

THIS CIRCULAR/STATEMENT 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.

Bursa Malaysia Securities Berhad (“Bursa Securities”) has not perused the contents of this Circular/Statement pertaining to the Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and Proposed Renewal of Share Buy-Back Authority (as defined herein) as Bursa Securities has prescribed it as an exempt circular.

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PART A

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

PART B

STATEMENT TO SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

The resolution in respect of the above proposals will be tabled at the Forty-Eighth (48th) Annual General Meeting (“AGM”) of Kumpulan Fima Berhad to be held fully virtual through live streaming and online remote voting via Remote Participation and Electronic Voting (“RPEV”) facilities (collectively referred as “48th Virtual AGM”) at the Broadcast Venue at Training Room, Kumpulan Fima Berhad, Suite 4.1, Level 4, Block C, Plaza Damansara, No. 45, Jalan Medan Setia 1, Bukit Damansara, 50490 Kuala Lumpur on Tuesday, 29 September 2020 at 3.00 p.m. or at any adjournment thereof. No shareholders/proxies/corporate representatives should be physically present nor admitted at the Broadcast Venue on the day of the 48th Virtual AGM. Please follow the procedures provided in the Administrative Guide for the 48th Virtual AGM in order to register, participate and vote remotely.

The Notice of the 48th Virtual AGM together with the Proxy Form are enclosed in the Company’s Annual Report 2020. The Proxy Form shall be deposited with the Company’s Share Registrar at Boardroom Share Registrars Sdn Bhd, 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for holding the 48th Virtual AGM. Alternatively, the shareholders may deposit the Proxy Form by electronic means through Share Registrar’s website, Boardroom Smart Investor Portal. Kindly follow the link at www.boardroomlimited.my to login and deposit your Proxy Form electronically, also 48 hours before the meeting.

Last date and time for lodging the Proxy Form: Sunday, 27 September 2020 at 3.00 p.m.

DEFINITIONS

The following definitions shall apply throughout this Circular/Statement unless the context requires otherwise:

- Act** – Companies Act 2016 including all amendments made from time to time and any re-enactment thereof
- AGM** – Annual General Meeting
- BHR** – BHR Enterprise Sdn Bhd [198001011103 (64889-A)]
- Board or Board of Directors** – Board of Directors of Kumpulan Fima Berhad
- Bursa Securities** – Bursa Malaysia Securities Berhad [197601004668 (30632-P)]
- Circular** – This circular to the shareholders of the Company 28 August 2020
- CMSA** – Capital Market and Services Act 2007, including any amendments made from time to time and any re-enactment thereof
- Code** – Malaysian Code on Take-Overs and Mergers 2016, including any amendments that may be made from time to time
- Director(s)** – Has the meaning given in section 2(1) of the CMSA and includes in the case of any issuer of structured warrant or a listed issuer which is collective investment scheme, a director of the issuer of the structured warrants or a director of a management company of the collective investment scheme respectively. The director(s) shall also include any person who is and was within the preceding 6 months of the date on which the terms of transaction were agreed upon a director or chief executive of the listed issuer, its subsidiary or holding company or in relation to Special Purpose Acquisition Company (SPAC), a member of the SPAC's management team
- EPS** – Earnings per share
- IFC** – International Food Corporation Limited (C-1-19260)
- KFima or Company** – Kumpulan Fima Berhad [197201000167 (11817-V)]
- KFima Group or Group** – KFima and its subsidiaries
- Listed Issuer** – Mean any one or more, as the context may require, of the following:
(a) a listed corporation, including a SPAC;
(b) a listed collective investment scheme; or
(c) an issuer of any other listed securities.
- Listing Requirements** – Main Market Listing Requirements of Bursa Securities including any amendments thereto that may be made from time to time
- Major Shareholder(s)** – A person who has an interest or interests in one or more of voting shares in a corporation and the nominal amount of that share, or the aggregate of the nominal amount of those shares, is:
(a) 10% or more of the total number of voting shares in the Company; or
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DEFINITIONS

- (b) 5% or more of the total number of voting shares in the Company where such person is the largest shareholder of the Company.

For the purpose of this definition, "interest in shares" shall have the meaning given in Section 8 of the Act. The major shareholder shall also include any person who is and was within the preceding 6 months of the date on which the terms of transaction were agreed upon, a major shareholder of the listed issuer as defined under Paragraph 1.01 of the Listing Requirements or any other company which its subsidiary is or holding company

Market Day(s)	– A day on which the stock market of Bursa Securities is open for the trading of securities
NA	– Net assets
Person(s) Connected	– Person in relation to a Director or a Major Shareholder who falls under any one of the categories as per Paragraph 1.01 of the Listing Requirements
Proposed Renewal of Share Buy-Back Authority	– Proposed renewal of authority for the Company to purchase and/or to hold up to ten percent (10%) of the Company's total number of issued shares at any given point of time
Proposed Share Buy-Back	– Proposed purchase of up to ten percent (10%) of its issued and paid-up share capital
Proposed Renewal of Shareholders' Mandate	– Proposed renewal of the existing shareholders' mandate for the KFima Group to enter into RRPT of revenue or trading nature
Purchased Shares	– KFima Shares to be purchased by the Company pursuant to the Proposed Renewal of Share Buy-Back Authority
Related Party(ies)	– A Director, Major Shareholder or Person Connected with such Director or Major Shareholder
RRPT	– Recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations and in the ordinary course of business
RM and sen	– Ringgit Malaysia and sen respectively
SC	– Securities Commission
Share(s)	– Ordinary share(s) of KFima
Substantial Shareholder	– A person who has an interest or interests in one or more voting Shares in the Company and the number or aggregate number of those shares, is not less than 5% of the total number of all the voting Shares in the Company
Validity Period	– Proposed Shareholders' Mandate validity period from 48 th Virtual AGM to 49 th AGM

