

BOUSTEAD PLANTATIONS BERHAD (“BPB” OR THE “COMPANY”)

PROPOSED DISPOSAL OF 76.1% EQUITY INTEREST HELD IN BOUSTEAD SEDILI SDN BHD (“BOUSTEAD SEDILI”) TO PERMODALAN DARUL TA’ZIM SDN BHD (“PDT”) FOR A CASH CONSIDERATION OF RM60 MILLION (“PROPOSED DISPOSAL”)

1. INTRODUCTION

The Board of Directors of BPB (“**Board**”) wishes to announce that BPB had on 21 December 2016 entered into a conditional share sale agreement with PDT (“**SSA**”) for the Proposed Disposal.

2. DETAILS OF THE PROPOSED DISPOSAL

The Proposed Disposal entails the disposal of 5,864,529 ordinary shares of RM1.00 each in Boustead Sedili (“**Boustead Sedili Shares**”) (“**Sale Shares**”), representing approximately 76.1% of the issued and paid-up share capital of Boustead Sedili for a total cash consideration of RM60 million (“**Sale Consideration**”), subject to the terms and conditions as contained in the SSA.

Upon completion of the Proposed Disposal, Boustead Sedili will cease to be a subsidiary of BPB.

2.1 Information on Boustead Sedili

Boustead Sedili was incorporated in Malaysia under the Companies Act, 1965 (“**Act**”) on 16 July 1997 as a private limited company under the name of Modenmax Sdn Bhd. On 16 December 2003, the company assumed its present name.

Boustead Sedili is principally involved in cultivation of oil palm and commenced its business on 1 October 2004.

The authorised share capital of Boustead Sedili is RM10,000,000 comprising 10,000,000 Boustead Sedili Shares and its issued and paid-up share capital is RM7,709,529 comprising 7,709,529 Boustead Sedili Shares.

As at the date of this announcement:

- (i) Boustead Sedili does not have any subsidiary or associate company;
- (ii) the shareholders of Boustead Sedili and their respective shareholdings are as follows:

Shareholder	No. of ordinary shares	%
BPB	5,864,529	76.1
PDT	1,845,000	23.9
	7,709,529	100.0

- (iii) the directors of Boustead Sedili are Dato’ Sri Ghazali Mohd Ali, Dato’ Shoib bin Abdullah, Sharudin bin Jaffar, Lukman bin Abdul Bakar and Salehuddin bin Hassan.

Boustead Sedili is the beneficiary of a parcel of land measuring approximately 995.5 hectares ("Ha") ("Boustead Sedili Estate"), details of which are set out below:

Registered owner/Lessor	:	PDT			
Lessee	:	Boustead Sedili			
Location	:	HSD 19890, PTD 821, Mukim of Ulu Sungei Sedeli Besar, District of Kota Tinggi, Johor			
Description	:	An oil palm plantation known as Boustead Sedili Estate located at the 36th kilometre post of the Kota Tinggi – Mersing main road, Kota Tinggi, Johor			
Existing use	:	Cultivated with oil palm and includes buildings, roads facilities and other amenities			
Total land area as per the land title	:	995.5 Ha			
Encumbrances on property	:	Nil			
Category of land use	:	Agriculture			
Lease period	:	Lease of the whole land to Boustead Sedili for 90 years commencing from 7 January 2004 and expiring on 6 January 2094			
Restriction in interest	:	This land shall not be sold, charged, mortgaged, leased or transferred in any way including by way of an agreement with intention of letting go or selling this land without prior written approval of the state authority			
Age profile of the oil palm	:	Age profile	Ha	%	
		Immature (0 to 3 years)	-	-	
		Young mature (4 to 9 years)	-	-	
		Prime mature (10 to 20 years)	942.8	100	
		Past prime (21 to 25 years)	-	-	
		Replanting (> 25 years)	-	-	
		Total planted area	942.8	100.0	
Estate land area	:	Estate land area	Ha	%	
		Planted area	942.8	94.7	
		Planting reserve	-	-	
		Unplantable area	48.5	4.9	
		Building, sites and roads	4.2	0.4	
		Others (buffer zones, nursery, rentice, etc.)	-	-	
		Total estate land area	995.5	100.0	
Production of fresh fruit bunches (“FFB”)	:		2013	2014	2015
		Metric tonne/annum	18,013	20,344	20,665
Audited net book value as at 31 December 2015	:	RM15,188,903			
Market value as at 17 February 2016 *	:	RM73,280,000			

