THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

KUB MALAYSIA BERHAD

(Company No. 6022-D)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PROPOSED ACQUISITION BY KUB MALUA PLANTATION SDN BHD (FORMERLY KNOWN AS KUB OIL & GAS SDN BHD), A WHOLLY-OWNED SUBSIDIARY COMPANY OF KUB MALAYSIA BERHAD, OF A PARCEL OF OIL PALM PLANTATION LAND HELD UNDER COUNTRY LEASE 095316395 IN SUNGAI KINABATANGAN, DISTRICT OF KINABATANGAN, SABAH MEASURING APPROXIMATELY 1,534 HECTARES FROM KWANTAS PLANTATIONS SDN BHD, A WHOLLY-OWNED SUBSIDIARY COMPANY OF KWANTAS CORPORATION BERHAD, FOR A CASH CONSIDERATION OF RM100,448,621

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

INVESTMENT BANK BERHAD (20657-W)

The Notice of the Extraordinary General Meeting ("**EGM**") of KUB to be held at Dewan Shah Alam 1, Ground Floor, Shah Alam Convention Centre, No. 4, Jalan Perbadanan 14/9, 40000 Shah Alam, Selangor Darul Ehsan on Wednesday, 2 August 2017 at 10.00 a.m., or at any adjournment thereof, together with the Proxy Form are enclosed herewith.

A member entitled to attend and vote at the EGM is entitled to appoint a proxy or proxies to attend and vote on his/her behalf. In such event, the Proxy Form should be lodged at the office of the Share Registrar of KUB at Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time set for holding the EGM or any adjournment thereof. The lodgement of the Proxy Form will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

IMPORTANT DATES

Last date and time for lodging the Proxy Form	:	Monday, 31 July 2017 at 10.00 a.m.
Date and time for the EGM	:	Wednesday, 2 August 2017 at 10.00 a.m.

This Circular is dated 10 July 2017

DEFINITIONS

In this Circular, unless otherwise indicated, the following words and abbreviations shall have the following meanings:-

Act	:	Companies Act, 2016 as amended from time to time and any re-enactment thereof
Appropriate Authority	:	Malaysian Federal Government (including any Ministry), State Government, local government or any governmental agency or body, including all relevant land registry and land administrator
Azmi & Co or Valuers	:	Messrs. Azmi & Co (Sabah) Sdn Bhd (731850-A), an independent registered valuer
Balance Purchase Consideration	:	The balance of RM90,403,758.90, being 90% of the Purchase Consideration
Board	:	Board of Directors of KUB
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
Circular	:	This circular to the shareholders of KUB dated 10 July 2017
Conditional Period	:	A period of four (4) months from the date of the SPA for the fulfillment of the Conditions Precedent
Conditions Precedent	:	The conditions precedent to the SPA as set out in Section 2.10.1 of this Circular
Completion Period	:	A period of four (4) months commencing on the day next following the Unconditional Date
CPO	:	Crude Palm Oil
EGM	:	Extraordinary General Meeting
EPS	:	Earnings per share
Extended Conditional Period	:	Extension of time of a further period or periods of one (1) month each period or for such longer period as may be mutually agreed upon in writing by the Parties for the fulfilment of the Conditions Precedent
FFB	:	Fresh fruit bunches
FYE	:	Financial year ended or ending, as the case may be
HA	:	Hectare
KAF Investment or Principal Adviser	:	KAF Investment Bank Berhad (20657-W)
KPSB or Vendor	:	Kwantas Plantations Sdn Bhd (85636-X)
KUB or Company	:	KUB Malaysia Berhad (6022-D)
KUB Group or Group	:	KUB and its subsidiary companies, collectively

KUB Malua or Purchaser	:	KUB Malua Plantation Sdn Bhd (*formerly known as KUB Oil & Gas Sdn Bhd*) (62716-K)
KUB Share(s) or Share(s)	:	Ordinary shares in KUB
Land or Pintasan 8	:	A parcel of oil palm plantation land held under Country Lease 095316395 in Sungai Kinabatangan, District of Kinabatangan, Sabah measuring approximately 1,534 hectares identified as Pintasan 8 together with all palm oil trees planted thereon
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	**3 July 2017**, being the latest practicable date prior to the date of printing of this Circular
MT	:	Metric Tonne
NA	:	Net Assets
Parties or Party	:	KUB Malua and the Vendor, collectively or individually, where relevant
Proposed Acquisition	:	Proposed acquisition by KUB Malua of the Land from the Vendor for the Purchase Consideration
Purchase Consideration	:	A total cash consideration of RM100,448,621 in relation to the Proposed Acquisition
Retention Sum	:	A sum of RM3,013,458.63 to be retained for the purpose of payment to the Director General of Inland Revenue pursuant to the Real Property Gains Tax Act, 1976
RM and sen	:	Ringgit Malaysia and sen, respectively
SPA	:	Conditional sale and purchase agreement dated 19 April 2017 entered into between the Purchaser and the Vendor in relation to the Proposed Acquisition
Unconditional Date	:	The date when all of the Conditions Precedent are fulfilled on or before the expiration of the Conditional Period or the Extended Conditional Period, as the case may be
Valuation Certificate	:	Valuation certificate prepared by the Valuers on the Land dated 18 April 2017
Valuation Report	:	Valuation report prepared by the Valuers on the Land dated 18 April 2017

Words denoting the singular number only shall include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender, neuter gender and vice versa.

Reference to persons shall include a body of persons, corporate or unincorporated (including a trust). Any reference to a time of day shall be a reference to Malaysian time, unless otherwise stated. Any reference to any statute is a reference to that statute as for the time being amended or re-enacted or guidelines. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

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LETTER TO THE SHAREHOLDERS OF KUB IN RELATION TO THE PROPOSED ACQUISITION

KUB MALAYSIA BERHAD
(Company No. 6022-D)
(Incorporated in Malaysia)

Registered Office:

Level 8-11, Unit 1, Capital 3
Oasis Square, Ara Damansara
Jalan PJU 1A/7A
47301 Petaling Jaya
Selangor Darul Ehsan

10 July 2017

BOARD OF DIRECTORS

Dato' Ahmad Ibnihajar *(Chairman/Independent Non-Executive Director)*
Datuk Abdul Rahim Mohd Zin *(President/Group Managing Director)*
Dato' Ab Rahim Abu Bakar *(Senior Independent Non-Executive Director)*
Datuk Hj Faisyal Datuk Yusof Hamdain Diego *(Non-Independent Non-Executive Director)*
Dato' Jamelah A.Bakar *(Independent Non-Executive Director)*
Tunku Alizan Raja Muhammad Alias *(Non-Independent Non-Executive Director)*
Tengku Zahaimi Tuan Hashim *(Non-Independent Non-Executive Director)*
Mohammad Farish Nizar Othman (*Independent Non-Executive Director)*
Datuk Haji Mohd Haniff Haji Koslan *(Independent Non-Executive Director)*

To: The Shareholders of KUB

Dear Sir/Madam,

PROPOSED ACQUISITION BY KUB MALUA PLANTATION SDN BHD (FORMERLY KNOWN AS KUB OIL & GAS SDN BHD), A WHOLLY-OWNED SUBSIDIARY COMPANY OF KUB MALAYSIA BERHAD, OF A PARCEL OF OIL PALM PLANTATION LAND HELD UNDER COUNTRY LEASE 095316395 IN SUNGAI KINABATANGAN, DISTRICT OF KINABATANGAN, SABAH MEASURING APPROXIMATELY 1,534 HECTARES FROM KWANTAS PLANTATIONS SDN BHD, A WHOLLY-OWNED SUBSIDIARY COMPANY OF KWANTAS CORPORATION BERHAD FOR A CASH CONSIDERATION OF RM100,448,621

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1. INTRODUCTION

On 19 April 2017, KAF Investment had on behalf of the Board, announced that KUB Malua had, on even date entered into the SPA with KPSB for the Proposed Acquisition.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE THE SHAREHOLDERS OF KUB WITH DETAILS OF THE PROPOSED ACQUISITION AND TO SEEK THE APPROVAL OF THE SHAREHOLDERS OF KUB FOR ORDINARY RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE PROXY FORM ARE ENCLOSED TOGETHER IN THIS CIRCULAR.

SHAREHOLDERS OF KUB ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Background information on the Proposed Acquisition

In 2015, the Company had undertaken a detailed review of its business operations and decided to focus on its core sectors/businesses which included the plantation business. In line with this strategy, the Company proceeded to embark on the acquisition of the Land to expand its plantation business.

