General Announcement

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* Company name: KUMPULAN FIMA BERHAD
* Stock name: KFIMA
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NON RELATED PARTY TRANSACTIONS

Description:-(Note: Please enter the announcement description in this field and the announcement details in the Announcement Details/Table Section or attach the full announcement details as an attachment)

SHAREHOLDERS AGREEMENT BETWEEN KUMPULAN FIMA BERHAD ("KFIMA") AND NETWORK JAYA BERHAD ("NJB") (COLLECTIVELY, "THE PARTIES") ("SHAREHOLDERS AGREEMENT")

Announcement Details/Table Section:-
(This field is for the details of the announcement, if applicable)

KFIMA wishes to announce that it had on February 18, 2011 entered into a Shareholders’ Agreement with NJB, with a view to regulating the Parties’ equity participation in Victoria Square Plantation Sdn Bhd ("VSP"), their relationship inter-se as shareholders of VSP and generally the conduct and affairs of VSP following the completion of the Sale & Purchase Agreement dated 25 October 2010 between KFIMA and NJB in respect of KFIMA’s acquisition of 126,800 ordinary shares of RM1.00 each or 80% equity interest in VSP for a purchase consideration of RM21.0 million ("SPA").

Further details of the Shareholders Agreement are set out in the attachment.
This announcement is dated 18 February 2011.

Attachment(s):- (please attach the attachments here)
Shareholders Agreement.pdf

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https://bursalink.bursamalaysia.com/link/kfima/plc_local.nsf/adca2b6c8485b2fd4825735b00391421/dff... 2/18/2011
Contents:

1. INTRODUCTION

KFIMA wishes to announce that it had on February 18, 2011 entered into a Shareholders' Agreement with NJB, with a view to regulating the Parties' equity participation in Victoria Square Plantation Sdn Bhd ("VSP"), their relationship inter-se as shareholders of VSP and generally the conduct and affairs of VSP following the completion of the Sale & Purchase Agreement dated 25 October 2010 between KFIMA and NJB in respect of KFIMA's acquisition of 126,800 ordinary shares of RM1.00 each or 80% equity interest in VSP for a purchase consideration of RM21.0 million ("SPA").

2. RATIONALE FOR THE SHAREHOLDERS AGREEMENT

The entry into the Shareholders Agreement is part of KFIMA's long term strategy of increasing its interest in the oil palm industry to enhance KFIMA's earnings profile which ultimately is expected to improve shareholders' value.

3. BACKGROUND INFORMATION ON NJB, VSP AND AMGREEN GAIN SDN BHD ("AMGREEN")

NJB

NJB 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 NJB 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.

VSP

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, principally an investment holding company, is currently dormant.

Amgreen

VSP holds 650,000 ordinary shares of RM1.00 each representing 65% of the total and issued paid-up capital in Amgreen, a private company limited by shares. Amgreen, which was incorporated on 8 June 2004, is a joint-venture company between VSP (65%), Board of Trustees of the Sarawak Foundation (20%) and Amanah Khairat Yayasan Budaya Melayu Sarawak (15%) to undertake the development of an oil palm plantation on the entire parcel of land measuring approximately 5,000 hectares held under Lot 1204, Puyut Land District, Sungai Karap and Sungai Kalak, Baram, Miri Sarawak ("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 has been granted to Amgreen. The Land is presently free from encumbrances.
Amgreen currently has an authorised share capital of RM10,000,000 ordinary shares of RM1.00 each, of which 1,000,000 ordinary shares have been issued and are fully paid-up.

4. SALIENT TERMS OF THE SHAREHOLDERS AGREEMENT

The salient terms of the Shareholders Agreement are, inter alia, as follows:-

4.1 Equity participation: KFIMA and NJB's equity participation in VSP shall be premised on an 80:20 equity basis. As at the date hereof, the total issued and paid-up share capital of VSP stands in the sum of RM158,500.00 comprising 158,500 ordinary shares of RM1.00 each.