CONTENTS

LETTER TO THE SHAREHOLDERS CONTAINING:

PART A - PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

1.	INTRODUCTION	1
2.	DETAILS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE	2
2.1	Validity Period of the Proposed Renewal of Shareholders' Mandate	2
2.2	Disclosure in the Annual Report	2
2.3	Principal Activities of the Company	2
2.4	Nature of the RRPT	3
2.5	Amount Due and Owing by Related Parties	4
2.6	Rationale and Benefits	4
2.7	Review Procedures for the RRPT	5
2.8	Approval Thresholds	5
2.9	Statement by Audit and Risk Committee	5
2.10	Interests of Directors, Major Shareholder and Persons Connected To Them in the Proposed Shareholders' Mandate	5
2.11	Determining Transacted Price	6
3.	EFFECTS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE	7
4.	APPROVALS REQUIRED	7
5.	DIRECTORS' RECOMMENDATION	7
6.	SPECIAL BUSINESS AT AGM	7
7.	FURTHER INFORMATION	7

PART B – STATEMENT IN RELATION TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

1.	INTRODUCTION	8
2.	DETAILS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY	8
2.1	Quantum	9
2.2	Funding	9
2.3	Pricing	9
2.4	Treatment of Purchased Shares	10
3.	RATIONALE FOR THE PROPOSED SHARE BUY-BACK	10
4.	POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK	11
5.	FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK	11
5.1	Share Capital	11
5.2	Net Assets	11
5.3	Working Capital	12
5.4	Earnings	12
6.	DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS	12
7.	PUBLIC SHAREHOLDING SPREAD	13
8.	IMPLICATIONS ON THE CODE	13
9.	PURCHASE OF KFIMA SHARES IN THE PREVIOUS 12 MONTHS	14

10. SHARE PRICES	14
11. APPROVALS REQUIRED	14
12. INTEREST OF THE DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM	14
13. DIRECTORS' RECOMMENDATION	14
14. ANNUAL GENERAL MEETING	15
15. FURTHER INFORMATION	15
APPENDIX I FURTHER INFORMATION	16



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Bukit Damansara
50490 Kuala Lumpur

28 August 2020

Board of Directors

Dato' Idris bin Kechot (*Chairman/Independent Non-Executive Director*)
Dato' Roslan bin Hamir (*Group Managing Director*)
Azizan bin Mohd Noor (*Senior Independent Non-Executive Director*)
Dato' Rosman bin Abdullah (*Independent Non-Executive Director*)
Rozana Zeti binti Basir (*Non-Independent Non-Executive Director*)
Rozilawati binti Haji Basir (*Non-Independent Non-Executive Director*)
Datuk Anuar bin Ahmad (*Independent Non-Executive Director*)

To: The Shareholders of Kumpulan Fima Berhad

Dear Sir/Madam,

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

1. INTRODUCTION

The Company had at its 47th AGM of the Company held on 28 August 2019, obtained a mandate from its shareholders to enter into RRPT with the Related Party. The existing shareholders' mandate on the RRPT shall, in accordance with the Listing Requirements, lapse at the conclusion of the forthcoming 48th Virtual AGM, unless a mandate for its renewal is obtained from the shareholders of the Company at the forthcoming 48th Virtual AGM.

Accordingly, the Company had on 29 July 2020, announced to Bursa Securities its intention to seek shareholders' approval for the Proposed Renewal of Shareholders' Mandate at the forthcoming 48th Virtual AGM. The Proposed Renewal of Shareholders' Mandate will take effect from the date of passing the resolution at the forthcoming 48th Virtual AGM until the next AGM of the Company in year 2021.

The purpose of this Circular is to provide you with information on the Proposed Renewal of Shareholders' Mandate together with your Directors' recommendation and to seek your approval for the resolution to be tabled at the forthcoming 48th Virtual AGM. The Notice of 48th Virtual AGM is enclosed together with the Company's Annual Report 2020.

Shareholders are advised to read the contents of this Circular carefully before voting on the ordinary resolution pertaining to the Proposed Renewal of Shareholders' Mandate at the forthcoming 48th Virtual AGM.

2 DETAILS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE

Pursuant to Paragraph 10.09(2) of the Listing Requirements, the Company may seek a shareholders' mandate in respect of RRPT subject to, *inter-alia*, the following:

- (i) the transactions are in the ordinary course of business and are on terms not more favourable to the Related Party than those generally available to the public;
- (ii) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1) of the Listing Requirements;
- (iii) the circular to shareholders for the shareholders' mandate includes the information as may be prescribed by Bursa Securities;
- (iv) in a meeting to obtain shareholders' mandate, the relevant Related Party must comply with the requirements set out in Paragraph 10.08(7) of the Listing Requirements; and
- (v) the Company must immediately announce to Bursa Securities when the actual value of the RRPT entered into by KFima Group exceeds the estimated value of the RRPT disclosed in this Circular by 10% or more and must include the information as may be prescribed by Bursa Securities in the Company's announcement.

Accordingly, the Board is seeking shareholders' approval for the Proposed Renewal of Shareholders' Mandate from the date of the forthcoming 48th Virtual AGM to the next AGM. The RRPT is conducted in the ordinary course of business with the Related Party and are on normal commercial terms which are no more favourable to the Related Parties than those generally available to the public and are not detrimental to the minority shareholders of the Company. The RRPT will also be subject to the review procedures set out in section 2.7 of this Circular.

