

Type : ANNOUNCEMENT

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

Description : KUB MALAYSIA BERHAD

- a) SALE AND PURCHASE AGREEMENT FOR THE DISPOSAL OF A FACTORY, ANCILLARY EQUIPMENT AND MACHINERIES IN MUKAH, SARAWAK FOR RM43 MILLION
- b) SALE AND PURCHASE AGREEMENT FOR THE DISPOSAL OF A PLOT OF LEASEHOLD LAND MEASURING APPROXIMATELY SIXTY (60) HECTARES IN MUKAH, SARAWAK FOR RM1.8 MILLION

1. INTRODUCTION

The Board of Directors of KUB Malaysia Berhad ('KUBM' or 'the Company') wishes to announce that on 22 July 2019, its subsidiaries namely KUB Maju Mill Sdn Bhd ('KUBMA') and KUB Sepadu Sdn Bhd ('KUBS') had respectively entered into the sale and purchase agreements with Sinong Pelita Oil Mill Sdn Bhd ('SPOM') for the disposal of a factory, ancillary equipment and machineries ('the Factory') and the disposal of a plot of leasehold land measuring approximately sixty (60) hectares ('the Land') (collectively referred to as the 'Proposed Disposals').

KUB Agro Holdings Sdn Bhd ('KUBAH'), which is a wholly-owned subsidiary of KUB Ekuiti Sdn Bhd ('KUBE'), has 60% and 66% effective interests in KUBS and KUBMA respectively. KUBE is a wholly-owned subsidiary of KUBM.

The sale of Factory is for Ringgit Malaysia Forty-Three Million (RM43,000,000). KUBMA is the owner of the Factory, situated on part of the Land to be sold by KUBS.

The sale of Land is for Ringgit Malaysia One Million and Eight Hundred Thousand (RM1,800,000). KUBS is the registered proprietor of an estate located in Oya-Dalat Land District, Mukah, Sarawak ('Estate'). The Land is located inside the said Estate.

The purchase prices of the Factory and Land shall be collectively referred herein as 'the Purchase Consideration'. Both sale and purchase agreements shall be collectively referred to as 'the Agreements'.

2. DETAILS OF THE PROPERTIES

2.1 The Factory

The Factory is located on a plot measuring 20 hectares inside the Land. The total area for the Factory is 88,745m², including 66,000m² pond area and 10,000m² Factory complex. The net book value ('NBV') of the Factory as at 31 December 2018 was RM 45,593,629. The Factory is currently encumbered via a Debenture for banking facilities provided to KUBMA by a local bank ('the Bank').

2.2 The Land

The Land is a part of plantation land measuring 2,432 hectares registered as Lot 642, Block 363, Oya-Dalat Land District, with a leasehold title from 22 May 1990 to 21 May 2050. The estimated NBV of the Land including bearer plants as at 31 December 2018 was RM169,858. The Land was planted with oil palms in 1994 and produced approximately 1,826 mt of fresh fruit bunches (FFB) in 2016-2018. Lot 642 is currently charged to the Bank.

3. INFORMATION ON THE PARTIES

3.1 KUBMA

KUBMA (Company No. 307838-U) is a private limited company incorporated in Malaysia, having its registered office at Level 8-11, Unit 1, Capital 3, Oasis Square, Ara Damansara, Jalan PJU 1A/7A, 47301 Petaling Jaya, Selangor. KUBMA is principally involved in producing palm oil and palm kernel.

3.2 KUBS

KUBS (Company No. 392172-H) is a private limited company incorporated in Malaysia, having its registered office at Level 8-11, Unit 1, Capital 3, Oasis Square, Ara Damansara, Jalan PJU 1A/7A, 47301 Petaling Jaya, Selangor. KUBS is principally involved in oil palm plantation.

3.3 KUBAH

KUBAH (Company No. 47135-V) is a company incorporated in Malaysia, having its registered office at Level 8-11, Unit 1, Capital 3, Oasis Square, Ara Damansara, Jalan PJU 1A/7A, 47301 Petaling Jaya, Selangor. KUBAH is principally involved in oil palm plantation.

3.4 KUBM

KUBM (Company No. 6022-D) is a company incorporated in Malaysia, having its registered office at Level 8-11, Unit 1, Capital 3, Oasis Square, Ara Damansara, Jalan PJU 1A/7A, 47301 Petaling Jaya, Selangor. KUBM is an investment holding company listed on the Main Market of Bursa Malaysia Securities Berhad ('Bursa Securities'). Its subsidiaries are principally involved in the energy, agri-business, power and telecommunication activities ('Group').

3.5 KUBE

KUBE (Company No. 394714-M), a company incorporated in Malaysia, having its registered office at Level 8-11, Unit 1, Capital 3, Oasis Square, Ara Damansara, Jalan PJU 1A/7A, 47301 Petaling Jaya, Selangor. KUBE is an investment holding company.