Note:

* Based on the valuation report dated 18 February 2016 prepared by Messrs Rahim & Co. ("Valuation Report").

BPB and PDT had jointly appointed Messrs. Rahim & Co. ("**Valuer**"), an independent valuer registered with the Board of Valuer, Appraisers and Estate Agents Malaysia, to undertake an independent valuation on Boustead Sedili Estate.

In arriving at the market value of Boustead Sedili Estate of RM73,280,000, the Valuer had adopted the investment method and the comparison method of valuation.

The investment method is in the form of discounted cash flow, which entails the estimation of annual income from the various fields based on forecasted yields and prices of FFB. The costs of production and other expenditures are deducted from the derived revenue before applying an appropriate discount rate for the remaining economic life of the oil palms to arrive at the net present value of the asset. The discounted basic improved land value, which is the value of the land at the end of the economic life of the oil palms discounted for the period, is then added to the net present value of the asset.

The comparison method of valuation entails the analyses of recent evidences of values of comparable properties in the neighborhood and adjustments for differences between the comparable properties and Boustead Sedili Estate.

The summary of the audited financial information of Boustead Sedili for the past 3 financial years ended ("**FYE**") 31 December 2013 to 2015 are set out below:

	Audited FYE 31 December		
	2013	2014	2015
	RM'000	RM'000	RM'000
Revenue	9,265	11,044	10,286
Profit before tax	1,433	3,571	2,422
Profit after tax (" PAT ")	3,386	3,697	1,813
Share capital	6,150	6,150	6,150
Shareholders' funds	9,679	13,376	15,189
Total borrowings	25,066	21,254	17,629
Gross earnings per share (" EPS ") (RM)	0.50	0.82	0.61
Net EPS (RM)	0.55	0.60	0.29
NA per share (RM)	1.57	2.17	2.47
Current ratio (times)	0.07	0.08	0.05
Gearing ratio (times)	2.59	1.59	1.16
Dividend per share	-	-	-

Note:

* *Gearing is calculated as total borrowings divided by shareholders' funds.*

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2.2 Basis and justification of arriving at the Sale Consideration

The Sale Consideration is arrived on a “willing-buyer willing-seller” basis after taking into consideration the adjusted unaudited net assets (“NA”) of Boustead Sedili as at 31 October 2016 of approximately RM74.3 million, as illustrated below:

	Ref.	RM'000
Unaudited NA of Boustead Sedili as at 31 October 2016		14,925
Add: (i) Potential upward revaluation of Boustead Sedili Estate		* 44,319
(ii) Capitalisation of advances by BPB to Boustead Sedili		15,018
Adjusted unaudited NA of Boustead Sedili	(A)	74,262
Equity interest in Boustead Sedili to be disposed by BPB pursuant to the Proposed Disposal	(B)	76.1%
Effective NA represented by the Sale Shares	(C) = (A) x (B)	56,513

Note:

* The potential upward revaluation is computed as follows:

	RM'000
Market value of Boustead Sedili Estate as appraised by the Valuer	73,280
Less: Unaudited net book value of Boustead Sedili Estate as at 31 October 2016	(28,961)
Potential upward revaluation	44,319

The Sale Consideration represents a premium of approximately RM3.5 million or 6.2% over the effective NA represented by the Sale Shares of approximately RM56.5 million.