2.1 Validity Period of the Proposed Renewal of Shareholders' Mandate

The Proposed Renewal of Shareholders' Mandate, if approved at the forthcoming 48th Virtual AGM, will continue to be in force until:

- (i) the conclusion of the next AGM of the Company following this 48th Virtual AGM, at which time the mandate will lapse, unless by an ordinary resolution passed at general meeting, the mandate is renewed;
- (ii) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) revoked or varied by ordinary resolution passed by the shareholders in a general meeting,

whichever is earlier.

2.2 Disclosure in the Annual Report

Disclosure will be made in the annual report of the Company of the aggregate value of RRPT conducted pursuant to the Proposed Renewal of Shareholders' Mandate with a breakdown of the aggregate value of the RRPT made during the financial year; based on the type of the RRPT and the name of the Related Party involved in each type of the RRPT made and their relationship with the Company.

2.3 Principal Activities of the Company

The principal activities of the Company are those of investment holding, property holding and the provision of management services to its related companies. The principal activities of KFima Group are manufacturing, bulking, plantation, canning and packaging food products. Details of KFima's subsidiary which is involved in the RRPT and its principal activities are set out in the notes of section 2.4 of this Circular.

2.4 Nature of the RRPT

The nature of the RRPT for which the mandate of the shareholders are sought, shall include those described below:

Existing RRPT:

Name of Companies	Related Parties	Nature of RRPT	Interested Major Shareholder, Directors and Persons Connected to Them of KFima	Estimated Annual Value Disclosed in the Preceding Year's Circular	Actual Value of Transactions from 28 August 2019 to latest practicable date on 11 August 2020	Estimated Value of Transactions during Validity Period ⁽¹⁾
				RM'000	RM'000	RM'000
KFima ⁽²⁾ IFC ⁽³⁾	KFima/ IFC	Sale of frozen fish Seller: KFima Buyer: IFC	Major Shareholders Roshayati binti Basir Rozana Zeti binti Basir BHR Directors Dato' Idris bin Kechot ⁽⁴⁾ Dato' Roslan bin Hamir ⁽⁵⁾ Rozana Zeti binti Basir ⁽⁶⁾ Rozilawati binti Haji Basir ⁽⁷⁾ Dato' Rosman bin Abdullah ⁽⁸⁾ Persons Connected Persons Connected to Major Shareholders (refer to section 2.11)	45,000	9,146	45,000

Notes:-

(1) Basis in arriving at the estimated value (may vary and subject to changes) is stated in the table below:

Nature of RRPT	Estimated RM Value of Transactions During Validity Period (RM'000)
Sale of frozen fish Seller: KFima Buyer: IFC	45,000 (As per IFC's projection for the financial year 2020/2021)

- (2) KFima holds 95.57% effective interest in IFC, by virtue of its 77.85% direct investment and 17.72% indirect investment through Endell Pte Ltd (a company incorporated in the Republic of Singapore), an 80.00% owned subsidiary of Fima Overseas Holdings Sdn. Bhd. which in turn is a wholly-owned subsidiary of KFima;
- (3) IFC's principal activities are in the manufacturing and distribution of canned fish;
- (4) Dato' Idris bin Kechot is the Chairman and Independent Non-Executive of KFima and has direct shareholdings in KFima;
- (5) Dato' Roslan bin Hamir is the Group Managing Director of KFima and Director of IFC and has direct and indirect shareholdings in KFima;
- (6) Rozana Zeti binti Basir is a Non-Independent Non-Executive Director of KFima, sister to Roshayati binti Basir and Rozilawati Zeti binti Basir, a major shareholder of KFima and has direct and indirect shareholdings in KFima;
- (7) Rozilawati binti Haji Basir is a Non-Independent Non-Executive Director of KFima, sister to Roshayati binti Basir and Rozana Zeti binti Basir and has direct and indirect shareholdings in KFima; and
- (8) Dato' Rosman bin Abdullah is an Independent Non-Executive Director of KFima and has direct shareholding in KFima.

2.5 Amount Due and Owing by the Related Parties

The breakdown of the principal sum and interest for the total outstanding amount due under the mandated RRPT which have exceeded the credit term as at the end of the financial year ended 31 March 2020 are as follows:

Transacting Party	Principal Sum RM'000	Interest charges (5.5% per annum) RM'000	Amount owing from Transacting Parties as at 31 March 2020 exceeding credit term (RM)			
			1 year or less RM'000	1 to 3 years RM'000	3 to 5 years RM'000	More than 5 years RM'000
IFC	35,190	8,963	9,971	30,992	3,190	-

The Company imposes an interest of 5.5% per annum on the outstanding amount. The Management monitors and analyses the outstanding amounts on a regular basis and has and will continue to meet and discuss with IFC for early settlement of the outstanding amounts. Notwithstanding the foregoing:

1. Monthly statements are issued to IFC in respect of the said amounts; and
2. Details of the outstanding amounts and the repayments made are also tabled and discussed at the Audit and Risk Committee Meetings.

The Board and the Audit and Risk Committee have reviewed the outstanding amounts and are of the opinion that the same were part of the Group's normal business operations and optimistic that the amount is recoverable as IFC has had a long-standing business relationship with the Group and have proven to be creditworthy with good payment records.

2.6 Rationale and Benefits

The companies within the KFima Group have long-standing business relationships with each other. The Board is of the view that such close co-operation and strong relationship that exist within the KFima Group enables KFima to benefit from better services and attention than would otherwise be derived from third parties.

