, in compliance with the Real Property Gains Tax Act 1976 and shall be released in accordance with the terms of the SPA; and
    - bb. RM44,900,000.00, being 26.4% of the Disposals Consideration, shall be paid to THP.
  - B. A sum of RM120,000,000.00, being the balance 70.6% of the Disposals Consideration ("**Balance Consideration**"), shall be paid as follows:
    - aa. upon completion of the conditions in section 2.5(ii)(A) below, the redemption sum ("**Redemption Sum**") shall be paid to RHB Islamic Bank Berhad ("**RHB**") or THP (as THP may direct), for the purposes of discharging and releasing the charge over shares, created by RHB, in respect of the Sale Shares ("**Share Charge**");
    - bb. on or before the completion of the SPA:
      - (i) the sum of RM5,000,000.00 shall be paid to the Purchaser's solicitors to be held by them as stakeholders ("**Retention Sum**") pending determination of the BSV's and MW's management accounts as at the completion date of the SPA and shall be released in accordance with the terms of the SPA; and
      - (ii) the sum equivalent to the Balance Consideration less the Redemption Sum and the Retention Sum shall be paid to THP.

- ii. The SPA is conditional upon the following conditions:
  - A. For the purpose of the payment under section 2.5(i)(B)(aa) above:
    - aa. the Purchaser having obtained the approval from Economic Planning Unit of the Prime Minister's Office ("**EPU**") for the purchase of Sale Shares;
    - bb. THP having terminated the quarry and supply agreement, dated 17 September 2013, between BSV and Blast Power Sdn Bhd; and
    - cc. THPSM having obtained the approval from Lembaga Tabung Haji for the assignment of Inter-company Advances to the Purchaser.
  - B. For the purpose of completing the SPA:
    - aa. RHB having executed the Deed of Discharge and Release in respect of the Share Charge; and
    - bb. THP having obtained from Companies Commission of Malaysia ("**CCM**") the Certification of Registration of Satisfaction of Charge in relation to the Share Charge, or a printout from the CCM e-info search portal, evidencing that the Share Charge has been discharged.

## 2.6 Original Cost and Date of Investment

The original cost of investment in BSV was RM221,699,533.00 and the original date of investment was on 27 February 2013.

The original cost of investment in MW was RM42,494,273.00 and the original date of investment was on 27 February 2013.

BSV and MW were acquired by the Company from a non-bumiputera entity.

## 2.7 Liabilities to be Assumed by the Purchaser

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

## 2.8 Cash Company or PN17 Company

The Proposed Disposals are not expected to result in THP becoming a Cash Company or a PN17 Company as defined under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

## 2.9 Information on Tamaco

Tamaco was incorporated in Malaysia under the Companies Act, 2016 as a private limited liability company on 14 March 1979. Tamaco is principally engaged in the operation of oil palm plantation.

The directors of Tamaco are as follows:

<b>No.</b>	<b>Name</b>
1.	Lim Sing Hua
2.	Lim Chun Leng
3.	Lim Wai Foong
4.	Lim Chun Hsiung
5.	Lee Ban Loong

Tamaco has an issued share capital of 100,000,000 ordinary shares, all of which have been issued and fully paid-up. The existing shareholders of Tamaco are as follows:

<b>Shareholders</b>	<b>Total Shareholding</b>	<b>% of Equity Held</b>
Sungei Tenkayu Sdn. Bhd.	53,000,000	53%
Tamaco Group Berhad	47,000,000	47%

## 3. **RATIONALE FOR THE PROPOSED DISPOSALS**

The Company had approved the proposed disposals of fourteen (14) subsidiaries under the Company's Rationalisation Exercise including the proposed disposals of BSV and MW. The Rationalisation Exercise was undertaken for the purpose of turning around the Company and to put the Company on a stronger footing financially.

Based on the due diligence report conducted in 2012, it was stated that approximately 6,100 hectares out of 6,513.8 hectares of the BSV Lands and MW Land was plantable. However, an aerial survey conducted in November 2018 had shown that only an area of approximately 4,842 hectares was plantable (4,277.61 planted and 564.34 plantable reserve areas). The comparison of projection and the actual total production of FFB of BSV Lands and MW Land were as follows:

<b>Year</b>	<b>Projection (mt)</b>	<b>Actual (mt)</b>	<b>% Achieved from Projection</b>
2014	68,050	27,605	40.6%
2015	101,420	31,621	31.2%
2016	127,990	24,841	19.4%
2017	146,490	45,105	30.8%
2018	160,360	52,040	32.5%

Taking into consideration the operational performance of both BSV and MW, the Company, given its current financial constraints, takes the view that it is not in a position to continue with the plantation operations of BSV and MW. The Company believes that the Proposed Disposals are in line with the objective of the Company's Rationalisation Exercise.