The Land, an oil palm plantation land known as Pintasan 8, is located in Sungai Kinabatangan, District of Kinabatangan, Sabah and measures approximately 1,534 HA. The Land is currently owned by the Vendor.

In relation to the SPA for the Proposed Acquisition, the Vendor has agreed to sell and the Purchaser has agreed to purchase the Land free from all encumbrances (any mortgage, pledge, lien, charge (whether fixed or floating), dealing as defined in the Sabah Land Code, assignment, and caveat of whatsoever nature) with all oil palm trees planted subject to the restrictions in interest and all conditions of the title expressed or implied and with legal possession upon the terms and conditions in the SPA.

KUB had appointed Azmi & Co to carry out a valuation on the Land. Based on the Valuation Report, Azmi & Co had valued the Land at RM116,000,000 based on the discounted cash flow method of valuation.

2.2 Basis and justification of arriving at the Purchase Consideration

The Purchase Consideration for the Proposed Acquisition was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the following:-

(i) open market value of the Land of RM116,000,000*, as appraised by the Valuers;

(ii) the Purchase Consideration represents a discount of approximately RM15,551,379 or 13.4% of the abovementioned market value of the Land; and

(iii) the earnings potential of the Land to the Group.

Note:-

* *Salient features of the Valuation Report are as follows:-*

- *Date of valuation report* : *18 April 2017*
- *Material date of valuation* : *20 March 2017*
- *Market Value* : *RM116,000,000*
- *Basis of valuation* : *The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion*
- *Valuation approach* : *Primary approach* : *Income Capitalisation Approach - the discounted cash flow method*

  Secondary approach : *Comparison Approach - the comparison method*

2.3 Information on the Land

2.3.1 Brief description of the Land

Title	:	Country Lease 095316395
Location	:	Kg Kuamut, Sungai Kinabatangan, Sabah
District	:	Kinabatangan
Land area	:	1,534.00 hectares (3,791 acres)
Present/future usage	:	Agriculture (Oil palm plantation)
Tenure	:	999 years expiring on 31 December 2887 with an unexpired term of about 870 years
Encumbrances	:	Charged to OCBC Al-Amin Bank Berhad for USD70 million (2 titles*) vide Memorial No. MC1406090180 dated 18 June 2014 ***Note:-*** * *The title to the Land is one of the two (2) titles charged to OCBC Al-Amin Bank Berhad for the USD70 million facility granted to Kwantas Corporation Berhad.*
Net book value	:	RM125.42 million (as extracted from Kwantas Corporation Berhad's annual report for the FYE 30 June 2016)

2.3.2 Plantation profile

Description	Year planted	Hectares
Mature palm	2003	138.94
	2004	734.44
	2005	253.54
	2006	103.00
Total mature palms		**1,229.92**
Young mature palms	2011	89.05
	2012	46.24
Total young mature palms		**135.29**
Immature palms	2013	2.19
	2014	135.65
Total immature palms		**137.84**
Total planted area		**1,503.05**
Total unplantable area		**30.95**
Total plantation area		**1,534.00**

2.3.3 FFB production

As extracted from the Valuation Report, the historical total production of FFB is as follows:-

FYE 30 June	Annual production	Yield per hectare
	(MT)	(MT per HA)
2014	30,791	22.55
2015	31,925	23.39
2016	33,727	24.71

2.3.4 Profit contribution and expenses

The profit contribution and expenses incurred in respect of the Land for the past three (3) years were as follows:-

FYE 30 June	2014	2015	2016
Profit contribution (RM) [(1)]	7,718,930	6,903,555	8,796,666
Expenses incurred [(2)]			
- Production costs (RM/HA) [(3)]	1,380.82	2,068.61	1,622.65
- Harvesting & transportation costs (RM/MT)	97.52	77.79	74.84

Notes:-

[(1)] *Profit contribution represents the gross profit as represented by the management of KPSB.*

[(2)] *Extracted from the Valuation Report.*

[(3)] *Production costs includes among others, weeding, manuring, pest & diseases control, pruning, road maintenance, maintenance of drains/soils conservation and miscellaneous.*

2.4 Mode of payment

The Purchase Consideration shall be paid in the manner sets out below.

(i) The earnest deposit of RM2,000,000 (being approximately 2% of the Purchase Consideration) payable to KPSB prior to execution of the SPA. The said deposit was paid on 23 February 2017.

(ii) The balance deposit of RM8,044,862.10 (being approximately 8% of the Purchase Consideration) ("**Balance Deposit**") has been paid upon execution of the SPA as follows:-

(a) the Retention Sum; and

(b) the difference between the Balance Deposit and the Retention Sum to the Vendor's solicitors as stakeholders.

The earnest deposit as stated in (i) above together with the Balance Deposit shall aggregate and form the "**Deposit**".

(iii) Subject to the terms of the SPA, the Balance Purchase Consideration shall be paid to the Vendor's solicitors within the Completion Period in exchange for the original issue document of title to the Land and the transfer documents.

In the event the Purchaser obtains financing from a financier, the Balance Purchase Consideration shall be paid as follows:-

(a) the Purchaser shall pay the difference between the Balance Purchase Consideration and the loan obtained by the Purchaser to the Vendor's solicitors as stakeholders within the Completion Period; and

(b) the Purchaser shall cause its financier to forward its undertaking to release the loan amount to the Vendor's solicitors as stakeholders.

2.5 Information on Purchaser

KUB Malua, a wholly-owned subsidiary company of KUB, was incorporated in Malaysia as a private limited company under the Companies Act, 1965 on 25 September 1980 and assumed its present name on 12 April 2017. KUB Malua is currently dormant. KUB Malua principal activities are developing land and properties, plantation and general merchants.

As at the LPD, the issued share capital of KUB Malua is RM5,000,000 comprising 5,000,000 ordinary shares.

The directors of KUB Malua are Dato' Ab Rahim Abu Bakar, Datuk Hj Faisyal Datuk Yusof Hamdain Diego, Tunku Alizan Raja Muhammad Alias, Tengku Zahaimi Tuan Hashim and Datuk Abdul Rahim Mohd Zin.

2.6 Information on the Vendor

KPSB, a wholly-owned subsidiary company of Kwantas Corporation Berhad, was incorporated in Malaysia as a private limited company under the Companies Act, 1965 on 1 June 1982. KPSB is principally involved in operation of oil palm plantations.

As at the LPD, the issued share capital of KPSB is RM58,801,289 comprising 58,801,289 ordinary shares.

The directors of KPSB are Kwan Yean Yeow, Kwan Ngen Wah, Kwan Ngen Chung and Kwan Chiew Giok.

2.7 Source of funding

The Purchaser intends to fund the Proposed Acquisition through internally generated funds and/or borrowings. The exact mix of internally generated funds and borrowings will be determined at a later stage, after taking into consideration KUB Malua and the Group's gearing level, interest costs and internal cash requirements for its business operations.

2.8 Assumption of liabilities

There are no liabilities, including contingent liabilities and guarantees, to be assumed by the Purchaser arising from the Proposed Acquisition.

2.9 Additional financial commitments

Save for the capital expenditures and operational expenses in relation to the Land, Purchase Consideration and incidental costs relating to the Proposed Acquisition, KUB does not expect to incur any additional financial commitments after the completion of the Proposed Acquisition.

2.10 Salient terms of the SPA

2.10.1 Conditions Precedent

(i) The SPA is subject to and conditional upon the following Conditions Precedent being fulfilled on or before the Conditional Period:-

(a) subject to the terms of the SPA, the Purchaser obtaining the requisite licence to sell and supply FFB from the Land;

(b) the Vendor's procurement of the written unconditional approval from the Appropriate Authority on the transfer of the Land to the Purchaser arising from the restriction-in-interest stated in the title to the Land;

(c) subject to terms of the SPA, the Vendor's or the Purchaser's, as the case maybe, full observance and fulfilment, of all conditions imposed by the Appropriate Authority in the state authority's consent;

(d) the Purchaser obtaining unconditional approval to the acquisition of the Land on terms and conditions contained in the SPA from the shareholders of the Company by way of members' resolution in an extraordinary general meeting;

(e) if applicable, the Purchaser obtaining written clearance or approval, as the case may be, from the relevant regulators on the valuation of the Land based on the valuation conducted and submitted in accordance with the requirements and guidelines issued by the regulators;

(f) the work permits for the Vendor's employees who are currently working at the Land and will continue to work on the Land during the transition period and thereafter, have been extended to the Purchaser or renewed in the Purchaser's favour;

(g) the Purchaser obtaining a loan on terms acceptable to the Purchaser;

(h) the Purchaser's satisfaction of the results of the due diligence review, which shall include confirmation from the Purchaser's surveyors that the discrepancy of the planted area within the Land to be no more than 2% and that the yield from crops as projected by the Vendor is accurate and achievable;

(i) the Vendor disclosing to the Purchaser contact details and relevant information relating to and introducing to the Purchaser the relevant contractors of existing contracts that are necessary and required for the Purchaser's usage and operation of the Land post completion of the Proposed Acquisition;

(j) the Vendor's and the Purchaser's execution in escrow of a sale agreement in respect of the sale of FFB from the Land by the Purchaser to the Vendor and delivery to Pintasan palm oil mill, which is owned by the Vendor or its related company; and

(k) any other conditions precedent as may be imposed or required by law, regulation or Governmental policies, regulations and directives or the relevant State by laws, regulations and directives subsequent to the execution of the SPA.

