

SARAWAK PLANTATION BERHAD

PROPOSED ACQUISITION OF PROPERTIES FROM MAGNA WIDE SDN. BHD. AND MAGNA WIDE ENTERPRISE SDN. BHD.

INTRODUCTION

The Board of Sarawak Plantation Berhad (“SPB” or “the Company”) is pleased to announce that its wholly owned subsidiary, Sarawak Plantation Agriculture Development Sdn. Bhd. (“SPAD”) had on 1 September 2016 entered into 2 Sale and Purchase Agreements to purchase 2 parcels of lands together with the oil palm plantations existing thereon from Magna Wide Sdn. Bhd. (“MW”) and Magna Wide Enterprise Sdn. Bhd. (“MWE”) respectively for a total cash consideration of RM76,000,000-00.

The purchase price for both transactions was arrived at on a “willing buyer willing seller” basis and after taking into consideration the current market value of the lands.

PROFILE OF THE VENDORS

MW and MWE are both private limited companies incorporated under the Companies Act 1965. For further details of MW and MWE, please refer to Appendix 1.

RATIONALE

This proposed acquisition is consistent with the Company’s plans to continue to expand its land bank in Sarawak. Further these lands are already mostly planted with oil palm and is expected to contribute positively to the Company’s fresh fruit bunches (“FFB”) production. These palms are aged between 1 – 4 years old.

The FFB production output from the lands is expected to improve over the next few years due to the maturing of these oil palm trees. This proposed acquisition represents a strategic investment by the Company and is expected to contribute positively to the earnings as well as the shareholders’ value of the Company in the medium to long term.

DETAILS OF THE LANDS

<i>Vendor</i>	<i>Purchaser</i>	<i>Description of the Property</i>	<i>Land Size (Approx) (Hectares)</i>	<i>Consideration (RM)</i>
MW	SPAD	Lot 3 Block 30 Puyut Land District situated between Batang Baram and Batang Tinjar Baram	1,063	42,700,000-00
MWE	SPAD	Lot 32 Block 20 Puyut Land District situated along Batang Baram Miri	845	33,300,000-00
			1,908	76,000,000-00

Lot 3 Block 30 Puyut Land District and Lot 32 Block 20 Puyut Land District shall be collectively referred to as “the lands”.

For further details of the lands, please refer to Appendix 2.

SALIENT TERMS OF THE SALE AND PURCHASE

Lot 3 Block 30 Puyut Land District

	<i>Terms</i>	<i>% of purchase consideration</i>	<i>Amount to be Paid (RM)</i>
1.	Upon execution of the Sale and Purchase Agreement, the deposit cum part payment shall be paid to MW;	10	4,270,000-00
2.	A further sum shall be paid to MW's Solicitors as stakeholders within One (1) month from the date of SPAD having obtained FIC approval and/or MW having obtained both the written consent from the Director of Lands and Survey and the Superintendent of the Lands and Survey, whichever is the later;	60	25,620,000-00
3.	When the said consents are obtained and conveyed to SPAD, MW's Solicitors are authorised to release the said sum of RM25,620,000-00 to MW but after part of it is used to discharge the charge over Lot 3 Block 30 Puyut Land District;		
4.	The final balance purchase price shall be paid to MW's Solicitors as stakeholders within One (1) month from the date the aforesaid consents are obtained. MW's Solicitors are authorised to release the final balance purchase price to MW upon issuance of the "Form L" from the Department of Lands and Surveys.	30	12,810,000-00
5.	MW shall obtain both the written consent within twelve (12) months from the date of the Sale and Purchase Agreement.		
	Total	100	42,700,000-00

For other salient features of the Sale and Purchase Agreement, please refer to Appendix 3.

Lot 32 Block 20 Puyut Land District

	<i>Terms</i>	<i>% of purchase consideration</i>	<i>Amount to be Paid (RM)</i>
1.	Upon execution of the Sale and Purchase Agreement, the deposit cum part payment shall be paid to MWE;	10	3,330,000-00
2.	A further sum shall be paid to MWE's Solicitors as stakeholders within One (1) month from the date of SPAD having obtained FIC approval and/or MWE having obtained both the written consent from the Director of Lands and Survey and the Superintendent of the Lands and Survey, whichever is the later;	60	19,980,000-00
3.	When the said consents are obtained and conveyed to SPAD, MWE's Solicitors are authorised to release the said sum of RM19,980,000-00 to MWE but after part of it is used to discharge the charge over Lot 32 Block 20 Puyut Land District;		
4.	The final balance purchase price shall be paid to MWE's Solicitors as stakeholders within One (1) month from the date the aforesaid consents are obtained. MW's Solicitors are authorised to release the final balance purchase price to MWE upon issuance of the "Form L" from the Department of Lands and Surveys.	30	9,990,000-00
5.	MWE shall obtain both the written consent within twelve (12) months from the date of the Sale and Purchase Agreement.		
	Total	100	33,300,000-00

For other salient features of the Sale and Purchase Agreement, please refer to Appendix 3.