3.6 SPOM

SPOM (Company No. 967009-A) is a private limited company incorporated in Malaysia, and having its registered office at Room 201, 2nd Floor, Wisma Bukit Mata Kuching, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak. It is a wholly-owned subsidiary of Sinong Holdings Sdn Bhd. SPOM is principally involved in oil palm milling and sales of related product.

4. SALIENT TERMS OF THE AGREEMENTS

4.1 Sale of Factory by KUBMA to SPOM for RM43 Million ('Factory SPA')

Under the Factory SPA which is on an 'as is basis' and not subject to any condition precedent, SPOM will pay to KUBMA's solicitors as stakeholders ten per centum (10%) deposit upon signing and the balance ninety per centum (90%) within ninety (90) days, with one (1) month automatic extension with eight per centum (8%) annual interest.

In the event SPOM funds the purchase through loan, the payment of redemption sum to the Bank and differential sum (if any) to KUBMA's solicitors must be completed within the same time stipulated above. If the Factory SPA is terminated due to SPOM's default, KUBMA has the right to forfeit the deposit as damages.

4.2 Sale of Land by KUBS to SPOM for RM1.8 Million ('Land SPA')

Under the Land SPA, which is not subject to any condition precedent, SPOM will pay to KUBS's solicitors as stakeholders ten per centum (10%) deposit upon signing and the balance ninety per centum (90%) to KUBS on completion of the Factory SPA.

In the event the Land SPA is terminated due to SPOM's default, KUBS has the right to forfeit the deposit as agreed damages. Upon execution of the Land SPA, KUBS shall proceed to obtain the necessary approvals from the relevant authorities and the Bank for the sub-division and transfer of the Land.

5. BASIS AND JUSTIFICATION FOR THE PURCHASE CONSIDERATION

The consideration for the Factory has taken into account the operational status, capacity of the factory and further investments needed.

The sale of the Land is at a commercially attractive price taking into account its current land use, age of the palms and previous internal valuation, which was significantly lower.

6. UTILISATION OF PROCEEDS

The proceeds to KUBMA will be utilised to settle its bank borrowings and reduce other debts, whilst the proceeds to KUBS will be used for operational requirements.

7. RATIONALE AND PROSPECT OF THE PROPOSED DISPOSALS

The sale of the Factory will enable the Company to eliminate its underperforming assets and reduce cash outflow and deterioration of financial performance. Additionally, KUBMA will be able to reduce its debts and interest expense significantly.

The sale of the Land will enable KUBS to monetise the assets at better value since the price offered by SPOM is commercially attractive. In addition, the sale is to facilitate the implementation of the Factory SPA by KUBMA, in which KUBS has a 6% equity.

8. LIABILITIES TO BE ASSUMED

There is no liability to be assumed by KUBS and KUBMA.

9. EFFECTS OF THE PROPOSED DISPOSALS

9.1 Share Capital and Substantial Shareholders' Shareholding

The Proposed Disposals will neither have an effect on the share capital of the Company nor on the shareholdings of the substantial shareholders of the Company.

9.2 Earnings Per Share ('EPS'), Net Assets Per Share and Gearing Ratio

9.2.1 EPS and Net Assets Per Share

The Proposed Disposals will have no material impact to the EPS and Net Assets Per Share of the Group.

9.2.2 Gearing Ratio

For illustrative purposes, based on the Group latest announced results as at 31 March 2019, the gearing ratio is expected to decline from 0.44 times to 0.30 times.

10. APPLICABLE PERCENTAGE RATIOS

The highest percentage ratio applicable to the Proposed Disposals pursuant to Paragraph 10.02(g) Chapter 10 of the Main Market Listing requirements of the Bursa Securities is approximately 14.5%.

11. STATEMENT OF DIRECTORS

The Directors of KUBM, having considered all aspects of the Proposed Disposals, are of the opinion that the Proposed Disposals are in the best interest of KUBM.

12. RISK FACTORS

KUBM does not foresee any extraordinary or abnormal risk pertaining to the Proposed Disposals, save for the completion risks of the Agreements.

13. ESTIMATED TIMEFRAME FOR COMPLETION DATE

The Proposed Disposals are expected to be completed within ninety (90) days with thirty (30) days extension option with interest of eight per centum (8%) per annum.

14. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

None of the directors and/or major shareholders and/or persons connected with a director or major shareholder has any interest, whether direct or indirect, in the Proposed Disposals.

15. APPROVAL REQUIRED

The Proposed Disposals are not subject to the approval of the shareholders of KUBM. However, pursuant to Paragraph 4 above, the Proposed Disposals would require the consents from the relevant authorities.

16. DOCUMENTS FOR INSPECTION

The Agreements will be made available for inspection at the registered office of KUB Malaysia Berhad at Level 8-11, Unit 1, Capital 3, Oasis Square, Ara Damansara, Jalan PJU 1A/7A, 47301 Petaling Jaya, Selangor during normal business hours from Monday to Friday (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 23 July 2019.