(ii) In the event that any of the Conditions Precedent is not fulfilled by the expiry of the Conditional Period, the Parties to the SPA agree that the Conditional Period shall automatically be the Extended Conditional Period commencing on the date next following the expiration of the Conditional Period.

(iii) The parties to the SPA agree that the date when all of the Conditions Precedent are fulfilled on or before the expiration of the Conditional Period or the Extended Conditional Period, as the case may be, shall be the Unconditional Date.

With regards to the conditions precedent described in sub-paragraph (b) and (c) above, it was subsequently agreed between the Vendor and the Purchaser that these conditions precedent are deemed fulfilled as at the date of this Circular, following the Purchaser's receipt of confirmation that the Land is not subject to any restriction in interest and as a result, no consent to transfer is required.

2.10.2 Default by the Purchaser

(i) Subject to the SPA becoming unconditional in all respects and provided that the Vendor is not in breach of any of its obligations under the SPA, in the event the Purchaser fails to pay the Balance Purchase Consideration in accordance with the SPA or is in material breach of any of the terms, conditions, warranties and/or representations or undertakings contained under the SPA, the Vendor shall give the Purchaser notice in writing to satisfy such condition or to remedy such breach within 14 business days thereof and in the event of the Purchaser failing to satisfy such condition or to remedy such breach within such period, the Vendor shall be entitled to terminate the SPA by notice in writing to the Purchaser and within 10 business days from such notice of termination:-

(a) the Vendor shall be entitled to forfeit the Deposit with interest accrued thereon as agreed liquidated damages;

(b) the Vendor shall refund to the Purchaser in full and with interest all other monies, if any, paid by the Purchaser to the Vendor pursuant to the SPA;

(c) the Purchaser shall cause the Purchaser's solicitors to return to the Vendor's solicitors the relevant transfer documents, the titles and relevant letter of consent and all such other documents pursuant to the SPA, if already delivered, with the Vendor's rights and benefits to the Land intact; and

(d) the Purchaser shall present or cause to be presented for registration the withdrawal of private caveat form duly executed by the Purchaser in accordance with the terms of the SPA and forward to the Vendor's solicitors the presentation particulars of the same upon the withdrawal of the private caveat and shall remove or cause to be removed all encumbrances, and/or liens whatsoever, if any on the Land attributable to the Purchaser and, if the instrument of transfer has been presented for registration, take all steps and execute all documents necessary to ensure that the title to the Land vests in the Vendor;

(ii) Upon performance of the obligations contained in (i) above, the SPA shall be terminated and be of no further effect and neither party shall have any right or claim against the other save in respect of any antecedent breach and the Vendor shall be entitled at its absolute discretion to resell the Land in any manner as the Vendor shall think fit without the necessity of previously tendering or offering to make any sale to the Purchaser.

2.10.3 Default by the Vendor

(i) Subject to the SPA becoming unconditional in all respects, in the event that the Vendor fails to complete the sale and purchase or is in breach of any of the terms, conditions, warranties and/or representations or undertakings contained under the SPA, the Purchaser shall give the Vendor notice in writing to satisfy such condition or to remedy such breach within 14 business days and in the event of the Vendor failing to satisfy such condition or to remedy such breach within such period, the Purchaser shall be entitled either to obtain the decree of specific performance of the SPA as well as any damages and costs awarded by the courts, or to terminate the SPA by notice in writing to the Vendor, and if the Purchaser shall elect to terminate the SPA and within 10 business days from such notice of termination:-

(a) the Vendor shall refund to the Purchaser the Deposit and all other monies with interest already paid by the Purchaser to the Purchaser's solicitors pursuant to the SPA;

(b) the Vendor shall pay to the Purchaser’s solicitors a sum equivalent to the Deposit as agreed liquidated damages;

(c) the Purchaser shall return or cause the Purchaser’s solicitors to return to the Vendor’s Solicitors the relevant transfer documents, the titles and the relevant letter of consent, and all such other documents under the SPA, if already delivered, with the Vendor’s rights and benefits to the Land intact; and

(d) the Purchaser shall present or cause to be presented for registration the withdrawal of private caveat form duly executed by the Purchaser in accordance with the terms of the SPA and forward to the Vendor’s solicitors the presentation particulars of the same upon the withdrawal of the private caveat and shall remove or cause to be removed all encumbrances, and/or liens whatsoever, if any on the Land attributable to the Purchaser and, if the instrument of transfer has been presented for registration, take all steps and execute all documents necessary to ensure that the title to the Land vests in the Vendor;

(ii) Upon performance of the obligations contained in (i) above, the SPA shall be terminated and be of no further effect and neither party shall have any right or claim against the other save in respect of any antecedent breach and the Vendor shall be entitled at its absolute discretion to resell the Land in any manner as the Vendor shall think fit without the necessity of previously tendering or offering to make any sale to the Purchaser.

3. RATIONALE FOR THE PROPOSED ACQUISITION

In October 2015, the Group undertook a detailed internal review of its business operations and decided to focus on its core sectors/businesses, namely plantation, energy and information and communication technology (“**ICT**”). Summary of the segmental revenue and profit contribution analysis of the Group’s sectors based on its audited accounts for the FYE 31 December 2016 is as follows:-

Sector	Revenue (RM’000)	Profit after tax (RM’000)
Energy	325,209	24,111
ICT	70,455	5,128
Agricultural	39,704	2,015
Food	46,925	2,939
Power	10,596	1,926
Property	2,638	902
Others	245	(14,973)
Total	**495,772**	**22,048**

The Group currently has oil palm estates in Johor and Sarawak with a total area of 7,332 HA. The Proposed Acquisition would enlarge the Group's plantation hectarage to approximately 8,866 HA which is in line with the Group’s plans to expand its oil palm plantation hectarage in its bid to become a medium-sized planter in Malaysia.

Furthermore, KUB Malua is expected to generate immediate revenue and contribute positively to the earnings of the Group as a significant portion of the planted area within the Land consist of prime mature palms with good yields. The historical yields and profit contribution of the Land are as stated in Section 2.3.3 and 2.3.4 respectively.

4. INDUSTRY OUTLOOK AND PROSPECTS

4.1 Overview and outlook of the Malaysian economy

The Malaysian economy recorded a higher growth of 5.6% in the first quarter of 2017 (4Q 2016: 4.5%). Private sector activity was higher and remained as the main driver of growth. Growth was further lifted by higher exports, as increased demand for manufactured products led to a strong growth in real exports (9.8%; 4Q 2016: 2.2%). Real imports also increased at a faster rate of 12.9% (4Q 2016: 1.6%) on account of higher growth of capital and intermediate goods. On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a growth of 1.8% (4Q 2016: 1.3%).

Domestic demand growth increased to 7.7% in the first quarter of the year (4Q 2016: 3.2%), supported by continued expansion in private sector expenditure (8.2%; 4Q 2016: 5.9%) and the turnaround in public sector expenditure. Private consumption grew by 6.6% (4Q 2016: 6.1%). Household spending remained supported by continued expansion in employment and wage growth. The implementation of selected Government measures, including the higher amount of Bantuan Rakyat 1Malaysia cash transfers, also provided additional impetus to household spending. Public consumption recorded a stronger growth of 7.5% (4Q 2016: -4.2%) attributed to higher spending on both emoluments and supplies and services.

Private investment grew at a robust pace of 12.9% (4Q 2016: 4.9%), following continued capital spending in the services and manufacturing sectors. Investments in machinery and equipment were higher during the quarter, supported by the implementation of several large-scale projects in the manufacturing sector. Business sentiments improved during the quarter amid the better international economic environment and more stable financial markets. Public investment registered a higher growth of 3.2% (4Q 2016: -0.4%), driven mainly by higher spending on fixed assets by public corporations. Gross fixed capital formation (GFCF) rose by 10.0% (4Q 2016: 2.4%), due to a turnaround in public investment and higher private investment growth. The stronger growth in total investment was due to broad-based increases in capital spending in machinery and equipment (21.8%; 4Q 2016: 2.9%), structures (3.8%; 4Q 2016: 2.8%) and other types of assets (1.4%; 4Q 2016: -2.0%).