2.3 Salient terms of the SSA

The salient terms of the SSA are set out below:

2.3.1 Conditions precedent

The Proposed Disposal is subject to the following approvals being obtained within 1 month from the date of the SSA:

- (i) approval of the Board;
- (ii) approval of the board of directors of PDT, if applicable; and
- (iii) approval or consent from the relevant authorities or governmental bodies in relation to the sale and purchase of the Sale Shares to be obtained by PDT, if applicable,

(collectively referred to as the “Approvals”).

2.3.2 Terms of payment

The Sale Consideration will be settled in the following manner:

- (i) payment of RM6 million ("**Deposit**"), being 10% of the Sale Consideration, upon execution of the SSA; and
- (ii) payment of RM54 million ("**Balance Purchase Price**"), being 90% of the Sale Consideration, within 60 days from the date of the SSA ("**Completion Date**") or any extended date within 1 month after the Completion Date ("**Completion**"), subject to the fulfilment of the Approvals.

2.3.3 Delivery of documents

Upon Completion, BPB will deliver all necessary documents to PDT to effect the transfer of the Sale Shares in favour of PDT.

2.3.4 Events of default

(i) Default by BPB

If BPB:

- (1) fails to complete the transfer of the Sale Shares and PDT had complied with all of its obligations and liabilities set out in the SSA and the SSA has become unconditional; or
- (2) commits a material breach of the terms of the SSA before the Completion Date and such material breach, if capable of remedy, has not been rectified within 14 days of receipt of demand by the PDT in writing,

PDT is allowed to claim for specific performance of the SSA or terminate the SSA by notice in writing to BPB. If PDT elects to terminate the SSA, BPB will pay a sum equivalent to the Deposit as agreed liquidated damages and refund all payments made by PDT pursuant to the provisions of the SSA, including any interest thereon, within 5 business days from the date of the receipt of notice of termination. All documents delivered to PDT, if any, will be returned to BPB.

(ii) Default by PDT

Subject to the SSA becoming unconditional and provided that BPB had complied with all of its obligations and liabilities set out in the SSA, if PDT fails to:

- (1) complete the sale and purchase of the Sale Shares on the Completion Date; and
- (2) pay the Balance Purchase Price within the stipulated period as stated in **Section 2.3.2** above,

BPB is allowed to claim for specific performance of the SSA or terminate the SSA by notice in writing to PDT. If BPB elects to terminate the SSA, BPB will forfeit the Deposit within 5 business days from the termination. All documents delivered to PDT, if any, will be returned to BPB. Thereafter neither party will have any claims whatsoever against the other, save for the provisions which survive the termination of the SSA.

2.4 Liabilities to be assumed

Save for the existing liabilities of Boustead Sedili, there are no liabilities to be assumed by PDT pursuant to the Proposed Disposal.

2.5 Original cost and date of investment in the Sale Shares

The original cost and date of investment by BPB for the Boustead Sedili Shares are as follows:

Date of acquisition	No. of Boustead Sedili Shares	Cost of investment
		RM
20 August 1997	2	2
4 October 2005	4,304,998	4,304,998
16 December 2016	1,559,529	15,018,264
	5,864,529	19,323,264

2.6 Use of proceeds

The net proceeds of RM57.6 million (net of tax and expenses of approximately RM2.4 million) arising from the Proposed Disposal is expected to be fully used by BPB for repayment of bank borrowings within 6 months from the completion of the Proposed Disposal. The interest savings based on an interest rate of 4.4% per annum arising from the repayment of bank borrowings is approximately RM2.5 million.

2.7 Information on PDT

PDT was incorporated in Malaysia under the Act as a private limited company on 16 December 1994 under its present name.

PDT is the investment arm of the State Government of Johor and is principally involved in investment holding and management activities.

The authorised share capital of PDT is RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each in PDT ("**PDT Shares**") and its issued and paid-up share capital is RM1,000,002 comprising 1,000,002 PDT Shares.

