

**MTD ACPI ENGINEERING BERHAD**  
**General Announcement**

**DESCRIPTION : PROPOSED DISPOSAL OF THREE (3) PLOTS OF FREEHOLD INDUSTRIAL LAND HELD UNDER GERAN 30196, LOT 47084, GERAN 30197, LOT 47085 AND SUB-DIVIDED PORTION OF GERAN 24102, LOT 23528, MUKIM HULU KINTA, DISTRICT OF KINTA, STATE OF PERAK DARUL RIDZUAN TOGETHER WITH ALL PLANT AND MACHINERY FIXED TO A FACTORY STRUCTURE ERECTED THEREON BY ASSOCIATED CONCRETE PRODUCTS (MALAYSIA) SDN BHD, A WHOLLY OWNED SUBSIDIARY OF MTD ACPI ENGINEERING BERHAD TO SERBA WANGI (PERAK) SDN BHD**

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Content :

## **1.0 INTRODUCTION**

MTD ACPI Engineering Berhad ("MTDACPI" or "**Company**") wishes to announce that its wholly owned subsidiary, Associated Concrete Products (Malaysia) Sdn Bhd ("**ACPM**" or "**Vendor**") had on 4 August 2015 entered into a sale and purchase agreement ("**SPA**") with Serba Wangi (Perak) Sdn Bhd ("**SWPSB**" or "**Purchaser**") for the proposed disposal of the following assets at a total consideration RM15,105,000.00 [inclusive of 6% Malaysian Goods & Services Tax ("**GST**")] ("**Total Consideration**"), in accordance with the terms and conditions as stipulated in the SPA ("**Proposed Disposal**"):-

- (a) Three (3) plots of freehold industrial land held under Geran 30196, Lot 47084, Geran 30197, Lot 47085 and sub-divided portion of Geran 24102, Lot 23528, Mukim Hulu Kinta, District of Kinta, State of Perak Darul Ridzuan together with buildings and factory structure erected thereon ("**Properties**") for a consideration of RM12,985,000.00 (inclusive of 6% GST); and
- (b) All plant and machinery fixed to the aforesaid buildings and factory structure ("**Plant & Machinery**") for a consideration of RM2,120,000 (inclusive of 6% GST)

The Properties and Plant & Machinery are collectively referred to as "**Assets**".

## **2.0 DETAILS OF THE PROPOSED DISPOSAL**

### **2.1 Information on the Assets**

The summary information of the Assets is set out below:

Description of the Assets	: Three (3) adjoining plots of freehold industrial land held under Geran 30196, Lot 47084, Geran 30197, Lot 47085 and sub-divided portion of Geran 24102, Lot 23528, Mukim Hulu Kinta, District of Kinta, State of Perak Darul Ridzuan located along Jalan Lahat, Mukim Hulu Kinta, District of Kinta, State of Perak Darul Ridzuan and the Plant & Machinery, fixed to buildings and factory structure erected on the land held under Geran 30196, Lot 47084 and sub-divided portion of Geran 24102, Lot 23528.
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Location of the Assets / Postal Address	: Lot 47084, KM 10, Jalan Lahat, 31500 Lahat, Perak Darul Ridzuan
Registered owner	: Associated Concrete Products (Malaysia) Sdn Bhd
Tenure of land	: Freehold
Land area	: Approximately 831,291 square feet (excluding sub-divided land portions on Lot 23528 measuring 53,361 square feet and 39,181 square feet disposed off earlier and surrendered to authority as access road respectively)
Category of land use	: Industrial, in respect of all titles
Express Condition	: “Perusahaan Ringan – Tapak Kilang”, in respect of all titles
Restriction-in-interest	: Nil, in respect of all titles
Factory Structure area	: 45,703 square feet
Age of building and factory structure	: 27 years
Existing use of building and factory structure	: The factory is owner-occupied and had ceased production since November 2013. Currently, the factory is still in operation for disposal of old stocks and materials.
Encumbrances/Caveat	: Nil, in respect of all titles
Audited net book value of the Assets as at 31 March 2015	: RM9,239,000.00

## 2.2 Information on SWPSB

SWPSB has been incorporated in Malaysia under the Companies Act, 1965 on 9 May 2000 as a private limited liability company and the principal activity of SWPSB is wholesale of rice.

As at 31 July 2015, the authorised share capital of SWPSB is RM500,000.00 comprising 500,000 ordinary shares of RM1.00 each of which all of the shares have been issued and fully paid-up.

## 2.3 Basis of Disposal Consideration

The Total Consideration for the Proposed Disposal of RM15,105,000.00 (inclusive of 6% GST) was arrived at on an “as is where is” and willing buyer willing seller basis in an arm’s-length transaction, based on the market values of the Assets subject to depreciation of values to the Plant and Machinery.

