

## General Announcement for PLC (v13)

RELEASED

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COMPANY INFORMATION SECTION			
Announcement Type	<input checked="" type="radio"/> New Announcement <input type="radio"/> Amended Announcement		
Company Name	DUTCH LADY MILK INDUSTRIES BERHAD		
Stock Name	DLADY		
Stock Code	3026		
Board	Main Market		
Submitting Secretarial Firm	BOARDROOM CORPORATE SERVICES SDN BHD		

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MAIN	
Type	Announcement
Subject	TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) NON RELATED PARTY TRANSACTIONS
Description	DUTCH LADY MILK INDUSTRIES BERHAD ("DLMI" OR "COMPANY") - PROPOSED DISPOSAL BY DLMI OF LAND TOGETHER WITH THE BUILDINGS BEARING POSTAL ADDRESS NO. 13, JALAN PROFESSOR KHOO KAY KIM (FORMERLY KNOWN AS JALAN SEMANGAT) 46200 PETALING JAYA, SELANGOR ("THE PROPERTY") TO UEM LAND BERHAD FOR A TOTAL CASH SUM OF RM200,000,000.00
Shareholder Approval	Yes

Announcement Details/Table Section			
<p>Reference is made to the Company's announcement dated 9 September 2020 in relation to public tender to assess prospects of a potential sale of the Property.</p> <p>The Board of Directors of DLMI wishes to announce that DLMI had on 10 March 2021 entered into a conditional Sale and Purchase Agreement ("SPA") with UEM Land Berhad to dispose of the Property ("Proposed Disposal").</p> <p>Please refer to the attachment for further details of the Proposed Disposal.</p> <p>This announcement is dated 10 March 2021.</p>			
Attachment	No	File Name	Size
	1	Announcement to Bursa Signing of SPA -10 March 2021 (fair).pdf	228.4KB

**DUTCH LADY MILK INDUSTRIES BERHAD ("DLMI" OR "COMPANY")**

**PROPOSED DISPOSAL BY DUTCH LADY MILK INDUSTRIES BERHAD ("DLMI" OR "COMPANY") OF LANDS HELD UNDER DOCUMENTS OF TITLE PAJAKAN NEGERI 33305 LOT 78 SEKSYEN 13, PAJAKAN NEGERI 33306 LOT 79 SEKSYEN 13 AND PAJAKAN NEGERI 96122 LOT 48 SEKSYEN 13, ALL IN BANDAR PETALING JAYA, DAERAH PETALING, NEGERI SELANGOR ("LAND") TOGETHER WITH THE BUILDINGS ERECTED THEREON ("BUILDINGS") BEARING POSTAL ADDRESS NO. 13, JALAN PROFESSOR KHOO KAY KIM (FORMERLY KNOWN AS JALAN SEMANGAT) 46200 PETALING JAYA, SELANGOR (THE LAND TOGETHER WITH THE BUILDINGS SHALL HEREINAFTER BE REFERRED TO TOGETHER AS "PROPERTY") TO UEM LAND BERHAD ("PURCHASER") FOR A TOTAL CASH SUM OF RM200,000,000.00 ("PURCHASE PRICE")**

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**1. INTRODUCTION**

We refer to the earlier announcement dated 9 September 2020 made by the Board of Directors ("**Board**") of DLMI in relation to the public tender to assess prospects of a potential sale of its current factory land located and held under documents of title Pajakan Negeri 33305 Lot 78 Seksyen 13 ("**Lot 78**"), Pajakan Negeri 33306 Lot 79 Seksyen 13 ("**Lot 79**") and Pajakan Negeri 96122 Lot 48 Seksyen 13 ("**Lot 48**"), all in Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor ("**Land**") together with the buildings erected thereon ("**Buildings**") bearing postal address No. 13, Jalan Professor Khoo Kay Kim (formerly known as Jalan Semangat) 46200 Petaling Jaya, Selangor (the Land together with the Buildings shall hereinafter be referred to together as "**Property**").

Following the completion of the assessment, the Board wishes to announce that DLMI had on 10 March 2021 entered into a conditional sale and purchase agreement ("**SPA**") with UEM Land Berhad (Registration No. 198201011169 (90894-P)) ("**Purchaser**"), to dispose of the Property ("**Proposed Disposal**").