ESTIMATED TIME FRAME TO COMPLETE THIS PROPOSED ACQUISITION

Barring any unforeseen circumstances, this proposed acquisition is expected to be completed during the third quarter of 2017.

SOURCE OF FUNDING

SPAD intends to fund this proposed acquisition using internally generated funds and / or bank borrowings.

RISK FACTORS

The risks that are associated with this proposed acquisition are investment risk, financing risk, risk of government acquisition, non completion of proposed acquisition and inability to obtain consent from the Director and Superintendent of Lands and Surveys.

For further details on the risk factors, please refer to Appendix 4.

APPROVALS REQUIRED

This proposed acquisition is not subject to the approvals of shareholders of the Company and / or conditional upon any other corporate exercise undertaken by the Company.

EFFECTS OF THE PROPOSED ACQUISITION

A. Share Capital and Substantial Shareholders' Shareholding

This proposed acquisition will not have any effect on the issued and paid up capital and substantial shareholders' shareholdings of the Company as this proposed acquisition does not involve any issuance of new ordinary shares of RM1-00 of the Company.

B. Net Assets ("NA") per Share and Gearing

This proposed acquisition will not have any material impact on the NA of SPB for the current financial year ending 31 December 2016. Based on the Audited Financial Statements of the Group as at 31 December 2015 and assuming 80% of the purchase consideration is funded by bank borrowings, the gearing ratio of the Group is anticipated to increase from 0.11 times to 0.20 times.

C. Earnings per Share

This proposed acquisition is not expected to have any material impact on the earnings per share of the Company for the financial year ending 31 December 2016. However this proposed acquisition is expected to contribute positively to the long term future earnings and earnings per share of the Company.

LIABILITIES TO BE ASSUMED

No liabilities will be assumed, including contingent liabilities and guarantees, by the Company, arising from this proposed acquisition because the lands were purchased free from encumbrances.

HIGHEST PERCENTAGE RATIO APPLICABLE

The highest percentage ratio applicable to this proposed acquisition pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 12.08%.

DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

None of the directors and / or major shareholders of the Company and persons connected with them have any interests, direct and / or indirect, in this proposed acquisition.

DIRECTORS' STATEMENT

Having considered all aspects of this proposed acquisition, the Board of Directors is of the opinion that this proposed acquisition is in the best interest of the Company.

DOCUMENTS AVAILABLE FOR INSPECTION

The Sale and Purchase Agreements are available for inspection at the registered office of the Company at 8th Floor Wisma Naim 2 1/2 Mile Rock Road 93200 Kuching Sarawak between the hours of 8 am to 5 pm from Monday to Friday (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 1 September 2016.

APPENDIX 1

PROFILE OF VENDORS

Details	Magna Wide Sdn. Bhd.	Magna Wide Enterprise Sdn. Bhd.
Authorised Share Capital	RM5,000,000-00 divided into 5,000,000 shares	RM5,000,000-00 divided into 5,000,000 shares
Par Value per Share	RM1-00	RM1-00
Paid Up Capital	RM2,300,000-00 divided into 2,300,000 shares	RM1,575,000-00 divided into 1,575,000 shares
Directors	Lim Siew Kheng Liew Chee Ming Liew Chee Weng Liew Chee Hwa Dato Alexander Maiyor Loh Poh Hwa	
Shareholders	Dato Alexander Maiyor Loh Poh Hwa Best Megamax Sdn. Bhd.	

