

30/07/2008

**RELATED PARTY TRANSACTION IN RESPECT OF THE PROPOSED ACQUISITION OF THREE (3) PIECES OF LEASEHOLD LAND IN MUKIM OF LUMUT, DAERAH MANJUNG, PERAK DARUL RIDZUAN BY UMW FABRITECH SDN BHD (FORMERLY KNOWN AS UMW COATING TECHNOLOGIES SDN BHD) FROM PRO-EXPERT SDN BHD**

**1. INTRODUCTION**

Pursuant to our announcement made on 30<sup>th</sup> April 2008 in respect of the execution of a Sale of Shares Agreement and a Joint Venture and Shareholders' Agreement ("JVSA") between UMW Corporation Sdn Bhd ("UMWC"), a wholly-owned subsidiary of UMW, and DKLS Oil & Gas Sdn Bhd (formerly known as DKLS Homefields Sdn Bhd) (681925-H) ("DKLS O&G"), a wholly-owned subsidiary of DKLS Industries Berhad, for the establishment of a joint venture to undertake the business of fabrication of oil and gas offshore structures in Malaysia, through UMW Fabritech Sdn Bhd (formerly known as UMW Coating Technologies Sdn Bhd) ("UFSB"), a subsidiary of UMWC, UFSB will enter into two separate Sale and Purchase Agreements ("SPAs") for the acquisition of land to be developed into an oil and gas fabrication yard in Lumut, Manjung, Perak, upon execution of the JVSA ("Proposed Acquisition").

Consequent to the above, UMW wishes to announce that UFSB ("the Purchaser") has today entered into two separate Sale and Purchase Agreements ("SPA 1 and SPA 2") with Pro-Expert Sdn Bhd (260568-V) ("Pro-Expert") of No. 51E, Tingkat Satu, Jalan Raja Omar, 32000 Sitiawan, Perak Darul Ridzuan ("the Vendor"), for the acquisition of the following three pieces of land from Pro-Expert, at a total purchase consideration of RM30,000,000 –

**1.1 SPA 1**

Two (2) pieces of vacant leasehold land (99 years lease, expiring on 26<sup>th</sup> September 2095) held under H.S. (D) 9238 for PT No. 7054 ("Land 1") and H.S (D) 9239 for PT No. 7055 ("Land 2"), both situated at Mukim Lumut, Daerah Manjung, Perak Darul Ridzuan, measuring approximately 10,845.5741 square metres (2.68 acres) and 35,814.6756 square metres (8.85 acres), respectively, at a purchase consideration of RM3,500,000 and RM11,500,000, respectively (Purchase Price 1 and Purchase Price 2).

**1.2 SPA 2**

A piece of vacant leasehold land (99 years lease, expiring on 9<sup>th</sup> July 2105) held under H.S. (D) 23567 for PT No. 10427 ("Land 3"), situated at Mukim Lumut, Daerah Manjung, Perak Darul Ridzuan, measuring approximately 52,738 square metres (13.031 acres), at a purchase consideration of RM15,000,000 (Purchase Price 3).

The transaction between UFSB and Pro-Expert is deemed to be a Related Party Transaction ("RPT"), as Mr Ding Poi Bor and Mr Sam Tuck Wah, Directors and substantial shareholders of Pro-Expert, are deemed interested in UFSB, by virtue of their directorships and substantial shareholdings in DKLS Industries Berhad, the holding company of DKLS O&G, which is in turn a substantial shareholder of UFSB. Mr Ding Poi Bor and Mr Sam Tuck Wah are also Director and Alternate Director, respectively, of UFSB.

The above-mentioned RPT is -

- undertaken on an arm's length basis;
- on terms not more favourable to the related party than those generally made available to the public; and
- not detrimental to the minority shareholders.

## **2. DETAILS OF THE PURCHASER**

### **2.1 INFORMATION ON UFSB**

UFSB is a company incorporated under the Companies Act, 1965 on 12<sup>th</sup> March 2004 and has its registered office at 3<sup>rd</sup> Floor, The Corporate, No. 10, Jalan Utas (15/7), Batu Tiga Industrial Estate, 40200 Shah Alam, Selangor Darul Ehsan. The existing issued and paid-up share capital of UFSB is RM10,000,000 divided into 10,000,000 ordinary shares of RM1.00 each. The principal activity of UFSB is the provision of sandblasting, testing, priming, coating, inspection, maintenance and repair services of equipment and tubes as well as the provision of fabrication services to the oil and gas industry.

## **3. DETAILS OF THE VENDOR**

### **3.1 INFORMATION ON PRO-EXPERT**

Pro-Expert is a company incorporated under the Companies Act, 1965 on 6<sup>th</sup> April 1993 and having its registered office at No. 51E, Tingkat Satu, Jalan Raja Omar, 32000 Sitiawan, Perak Darul Ridzuan. The existing issued and paid-up share capital of Pro-Expert is RM8,000,000 divided into 8,000,000 ordinary shares of RM1.00 each.

The principal activity of Pro-Expert is the investment of properties.

The shareholders of Pro-Expert are as follows -

- i) Ding Poi Bor (40%)
- ii) Datin Soh Yoke Moi (40%)
- iii) Sam Tuck Wah (20%).

The directors of Pro-Expert are as follows -

- i) Ding Poi Bor
- ii) Sam Tuck Wah
- iii) Datin Soh Yoke Moi.