## 2. DETAILS OF THE PROPOSED DISPOSAL

### 2.1 Proposed Disposal

The abovesaid assessment was conducted by way of a public tender exercise which was closed on 9 December 2020. On 14 January 2021, the Board evaluated the bids which were submitted and decided on the Purchaser as the successful bidder. The Proposed Disposal is not a related party transaction.

### 2.2 Description of the Property

DLMI is the registered proprietor of the Land bearing postal address No. 13, Jalan Prof. Khoo Kay Kim (formerly known as Jalan Semangat), 46300 Petaling Jaya, Selangor Darul Ehsan, which is held under the following documents of title:

- (a) Pajakan Negeri 33305 Lot 78 Seksyen 13, measuring approximately 13461 square meters in area with a leasehold period of ninety-nine (99) years expiring on 23 November 2059 ("**Lot 78**");
- (b) Pajakan Negeri 33306 Lot 79 Seksyen 13 measuring approximately 6892 square meters in area with a leasehold period of ninety-nine (99) years expiring on 23 November 2059 ("**Lot 79**"); and
- (c) Pajakan Negeri 96122 Lot 48 Seksyen 13 measuring approximately 19839.91 square meters in area with a leasehold period of ninety-nine (99) years expiring on 20 October 2059 ("**Lot 48**"),

together with the Buildings erected thereon as follows:

No.	Lot No.	Gross Floor Area	Buildings	Approximate Age
1	<b>Lot 48</b>	150,265 sq. feet	Alpha Storage- Single storey warehouse	48 years
2			Chilled Room and Processing Area - Three storey factory	
3			Quality Control Block - Double Storey office	

4			Canteen and Boiler House	
5			Guard House	
6	<b>Lot 78</b>	218,788 sq. feet	Block A - Four storey office building	24 years
7			Block B - Double storey factory	
8			Block C - Three storey warehouse with basement carpark	
9			Block F - Single storey warehouse	
10			Guard house, safety briefing room and ATM room	
11			Surau	
12	<b>Lot 79</b>	38,125 sq. ft	Gamma store- single storey warehouse	11 years
13			Pump house	
14			Guard house	

### 2.3 Occupancy of Buildings

The Buildings are currently occupied by DLMI for its factory operations and will continue to be occupied by DLMI as a tenant following the completion of the SPA (please refer to paragraph 2.7.6 below).

### 2.4 Encumbrances

The Property is presently free from encumbrances.

## 2.5 **Net Book Value**

The audited net book value of the Land and Buildings as at 31 December 2020 is RM22.6 million.

## 2.6 **Valuation Report**

Upon receiving the bids during the public tender exercise, the feedback received was that bidders' interest is for the Land, which they will redevelop and not the Buildings, which the bidders intend to demolish. Accordingly, a valuation of the Property was carried out by PPC International Sdn Bhd, an independent valuer registered with the Board of Valuers, Appraisers and Estate Agents Malaysia on 20 January 2021 ("**Valuation Report**") on a redevelopment basis i.e. the potential of the Land for mixed commercial development and ignoring all improvements on the Land. The Valuation Report states that further enquiries with Bahagian Perancangan Pembangunan, Majlis Bandaraya Petaling Jaya (MBPJ), revealed that the Land has been re-zoned for mixed commercial development designated for service apartments, purpose-built offices, hotels and other commercial developments.

On the redevelopment basis stated above, the valuers appraised the Property at a market value of RM204,200,000.00. The valuation was carried out using the Comparison Method of Valuation which entails comparing the Property with comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, market condition, size, shape and terrain of land, tenurial interest and restriction (if any), availability of infrastructure and vacant possession, development potential, zoning, approvals (if any) and other relevant characteristics.

## 2.7 **Salient terms of the SPA**

### 2.7.1 **Sale and Purchase**

DLMI agreed to sell and the Purchaser agreed to purchase the Property for the Purchase Price upon the terms and conditions of the SPA and on the following basis:

- (a) on an "as is where is" basis free from all encumbrances, liens, caveats and restraints but subject to all conditions of title whether express or implied and the existing category of land use affecting the Property provided in the documents of title to the Property;

- (b) the sale shall exclude all machineries in on or within the Property and any of the fixtures and fittings related to the machineries which are not embedded to the Buildings;
- (c) on the express understanding and condition that the Purchaser shall grant to DLMI a tenancy of the Property ("**Tenancy**") for a period of 2 years from the completion of the SPA with an option to extend for two (2) further terms of 6 months each.