The Proposed Renewal of Shareholders' Mandate will benefit KFima to facilitate transaction in the normal course of business of the Group which is transacted from time to time with the Related Party, provided that the RRPT is undertaken on arms' length basis, are fair and reasonable and on normal commercial terms and, on terms which are not more favourable to the Related Parties than those generally available to the public, and are not detrimental to the interests of our minority shareholders.

The RRPT to be entered into is intended to meet the business needs of the KFima Group on the best possible terms as well as to explore beneficial business opportunities within the Group. Additionally, the RRPT within the KFima Group are synergistic to the activities of the subsidiaries of KFima. The Board is of the view that KFima's close working relationship with IFC would enhance the competitiveness of KFima Group and is expected to continue to be beneficial to the businesses of KFima Group. The upstream and downstream linkages help to reduce inventory driven costs, increase the availability of inventory to fulfil customer demands, reduce inventory lead-time and improve asset-allocation.

The RRPT is likely to continue in the future on a frequent and recurrent basis and in view of this transaction may be time-sensitive nature, it is impractical to seek shareholders' approval on a case-by-case basis before entering into such related party transactions. By obtaining the shareholders' approval on the Proposed Renewal of Shareholders' Mandate on an annual basis will, therefore, enable the Group to carry out RRPT necessary for the Group's day-to-day operations on a more efficient and timely basis, and eliminate the need to make frequent announcements to Bursa Securities or convene separate general meetings to seek shareholders' approval as and when such RRPT arise. This will substantially reduce the associated expenses, improve administrative efficiency and allow the Group to channel such resources towards attaining other corporate objectives and business opportunities available to the Group.

2.7 Review Procedures for the RRPT

In ensuring that the RRPT are undertaken on arm's length basis and on normal commercial terms consistent with the Group's usual business practices and policies and on transaction prices, which are not more favourable to the Related Party than those generally available to the public and are not to the detriment of the minority shareholders, the Group adheres to the following procedures:

- (i) The Related Party will be advised that the RRPT are subject to the annual shareholders' mandate and will also be advised of the review and disclosure policies;
- (ii) The Group will ensure that the RRPT are only entered into after taking into account the pricing, quality and level of service. The transaction prices, terms and conditions shall be determined by market forces, under similar commercial terms for transactions with third parties;
- (iii) The RRPT shall be reviewed by the Company's internal auditors and presented to the Audit and Risk Committee and Board on a quarterly basis. The Audit and Risk Committee will also review the internal audit reports pertaining to the RRPT to ascertain that the guidelines and procedures to monitor the RRPT have been complied with;
- (iv) Further, where any Director or Persons Connected has an interest (direct or indirect) in any related party transactions, such Director (or his alternate) shall abstain from voting on the matter. Where any member of the Audit and Risk Committee is interested in any transaction, the said member shall abstain from deliberation and voting on the particular resolution in approving the transaction; and
- (v) The Company will also maintain a record of all RRPT carried out pursuant to the Proposed Renewal of Shareholders' Mandate and will be made available by the Management to the external auditors, internal auditors and Audit and Risk Committee for their review.

2.8 Approval Thresholds

There are no specific thresholds for approvals of RRPT within the Group. However, all RRPT are subject to the approval of Group Managing Director upon recommendation made by senior management, subject to the provisions in the Listing Requirements and/or the Act, where necessary. Where any Director has interest direct and/or indirect in a transaction, the said Director shall abstain from deliberation and voting on the particular resolution in approving the transaction.

2.9 Statement by Audit and Risk Committee

The Audit and Risk Committee is of the view that the stipulated procedures in section 2.7 of this Circular are sufficient to ensure that the RRPT will be transacted on an arm's length basis, on terms not more favourable to the Related Party than those generally available to the public and are not to the detriment of the minority shareholders.

In addition, the Audit and Risk Committee is also of the view that the Company has in place adequate procedures and processes to monitor, track and identify RRPT in a timely and orderly manner and the said procedures and processes are reviewed on quarterly basis or whenever the need arises.

2.10 Interests of Directors, Major Shareholder and Persons Connected To Them in the Proposed Shareholders' Mandate

Save as disclosed below, none of the Directors and Major Shareholders or Persons Connected with them have any interest, direct and/or indirect, in the Proposed Renewal of Shareholders' Mandate:

Name	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Directors				
Dato' Idris bin Kechot	10,000	0.004	-	-
Dato' Roslan bin Hamir	320,000	0.11	⁽¹⁾ 1,291,000	0.46
Rozana Zeti binti Basir	49,250,000	17.62	⁽⁵⁾ 119,910,300	42.91
Rozilawati binti Haji Basir	1,000,000	0.36	⁽⁴⁾⁽⁵⁾ 168,160,300	60.18
Dato' Rosman bin Abdullah	195,000	0.07	-	-
Major Shareholders				
BHR	47,852,300	17.12	⁽²⁾⁽⁴⁾ 101,092,800	36.18

Name	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Roshayati binti Basir	49,816,800	17.83	⁽⁵⁾ 119,343,500	42.71
Rozana Zeti binti Basir	49,250,000	17.62	⁽⁵⁾ 119,910,300	42.91
Persons Connected to Directors and/or Major Shareholders of KFima other than disclosed above				
<i>Persons Connected to BHR</i>				
Puan Sri Datin Hamidah binti Abdul Rahman	365,000	0.13	⁽³⁾ 168,795,300	60.40
Rozilawati binti Haji Basir	1,000,000	0.36	⁽⁴⁾⁽⁵⁾ 168,160,300	60.18
Ahmad Riza bin Basir	-	-	⁽⁵⁾ 169,160,300	60.54
Zailini binti Zainal Abidin	-	-	⁽⁶⁾ 169,160,300	60.54