On the supply side, most economic sectors expanded at a faster pace. The improvement in the overall growth was contributed primarily by the turnaround in the agriculture sector and higher growth in the manufacturing and services sectors. Growth in the agriculture sector rebounded as crude palm oil yields recovered from the negative impact of El Niño. The performance of the sector was also supported by a double-digit expansion in rubber production. In the manufacturing sector, growth was driven mainly by the electronics and electrical segment, in line with the continued favourable global demand for semiconductors. The domestic-oriented industries were supported by the continued demand for food-related products and a rebound in the motor vehicle production.

The services sector expanded at a faster pace in the first quarter. Growth in the wholesale and retail sub-sector improved in line with higher household spending. The finance and insurance sub-sector also registered higher growth, supported by improvements in loan growth and capital market activity amid higher issuance of IPOs. Growth in the construction sector was stronger, supported by civil engineering activity in the petrochemical, power plant and transportation segments. In the mining sector, growth moderated on lower crude oil production, particularly in Sarawak and Peninsular Malaysia, as part of the global initiative to reduce oil production.

Headline inflation was higher at 4.3% in the first quarter of 2017 (4Q 2016: 1.7%) driven mainly by cost factors. During the quarter, prices of RON95 petrol averaged higher at RM2.23 per litre compared to an average of RM1.73 per litre during its base period in the 1Q 2016. This resulted in significantly higher inflation in the transport category at 16.2% (4Q 2016: -2.6%). Higher domestic fuel prices were primarily an outcome of the increase in global oil prices following OPEC's agreement to cut production effective 1 January 2017. Inflation in the food and non-alcoholic beverages category was higher at 4.2% (4Q 2016: 3.3%) with the food away from home sub-category registering a growth of 4.0% (4Q 2016: 3.4%). The increase in food inflation was due to shortages in fresh food supplies amid adverse weather conditions, which were also transmitted into the higher prices for food away from home. However, in March 2017, food inflation started to moderate as supply conditions improved.

The higher prices for food away from home amidst an increase in rental inflation led to higher core inflation of 2.4% in 1Q 2017 (4Q 2016: 2.1%). However, the transmission of higher prices remained contained. This was reflected in the inflation pervasiveness which remained broadly stable. The limited transmission was attributed partly to the small share of transportation, energy and basic chemicals (10.4%) in the production cost of most items in the CPI basket. Domestic production and consumption also have relatively modest import content (about 20% and 6.7%, respectively), containing the pass-through of the weaker ringgit exchange rate to domestic inflation.

Labour market conditions remained stable in the first quarter, with slightly higher labour force participation, at 67.7% of the working age population (4Q 2016: 67.6%). During the quarter, the labour force expansion of 98,700 people was met with a corresponding net employment gain of 95,300 people. As such, the unemployment rate remained unchanged at 3.5% of the labour force (4Q 2016: 3.5%). Higher vacancies posted on a major job search website at 61,760 positions suggest increasing demand for new hires (4Q 2016: 53,214).

Private sector wages continued to expand at a sustained pace of 4.5% in 1Q 2017 (4Q 2016: 4.4%), as the stronger wage growth in the major services sub-sectors (5.1%; 4Q 2016: 3.7%) off set the moderating wage growth in the manufacturing sector during the quarter (3.2%; 4Q 2016: 5.9%). Wage expansion during the quarter was supported by both domestic- and export-oriented manufacturing and services industries.

(Source: Economic and Financial Developments in Malaysia in the First Quarter of 2017, Bank Negara Malaysia)

4.2 Industry outlook

Prolonged dry weather conditions and below average rainfall brought about by the El-Nino weather phenomenon during the second half of 2015 and into the first half of 2016 had impacted the Malaysian oil palm industry performance in 2016. The year 2016 saw crude palm oil (CPO) production declined by double-digit, which drew down palm oil stocks and pushed up palm oil prices. High palm oil prices had influenced exports to major markets as the discount of CPO to soya bean oil narrowed. Average CPO price in 2016 was higher by 23.2% to reach RM2,653.00 per tonne. Higher palm oil prices also helped to increase the export revenue by 7.3% to RM64.58 billion from RM60.17 billion in 2015.

Oil palm planted area in 2016 reached 5.74 million hectares, an increase of 1.7% as against 5.64 million hectares recorded in the previous year. This was mainly due to the increase in new planted areas, especially in Sarawak, which recorded an increase of 4.7%. Sabah is still the largest oil palm planted State, with 1.55 million hectares or 27% of the total oil palm planted area, followed by Sarawak with 1.51 million hectares or 26%. Meanwhile, Peninsular Malaysia (with 11 States) accounted for 2.68 million hectares or 47% of the total planted area.

In 2016, CPO production recorded a decline of 13.2% to 17.32 million tonnes as against 19.96 million tonnes produced in 2015. The decrease was due to lower FFB processed, down by 12.0% arising from lower FFB yield, which declined by 13.9% and also lower oil extraction rate ("OER"). CPO production in Peninsular Malaysia, Sabah and Sarawak decreased by 15.7%, 15.3% and 3.2% to 8.89 million tonnes, 4.85 million tonnes and 3.59 million tonnes respectively.

The FFB yield for 2016 was also lower, down by 13.9% to 15.91 tonnes per hectare as against 18.48 tonnes per hectare achieved in 2015. The El-Nino phenomenon beginning in the second half of 2015, with prolonged dry weather conditions and below average rainfall had impacted the production of FFB in 2016. FFB yield for Peninsular Malaysia declined by 16.0% to 15.77 tonnes per hectare as against 18.77 tonnes per hectare achieved in 2015. Sabah registered a decline of 14.5% to 17.10 tonnes per hectare as against 19.99 tonnes per hectare achieved in the previous year. Sarawak's FFB yield was relatively lower at 14.86 tonnes per hectare or down by 8.3% as compared to 16.21 tonnes per hectare achieved in 2015.

The National OER in 2016 declined by 1.4% to 20.18 percent mainly due to unfavourable weather conditions and lower quality of FFB processed by palm oil mills. OER in Peninsular Malaysia, Sabah and Sarawak declined by 1.2%, 2.1% and 0.6% to 19.76 percent, 21.11 percent and 20.02 percent respectively.

(Source: Overview of the Malaysian Oil Palm Industry, 2016, Malaysian Palm Oil Board)

4.3 Prospects of the Land

The Proposed Acquisition is expected to contribute positively to the Group's earnings. As stated in 4.2 above, it is noted that the El-Nino weather phenomenon had impacted the production of FFB in Sabah, which registered FFB production rate average of 17.1 MT per HA in 2016. Nevertheless, the Land recorded FFB production of more than 20 MT per HA during the same period.

The Company is of the view that with improved estate management practices to be implemented such as, the introduction of mechanised equipment (mini crawlers, mini tractors, etc), suitable fertilization and nutrition regime*, in-filling the vacant areas, enhanced drainage and water management system, would increase the productivity of the estate and hence, contribute positively to the Group's profitability. The financial resources required to implement the said practices are expected to be sourced from internally generated funds and/or borrowings.

Note:-

* *Suitable fertilization and nutrition regime will be based on professional agronomist recommendations after a foliar analysis has been done.*

5. RISK FACTORS

Risk factors relating to the Proposed Acquisition include, but are not limited to, the following:-

5.1 Non-completion of the Proposed Acquisition

There is a possibility that the SPA may not be completed due to non-fulfilment of the Conditions Precedent. There is no assurance that the Proposed Acquisition can be completed within the time period prescribed under the SPA.

The Board will take reasonable steps to ensure that such conditions precedent are met and fulfilled within the prescribed timeframe, besides ensuring every effort is made to obtain all the necessary approvals in order to complete the Proposed Acquisition in a timely manner.

5.2 Business risk

In undertaking the Proposed Acquisition, the Group is subject to certain risks inherent in the plantation industry. These include, but are not limited to, outbreaks of oil palm plantation diseases, damage from pests, flood or other natural disasters, unscheduled interruptions in palm oil milling, adverse climate conditions, changes in law and tax regulations, increase in labour and/or other production costs and changes in business and credit conditions.

The Group's ability to mitigate these risks depends on various factors, including the ability to keep abreast of the latest technologies, disease prevention and plantation operations and other industry developments. Although the Group seeks to limit these risks, no assurance can be given that any change in these factors will not have an adverse impact on the Group's plantation business.