APPENDIX 2

DETAILS OF THE LANDS

Details	Lot 3 Block 30 Puyut Land District	Lot 32 Block 20 Puyut Land District
Tenure	60 years, from 24 September 2008 to 23 September 2068	60 years, from 8 December 2010 to 7 December 2070
Category of Land Use	Agriculture	
Title Conditions	1. This land shall be used only for agriculture purposes and purposes incidental to the production and processing of crops grown thereon and such other purposes as may from time to time be approved by the Director of Lands and Surveys; 2. No transfer affecting this land may be effected without the consent in writing of the Director of Lands and Surveys. Under Section 31 of the Sarawak Land Code (Cap 81) written consent of the Superintendent to transfer the land is required as it is more than 100 acres.	
Encumbrance	Both the lands are currently charged to OCBC Bank (Malaysia) Berhad	

OTHER SALIENT FEATURES OF THE SALE AND PURCHASE AGREEMENT

Lot 3 Block 30 Puyut Land District

A. Default by SPAD

- (a) In the event that SPAD shall fail to tender payment of the balance of the Purchase Price in accordance with the terms of the Sale and Purchase Agreement, or fail or refuse to do or comply with any term herein provided:
- (i) MW shall be entitled to give SPAD or the SPAD's Solicitors not less than fourteen (14) days' notice in writing to treat the Sale and Purchase Agreement as having been repudiated by SPAD and unless in the meanwhile such default and/or breach alleged is rectified, the Sale and Purchase Agreement shall at the expiration of the said notice be deemed to be repudiated. In such an event, SPAD shall withdraw any caveat on Lot 3 Block 30 Puyut Land District that may have been lodged by SPAD and return vacant possession of Lot 3 Block 30 Puyut Land District to MW (if already occurred, and all or any improvements made thereon are to be forfeited by MW), and the deposit paid by SPAD referred to above shall be forfeited by MW as an agreed compensation between the parties, and any other sums paid by SPAD pursuant to this Agreement shall be refunded by MW to SPAD, and thereafter, neither party shall have any further claim against each other without prejudice to MW's rights in respect of any antecedent breach of this Agreement by SPAD, or alternatively;
- (ii) MW may apply to court for an order for specific performance of the Sale and Purchase Agreement.

B. Default by MW

- (a) In the event MW shall fail or refuse to execute the valid and registrable Transfer of Lot 3 Block 30 Puyut Land District to SPAD, or fail or refuse to do or comply with any term herein provided when SPAD is able and willing to pay the full Purchase Price for Lot 3 Block 30 Puyut Land District:
- (i) SPAD shall be entitled to give MW or MW's Solicitors not less than fourteen (14) days' notice in writing to treat the Sale and Purchase Agreement as having been repudiated by MW and unless in the meanwhile such default and/or breach alleged is rectified, the Sale and Purchase Agreement shall at the expiration of the said notice be deemed to be repudiated. In such an event, MW shall refund to SPAD the Deposit referred to above and/or any other sums already paid, and pay to SPAD a sum equivalent to the Deposit referred to above as agreed liquidated damages, and SPAD shall also withdraw any caveat on Lot 3 Block 30 Puyut Land District that may have been lodged by SPAD and return vacant possession of Lot 3 Block 30 Puyut Land District to MW (if already occurred), and thereafter, neither party shall have any further claim against each other without prejudice to SPAD's right in respect of any antecedent breach of the Sale and Purchase Agreement by MW, or alternatively;
- (ii) Alternatively, SPAD may apply to court for an order for specific performance of the Sale and Purchase Agreement.

C. Early Vacant Possession

MW shall hand over possession of Lot 3 Block 30 Puyut Land District together with the Oil Palm plantation, all buildings and/or staff quarters and all other improvements thereon to SPAD upon signing of the Sale and Purchase Agreement and upon SPAD's

simultaneous payment of the Deposit as referred to above.

Lot 32 Block 20 Puyut Land District

A. Default by SPAD

- (a) In the event that SPAD shall fail to tender payment of the balance of the Purchase Price in accordance with the terms of the Sale and Purchase Agreement, or fail or refuse to do or comply with any term herein provided:
- (i) MWE shall be entitled to give SPAD or SPAD's Solicitors not less than fourteen (14) days' notice in writing to treat the Sale and Purchase Agreement as having been repudiated by MWE and unless in the meanwhile such default and/or breach alleged is rectified, the Sale and Purchase Agreement shall at the expiration of the said notice be deemed to be repudiated. In such an event, SPAD shall withdraw any caveat on Lot 32 Block 20 Puyut Land District that may have been lodged by SPAD and return vacant possession of Lot 32 Block 20 Puyut Land District to MWE (if already occurred, and all or any improvements made thereon are to be forfeited by the Vendor), and the Deposit paid by SPAD referred to above shall be forfeited by MWE as an agreed compensation between the parties, and any other sums paid by SPAD pursuant to the Sale and Purchase Agreement shall be refunded by MWE to SPAD, and thereafter, neither party shall have any further claim against each other without prejudice to MWE'S rights in respect of any antecedent breach of the Sale and Purchase Agreement by SPAD, or alternatively;
- (ii) MWE may apply to court for an order for specific performance of the Sale and Purchase Agreement.