Further, the Proposed Disposals would result as follows:-

- (a) The Company would be able to raise gross proceeds amounting to RM170.0 million. Please refer to Section 4 of this announcement for details on the utilisation of proceeds.
- (b) The Company would be able to improve its gearing ratio as the proceeds from the Proposed Disposals would be utilised to repay a substantial portion of its financing obligations. The Company's profit margin expense would reduce by approximately RM9.41 million per annum and the gearing ratio of the Company is expected to improve from 1.09 times to 0.94 times as mentioned in Section 6.4 of this announcement;
- (c) The estimated gain to the Company arising from the Proposed Disposals is approximately RM231.8 million. However, upon writing off the Inter-company Advances, it would result in the Company having a net loss on disposals of approximately RM15.6 million; and
- (d) Post completion of the Proposed Disposals, the Company and its subsidiaries ("THP Group") would still own 94,462.08 hectares of oil palm and rubber plantations.



#### **4. UTILISATION OF PROCEEDS**

Subject to the completion of the SPA, the proceeds of the Proposed Disposals would be utilised within six (6) months from the receipt of the Disposals Consideration in the following manner:

- The repayment of financing obligations amounting to RM130.0 million; and
- The remaining proceeds for working capital requirements, payment to creditors and to defray estimated expenses for the Proposed Disposals.

#### **5. RISK FACTOR**

The Proposed Disposals will not materially change the risk profile of the THP Group as the THP Group will still be involved in the oil palm plantation sector. Hence, the THP Group will still be exposed to similar business, operational and financial risks inherent in the oil palm plantation industry which include, but not limited to, competition with other industry players, changes in political, regulatory and economic conditions and fluctuations in profit margin rates.

In addition to the risks above, the THP Group may be subjected to specific risks associated with the Proposed Disposals as follows:

##### **5.1 Non-completion**

The SPA is conditional upon fulfilment of the conditions precedent and there can be no assurance that all such conditions will be fulfilled or obtained within the time period stipulated in the SPA.

In the event any of the conditions precedent are not fulfilled, the SPA may be terminated and the Company will not be able to complete the Proposed Disposals. Any delay in the fulfilment of the conditions precedent may lead to a delay in the completion of the Proposed Disposals or termination.

##### **5.2 Contractual**

THP has given warranties and indemnities pursuant to the SPA in favour of the Purchaser. In this respect, THP may be subjected to claims under the SPA for breach of any of the warranties given and therefore may be required to indemnify the Purchaser for such claims. There can be no

assurance that such claimed amount will not materially impact the financial performance of the THP Group.

Upon completion of the Proposed Disposals, THP will cease to consolidate the results associated to BSV and MW.

## 6. FINANCIAL EFFECT OF THE PROPOSED DISPOSAL

### 6.1 Issued Share Capital

The Proposed Disposals will not have any effect on the issued share capital of THP.

### 6.2 Substantial Shareholders' Shareholding

The Proposed Disposals will not have any effect on the shareholding of the substantial shareholders of THP.

### 6.3 Earnings and Earnings per Share

For illustration purpose, assuming the Proposed Disposals were completed at the beginning of the financial year 31 December 2018, the effects on the THP Group's earnings and earnings per share are as follows:

	<b>Audited as at 31 December 2018 RM'000</b>	<b>Post Disposals RM'000</b>
Loss attributable to equity holders of the Company	(594,608)	(594,608)
Add/(Less):		
Gain on disposal*	-	231,784
Inter-company Advances written off*	-	(247,473)
Add: Net loss from BSV and MW	-	63,952
Adjusted loss attributable to equity holders of the Company	(594,608)	(546,345)
No. of shares ('000)	883,851	883,851
Loss per share (sen)	(67.27)	(61.81)

\* Based on unaudited management accounts of THP Group as at 30 September 2019.

#### 6.4 Net Asset Per Share and Gearing

For illustrative purpose, based on the audited consolidated statement of the financial position of the THP Group as at 31 December 2018, the proforma effects of the Proposed Disposals on the net assets, net assets per share and gearing of the THP Group assuming that the Proposed Disposals were effected on 31 December 2018, are as follows:

	<b>Audited as at 31 December 2018 RM'000</b>	<b>Post Disposals RM'000</b>
Capital and reserve	770,004	770,004
Retained earnings	22,355	70,618
Equity attributable to owners of the Company	<u>792,359</u>	<u>840,622</u>
Non-controlling interest	302,736	302,736
Total Equity	<u>1,095,095</u>	<u>1,143,358</u>
No. of shares ('000)	883,851	883,851
Net asset per share (RM)	0.90	0.95
Gearing (times)	1.09	0.94

#### 7. **APPROVALS REQUIRED**

The Proposed Disposals are not subject to the approval of the shareholders of THP or any other relevant government authorities in Malaysia save for the approval of the EPU. The application to the EPU by the Purchaser will be made as soon as possible after execution of the SPA.