5.3 Fluctuations in CPO Prices

The prices of palm oil fluctuate over time based on the demand and supply conditions in the global edible oils and fats market. Such factors are beyond the Group's control.

Any fluctuation in the prices of CPO will affect the Group's profitability. The Group seeks to mitigate any adverse effect caused by the fluctuations in CPO prices through adopting more prudent management approaches with the objectives of enhancing the cost effectiveness, optimising returns and focussing its efforts to improve the overall production efficiency and yield of the plantation assets.

5.4 Weather conditions

The FFB yield and production from oil palm trees will be affected by abnormal and adverse weather conditions such as excessive rainfall (*La Nina*) and protracted drought season (*El Nino*). The Group will take several preventive measures including improving the water management system and equip the Land with fire fighting equipment to mitigate any possibilities caused by such adverse weather conditions.

5.5 Pests and diseases

Although oil palm trees in general are comparatively free of pests and diseases, there are occasional outbreaks caused by pests such as rats, termites, bagworms and caterpillars. The Group has taken active measures to control the population of pests in its other estates by destroying potential breeding grounds of pests, exterminating pests by using pesticides and carrying out frequent inspections to ensure that the population remains significantly below a threatening level. Similar practices will be adopted and implemented to the Land.

5.6 Threat of substitutes

Palm oil faces competition from other edible or vegetable oils such as soybean, sunflower seed, rapeseed and other such substitutes for palm oil. The Group constantly monitors the global demand patterns and trends for edible oils and its impact on the CPO prices.

5.7 Labour force

The palm oil industry is a labour intensive industry. Oil palm plantations require extensive manpower in nurturing seedlings, tree plantings, fertilising, harvesting as well as other routine maintenance works to ensure optimal yield. The palm oil industry faces difficulty in recruiting local workers and therefore the Group has to resort to the employment of foreign workers. Hence the Group is required to comply with the policies imposed by the Government of Malaysia and any future changes to such policies may adversely affect the ability of the Group to employ foreign workers.

The Group will continue to explore various options including introducing mechanisation of the Land work processes.

5.8 Financing risk

The Purchaser intends to finance the Proposed Acquisition through a combination of internally generated funds and borrowings. Any utilisation of internal funds is expected to result in a depletion of Group's working capital, which may have an effect on the cash flow position of the Group. Any additional borrowings to finance the Proposed Acquisition would expose the Group to financing risks such as fluctuations in interest rates.

The Group will continue to apply prudent financial management practices to manage its cash flow position and funding requirements. However, there is no assurance that such measures would be adequate to address the aforesaid financing risks.

6. EFFECTS OF THE PROPOSED ACQUISITION

6.1 Issued share capital and substantial shareholders' shareholding

The Proposed Acquisition will not have any effect on the issued share capital of KUB and the substantial shareholders' shareholdings of KUB as the Proposed Acquisition will be satisfied entirely in cash and does not involve any issuance of new shares.

6.2 NA and gearing

Assuming that the Proposed Acquisition had been effected at the end of FYE 31 December 2016 being the latest audited financial year of KUB, the Proposed Acquisition is not expected to have any material effect on the NA and NA per share of the Group. The Proposed Acquisition is expected to increase the gearing of the Group depending on the amount of borrowings used to fund the Proposed Acquisition as explained in note 2 below. The proforma effects on the NA and gearing of the Group based on the audited financial statements FYE 31 December 2016 are as follows:-

	Audited as at 31 December 2016	**After the Proposed Acquisition**
	(RM'000)	**(RM'000)**
Share capital	222,586	222,586
Reserves	54,078	54,078
Retained earnings	19,693	(1) 19,193
NA	**296,357**	**295,857**
- Non-controlling interests	10,374	10,374
Total Equity	**306,731**	**306,231**
No. of outstanding KUB Shares in issue ('000)	556,465	556,465
NA per KUB share (RM)	0.53	0.53
Total interest bearing borrowings (RM'000)	63,087	(2) 133,401
Gearing (times) (3)	0.21	(2) 0.45

Notes:-

(1) *After taking into account the estimated expenses of approximately RM0.50 million in relation to the Proposed Acquisition comprising, among others, the estimated professional fees, fees payable to the relevant authorities, printing and despatch costs of the circular to the shareholders of the Company and other miscellaneous expenses.*

(2) *Assuming bank borrowings of up to 70% of the Purchase Consideration as settlement for the Proposed Acquisition.*

(3) *Calculated based on total interest bearing borrowings divided by the NA.*

6.3 Earnings and EPS

Assuming that the Proposed Acquisition is completed in the fourth (4th) quarter of 2017, the Proposed Acquisition is not expected to have any material effect on the earnings and the EPS of the Group for the FYE 31 December 2017. However, the Proposed Acquisition is expected to contribute positively to the future earnings of the Group.

7. APPROVALS REQUIRED AND CONDITIONALITY

The Proposed Acquisition is subject to the following approvals being obtained:-

(i) the shareholders of KUB at the EGM to be convened; and

(ii) any other relevant authorities, if required.

The Proposed Acquisition is not conditional upon any other corporate proposals undertaken or to be undertaken by KUB.

8. INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the Directors and/or major shareholders of KUB and/or persons connected to them, as defined in the Listing Requirements have any interest, direct or indirect, in the Proposed Acquisition.

9. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, having considered all aspects, including but not limited to the rationale, financial effects, valuation and risks, is of the opinion that the Proposed Acquisition is in the best interest of the Company.

Accordingly, the Board recommends that you vote in favour of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

10. OUTSTANDING CORPORATE EXERCISES

Save for the Proposed Acquisition which is the subject matter of this Circular and the corporate exercise as disclosed below, as at the date of this Circular, there are no other intended corporate exercises/schemes which have been announced by the Company but not yet completed:-

- On 6 April 2017, KUB announced that the Company proposes to undertake proposed establishment of an employees' share scheme of up to 15% of the total number of issued shares of KUB (excluding treasury shares) at any point in time. The proposal was approved by the shareholders at the EGM held on 23 May 2017 and is expected to be implemented by the third (3^{rd}) quarter of 2017.

- On 5 June 2017, KUB announced that the Board had received a notice of unconditional mandatory take-over offer ("**Offer**") from Anchorscape Sdn Bhd ("**ASB**"), to acquire all the remaining ordinary shares in KUB (excluding treasury shares) that are not already held by the ASB, Temasek Padu Sdn Bhd and its persons acting in concert ("**Offer Shares**") at a cash offer price of RM0.35 per Offer Share.

  The offer document has been despatched to the shareholders of KUB on 28 June 2017. The Offer is not expected to have any impact on the Proposed Acquisition.

11. ESTIMATED TIME FRAME FOR COMPLETION OF THE PROPOSED ACQUISITION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposed Acquisition is expected to be completed by the fourth (4^{th}) quarter of 2017. The tentative timetable in relation to the implementation of the Proposed Acquisition is as follows:-

Events	Tentative
EGM of the Company	2 August 2017
Fulfillment of all of the Conditions Precedent	Mid August 2017
Completion of Proposed Acquisition	Mid December 2017

Note:-
The indicative timing is for illustration purposes only and may be mutually extended by both Parties, subject to the terms of the SPA.

12. EGM

The EGM, the notice of which is enclosed in this Circular, will be held at Dewan Shah Alam 1, Ground Floor, Shah Alam Convention Centre, No. 4, Jalan Perbadanan 14/9, 40000 Shah Alam, Selangor Darul Ehsan on Wednesday, 2 August 2017 at 10.00 a.m., or any adjournment thereof, for the purpose of considering and, if thought fit, passing the relevant ordinary resolution pertaining to the Proposed Acquisition.

If you are unable to attend and vote in person at the EGM, you should complete, sign and return the Proxy Form enclosed with this Circular in accordance with the instructions printed therein as soon as possible so as to arrive at the office of the Share Registrar of KUB at Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, no later than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof. The lodgement of the Proxy Form will not preclude you from attending, speaking and voting in person at the EGM should you subsequently wish to do so.

13. FURTHER INFORMATION

Shareholders are advised to refer to the attached Appendices for further information.

Yours faithfully,
For and on behalf of the Board
KUB MALAYSIA BERHAD

DATUK ABDUL RAHIM MOHD ZIN
President / Group Managing Director

VALUATION CERTIFICATE

RICS

[V(1)0011]

WONG CHAW KOK
MRICS, MISM, ACIArb
Registered Valuer

MOHD AZMI ARIFFIN
FRICS FISM Dip.P.A. (M)
Registered Valuer

TEO YEE HONG
BBS (Valuation & Property Management), MISM
Registered Valuer

AZMI & CO
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E-mail : azmi.sabah@azmigroup.com.my

18th April 2017

The Board of Directors
KUB Malaysia Berhad
Level 8-11, Unit 1, Capital 3,
Oasis Square, Ara Damansara,
Jalan PJU 1A/7A, 47301,
Petaling Jaya, Selangor.