B. Default by MWE

- (a) In the event MWE shall fail or refuse to execute the valid and registrable Transfer of Lot 32 Block 20 Puyut Land District to SPAD, or fail or refuse to do or comply with any term herein provided when SPAD is able and willing to pay the full Purchase Price for Lot 32 Block 20 Puyut Land District:
- (i) SPAD shall be entitled to give MWE or MWE's Solicitors not less than fourteen (14) days' notice in writing to treat the Sale and Purchase Agreement as having been repudiated by MWE and unless in the meanwhile such default and/or breach alleged is rectified, the Sale and Purchase Agreement shall at the expiration of the said notice be deemed to be repudiated. In such an event, MWE shall refund to SPAD the Deposit referred to above and/or any other sums already paid, and pay to SPAD a sum equivalent to the Deposit referred to above as agreed liquidated damages, and SPAD shall also withdraw any caveat on Lot 32 Block 20 Puyut Land District that may have been lodged by SPAD and return vacant possession of Lot 32 Block 20 Puyut Land District to MW (if already occurred), and thereafter, neither party shall have any further claim against each other without prejudice to SPAD's right in respect of any antecedent breach of the Sale and Purchase Agreement by MWE, or alternatively,
- (ii) Alternatively, SPAD may apply to court for an order for specific performance of the Sale and Purchase Agreement.

C. Early Vacant Possession

MWE shall hand over possession of Lot 32 Block 20 Puyut Land District together with the Oil Palm plantation, all buildings and/or staff quarters and all other improvements thereon to SPAD upon signing of the Sale and Purchase Agreement and upon SPAD's simultaneous payment of the Deposit as referred to above.

RISK FACTORS**A. Investment Risk**

The Company will be subjected to inherent risks associated with the oil palm industry including adverse weather, commodity price risk and labour risk.

All these factors are external and beyond the control of the Company. However the Company based on its experience in the plantation industry will implement measures to mitigate the effect of these factors.

B. Financing Risk

This proposed acquisition will be partly funded by bank borrowings. Hence the Company is exposed to a risk of change in cash flows due to changes in interest rates. The Company seeks to mitigate such risks by securing the best possible terms, including the best possible rates of interest.

C. Government Acquisition

In the event that before or after the date of the Sale and Purchase Agreements, but before the completion period, Lot 3 Block 30 and Lot 32 Block 20 both of Puyut Land District become subject to any notification under Section 47 or 48 of the Sarawak Land Code:

- (i) SPAD shall at its sole option be entitled to rescind the Sale and Purchase Agreements in writing whereupon all the money paid to MW / MWE shall be refunded to SPAD within 7 days of such notice;
- (ii) Should SPAD elect to proceed with the purchase of Lot 3 Block 30 and Lot 32 Block 20 both of Puyut Land District and complete the Sale and Purchase Agreements, all compensation payable upon acquisition of all or part of Lot 3 Block 30 and Lot 32 Block 20 both of Puyut Land District shall accrue SPAD and the MW / MWE shall do all acts and execute all deeds or documents as may reasonably be required by SPAD to preserve SPB's rights under the compulsory acquisition exercise by the Government.

D. Non Completion of Proposed Acquisition

This proposed acquisition is subject to the terms and conditions of the Sale and Purchase Agreement. There is no definitive assurance that this proposed acquisition will not be exposed to risks such as inability of either party to complete the proposed acquisition in accordance with the terms of the Sale and Purchase Agreement.

However provisions have been made for the deposit to be forfeited to MW / MWE as agreed liquidated damages as a result of any breach or default by SPAD. On the other hand, should MW / MWE fail to fulfil their obligations under the Sale and Purchase Agreement, SPAD will forfeit the Deposit paid and further require MW / MWE to pay a like amount as agreed liquidated damages.

In any event, SPAD will take all reasonable steps that are within its control to ensure that the terms and conditions of the Sale and Purchase Agreement are fulfilled within the deadlines set and in accordance with the terms and conditions of the Sale and Purchase Agreement.

E. Consent from Director and Superintendent of Lands and Surveys cannot be obtained

If, despite mutually agreed extension(s), the Consent cannot be obtained, then the Sale and Purchase Agreement shall be deemed as having been frustrated and rescinded by mutual consent by both parties and all or any payments earlier made by SPAD shall be refunded by MW / MWE to SPAD within 7 business days, failing which, MW / MWE shall pay interest thereon at the rate of 8% per annum until full payment.