#### 2.7.2 **Payment of consideration**

- (a) two percent (2%) of the Purchase Price amounting to **Ringgit Four Million (RM4,000,000)** ("**Earnest Deposit**") has been paid to DLMI's real estate agent as stakeholders on 26 January 2021;
- (b) eight percent (8%) of the Purchase Price amounting to **Ringgit Sixteen Million (RM16,000,000)** ("**Balance Deposit**", which sum together with the Earnest Deposit shall be referred to as "**Deposit**") has been paid by the Purchaser in the manner set out below simultaneously with the execution of the SPA on 10 March 2021:-
  - (i) three percent (3%) of the Purchase Price amounting to **Ringgit Six Million (RM6,000,000)** ("**RPGT Retention Sum**") has been paid to the Purchaser's Solicitors, as stakeholders; and
  - (ii) five percent (5%) of the Purchase Price amounting to **Ringgit Ten Million (RM10,000,000)** has been paid to DLMI; and
- (c) ninety percent (90%) of the Purchase Price amounting to **Ringgit One Hundred and Eighty Million (RM180,000,000)** ("**Balance Sum**") shall be paid by the Purchaser to DLMI's solicitors, as stakeholders, within three (3) months from the date the SPA becomes unconditional.

#### 2.7.3 **Conditions Precedent**

The SPA is conditional upon DLMI obtaining approval from its shareholders in general meeting ("**DLMI's Shareholders' Approval**") for the sale and transfer of the Property in accordance with the terms of the SPA within a period of four (4) months from the date of the SPA or such other date to be mutually agreed between the parties ("**Approval Period**").

#### 2.7.4 **Termination of SPA**

If DLMI's Shareholders' Approval is not obtained within the Approval Period, the SPA shall, unless extended by mutual agreement of the parties, lapse and terminate and be of no further effect whatsoever. DLMI shall refund or cause to be refunded to the Purchaser the Deposit free of interest within thirty (30) days of such termination.

If the SPA is terminated as a result of a default by the Purchaser, DLMI shall be entitled to either the remedy of specific performance thereof against the Purchaser together with all relief flowing therefrom or alternatively, in lieu of the relief of specific performance, DLMI shall be entitled at DLMI's option to terminate the SPA by written notice to the Purchaser whereupon the Deposit shall be forfeited to DLMI as agreed liquidated damages.

If DLMI is in default of the SPA, the Purchaser shall be entitled to either the remedy of specific performance thereof against DLMI together with all relief flowing therefrom or alternatively, in lieu of the relief of specific performance, the Purchaser shall be entitled at the Purchaser's option to terminate the SPA by written notice to DLMI whereupon DLMI shall refund or cause to be refunded to the Purchaser all moneys paid by the Purchaser towards the Purchase Price, free from interest and further pay to the Purchaser a sum equivalent to the Deposit as agreed liquidated damages.

#### 2.7.5 **Completion**

Completion of the SPA shall take place on the date when the full amount of the Balance Purchase Price and the late payment interest, if any, are received by DLMI's solicitors in clear funds ("**SPA Completion Date**").

#### 2.7.6 **Tenancy**

Simultaneously with the execution of the SPA, DLMI (as tenant) and the Purchaser (as landlord) have executed a tenancy agreement ("**Tenancy Agreement**") in escrow, in order for DLMI to take a tenancy of the Property for 2 years commencing on the SPA Completion Date ("**Rental Term**") at a monthly rental of Ringgit Five Hundred Thousand (RM500,000.00), payable on or before the 7<sup>th</sup> day of each month. DLMI has the option to renew the tenancy by written notice for two (2) further terms of six (6) months each upon expiry of the Rental Term at the same monthly rental and subject also to the like covenants and provisions contained in the Tenancy Agreement.

### 2.7.7 Possession

To give effect to the Tenancy, notwithstanding completion of the sale and purchase of the Property, vacant possession of the Property shall be retained by DLMI until the expiry or sooner determination of the Tenancy and will be delivered by DLMI to the Purchaser on an "as is where is" basis, that is, in the state and condition then existing as at the date of expiry or early termination of the Tenancy by DLMI, on the expiry or sooner determination of the Tenancy.

