

PROPOSED ACQUISITION BY KUMPULAN FIMA BERHAD ("COMPANY" OR "KFIMA") OF ONE HUNDRED TWENTY SIX THOUSAND EIGHT HUNDRED (126,800) ORDINARY SHARES OF RM1.00 EACH, REPRESENTING EIGHTY PERCENT (80%) OF THE EQUITY INTEREST OF VICTORIA SQUARE PLANTATION SDN BHD FOR A TOTAL PURCHASE CONSIDERATION OF RM21.00 MILLION

1. INTRODUCTION

The Board of Directors of KFIMA is pleased to announce that KFIMA had on 25 October 2010 entered into a conditional Sale and Purchase Agreement ("SPA") with Network Jaya Berhad (322571-A) ("Vendor") for the acquisition of one hundred twenty six thousand eight hundred (126,800) ordinary shares of RM1.00 each ("Sale Shares"), representing eighty percent (80%) of the equity interest of Victoria Square Plantation Sdn Bhd for a total purchase consideration of RM21.00 million ("Proposed Acquisition").

2. INFORMATION ON VICTORIA SQUARE PLANTATION SDN BHD (733298-K)

- (i) Victoria Square Plantation Sdn Bhd ("VSP") was incorporated on 10 May 2006 as a private company limited by shares. The authorised share capital of VSP is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each, of which 158,500 ordinary shares have been issued and are fully paid-up ("VSP Shares"). VSP is wholly-owned by the Vendor. VSP, principally an investment holding company, is currently dormant.
- (ii) VSP holds 650,000 ordinary shares of RM1.00 each representing 65% of the total and issued paid-up capital in Amgreen Gain Sdn Bhd (655236-V) ("Amgreen"), a private company limited by shares. Amgreen is a joint-venture company between VSP, Board of Trustees of the Sarawak Foundation and Amanah Khairat Yayasan Budaya Melayu Sarawak to undertake the development of the entire parcel of land measuring approximately five thousand (5,000) hectares held under Lot 1204, Puyut Land District, Sungai Karap and Sungai Kalak, Baram, Miri Sarawak (hereinafter referred to as "the Land") in accordance with the terms and conditions of the Joint Venture Agreement dated 21 August 2006 ("JVA"). A provisional lease of the Land had been granted to Amgreen. The Land is presently free from encumbrances.

3. DETAILS OF THE PROPOSED ACQUISITION

3.1 The Proposed Acquisition

The Proposed Acquisition involves the acquisition of the Sale Shares, comprising 126,800 ordinary shares of RM1.00 each in the share capital of VSP, representing 80% of the equity interest of VSP, free from all liens, charges, encumbrances, claims and interests whatsoever for a total purchase consideration of RM21.00 million ("Purchase Price").

3.2 Basis of determining the Purchase Price and satisfaction of the Purchase Price

- (i) The Purchase Price is arrived at on a "willing seller and willing buyer basis".
- (ii) The Purchase Price will be wholly satisfied by cash in accordance with the terms of the SPA through internally generated funds and/or external borrowings.

3.3 Salient terms of the SPA

The completion of the Proposed Acquisition is subject to, inter alia, the following conditions:

- (i) all necessary approvals and consents which may be legally or contractually required, including the consent of lenders of VSP and/or Amgreen (if any), for the sale of the Sale Shares as contemplated under the SPA;

- (ii) the approval of the Natural Resources and Environment Board having been obtained in respect of the Environmental Impact Assessment for the development of the Land into an oil palm plantation as contemplated under the JVA;
- (iii) the conduct of a legal and financial due diligence exercise into the assets (including the Land), liabilities, contracts, finances, operations, prospects and all other aspects of VSP and Amgreen ("Due Diligence Exercise"), the results of which are satisfactory to KFIMA; and
- (iv) the fulfilment of all such other conditions as may be reasonably required by KFIMA pursuant to the Due Diligence Exercise.

3.4 Assumption of liabilities

There is no liability to be assumed by KFIMA from the Proposed Acquisition.

3.5 Percentage ratios under Paragraph 10.02(g) of the Bursa Malaysia Main Market Listing Requirements

Based on the KFIMA Group's Audited Accounts for financial year ended 31 March 2010, the highest percentage ratio under Paragraph 10.02(g) of Chapter 10 of Bursa Malaysia Main Market Listing Requirements is 5.24% being the aggregate value of the consideration given or received in relation to the Proposed Acquisition, compared with the net assets of the KFIMA Group.