The land consisting of Geran 30196, Lot 47084, Geran 30197, Lot 47085 and the whole lot of Geran 24102, Lot 23528 including building structures erected thereon were valued at RM14.5 million by Messrs. Rahim & Co Chartered Surveyors (Perak) Sdn Bhd (“**Valuer**”), in their valuation report dated 1 October 2013, for the valuation conducted on 24 September 2013 (“**Valuation Report**”).

The valuation method adopted was the Comparison Method of valuation which entails critical analyses of recent evidence of values of comparable properties in the neighbourhood and making adjustments for differences. The Valuer also applied the Cost Method of valuation to determine the Market Value of the Properties which involves the valuation of land by comparison with evidence of values of comparable lands and adding to it the current replacement cost of the building less depreciation, if necessary. The current replacement cost involves the construction cost, financing charges, advertising charges, professional fees, other incidental expenses and profit.

## 2.4 Salient Terms of the SPA

The salient terms of the SPA are as follows:-

### (A) Consideration

- (i) The Assets are sold:-
  - (a) on an “as is where is” basis;
  - (b) free from all encumbrances;
  - (c) subject to all restrictions in interest and conditions of title, whether express or implied, affecting the Properties; and
  - (d) subject to the present zoning, road widening, drainage improvement or other schemes whatsoever affecting the Properties and the Purchaser is deemed to have full knowledge of the nature and effect thereof.

The Total Consideration of the Assets shall be the sum of RM15,105,000.00 consisting of the total disposal price of the Assets of RM14,250,000.00 (“**Base Purchase Price**”) and GST of 6% thereon of RM855,000.00 and shall be satisfied in the following manner:-

- (i) Earnest deposit of RM302,100.00 (inclusive of GST) which is equivalent to 2% of the Total Consideration (“**Earnest Deposit**”) shall be paid by the Purchaser within seven (7) days from the acceptance by the Purchaser of the Vendor’s acceptance letter. The aforesaid Earnest Deposit had been paid by the Purchaser to the Vendor on 5 May 2015;
- (ii) Balance deposit of RM1,208,400.00 (inclusive of GST) which is equivalent to 8% of the Total Consideration (“**Balance Deposit**”) shall be paid by the Purchaser immediately upon the execution of the SPA in the manners stipulated therein;
- (iii) The balance purchase price of RM13,594,500.00 (inclusive of GST) which is equivalent to 90% of the Total Consideration (“**Balance Purchase Price**”), shall be paid or caused to be paid by the Purchaser on or before the day falling three (3) months after the date of all the conditions precedent in the SPA have been fulfilled (“**Payment Deadline**”) or extension of the Payment Deadline of one (1) month or any other period which shall be granted to the Purchaser at the Vendor’s sole and absolute discretion (“**Extended Period**”) subject to late payment interest at a rate of eight percent (8%) per annum calculated on a daily basis on the Balance Purchase Price or any part thereof remaining unpaid from the first day of the Extended Period until the extended payment deadline consequent to the Extended Period (“**Extended Payment Deadline**”).

(B) Conditions precedent

The completion of the SPA in all respects be conditional upon the following conditions precedent (“**Conditions Precedent**”):-

- (i) The Vendor having obtained the approval of the relevant State Authority to the transfer of the Properties from the Vendor to the Purchaser (“**State Authority Approval**”) and a certified true copy thereof having been received by the Purchaser’s solicitors;
- (ii) The Vendor obtaining, on its own costs and expenses, the original issue document of title to the sub-divided portion of Lot 23528 from the Appropriate Authorities (“**Sub-divided Land**”) and a certified true copy thereof having been received by the Purchaser’s solicitors; and
- (iii) A resolution of each party’s Board of Directors and its members, where necessary, approving the purchase/sale of the Assets and the Purchaser’s Solicitors receipt of the duly executed Memorandum of Transfer by the Vendor in favour of the Purchaser in respect of the Assets together with the written confirmation by the Vendor’s Solicitors that original issue documents of titles for the Properties (inclusive of the original issue document of title for the Sub-divided Land) have been deposited with the Vendor’s Solicitors as stakeholder.

(C) Completion of Conditions Precedent

The completion period for the Conditions Precedent shall be within three (3) months after the date of the SPA (“**Cut-Off Date**”). If any of the Conditions Precedent is not fulfilled on or before the Cut-Off Date, the Purchaser shall extend the period within which the Conditions Precedent are to be fulfilled by a further period of one (1) month from the Cut-Off Date or such later period as the Purchaser may determine at its sole and absolute discretion.

**2.5 Liabilities to be Assumed**

There are no liabilities, including contingent liabilities and guarantee, to be assumed by the Company and its subsidiaries (“**MTDACPI Group**”) in connection with the Proposed Disposal.