### 2.8 Basis and justification in arriving at the consideration

The Purchase Price was arrived at, based on a "willing buyer willing seller" basis and is justified after taking into consideration the highest bid received by way of a public tender exercise which was closed on 9 December 2020. The Purchase Price is further supported by the Valuation Report. The Purchase Price represents a 2.1% discount to the market value of the Property as ascribed by the Valuation Report.

### 2.9 Expected gain arising from the Proposed Disposal

Based on the Purchase Price, the expected net gain to DLMI arising from the Proposed Disposal is approximately RM178.6 million after taking into account the following:

- (a) the audited net book value of the Land of approximately RM2.88 million as at 31 December 2020;
- (b) the estimated expenses to be incurred for the Proposed Disposal of approximately RM2.72 million;
- (c) the estimated Real Property Gains Tax of RM14.75 million; and
- (d) the estimated cost of RM1.02 million relating to the Tenancy which will be incurred in the year 2021 (being the financial year wherein the proceeds from the Purchase Price is recognized).

### 2.10 Original cost and date of investment

Based on DLMI's records, the Property was previously acquired by DLMI as follows:

	<b>Lot</b>	<b>Vendor</b>	<b>Purchase price</b>	<b>Date of agreement / transfer</b>
a)	Lot 48	Lengga Rubber Estates	RM94,441.50	Date of transfer - 20 January



		Limited		1966
b)	Lot 78	Malayan United Paper Products Sdn Bhd	RM2,968,982.50	Date of agreement - 7 April 1979
c)	Lot 79	FCW Housing & Realty Development Sdn Bhd and United Malaysian Steel Mills Berhad	RM3,000,000.00	Date of agreement - 22 December 1988

### 2.11 Utilisation of proceeds

The use of the gross cash proceeds of RM200,000,000.00 will be reviewed and determined by the Board in the best interest of the Company by the end 2021, and may be utilised to finance the construction of its manufacturing facilities in Bandar Enstek.

### 2.12 Liabilities to be assumed

There are no liabilities, including contingent liabilities and guarantees, to be assumed by the Purchaser pursuant to the Proposed Disposal.

### 2.13 Information on the Purchaser

The Purchaser is wholly owned by UEM Sunrise Berhad and was incorporated in Malaysia as a public limited company on 7 October 1982 under the Companies Act, 1965. It's registered address is at Level U6, Block C5, Solaris Dutamas, No.1, Jalan Dutamas 1, Kuala Lumpur, Wilayah Persekutuan, and is principally in the business of property development, property investment, project procurement and management, and strategic investment holding.

The directors of the Purchaser are as follows:

Director	Date of Appointment
Wong Koon Keng	8 October 2018
Zamri Bin Yusof	14 February 2020

Anuar Bin Kasim	30 October 2020
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The Purchaser is not a related party to the Company.

### **3. RATIONALE FOR THE PROPOSED DISPOSAL**

The principal activities of the Company are the production, distribution and marketing of dairy products. As announced on 17 December 2020, DLMI has, on that date, completed the purchase of three (3) parcels of freehold industrial land held under Geran 270934 Lot No. 61320, Geran 270935 Lot No. 61321 and Geran 270936 Lot No 61322 all in Mukim of Bandar Baru Enstek, District of Seremban, State of Negeri Sembilan for a total cash consideration of RM56,790,320 ("**Land Acquisition**"). It was also announced that the Company will, commencing 2021, take steps towards constructing manufacturing and warehousing facilities, support facilities and office facilities thereon ("**New Facilities**"). It is planned for construction of the New Facilities to be completed around 3 years thereafter.

As indicated herein, it is an express condition of the Proposed Disposal that DLMI will be granted a Tenancy of the Property for 2 years from the completion of the SPA (with an option to extend for two (2) further terms of 6 months each thereafter). DLMI will continue its manufacturing activities on the Property until the construction of the New Facilities have been completed and the New Facilities are fully operational. Following the disposal of the Property, DLMI will continue its manufacturing activities on the Property as a tenant until the New Facilities are completely ready. DLMI will then fully operate from the New Facilities. Accordingly, the Proposed Disposal, the Land Acquisition and DLMI's investment in the New Facilities are all in line with DLMI's long-term plans of improving its manufacturing capabilities to keep up with the demand for its products and with new consumer trends which will strengthen its ability to provide the goodness and nutritional value of milk to its customers.