Your Ref: KUBM/CA/2017/023
Our Ref: 1.2655.17.WCK/

Dear Sirs,

VALUATION CERTIFICATE OF AN OIL PALM ESTATE LOCATED AT KINABATANGAN, SABAH AND HELD UNDER COUNTRY LEASE TITLE NO. 095316395 ("SUBJECT PROPERTY")

We refer to your instruction dated 7th March 2017. This certificate has been prepared in the circular to shareholders of KUB Malaysia Berhad ("KUB") in conjunction with the proposed acquisition of the subject property ("Circular").

In accordance with your instructions to value the subject property for the purpose of submission to Bursa Malaysia Securities Berhad and inclusion in the circular, we have inspected the subject property and gathered other information necessary to arrive at our opinion of value.

The subject property was inspected on 20th March 2017. The valuation contained in this report has therefore been prepared on the basis of "market value" as at 20th March 2017 which is defined as follows:

> The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuation has been carried out in accordance with the requirements as set out in the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers & Estate Agents Malaysia.

VALUATION CERTIFICATE

RICS

AZMI & CO

Date: 18th April 2017
Our Ref: 1.2655.17.WCK

SUMMARY OF SALIENT FACTS & OPINION

The Subject Property : A 3,791 acres' oil palm estate fully developed with mostly mature palms

Locality : Kg Kuamut, Sungai Kinabatangan, Sabah

Title No. : CL 095316395

Title Condition : Nil

Land use : Agriculture

Tenure : 999 years expiring on 31st December 2887 with 870 years unexpired

Planting Statement :

Description	**Year Planted**	**Area (Ha)**
Mature Palms	2003	138.94
	2004	734.44
	2005	253.54
	2006	103
Total Mature Palms		1,229.92
Young Mature Palms	2011	89.05
	2012	46.24
Total Young Mature Palms		135.29
Immature Palms	2013	2.19
	2014	135.65
Total Immature Palms		137.84
Total Planted Area		**1,503.05**
Total Unplantable Area		**30.95**
Total Land Area		**1,534 (3,791 acres)**

Annual Production and Yield :

Year	**Annual Production (MT)**	**Yield Per Ha (MT)**
2014	30,791	22.55
2015	31,925	23.39
2016	33,727	24.71
Average	**32,147**	**23.55**

Registered Owner : Kwantas Plantations Sdn. Bhd. (Co. No. 085636-X)

Encumbrances : Charged to OCBC Al-Amin Bank Berhad for US$70 million (2 Titles) vide Memorial No. MC1406090180 dated 18th June 2014

VALUATION CERTIFICATE

RICS

AZMI & CO

Date: 18th April 2017
Our Ref: 1.2655.17.WCK

APPROACH TO VALUATION

We have valued the subject property by the Income Capitalisation Approach using the discounted cash flow method (primary method) and comparative method (as cross-check). In using the discounted cashflow method, we have adopted an average long term CPO price of RM2,500 per metric tonne reflecting an FFB price of RM530.40 per metric tonne. The value derived is then considered and checked against the general level of comparable transactions that are within a reasonable range of the subject property.

LOCATION AND SURROUNDINGS

The subject property is located about 50 km north-west of Lahad Datu Town Centre on a straight line basis. The travelling distance is much longer as it involves driving about 50 km north before branching west for another 50km.

Access to the subject estate from Lahad Datu Town Centre is via Jalan Lebuhraya Sandakan-Tawau and Jalan Tabung Tentera, an earth and graveled road before reaching Sungai Malua. A barge ferry provides access to the plantation, across the river, identified as Pintasan 8.

Jalan Lebuhraya Sandakan-Tawau is a tarred road and shall be upgraded into a 4-lane dual carriageway as part of the Pan Borneo Highway.

The subject property is about 6½ km west of Kg. Kuamut at the upper reaches of Sg. Kinabatangan. Oil palm cultivation is mainly found along the Jalan Tabung Tentera route and to the north east on both sides of the Kinabatangan River. There are several sizeable oil palm estates along the road such as IOI Corporation Berhad, Syarimo Grouping, Tung Hup Enterprise Sdn Bhd and Pintasan 1 to 7 under Kwantas Plantations Sdn. Bhd.

The nearest palm oil mill to the subject property is Pintasan Palm Oil Mill (PPOM) about 25 km to the east. We understand that this mill is owned by a third party.

GENERAL DESCRIPTION

The subject property is held under an individual title, CL 095316395, with a sought after 999 years' tenure with a certified land area of 1,534 hectares (3,791 acres). It is elongated and irregular in plan shape with its west and north boundaries aligned along the course of the Kinabatangan River. Sungai Malua and Sungai Malubok flows along its north-east and south-west ends. The southern part of the estate backs onto the Malua Forest Reserve.

The property is a fully developed oil palm plantation of which 81.8% are matured palms. Estate buildings are adequate for efficient management and operation of the plantation. These fixed assets shall naturally be transferred in any eventual transaction of the estate. A well laid-out network of estate roads has been constructed to provide easy access for planting, maintenance, manuring and for harvesting of crops. These roads are generally gravelled or in their basic earth formation. The estate has a quarry with material suitable for estate use and helps to keep maintenance costs down.

The topography is generally low-lying with gentle undulating features rising higher as one moves further inland towards the Malua Forest Reserve and away from the riverplain. Elevated land does not exceed 100 metres and covers less than 15% of the estate. As the property occupies low-lying areas along a large river the soils are generally fertile and suitable for oil palm cultivation. Their limitations may be mitigated through creating artificial drainage, a proper manuring programme and terracing to hilly areas. Average annual rainfall, based on estate records, is considered sufficient for oil palm cultivation.

The palms are of Dura and Pisiferas (DXP) material sourced from Highlands Research Unit (HRU DXP). Vacancies have been supplied wherever possible and average about 7.56% for the whole estate which is not excessive. Upkeep and maintenance of the subject land is generally satisfactory and up-to-date. Annual weeding and fertilising programme is based on foliar analysis and has kept production at relatively high levels.

The estate has a sufficient complement of staff and workforce for efficient upkeep, maintenance and production.

FFB PRODUCTION AND YIELDS

The palms range from about 3 to 14 years old. The 14 years old palm are yielding about 29 metric tonne per hectare (MT/HA). Overall production of FFB per hectare increased from 22.7 metric tonne in 2014 to 24.9 metric tonne in 2016. The average yield over these 3 years is 23.55 metric tonnes per hectare.

Year	Annual Production (MT)	Yield Per Hectare (MT)
2014	30,791	22.55
2015	31,925	23.39
2016	33,727	24.71
Average	**32,147**	**23.55**

Planting Statement :

Description	Year Planted	Area (Hectares)
Mature Palms	2003 – 2006	1,229.92
Young Mature Palms	2011 - 2012	135.29
Immature Palms	2013 – 2014	137.84
	Total Area	**1,503.05**

The difference of 137.84 hectares from the current planted statement of 1,503.05 hectares on page 24 is accounted by the immature palms planted in 2013-2014 due to damage from landslide. Accordingly, the computation of the average yield excludes the areas that are not in production as the palms are immature or recently planted.

VALUATION CERTIFICATE

RICS

AZMI & CO

Date: 18th April 2017
Our Ref: 1.2655.17.WCK

SUMMARY OF PARAMETERS

INCOME PARAMETERS

Income parameters have been derived from study of CPO prices achieved over the past decade and calculated based on the tabulated formula on page 6. OER & PKR are based on average Sabah rates (Source: MPOB) and from comparison with the rates achieved at PPOM tabulated below:

YEAR	OER Average	KER Average
2014 (July – Dec)	19.90%	4.40%
2015 (Jan – Dec)	20.85%	4.28%
2016 (Jan – Dec)	20.23%	4.39%
2017 (Jan – Apr)	20.53%	4.47%

The above data are the average extraction rates of all grades of FFBs that are accepted by PPOM. As the lower grades will typically produce lower extraction rates the actual rate for Grade A FFB should be higher whilst Grade C FFB will be slightly lower.