As at the date of this announcement:

- (i) the sole shareholder of PDT is Perbadanan Setiausaha Kerajaan Johor; and
- (ii) the directors of PDT are Y.A.B. Dato' Mohamed Khaled bin Nordin, Y.B. Datuk Haji Md Jais bin Sarday, Y.B. Dato' Haji Ismail bin Karim, Y.B. Dato' Ishak bin Sahari, Y.B. Tuan Haji Mohd Nasir bin Abd Salam, Tuan Haji Salehuddin bin Hassan, Tuan Haji Azmi bin Rohani and Tuan Haji Izaddeen bin Daud.

3. RATIONALE FOR THE PROPOSED DISPOSAL

The Proposed Disposal represents an opportunity for BPB to realise its investment in Boustead Sedili to PDT at a premium over the adjusted effective NA of Boustead Sedili. The Proposed Disposal will enable the BPB to realise a net gain on disposal of approximately RM31.5 million.

The contribution of Boustead Sedili towards the revenue and PAT of BPB and its subsidiaries ("**BPB Group**") was relatively small at 1.2% and 1.8% respectively for the FYE 31 December 2015. Further, Boustead Sedili Estate's total area of 995.5 Ha represents only 1.2% of BPB Group's land bank.

The Proposed Disposal also allows the BPB Group to strengthen its liquidity and cash flow position by raising gross cash proceeds of RM60 million which will be used for repayment of bank borrowings. This will result in interest savings of approximately RM2.5 million based on an interest rate of 4.4% per annum.

4. RISK FACTORS

The Proposed Disposal is conditional upon the Approvals being fulfilled. There is no assurance that the Proposed Disposal can be completed within the timeframe stipulated under the SSA. Any delay in the fulfilment of the Approvals may lead to a delay in the completion or termination of the Proposed Disposal.

Notwithstanding the above, BPB will take reasonable steps to ensure that the Approvals will be met on a timely basis in order to give effect to the Proposed Disposal.

5. EFFECTS OF THE PROPOSED DISPOSAL

5.1 Share capital and substantial shareholders' shareholdings

The Proposed Disposal will not have any effect on BPB's issued and paid-up share capital and its substantial shareholders' shareholdings, as the Sale Consideration for the Proposed Disposal will be satisfied wholly in cash.

5.2 Earnings and EPS

Upon completion of the Proposed Disposal, BPB is expected to realise an estimated gain of RM31.5 million, which translates into a gain of approximately 2 sen per BPB share.

5.3 NA and gearing

The Proposed Disposal is expected to improve the NA of BPB by approximately 2 sen per BPB share. Assuming that the cash proceeds from the Proposed Disposal are entirely used for the repayment of bank borrowings, the gearing of BPB Group is expected to be reduced by approximately 0.03 times.

6. APPROVALS REQUIRED

Save for the Approvals, the Proposed Disposal is not subject to the approval of BPB's shareholders or any other authorities.

7. INTEREST OF MAJOR SHAREHOLDER AND DIRECTORS

None of the major shareholders and/or directors of BPB and/or persons connected with them have any interest, direct or indirect, in the Proposed Disposal.

8. HIGHEST PERCENTAGE RATIO APPLICABLE

The highest percentage ratio applicable to the Proposed Disposal pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 2.8% based on the Sale Consideration against the audited consolidated NA of BPB Group as at 31 December 2015.

9. DIRECTORS' STATEMENT

Having considered all aspects of the Proposed Disposal, the Board is of the opinion that the Proposed Disposal is in the best interest of BPB Group.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Disposal is expected to be completed by the first quarter of 2017.

11. DOCUMENTS AVAILABLE FOR INSPECTION

The SSA, the Valuation Report and the audited consolidated financial statements of Boustead Sedili for the past 2 FYEs up to 31 December 2015 will be made available at BPB's registered office at 28th Floor, Menara Boustead, 69, Jalan Raja Chulan, 50200 Kuala Lumpur from Monday to Friday (except public holiday) during business hours for a period of 1 month from the date of this announcement.

This announcement is dated 21 December 2016.