### **4. EFFECTS OF THE PROPOSED DISPOSAL**

#### **4.1 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 the substantial shareholders of the Company.

#### **4.2 Net Assets (“NA”) and gearing**

The Proposed Disposal is not expected to have any material effect on the net assets per share and gearing of the Company for the financial year ending 31 December 2021.

#### **4.3 Earnings and earnings per share**

Based on the audited net assets of DLMI as at 31 December 2020, the Proposed Disposal is expected to result in a total net gain on disposal of approximately RM178.6 million. This will translate into an increase in earnings per share by approximately 279 sen based on the weighted average number of ordinary shares in issue of DLMI as at 31 December 2020.

### **5. RISK FACTORS**

#### **5.1 Non-Completion of the Proposed Disposal**

The completion of the Proposed Disposal is subject to DLMI obtaining DLMI’s Shareholders’ Approval as set out in the SPA and in the event that DLMI Shareholders’ Approval is not obtained, the Proposed Disposal will be terminated. The Board endeavours to take reasonable steps to ensure the completion of the Proposed Disposal.

#### **5.2 Contractual Risk**

DLMI may be subjected to certain contractual risk such as specific performance and payment of liquidated damages as a result of non-fulfilment of its obligations under the SPA. Nevertheless, the Company shall endeavour to ensure that it complies with its obligations under the SPA.

#### **5.3 Compulsory acquisition by the Government**

The Malaysian Government has the power to compulsorily acquire any land in Malaysia pursuant to the provisions of the applicable legislation including the Land Acquisition Act, 1960. In such event, the amount of compensation to be awarded is based on the market value of the property and is assessed on the basis prescribed in the Land Acquisition Act, 1960 and other relevant laws. If the Property or part of the Property is compulsorily acquired by the Malaysian Government at a point in time when the market value of the Property is lower than the Purchase Price, the compulsory acquisition could adversely affect the value of the Property and have a negative effect on the financials of DLMI. Should such circumstances arise, DLMI shall endeavour to seek a fair compensation from the Malaysian Government based on its purchase consideration.

#### **5.4 COVID-19 Pandemic**

The risks from the COVID-19 pandemic on economic situations and its impact on the market value of the Property has been addressed in the Valuation Report. The valuers indicated in the Valuation Report that as regards the Petaling Jaya Commercial Property Market, the pandemic will not have a long-lasting impact on the future growth and performance of the commercial industry as the market is currently in a transitional period in light of the discovery and use of the vaccine.

#### **6. APPROVALS REQUIRED**

The Proposed Disposal is subject to the approval of DLMI's shareholders and is not subject to the approval of any regulatory authorities.

#### **7. INTERESTS OF DIRECTORS', MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM**

Dato' Zainal Abidin bin Putih who is the Chairman of DLMI's Board of Directors, also sits on the Board of Directors of Khazanah Malaysia Berhad. The Purchaser is a subsidiary of Khazanah Malaysia Berhad. Accordingly, Dato' Zainal Abidin bin Putih has abstained from all discussions, deliberations and decisions relating to the Proposed Disposal.

Save and except as stated above, none of the other directors and/or major shareholders of the Company and/or persons connected with the directors and/or major shareholders (as defined in the MMLR) have any interest, whether direct or indirect, in the Proposed Disposal.

#### **8. DIRECTORS' STATEMENT**

The Board (save for Dato' Zainal Abidin bin Putih, who abstains), after having considered all relevant aspects of the Proposed Disposal, is of the opinion that the Proposed Disposal is in the best interests of the Company.

#### **9. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances, the Proposed Disposal is expected to be completed by end of 2021.

## **10. HIGHEST PERCENTAGE RATIO**

Based on the audited consolidated financial statements of the Company for the financial year ended 31 December 2020, the highest percentage ratio applicable to the Proposed Disposal pursuant to paragraph 10.02 (g) of the MMLR is 120.06% which is the Purchase Price compared with the Net Assets of DLMI based on the latest audited financial statement of DLMI as at 31 December 2020.

## **11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be made available for inspection at the Company's registered office at Level 5 Quill 9, Jalan Prof. Khoo Kay Kim, 46300 Petaling Jaya, Selangor Darul Ehsan, during normal business hours from Monday to Friday (except public holidays) for a period of three (3) months from the date of this announcement:

- (a) the SPA and Tenancy Agreement;
- (b) the Valuation Report; and
- (c) the Valuation Certificate.

**This announcement is dated 10 March 2021.**