Accordingly, we have adopted rates of 20% and 4% for OER and PKR respectively in our cashflow projection. The FFB price based on these adopted rates is RM530.40 which is lower than the average Pintasan 8 FFB price as shown below

Year	Month	MPOB Grade C Price (RM/MT)	Pintasan 8 Price (RM/MT)	Difference (%)
2016	December	673	692.58	2.91
	November	600	614.23	2.37
	October	562	559.32	-0.48
	September	591	601.92	1.85
	August	536	543.57	1.41
	July	473	479.77	1.43
	June	522	522.95	0.18
	May	523	529.00	1.15
	April	529	536.87	1.49
	March	516	506.09	-1.92
	February	470	480.06	2.14
	January	430	444.28	3.32
Average		**535.42**	**542.55**	**1.33**

VALUATION CERTIFICATE

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AZMI & CO

Date: 18th April 2017
Our Ref: 1.2655.17.WCK

The subject property's book value of RM125.42 million, as reported in Kwantas Corporation Berhad's 2016 Annual Report, reflects an OER rate of 21% and PKR rate of 4.7%.

We are of the opinion that the rates adopted by us in our cashflow valuation, having regard to the husbandry, harvesting and collection standards of the estate is reasonable.

The FFB price of **RM530.40** per MT adopted by us in our cashflow valuation is based on CPO price of RM2,500 per MT and an OER of 20% and PKR rate of 4%. This is computed as follows:

DESCRIPTION	RM per MT	OER	TOTAL
CPO Price (per MT)	2500		
Less: Transport of CPO	35		
MPOB Cess	13		
Sabah Windfall Tax (1.5%)	0		
Total:	2,452	20%	**490.40**
	KERNEL	**KER**	
Factor (0.75)	1,875	4%	**75.00**
		Total FFB Price :	**585.40**
		Less Processing Fee :	**35.00**
		Nett FFB Price :	**530.40**

(Windfall tax at 1.5% for Sabah and Sarawak applies at CPO prices above RM3,000 per MT)

Palm Life

A productive life span of 25 years is adopted for the oil palms. Based on the age of the current palms, their remaining cropping life range from 11 years to 22 years

Crop Yield

Our yield figures assume that the standard of husbandry is maintained at a reasonably good level and that no untoward weather, pest and disease problems arise which will significantly impact on FFB production

Oil Palm Yield Profile

We note that the FFB production for the whole estate have increased over the last 3 years from 22.7 MT to about 25 MT per hectare. This is despite the fact that El-Nino occurred during this period and it is likely that average yields would have exceeded what was achieved otherwise. It is interesting to note that production for 14 years palm planted in 2003 reached about 29 MT in 2016. Notwithstanding this, we have in this case adopted the average figure of 23.8 tonnes as the maximum production achievable after allowing for production losses due to crop failures, diseases and mammalian destruction.

Accordingly the following yield profile has been adopted:

Year	Average Yield Profile for Oil Palm Projected Production (Tonnes FFB/ha)
4	6
5	12.5
6	15.5
7	18.5
8	21.5
9-18	23.8
19	23
20	22
21	21.5
22	20.5
23	19.5
24	18.5
25	18

This profile reflects the generally suitable climate and soils in the estate. Yields will inevitably vary from field to field and will also depend on age and other factors such as nutrition and husbandry.

CURRENT EXPENDITURE PARAMETERS

Current expenditure parameters are based on estate records and adjusted where necessary with the regard to circumstances and to be within general industry norms.

The current expenditure parameters adopted for maintaining the estate to good husbandry and for sustaining yields at current levels are as follows:

i.	Field Upkeep	RM 1,810 per ha.
	**Cost for individual items are shown in the cashflow in our full report. These costs have been halved in the last year of the assumed remaining crop life*	
ii.	Harvesting and Collection	RM28 – RM35 per tonne of FFB
iii.	Transport to Ramps	RM5.50 per tonne of FFB
iv.	Transport to mill	RM35 per tonne of FFB

VALUATION CERTIFICATE

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AZMI & CO

Date: 18th April 2017
Our Ref: 1.2655.17.WCK

The following provides a comparison with the figures adopted in our report and data from Pintasan 8. Overall, we have adopted higher production costs.

Details	Cashflow	Pintasan Data			
		Jun '14	Jun '15	Jun '16	Average
1) Field Upkeep (RM/Ha)	1,810	1,380.82	2,068.61	1,622.65	1,690.69
- Weeding	120	171.66	180.84	213.83	188.78
- Manuring	1,350	864.92	1,540.19	1,083.54	1,162.88
- Pest & Diseases Control	25	18.45	26.42	29.59	24.82
- Pruning	30	67.85	84.05	70.13	74.01
- Roads maintenance	190	200.00	200.00	200.00	200.00
- Maintenance of Drains/Soil Conservation	50	26.27	33.50	24.31	28.03
- Miscellaneous	45	31.68	3.61	1.24	12.17
2) Harvesting & Collecting (RM/MT)	35	30.00	28.43	26.67	28.37
3) Transport to Ramps (RM/MT)	5.50	20.60	19.69	19.13	19.81
4) Transport to Mill (RM/MT)	35	46.92	29.67	29.04	35.21

Summary

Description	Cashflow	Pintasan 8 (Average)
Production Costs	1,810 per ha	1,691 per ha
Harvesting and Transportation Costs	76 per MT	83 per MT

Notwithstanding, the average annual production costs experienced by the subject estate, our expenditure perimeters reflect general industry norms based on consultations with experienced planters. We have adopted figures that are higher on an overall basis which will naturally provide a conservative value. Applying the actual costs of the estate will naturally result in a higher valuation.

CAPITAL EXPENDITURE

We have allowed for capital expenditure based on our inspection and discussion with the estate's management. This amount is allowed at a lump sum of RM3,000,000.

VALUATION CERTIFICATE

RICS

AZMI & CO

Date: 18th April 2017
Our Ref: 1.2655.17.WCK

DISCOUNT RATES

We have capitalised the net income generated from FFB production at a rate of 9.5%. The land value at the end of the palm life of each planting year have been valued on the basis of reversion to improved land value. The reversionary value that is adopted reflects the fact that the soil has benefited from years of conditioning, that field conditions are clean and that the whole benefits from the established estate buildings and infrastructure. This value has been discounted at 5% to present value. This rate reflects a safe return on the real estate as an investment and excludes the return on the business operation of the subject property.

REVERSIONARY LAND VALUE

The reversionary land value at the end of the palm life has been based on the prevailing level of vacant lands with the following comparables of particular note:

Details	Comparable 1	Comparable 2	Comparable 3
Title No.	CL 095332826	CL 095312682	CL 085322818 & 9 others / NT 083195564 & 3 others
Location	Sg. Imbak	Sg. Koyah, Jalan Sandakan – Lahad Datu	Sg. Ruku-Ruku, off Bt 67, Jalan Telupid
Remaining Tenure	80 years	65 years	CL – 70 years NT - grant in perpetuity
Type	Vacant Land	Vacant Land	Vacant Land
Land Area	173.7 hectares (429.22 acres)	5.577 hectares (13.78 acres)	153.05 hectares (378.19 acres)
Date	26/12/2013	11/04/2014	30/07/2015
Consideration	RM7,296,740	RM241,150	RM7,131,360
Analysed Land Value (RM per hectare)	RM42,008	RM43,240	RM46,595
Adjustments	Downward for size Upward for tenure, location & improvement	Downward for size & location Upward for tenure & improvement	Downward for size & location Upward for tenure & improvement
Adjustment Value (RM per Hectare)	RM42,847	RM36,322	RM39,605

The revisionary value adopted in our cashflow is RM39,500 per hectare.

COMPARABLES

Site inspections of the comparables (including those for the reversionary value) was not undertaken. Pertinent reasons, amongst others are:

a) The sites will not normally be available for inspection without obtaining permission for otherwise illegal trespass or entry will result.
b) The comparison method has been adopted only as a check as explained in page 30 of our report.
c) Data obtained is from Jabatan Penilaian dan Perkhidmatan Harta (JPPH) which is assumed to be correct.

VALUATION CERTIFICATE

RICS

AZMI & CO

Date: 18th April 2017
Our Ref: 1.2655.17.WCK

VALUATION

MARKET VALUE

Having taken all factors known to us into consideration, we are of the opinion that the open market value of the interest in the subject property held under Country Lease No. 095316395 as described above on the basis set out earlier in this report, free of all encumbrances, on 20th March 2017 is **RM116,000,000.00 (RINGGIT MALAYSIA ONE HUNDRED AND SIXTEEN MILLION ONLY).**

This represents a rate of **RM77,176.00 per hectare** based on planted area.

The rate on the total title area of 1,534 hectares would be **RM75,619 per hectare**.

This certificate is provided and shall be read together with our full valuation report.