Notes:

- (1) Dato' Roslan bin Hamir's indirect shareholding in the Company is held under Maybank Nominees (Tempatan) Sdn Bhd.
- (2) Puan Sri Datin Hamidah binti Abdul Rahman, Roshayati binti Basir ("Roshayati"), Rozilawati binti Haji Basir ("Rozilawati") and Rozana Zeti binti Basir's ("Rozana") direct shareholdings, respectively, in KFima. Deemed interested by virtue of their shareholdings in BHR of more than 20%.
- (3) Puan Sri Datin Hamidah binti Abdul Rahman is the mother of Roshayati, Rozilawati, Rozana and Ahmad Riza bin Basir ("Ahmad Riza"). Deemed interested by virtue of her shareholding of preference shares in BHR which carry veto rights in all the decisions in BHR.
- (4) Rozilawati's indirect shareholdings in the Company are held under M&A Nominees (Tempatan) Sdn. Bhd. (461,000 ordinary shares) and CGS-CIMB Nominees (Tempatan) Sdn. Bhd. (200,000 ordinary shares).
- (5) Deemed interested by virtue that:
 - (i) Puan Sri Datin Hamidah binti Abdul Rahman is the mother of Roshayati, Rozilawati, Rozana and Ahmad Riza and her shareholding of preference shares in BHR which carry veto rights in all the decisions in BHR.
 - (ii) Roshayati, Rozilawati and Rozana are sisters and their shareholdings in BHR of more than 20%. Roshayati and Rozana are major shareholders of KFima.
 - (iii) Ahmad Riza is the son of Puan Sri Datin Hamidah binti Abdul Rahman and brother of Roshayati, Rozilawati and Rozana and:
 - (a) His indirect shareholdings in the Company which are held through M&A Nominees (Tempatan) Sdn Bhd of 360,000 (or 0.13%) and Subur Rahmat Sdn Bhd (SRSB) pursuant to Section 8 of the Act. SRSB holds 11,509,200 (or 4.09%) and 8,706,000 (or 3.09%) direct and indirect interests, respectively in KFima.
 - (b) His wife, Zailini binti Zainal Abidin's ("Zailini") shareholding in SRSB pursuant to Section 8 of the Act and her indirect shareholding in KFima.
- (6) Zailini is deemed interested by virtue of her shareholding in SRSB pursuant to Section 8 of the Act; and wife of Ahmad Riza.

The abovementioned interested Directors, interested Major Shareholders namely, BHR, Roshayati binti Basir and Rozana Zeti binti Basir and Persons Connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in KFima on the ordinary resolution pertaining to the Proposed Renewal of Shareholders' Mandate and that they have undertaken to ensure that Persons Connected with them will also abstain from voting on the resolution at the forthcoming 48th Virtual AGM. Dato' Roslan bin Hamir, Rozana Zeti binti Basir and Rozilawati binti Haji Basir, being interested Directors, where applicable, have abstained and will continue to abstain from deliberating and voting on the ordinary resolution in respect of the Proposed Renewal of Shareholders' Mandate at the relevant Board meetings.

2.11 Determining Transacted Price

The transacted price with the Related Party is determined by KFima's purchase price of fish (mackerel) sourced from China plus its financing costs and other related costs to the transactions. The purchase price is purely determined by the world's demand and supply of mackerel. However, given the nature and type of transaction that KFima enters into, in a number of occasions, it is impossible to find at least two other similar or contemporaneous transactions with unrelated third parties for price comparison thereof which can be used as comparison to determine whether the prices and terms offered by KFima to the Related Party, as the case may be, are fair and reasonable and comparable to those offered to or by other unrelated parties.

In these instances, prices are determined based on market knowledge and on normal commercial terms in accordance with KFima Group policies, which require (among others) that transactions with Related Party are undertaken on arm's length basis, on terms not more favourable to the Related Party than those generally available to the public, are carried out on normal commercial terms and are not detrimental to the KFima minority shareholders.

3. EFFECTS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE

The Proposed Renewal of Shareholders' Mandate is not expected:

- (i) to have any effect on KFima's issued and paid up capital and shareholding of its substantial shareholders; and
- (ii) to have any material effect on net assets or earnings for the financial year ending 31 March 2021.

4. APPROVALS REQUIRED

The Proposed Renewal of Shareholders' Mandate is subject to approval being obtained from the shareholders of KFima at the forthcoming 48th Virtual AGM.

5. DIRECTORS' RECOMMENDATION

The Board (save for the interested Directors, namely, Dato' Idris bin Kechot, Dato' Roslan bin Hamir, Dato' Rosman bin Abdullah, Rozana Zeti binti Basir and Rozilawati binti Haji Basir who have abstained from giving their opinions and recommendations), having considered all aspects of the Proposed Renewal of Shareholders' Mandate, is of the opinion that the Proposed Renewal of Shareholders' Mandate is in the best interest of the Company.

Accordingly, the Board (save for the interested Directors, namely, Dato' Idris bin Kechot, Dato' Roslan bin Hamir, Dato' Rosman bin Abdullah, Rozana Zeti binti Basir and Rozilawati binti Haji Basir who have abstained from giving their opinions and recommendations), recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Renewal of Shareholders' Mandate to be tabled at the forthcoming 48th Virtual AGM.