## **4. SALIENT TERMS OF SPA 1 AND SPA 2**

Salient terms of SPA 1 and SPA 2 (hereinafter collectively referred to as "SPAs") are as follows -

i) The Vendor is the registered proprietor and beneficial owner of Land 1, Land 2 and Land 3 (hereinafter collectively referred to as "the Land").

ii) The Vendor has agreed to sell and the Purchaser has agreed to purchase the Land on the following basis -

a) the Land being free from all equities, charges, liens, caveats and encumbrances, interests, claims, proceedings, prohibition orders, trusts, squatters and tenants and with vacant possession but subject to all conditions and restrictions expressed or implied in the documents of title to the Land and upon the terms and subject to the conditions stipulated in the SPAs;

b) there being no outstanding premiums and land contribution payments to the authorities in relation to the Land;

c) the Land being leasehold in tenure; and

d) the Land not being subject to any acquisition or proposed acquisition by the authorities (provided always if there is such acquisition, the provisions in the SPAs shall apply).

The Proposed Acquisition is conditional upon the fulfilment of the following Conditions Precedent within the six-month Conditional Period -

a) the Vendor to obtain the State Authority approval to transfer each parcel of the Land by the Vendor to the Purchaser;

b) the Purchaser to obtain the Foreign Investment Committee's ("FIC") approval for the Proposed Acquisition;

c) fulfilment of all the conditions precedent contained in the SPAs;

d) the receipt of the approval of Board of Directors and shareholders of the Vendor, for the sale of the Land, by the Purchaser; and

e) the receipt of the approval of Board of Directors and shareholders (if applicable) of the Purchaser for the Proposed Acquisition, by the Vendor.

The date on which the above Conditions Precedent are fulfilled shall be referred to as the "Unconditional Date".

## **5. RATIONALE**

The Proposed Acquisition is for the development of an oil and gas fabrication yard in Lumut, Manjung, Perak Darul Ridzuan for UFSB to undertake the business of fabrication of oil and gas offshore structures in Malaysia. The new construction and fabrication facility in Lumut is expected to further strengthen UMW's growing reputation as a leading provider of the oil & gas industry's ancillary products and services in the region.

## **6. BASIS OF ARRIVING AT THE PURCHASE CONSIDERATION**

The total purchase consideration of RM30,000,000, to be satisfied in cash, was arrived at based on a willing buyer-willing seller basis.

The value was based on a valuation conducted by Messrs Jones Lang Wootton on 17<sup>th</sup> October 2007 using the Comparison method, and also taking into consideration the areas immediate to the North of the Land which had been reclaimed and which can be utilised by UFSB.

The Land which is adjacent to the river and which is supported by good infrastructure can potentially provide the new fabrication facility with over 450 metres long quayside. This would be a key factor to develop the potential of this project. With favourable water depth, this extended quayside can be developed into strong jetties to enable the docking of large vessels and support the load-out of large structures for transportation by sea. Land that comes with similar critical factors is very limited in Malaysia and as such will give UFSB a competitive advantage.

## **7. MODE OF PAYMENT**

The payment shall be made in instalments in the following manner -

- a) 10% of the purchase price, by way of a deposit, amounting to RM3,000,000 to be paid immediately upon signing of the SPAs; and
- b) the balance of the purchase price shall be paid as follows -
  - (i) SPA 1 - RM13,500,000 to be paid within three (3) months from the Unconditional Date; and
  - (ii) SPA 2 - RM13,500,000 to be paid within twelve (12) months from the Unconditional Date.

## **8. SOURCE OF FUND**

The Proposed Acquisition will be financed from internally-generated funds of UFSB.

## **9. PARTICULARS OF ALL LIABILITIES TO BE ASSUMED BY THE PURCHASER**

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

## **10. ORIGINAL COST OF INVESTMENT**

UMW is not privy to the details of the original cost of investment, original date of investment and net book value thereof, and as such, UMW is unable to disclose such information.

## **11. RISK FACTORS**

The Board of Directors of UMW is not aware of any risks arising from the Proposed Acquisition which could materially or adversely affect the financial and operating conditions of the UMW Group.

## **12. APPROVALS REQUIRED**

The Proposed Acquisition is subject to the approval of the FIC and the State Authority but does not require the approval of shareholders of UMW.

The approval of FIC for the joint venture between UMWC and DKLS O&G in UFSB has been obtained today.

## **13. INTEREST OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND PERSONS CONNECTED TO THEM**

None of the Directors and substantial shareholders of UMW and/or persons connected with the Directors and/or substantial shareholders, has any interest, direct or indirect, in the Proposed Acquisition.

## **14. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION**

The Proposed Acquisition is not expected to have any material impact on the share capital, earnings, net assets and substantial shareholders' shareholding of the UMW Group.

**15. STATEMENT OF DIRECTORS**

The Board of Directors of UMW is of the opinion that the Proposed Acquisition is in the best interests of the UMW Group.

**16. ESTIMATED TIME FRAME FOR COMPLETION**

Barring unforeseen circumstances, the Proposed Acquisition is expected to be completed by the fourth quarter of 2009.

**17. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy each of the SPAs will be available for inspection, in accordance with UMW's Documents Inspection Policy, at the registered office of UMW Holdings Berhad at 3<sup>rd</sup> Floor, The Corporate, No. 10, Jalan Utas (15/7), Batu Tiga Industrial Estate, 40200 Shah Alam, Selangor Darul Ehsan, during normal office hours (8.00 a.m. to 5.30 p.m.) on any weekday (except public holidays) from 31<sup>st</sup> July 2008 to 14<sup>th</sup> August 2008.

cc-Securities Commission  
(Issues & Investment Division)  
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