Yours faithfully
For **AZMI & CO (SABAH) SDN. BHD.** – chartered surveyors & valuers

SR. WONG CHAW KOK, MRICS, MRISM
Chartered Surveyor & Registered Valuer (V-0354)
Date: 18th April 2017

FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirm that after making all reasonable enquiries, and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement/information herein misleading.

In relation to the information pertaining to the Vendor, the Board have made reliance on information obtained from the management of the Vendor. The Board accept no responsibility in respect of the accuracy of such information except to the extent that such information has been accurately reproduced in the Circular.

2. CONSENTS

KAF Investment, as the Principal Adviser to KUB for the Proposed Acquisition has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto, where relevant, in the form and context in which they appear in this Circular.

Azmi & Co, as the valuer to KUB for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, the Valuation Certificate and all references thereto, where relevant, in the form and context in which it appears.

3. DECLARATIONS

KAF Investment confirms that it is not aware of any conflict of interest situation that exists or is likely to exist in relation to its role as the Principal Adviser to KUB in connection with the Proposed Acquisition.

Azmi & Co confirms that it is not aware of any circumstances that exist or are likely to exist which would give rise to a possible conflict of interest situation that affect or may affect its ability to act independently and objectively as the valuer in connection with the Proposed Acquisition.

4. MATERIAL COMMITMENTS

As at the LPD, save as disclosed below, the Board is not aware of any material commitments incurred or known to be incurred by the Group, which may have a material impact on the financial position of the Group:-

	(RM'000)
The Land (being the Balance Purchase Consideration)	90,404
Approved and contracted for	8,667
Approved but not contracted for	61,139
Total	**160,210**

5. CONTINGENT LIABILITIES

As at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred by the Group which, upon becoming enforceable, may have a material impact on the financial position of the Group.

FURTHER INFORMATION

6. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, the Board is not aware of any material litigation, claims or arbitration, either as plaintiff or defendant, involving the Land and to the best of the Board's knowledge and belief, it is not aware of any proceedings, pending or threatened, or of any facts likely to give rise to any proceedings involving the Land.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of KUB at Level 8-11, Unit 1, Capital 3, Oasis Square, Ara Damansara, Jalan PJU 1A/7A, 47301 Petaling Jaya, Selangor Darul Ehsan, during normal business hours from Monday to Friday (except public holidays) from the date of this Circular up to and including the date of the EGM:

(i) the Constitution of KUB;

(ii) the letters of consent and conflict of interests referred to in Section 2 and Section 3 above;

(iii) the SPA dated 19 April 2017;

(iv) the Valuation Certificate as set out in **Appendix I** of this Circular;

(v) the Valuation Report; and

(vi) the audited consolidated financial statements of KUB for the FYE 31 December 2014, 31 December 2015 and 31 December 2016.

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KUB MALAYSIA BERHAD

(Company No. 6022-D)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Extraordinary General Meeting ("**EGM**") of KUB Malaysia Berhad ("**KUB**" or "**Company**") will be held at Dewan Shah Alam 1, Ground Floor, Shah Alam Convention Centre, No. 4, Jalan Perbadanan 14/9, 40000 Shah Alam, Selangor Darul Ehsan on Wednesday, 2 August 2017 at 10.00 a.m., or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the following resolution, with or without any modifications:

ORDINARY RESOLUTION

PROPOSED ACQUISITION BY KUB MALUA PLANTATION SDN BHD (FORMERLY KNOWN AS KUB OIL & GAS SDN BHD) ("KUB MALUA"), A WHOLLY-OWNED SUBSIDIARY COMPANY OF KUB, OF A PARCEL OF OIL PALM PLANTATION LAND HELD UNDER COUNTRY LEASE 095316395 IN SUNGAI KINABATANGAN, DISTRICT OF KINABATANGAN, SABAH MEASURING APPROXIMATELY 1,534 HECTARES ("LAND") FROM KWANTAS PLANTATIONS SDN BHD ("KPSB"), A WHOLLY-OWNED SUBSIDIARY COMPANY OF KWANTAS CORPORATION BERHAD FOR A CASH CONSIDERATION OF RM100,448,621 ("PROPOSED ACQUISITION")

"**THAT** subject to the provisions under the Companies Act, 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approvals of the relevant authorities, if relevant, being obtained for the Proposed Acquisition, approval be and is hereby given to KUB Malua to acquire the Land from KPSB for a total cash consideration of RM100,448,621 subject to and upon the terms and conditions set out in the conditional sale and purchase agreement in relation to the Proposed Acquisition dated 19 April 2017 entered into between KUB Malua and KPSB.

AND THAT the Directors of KUB and/or KUB Malua be and are hereby authorised to act for and on behalf of the Company and/or KUB Malua and to take all such steps and do all such acts, matters and things (including entering into all such deeds, agreements, arrangements, transactions, undertakings, transfers and indemnities) as they deem fit or may consider necessary, desirable, appropriate or expedient to implement, finalise and give full effect to the Proposed Acquisition with full power to give all or any notices, directions, consents and authorisations in respect of any matter arising under or in connection with the Proposed Acquisition and to assent to any conditions, modifications, variations and/or amendments relating to the Proposed Acquisition as may be approved/required by the relevant regulatory authorities and/or as the Directors of KUB and/or KUB Malua deem fit and to do all such things as they may consider necessary, desirable, appropriate or expedient in the best interests of the Company and KUB Malua."

By Order of the Board

SHARINA SAIDON *(*LS 0006127*)*
MOHD AFENDY MD YAZIM (MAICSA 7056481)
NANI SURYANI AHMAD TAJUDIN (MAICSA 7045699)
Company Secretaries
Petaling Jaya

10 July 2017

Notes:

(i) For the purpose of determining a member who shall be entitled to attend this EGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 68(iii) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 26 July 2017. Only a depositor whose name appears on the Record of Depositors as at 26 July 2017 shall be entitled to attend the said Meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

(ii) A member of the Company entitled to attend, speak and vote at the EGM may appoint a maximum of two (2) proxies, to attend and vote in his/her stead. Where a member appoints two (2) proxies, the member shall specify the proportion of the member's shareholding to be represented by each proxy, failing which the appointment shall be invalid. A proxy may but need not be a member of the Company.

(iii) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account) as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(iv) The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised or if the appointer is a corporation, either under its common seal or signed under the hand of its attorney or by an officer given the authority on behalf of the corporation.

(v) The Proxy Forms must be deposited at the office of the Company's Share Registrar, **Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan** by hand or fax to **+(603) 7841 8151** not less than **forty-eight (48) hours** before the time for holding the EGM or any adjournment thereof.

PROXY FORM

(COMPANY NO. 6022-D)

CDS Account No.	No. of Shares Held

I/We ____ NRIC/Passport No.: ______________________________
(Block Letters)

of ____
(Full Address)

____
being a member/members of KUB MALAYSIA BERHAD ('Company') hereby appoint Chairman of the Meeting* or

____NRIC/Passport No.: _______________________________
(Block Letters)

of ____
(Full Address)

and/or failing him/her ____________________________________ NRIC/Passport No. ______________________
(Block Letters)

of ____
(Full Address)

as my/our proxy(ies) to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company ('**EGM'**) to be held at Dewan Shah Alam 1, Ground Floor, Shah Alam Convention Centre, No. 4, Jalan Perbadanan 14/9, 40000 Shah Alam, Selangor Darul Ehsan on Wednesday, 2 August 2017 at 10.00 a.m. or any adjournment thereof.

* *If you wish to appoint other person(s) as your proxy/proxies, kindly delete the phrase Chairman of the Meeting and insert name(s) of the desired person(s).*

My/Our proxy(ies) is/are to vote as indicated by an "X" in the appropriate space below:-

RESOLUTION	FOR	AGAINST	ABSTAIN
PROPOSED ACQUISITION			

The proportion of my/our holding to be represented by my/our proxy/proxies is as follows:-

First Proxy	%
Second Proxy	%
Total	**100%**

Dated this ____________ day of ____________ 2017

____
Signature of Member/Common Seal/Attorney/Authorised Officer

** *Strike out whichever is not desired.*
(Unless otherwise instructed, the Proxy(ies) may vote as he/she thinks fit).

Fold this flap for sealing

Notes:

(i) For the purpose of determining a member who shall be entitled to attend this EGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 68(iii) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 26 July 2017. Only a depositor whose name appears on the Record of Depositors as at 26 July 2017 shall be entitled to attend the said Meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

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AFFIX
STAMP

KUB MALAYSIA BERHAD (6022-D)
c/o THE REGISTRAR
Symphony Share Registrars Sdn Bhd (378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

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