6. SPECIAL BUSINESS AT AGM

The 48th Virtual AGM, the notice of which is set out in the Company's Annual Report 2020, will be conducted fully virtual at the Broadcast Venue, Training Room, Kumpulan Fima Berhad, Suite 4.1, Level 4, Block C, Plaza Damansara, No. 45, Jalan Medan Setia 1, Bukit Damansara, 50490 Kuala Lumpur on Tuesday, 29 September 2020 at 3.00 p.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing the resolution to give effect to the Proposed Renewal of Shareholders' Mandate.

You are entitled to participate and vote at the 48th Virtual AGM via RPEV facilities or appoint proxy(ies) to participate in your place. In such event, you are required to complete, sign and return the Proxy Form in accordance with the instructions printed thereon as soon as possible so as to reach our Share Registrar's office at Boardroom Share Registrars Sdn Bhd, 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for holding the 48th Virtual AGM. Alternatively, the shareholders may deposit the Proxy Form by electronic means through Share Registrar's website, Boardroom Smart Investor Portal. Kindly follow the link at www.boardroomlimited.my to login and deposit your Proxy Form electronically, also 48 hours before the meeting.

7. FURTHER INFORMATION

Shareholders are requested to refer to the Appendix I for further information.

Yours faithfully,
for and on behalf of the Board of
KUMPULAN FIMA BERHAD

DATO' IDRIS BIN KECHOT
Chairman



STATEMENT IN RELATION TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

1. INTRODUCTION

The shareholders of the Company had on 28 August 2019 approved, inter-alia, the authority for the Company to purchase such number of Shares of up to ten percent (10%) of the prevailing total number of issued shares of the Company. In accordance with the Listing Requirements, the said authority will expire at the conclusion of the forthcoming 48th Virtual AGM of the Company unless authority for its renewal is obtained from shareholders of the Company. Accordingly, on 29 July 2020, the Company announced to Bursa Securities its intention to seek shareholders' approval for the Proposed Renewal of Share Buy-Back Authority at the forthcoming 48th Virtual AGM of the Company.

The purpose of this Statement is to provide you with details of the Proposed Renewal of Share Buy-Back Authority and to seek your approval for the ordinary resolution pertaining thereto to be tabled at the forthcoming 48th Virtual AGM to be held on Tuesday, 29 September 2020 at the Broadcast Venue, Training Room, Kumpulan Fima Berhad, Suite 4.1, Level 4, Block C, Plaza Damansara, No. 45 Jalan Medan Setia 1, Bukit Damansara, 50490 Kuala Lumpur at 3.00 p.m. The Notice and the Proxy Form are enclosed in the Company's Annual Report 2020.

Shareholders are advised to read contents of this Statement carefully before voting on the ordinary resolution pertaining to the Proposed Renewal of Share Buy-Back Authority at the forthcoming 48th Virtual AGM.

2. DETAILS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

The Board proposes to seek the approval from the shareholders of the Company for the renewal of authority to purchase/or hold its own Shares of up to maximum of ten percent (10%) of the total number of issued shares, subject to compliance with Section 127 of the Act, the Listing Requirements and any prevailing laws, guidelines, orders, rules and regulations issued by the relevant authority at the time of purchase.

The authority from shareholders, if renewed, shall be effective immediately upon the passing of the ordinary resolution relating to the Proposed Renewal of Share Buy-Back Authority at the forthcoming 48th Virtual AGM and shall be valid until:

- (a) the conclusion of the next AGM of the Company following the general meeting in which the authorisation is obtained, at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM after that date is required by law to be held; or
- (c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first.

The approval of the shareholders on the Proposed Renewal of Share Buy-Back Authority does not impose an obligation on the Company to purchase its own shares. However, it will allow the Board to exercise the power of the Company to purchase its own shares at any time within the abovementioned time period.

2.1 Quantum

The maximum aggregate number of Shares, which may be purchased by the Company, shall not exceed ten percent (10%) of the issued shares at any point in time. The actual number of Shares to be purchased will depend on, among others, market conditions and sentiments of Bursa Securities as well as the retained earnings and financial resources available to the Company as at the point of purchase.

As at 11 August 2020, the Company has issued shares of 282,231,600 KFima Shares. Hence, the maximum number of KFima Shares that can be purchased and/or held by the Company pursuant to the Proposed Share Buy-Back is 28,223,160 KFima Shares, representing 10% of the issued shares of the Company.

2.2 Funding

The Proposed Share Buy-Back pursuant to the Proposed Renewal of Share Buy-Back Authority may be funded through internally generated funds and/or external bank borrowings and the amount allocated for the Proposed Share Buy-Back will not exceed the aggregate amount of the Company's retained earnings. All Purchased Shares may be cancelled or retained as treasury shares or a combination of both. Treasury shares may be distributed as share dividends, resold on Bursa Securities and/or cancelled.

The actual amount of funds to be utilised for the Proposed Share Buy-Back will only be determined later depending on the actual number of Shares to be purchased, the availability of funds as at the point of purchase and other relevant cost factors.