4. INFORMATION ON THE LAND

Based on the latest audited financial statements of Amgreen for the financial year ended 31 October 2009, the net book value of the Land was RM4.25 million.

The salient features of the Land are as follows:

- (i) The Land is to be used for agricultural purposes and purposes incidental to the production and processing of crops grown thereon and such other purposes as may be from time to time approved by the relevant authorities.
- (ii) The Land is held under a 60-year leasehold term expiring on 12/08/2069, thus having an unexpired term of about 59 years.

The anticipated cost of developing the Land into an oil palm plantation will be approximately RM70 million over the next 5 years.

5. INFORMATION ON THE VENDOR

- 5.1 The Vendor was incorporated on 5 November 1994 as Network Jaya Sdn Bhd. It was subsequently converted into a public limited company on 18 January 1995. The Vendor currently has an authorised share capital of RM5,000,000 divided into 5,000,000 ordinary shares of RM1.00 each, of which 1,000,000 ordinary shares have been issued and are fully paid-up. The Vendor is an investment holding company. The shareholders and directors of the Vendor are as follows:-

Shareholders

| Name | Shareholding (number of shares) |
|------------------------------|---------------------------------|
| Wung Heok Hoi | 340,000 |
| Dato' Hj Ibrahim bin Mahmud | 510,000 |
| Chung Ming Chong @ Min Tjong | 150,000 |

Directors

- Dato' Hj Ibrahim bin Mahmud
- Wung Heok Hoi
- Yahya bin Ibrahim
- Chung Ming Chong @ Min Tjong

5.2 Original cost of investment

The Vendor's original cost of investment in VSP is as follows:

| Date of Allotment | No. of Sale Shares | Original cost of investment (RM) |
|-------------------|--------------------|----------------------------------|
| 12/06/2006 | 3 | 3 |
| 15/06/2006 | 9,997 | 9,997 |
| 16/04/2008 | 148,500 | 148,500 |

6. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is a strategic investment by the Company in line with the Group's expansion programme to enhance KFIMA's earnings profile in the long term which ultimately is expected to improve shareholder's value.

7. 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 KFIMA.

7.2 Earnings

The Proposed Acquisition is not expected to have any significant effect on the earnings or net assets per share of the Group for the financial year ending 31 March 2011. However, the Proposed Acquisition is expected to enhance the future earnings of the Group in the future.

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 the KFIMA Group based on the audited financial statements for the financial year ended 31 March 2010.

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 2011.

8. INDUSTRY PROSPECT

The long-term prospects of the oil palm business are expected to be positive, driven by the expected increase in the demand for edible oils in tandem with global population growth; and the competitive advantage of palm oil compared to other edible oils in terms of yield and cost efficiency.

9. RISK FACTORS

9.1 Business Risk

KFIMA does not foresee any extraordinary or abnormal risk factors pertaining to the Proposed Acquisition, save for the business/operating risks normally associated with the oil palm industry in which the KFIMA Group is already involved.

As with other oil palm producers, the KFIMA Group is subject to risks inherent to the plantation industry, which include but not limited to changes in global, regional and local economy, competition from existing and new producers, changes in weather conditions, fluctuation in commodity prices, outbreak of pests and crop diseases constraints in labour supply and increase in production costs. As a globally traded commodity, the fluctuation of palm oil prices correlates with the demand and supply of the vegetable oils and fats market thereby giving rise to volatile price movements. Additionally, the prices of crude palm oil and palm kernel are also exposed to fluctuations in exchange rates as the trade and exports of the nation's crude and processed palm oil products are usually denominated in US Dollars.

10. INTERESTS OF MAJOR SHAREHOLDERS AND DIRECTORS

10.1 Directors

None of the directors of KFIMA or any other persons connected with them has any material interest, direct or indirect, in the Proposed Acquisition.

10.2 Substantial Shareholders

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

12. DIRECTORS' RECOMMENDATION

The Board of Directors of KFIMA, 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.

13. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Acquisition is expected to be completed in the fourth quarter of the current financial year ending 31 March 2011.

14. SHAREHOLDERS' APPROVAL

The Proposed Acquisition is not subject to shareholders' approval.

15. COMPLIANCE WITH AND DEPARTURE FROM THE GUIDELINES OF THE SECURITIES COMMISSION

KFIMA is not aware of any departure from the SC Guidelines in relation to the Proposed Acquisition.

16. DOCUMENTS FOR INSPECTION

Copies of the SPA are available for inspection at KFIMA's registered office during normal business hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this Announcement.