After the date of the Shareholders Agreement, the total issued and paid-up share capital of VSP shall be increased to Ringgit Malaysia Two Million and Five Hundred Thousand (RM2,500,000.00) comprising 2,500,000 ordinary shares of RM1.00 each ("Initial Capital"). Accordingly, the Parties shall contribute to the Initial Capital by fully subscribing for the shares at par in their respective proportions which may be called in such amounts and at such times as the parties may by ordinary resolution decide.

NJB shall have the right to subscribe for all or any of the shares offered to it (other than shares forming part of the Initial Capital) within a period of three (3) years from the date of such offer. In the event that NJB fails to subscribe for all or any such shares as are offered to it within the period of three (3) years from the date of such offer, such shares not subscribed for by NJB shall be offered to the other shareholder or, if more than one, to such shareholders at par in accordance with the proportion of the total issued and paid-up share capital of VSP (excluding such issued and paid-up share capital as may be held by the NJB) held by the other shareholders respectively.

4.2 To ensure the due observance of VSP's and Amgreen's undertaking of the plantation development activities on the Land as contemplated by the JVA:

(a) KFIMA shall inter alia:

(1) assist VSP and Amgreen to develop, to the extent commercially viable, an oil palm plantation on the Land to a standard acceptable to KFIMA and in this regard, the day to day management of VSP and Amgreen (including all aspects of the plantation development activities to be undertaken on the Land) shall be vested in KFIMA;

(2) extend to VSP and Amgreen the financial support or funds necessary for the plantation development activities to be undertaken on the Land as contemplated by the JVA, on such terms as may be acceptable to KFIMA; and

(3) assist Amgreen by the provision of information and the secondment of personnel to assist in the construction, management, administration, operation and maintenance of the palm oil mill in the event that the Board of Directors of Amgreen shall decide on the setting up of a palm oil mill on the Land, on such terms as may be acceptable to KFIMA; and

(b) NJB shall provide to KFIMA, VSP and/or Amgreen all such information, aid, support and assistance as are necessary or desirable for the business of VSP and Amgreen, including advising on and ensuring the fulfilment of all the relevant commercial, legal and government requirements, local conditions and customs
and providing support to Amgreen in its application for and obtainment of the necessary licenses for its business activities through its contacts and the relevant agencies.

4.3 **Financing requirements:** The financing requirements of VSP and/or Amgreen (as the case may be) shall be met by either:

(a) project financing from banks/financial institutions;

(b) loans, advances or financial assistance to be provided or made available by or from KFIMA and other shareholders (NJB excepted and NJB shall not be required or obligated to provide or make available any loans, advances or financial assistance to VSP), subject to the applicable laws, regulations, directives, guidelines, rules and requirements of competent authorities, including but not limited to the listing requirements of Bursa Malaysia Securities Berhad.

Such financial support or funds extended to VSP and/or Amgreen shall, unless otherwise agreed by KFIMA, bear interest based on Malayan Banking Berhad’s prevailing base lending rate or the actual rate of the interest charged by the financial institutions on the funds acquired by KFIMA for the benefit of VSP and/or Amgreen, whichever is higher, and shall accrue from the date of disbursement of the funds to VSP or Amgreen (as the case may be) until the date on which such funds are fully and finally settled by VSP or Amgreen (as the case may be); and/or

(c) an increase in the share capital of VSP.

5. **APPROVALS**

The Shareholders Agreement is not subject to the approval of the shareholders of KFIMA.

6. **INDUSTRY PROSPECT**

The long-term prospects of the oil palm industry 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.

7. **RISK FACTORS**

KFIMA does not foresee any extraordinary or abnormal risk factors arising from its entry into the Shareholders Agreement, 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 are 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.

8. INTERESTS OF MAJOR SHAREHOLDERS AND DIRECTORS

8.1 Directors

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

8.2 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 transaction.

9. DIRECTORS RECOMMENDATION

The Directors, after careful deliberation, are of the view that the Shareholders Agreement are in the best interest of the KFIMA.

10. 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 Shareholders Agreement.

11. DOCUMENTS FOR INSPECTION

Copies of the Shareholders Agreement 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.