The Proposed Share Buy-Back, if funded via internally generated funds, is not expected to have a material impact on the Company's financial position. In the event the Proposed Share Buy-Back is funded through external bank borrowings, the Board will ensure that the Company has sufficient funds to repay such borrowings and that the repayment thereof would not have any material effect on the Company's cash flow position. In addition, the Board will also ensure that the Company satisfies the solvency test as stated in Section 112(2) of the Act before implementing the Proposed Renewal of Share Buy-Back Authority. As at 31 March 2020, the Company's audited retained profits stood at RM157,134,000

2.3 Pricing

Pursuant to the Listing Requirements, the Company may only purchase its own shares at a price which is not more than fifteen percent (15%) above the weighted average market price ("WAMP") of KFima Shares for the past five (5) Market Days immediately preceding the date of the purchase(s) and the Company may only resell the purchased KFima Shares held as treasury shares on Bursa Securities at:

- (i) a price which is not less than the WAMP of KFima Shares for the 5 Market Days immediately before the date of the resale or transfer; or
- (ii) a discounted price of not more than 5% to the WAMP of KFima Shares for the 5 Market Days immediately before the date of the resale or transfer provided that:
 - (a) the resale or transfer takes place not earlier than 30 days from the date of purchase; and
 - (b) the resale or transfer price is not less than the cost of purchase of KFima Shares being resold or transferred.

KFima will make the relevant announcement in the event of each purchase or resale of such KFima Shares.

2.4 Treatment of Purchased Shares

In accordance with Section 127(4) of the Act, the Directors may deal with the Purchased Shares in the following manner:

- (a) cancel the Shares so purchased; or
- (b) retain the Purchased Shares as treasury shares for distribution as share dividends to the shareholders of the Company and/or resell through the stock market of Bursa Securities in accordance with the relevant rules of Bursa Securities; or
- (c) retain part of the Purchased Shares as treasury shares and cancel the remainder.

Accordingly, based on Section 127(7) of the Act, where such Shares are held as treasury shares, the Directors may, at their discretion:

- (a) distribute the Shares as dividends to the shareholders, such dividends to be known as “share dividends”;
- (b) resell the Shares or any of the purchased Shares in accordance with the relevant rules of Bursa Securities;
- (c) transfer the purchased Shares or any of the purchased Shares for the purposes of or under an employees’ share scheme;
- (d) transfer the purchased Shares or any of the purchased Shares as consideration;
- (e) cancel the purchased Shares or any of the purchased Shares; or
- (f) sell, transfer or otherwise use the purchased Shares for such other purposes as the Minister may by order prescribe.

The actual number of KFima Shares to be purchased, the total amount of funds involved for each purchase and the timing of each purchase will depend on the market conditions and sentiments of the stock market and the financial resources available to the Company.

As at the date of this Statement, the Board has yet to make a decision with regard to the treatment of the Purchased Shares and will take into consideration the effect of such treatment to KFima Group in arriving at its decision. In addition, an immediate announcement will be made to Bursa Securities upon each purchase, cancellation and/or resell of the purchased Shares pursuant to the Proposed Share Buy-Back.

3. RATIONALE FOR THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-Back has the following potential benefits for the Company and its shareholders:

- (a) the Company may be able to stabilize the supply and demand of KFima Shares traded on the Bursa Securities and thereby support its fundamental value.
- (b) if the KFima Shares bought back by the Company are cancelled, shareholders are likely to enjoy an increase in the value of their investment in the Company as the net earnings per share of the Company will increase.
- (c) if the KFima Shares bought back are kept as treasury shares, it will give the Board an option to sell the KFima Shares so purchased at a higher price and therefore make an exceptional gain for the Company.
- (d) KFima Shares so purchased may be distributed to shareholders as dividends and serve as reward to the shareholders of the Company.

The Proposed Share Buy-Back will, however, utilise the financial resources of KFima and may need to be balanced against investment opportunities and other shareholders’ value proposals. The Directors in exercising any decision on the Proposed Share Buy-Back will be mindful of the interest of the Company and its shareholders.

4. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

The potential advantages of the Proposed Share Buy-Back are outlined in section 3 of Part B of this Statement.

The potential disadvantages of the Proposed Share Buy-Back, if implemented, are as follows:

- (a) the Proposed Share Buy-Back will reduce the financial resources of the Company and might result in the Group foregoing other alternative investment opportunities which may emerge in the future; and
- (b) as the Proposed Share Buy-Back is subject to the retained profits of the Company, it may result in the reduction of financial resources available for distribution as dividends or bonus issues to the shareholders of the Company in the immediate future.

The Board is mindful of the interests of the Company and that of its shareholders in undertaking the Proposed Share Buy-Back. The Proposed Share Buy-Back is not expected to cause any potential material disadvantage to the Company and its shareholders as any share buy-back exercise shall be undertaken after an in-depth consideration of the financial resources and resultant impacts on the Group.

5. FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK

The financial effects of the Proposed Share Buy-Back are as follows:

5.1 Share Capital

The Proposed Share Buy-Back is not expected to have any effect on the share capital of the Company if the Purchased Shares are retained as treasury shares. Nevertheless, certain rights attached to the treasury shares in relation to voting, dividends and participation in other distributions or otherwise will be suspended. The Act prohibits such treasury shares to be taken in calculating the number or percentage of shares in the Company for any purpose whatsoever on substantial shareholdings, takeovers, notices, requisitioning of meetings, quorum for a meeting and results of a vote on a resolution at a meeting.

However, in the event that the Proposed Share Buy-Back is carried out in full and all the shares acquired are cancelled, the share capital of the Company will be reduced as follows:

	<u>No. of Shares</u>
Share capital as at 11 August 2020 (including the existing treasury shares)	282,231,600
Less: Cancellation of KFima Shares bought back (up to 10% of the existing share capital)	(28,223,160)
Share capital upon completion of the proposed share buy-back	254,008,440

5.2 Net Assets

The effect of the Proposed Renewal of Share Buy-Back Authority on the NA per KFima Share will depend on the purchase price of KFima Shares, the effective funding cost to KFima to finance the purchase of the KFima Shares and/or any loss of interest income to the Company and whether the KFima Shares are cancelled, retained as treasury shares or resold on the Bursa Securities.