#### 8. **DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST**

None of the Directors and major shareholders of THP and/or persons connected with them have any interests, direct or indirect, in the Proposed Disposals.

## **9. DIRECTORS' STATEMENT**

Having considered all aspects of the Proposed Disposals, the Board of Directors of THP is of the opinion that the Proposed Disposals are fair, reasonable and on normal commercial terms and are not detrimental to the interest of the minority shareholders. The Board is also of the opinion that the Proposed Disposals are in the best interest of THP.

## **10. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring unforeseen circumstances, the Proposed Disposals are expected to be completed in the first quarter of 2020.

## **11. DOCUMENTS FOR INSPECTION**

A copy of the SPA is available for inspection at the registered office of THP from Mondays to Fridays (except public holidays) during normal business hours, for a period of three (3) months, following the date of this announcement.

## **12. HIGHEST PERCENTAGE RATIO APPLICABLE**

The highest percentage ratio applicable to the Proposed Disposals pursuant to paragraph 10.02(g) of the Main Market Listing Requirements is 21.45%.

This announcement is dated 5 December 2019.

**TABLE 1**a. Location and details of the BSV Lands and MW Land

	<b>Lot 5, Block 16, Sangan Land District, Sarawak</b>	<b>Lot 2, Block 8, Anap Land District, Sarawak</b>	<b>Lot 1, Block 19, Arip Land District, Sarawak</b>	<b>Lot 2, Block 20, Arip Land District, Sarawak</b>	<b>Lot 1, Block 20, Arip Land District, Sarawak</b>
<b>Registered Owner/ Beneficiary</b>	<-----BSV----->				MW
<b>Brief Description/ Location</b>	Contiguous plots located midway between the towns of Bintulu and Sibul, at Sungai Muput Kanan, Tatau and Sungai Arip, Arip. Approximately 110 kilometres ("km") northeast of Sibul and 110 km southwest of Bintulu				
<b>Title/Lot no.</b>	Lot 5, Block 16	Lot 2, Block 8	Lot 1, Block 19	Lot 2, Block 20	Lot 1, Block 20
<b>Tenure</b>	Leasehold, expiring 27 November 2066	Leasehold, expiring 27 November 2066	Leasehold, expiring 12 November 2066	Leasehold, expiring 12 November 2066	Leasehold, expiring 24 November 2065
<b>Land classification</b>	Mixed Zone land, Country land	Mixed Zone land, Country land	Mixed Zone land, Country land	Mixed Zone land, Country land	Mixed Zone land, Country land
<b>Existing and Future Use</b>	Oil palm plantation	Oil palm plantation	Oil palm plantation	Oil palm plantation	Oil palm plantation
<b>Land area</b>	907.2 hectares	2,150.3 hectares	2,153.0 hectares	493.0 hectares	810.3 hectares
<b>Planted Area</b>	4,277.61 hectares				
<b>Age of Palms</b>	Between 5 to 11 years				
<b>Net Book Value – As at 30 September 2019</b>	Property Plant & Equipment ("PPE"): RM135,809,533 Plantation Development Expenditure: RM46,539,642				PPE: RM458,972

**TABLE 2**

Total production of FFB of the BSV Lands and MW Land

<b>For the year ended</b>	<b>31.12.2016</b>	<b>31.12.2017</b>	<b>31.12.2018</b>
FFB (Metric Tonne)	24,841.38	45,105.01	52,039.69
Yield (MT/Hectare)	8.06	13.48	16.19

**TABLE 3**

Financial Information of BSV and MW

<b>BSV</b>	<b>Audited 31.12.2016 RM</b>	<b>Restated Audited 31.12.2017 RM</b>	<b>Audited 31.12.2018 RM</b>
Revenue	11,226,888	23,543,024	21,045,571
Loss before tax	(5,665,835)	(3,325,778)	(50,459,904)
Tax	(5,996,431)	8,803,801	(14,408,707)
Net Profit/(Loss) for the year	330,596	5,478,023	(64,868,611)
Shareholders' Fund	11,116,995	18,602,690	(46,265,921)
Net Assets/(Liabilities)	11,116,995	18,602,690	(46,265,921)

<b>MW</b>	<b>Audited 31.12.2016 RM</b>	<b>Restated Audited 31.12.2017 RM</b>	<b>Audited 31.12.2018 RM</b>
Revenue	340,326	340,326	340,326
Profit before tax	363,301	346,606	285,545
Tax	(92,596)	(80,271)	(106,444)
Net Profit for the year	270,705	266,335	179,101
Shareholders' Fund	1,815,494	1,183,269	1,362,370
Net Assets	1,815,494	1,183,269	1,362,370