**2.6 Original Cost of Investment and Date of Investment**

The details of the investment in the Assets are as follows:

Description	Date of investment	Total Original cost of investment (RM)
Properties (including the whole lot of Geran 24102, Lot 23528)	1990	11,665,248.00
Plant & Machinery	1990 - 1995	9,010,005.00
Total		<b>20,675,253.00</b>

### 3.0 UTILISATION OF PROCEEDS

The proceeds from the Proposed Disposal of RM14,250,000.00 (excluding GST) will be utilised to repay bank borrowings and for working capital purposes. As at 31 March 2015, the Company has trade payable due of RM15.2 million and bank borrowings of RM4.3 million. The aforesaid proceeds shall be utilised to pay these obligations as and when due upon receipt.

### 4.0 RATIONALE

The Proposed Disposal is part of MTDACPI on-going group wide rationalization exercise for Manufacturing division. The Proposed Disposal will result in a gain of approximately RM5.0 million, being the difference between the Assets' Base Purchase Price and audited net book value as at 31 March 2015. The Proposed Disposal represents an opportunity for MTDACPI Group to realize the value of its investments and redeploy the proceeds for other ventures within its operating units. This in return will optimize the current operating capacity of its manufacturing unit to an optimum level to ensure its competitiveness.

### 5.0 EFFECTS OF THE PROPOSED DISPOSAL

#### 5.1 Share Capital and Substantial Shareholders' Shareholdings

The Proposed Disposal will not have any effect on the issued and paid-up share capital and the shareholdings of substantial shareholders of MTDACPI.

#### 5.2 Earnings and Earnings Per Share

The Proposed Disposal is expected to result in an estimated net gain on disposal of approximately RM5.0 million or RM0.02 per share.

#### 5.3 Net Assets ("NA") Per Share and Gearing

Based on the audited Consolidated Statements of Financial Position of MTDACPI as at 31 March 2015, the proforma effects of the Proposed Disposal on the NA and gearing of the MTDACPI Group are set out below:-

	<b>Audited as at 31 March 2015 RM'000</b>	<b>After the Proposed Disposal RM'000</b>
Share Capital	231,633	231,633
Reserves	(182,655)	(177,644)
NA attributable to equity holders	48,978	53,989
Minority Interests	14,565	14,565
NA	63,543	68,554
NA per share attributable to equity holders (RM)	0.27 <sup>(1)</sup>	0.30 <sup>(2)</sup>
Total interest bearing borrowings	60,665	46,415
Gearing (times)	1.24	0.86

Notes:

(1) NA per share is computed after excluding 637,000 ordinary shares held as treasury shares as at 31 March 2015.

(2) The estimated net gain on disposal for the Proposed Disposal is RM5.0 million.

## **6.0 RISK FACTORS**

The Company may only be exposed to risk in the event of default of the terms of the SPA by the Company which entails termination of the SPA being initiated by the Purchaser whereby all amount paid by the Purchaser shall be refunded including any late payment interest. Nevertheless, the Company endeavors to ensure full compliance in relation to fulfillment of its part of the obligations under the SPA. Accordingly in the event of default of the terms of the SPA by the Purchaser including non-fulfillment of the conditions precedent will entail operational risk to the Company especially in finding new buyers for the Assets.

## **7.0 HIGHEST PERCENTAGE RATIO APPLICABLE TO THE PROPOSED DISPOSAL**

The highest percentage ratio applicable to the Proposed Disposal pursuant to Paragraph 10.02(g) of the Listing Requirements is 22.43%, computed based on the Base Purchase Price as compared to the NA in the latest audited financial statements of MTDACPI as at 31 March 2015.

## **8.0 APPROVALS REQUIRED**

Save for the State Authority Approval, no other regulatory approval is required to be obtained by the Company for the Proposed Disposal.

The Proposed Disposal is not subject to the approval of shareholders of MTDACPI pursuant to Paragraph 10.06 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

## **9.0 DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST**

None of the Directors, major shareholders of MTDACPI and/or persons connected to them have any interest, direct or indirect, in the Proposed Disposal.

## **10.0 DIRECTORS' STATEMENT**

The Directors of MTDACPI are of the opinion that the Proposed Disposal is in the best interest of MTDACPI Group.

## **11.0 ESTIMATED TIMEFRAME TO COMPLETION**

Barring any unforeseen circumstances, the Proposed Disposal is expected to be completed by third quarter of the financial year ending 31 March 2016.

## **12.0 DOCUMENTS FOR INSPECTION**

The SPA and the Valuation Report are available for inspection during normal office hours at the registered office of the Company at 1, Jalan Batu Caves, 68100 Batu Caves, Selangor Darul Ehsan from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 4 August 2015.