If all the KFima Shares purchased are cancelled and the purchase price exceeds the NA per KFima Share at the time of purchase, the Proposed Share Buy-Back will reduce the NA per KFima Share. Conversely, the NA per KFima Share will increase if purchase price is less than the NA per KFima Share at the time of purchase.

If the treasury shares are resold on the Bursa Securities, the NA per KFima Share will increase if the Company realises a gain from the resale, and vice versa. If the treasury shares are distributed as share dividends, the NA per KFima Share will increase by the cost of the treasury shares.

5.3 Working Capital

The Proposed Share Buy-Back will reduce the working capital of the KFima Group, the quantum of which would depend on the purchase price of the KFima Shares, the number of KFima Shares purchased and the effective funding cost and/or loss of interest income of the Company.

However, the financial resources of the KFima Group may be restored upon the re-sale of the Purchased Shares which are held as treasury shares.

5.4 Earnings

Whether the KFima Shares to be purchased under the Proposed Share Buy-Back are maintained as treasury shares or cancelled, will result in lower number of KFima Shares being used for the purpose of computing the EPS of the Company.

The extent of the effects of the Proposed Share Buy-Back on the EPS of the KFima Group will depend on the actual number of KFima Shares bought back, the purchase prices of KFima Shares and the effective cost of funding or any loss in interest income to the Group. Assuming that the KFima Shares purchased are retained as treasury shares and resold, the effects on the earnings of the KFima Group will depend on the actual selling price, the number of treasury shares resold and the effective gain or interest savings arising from the exercise.

If the KFima Shares so purchased are cancelled, the Proposed Share Buy-Back will increase the EPS of the KFima Group provided the income foregone and/or interest expense incurred on the KFima Shares purchased is less than the EPS before the share buy-back.

6. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

Assuming the Proposed Share Buy-Back is carried out in full by the Company, the proforma effects of the Proposed Share Buy-Back on KFima's substantial shareholders and Directors as at 11 August 2020 are as follows:

Name(s)	Number of Shares Held As at 11 August 2020				Number of Shares Held After Proposed Renewal of Share Buy-Back Authority			
	Direct	*%	Indirect	*%	Direct	*%	Indirect	*%
Substantial/ Major Shareholders								
BHR	47,852,300	17.12	⁽¹⁾⁽⁴⁾ 101,092,800	36.18	47,852,300	19.05	⁽¹⁾⁽⁴⁾ 101,092,800	40.24
Subur Rahmat Sdn Bhd	11,509,200	4.12	⁽²⁾ 8,706,000	3.12	11,509,200	4.58	⁽²⁾ 8,706,000	3.46
Roshayati binti Basir	49,816,800	17.83	⁽⁵⁾ 119,343,500	42.71	49,816,800	19.83	⁽⁵⁾ 119,343,500	47.51
Rozana Zeti binti Basir	49,250,000	17.62	⁽⁵⁾ 119,910,300	42.91	49,250,000	19.60	⁽⁵⁾ 119,910,300	47.73
Persons Connected								
Puan Sri Datin Hamidah binti Abdul Rahman	365,000	0.13	⁽³⁾ 168,795,300	60.40	365,000	0.15	⁽³⁾ 168,795,300	67.19
Rozilawati binti Haji Basir	1,000,000	0.36	⁽⁴⁾⁽⁵⁾ 168,160,300	60.18	1,000,000	0.40	⁽⁴⁾⁽⁵⁾ 168,160,300	66.94
Ahmad Riza bin Basir	-	-	⁽⁵⁾ 169,160,300	60.54	-	-	⁽⁵⁾ 169,160,300	67.34

Name(s)	Number of Shares Held As at 11 August 2020				Number of Shares Held After Proposed Renewal of Share Buy-Back Authority			
	Direct	*%	Indirect	*%	Direct	*%	Indirect	*%
Zailini binti Zainal Abidin	-	-	⁽⁶⁾ 169,160,300	60.54	-	-	⁽⁶⁾ 169,160,300	67.34
Directors								
Dato' Idris bin Kechot	10,000	0.004	-	-	10,000	0.004	-	-
Dato' Roslan bin Hamir	320,000	0.11	⁽⁷⁾ 1,291,000	0.46	320,000	0.13	⁽⁷⁾ 1,291,000	0.51
Rozana Zeti binti Basir	49,250,000	17.62	⁽⁵⁾ 119,910,300	42.91	49,250,000	19.60	⁽⁵⁾ 119,910,300	47.73
Rozilawati binti Haji Basir	1,000,000	0.36	⁽⁴⁾⁽⁵⁾ 168,160,300	60.18	1,000,000	0.40	⁽⁴⁾⁽⁵⁾ 168,160,300	66.94
Dato Rosman bin Abdullah	195,000	0.07	-	-	195,000	0.08	-	-

Notes:

- * Excluding a total of 2,791,800 shares of the Company bought back by the Company and retained as treasury shares as at 11 August 2020.
- (1) Puan Sri Datin Hamidah binti Abdul Rahman, Roshayati binti Basir ("Roshayati"), Rozilawati binti Haji Basir ("Rozilawati") and Rozana Zeti binti Basir's ("Rozana") direct shareholdings, respectively, in KFima. Deemed interested by virtue of their shareholdings in BHR of more than 20%.
- (2) Subur Rahmat Sdn Bhd's ("SRSB") indirect shareholdings in the Company are held under M&A Nominees (Tempatan) Sdn Bhd, Ahmad Riza bin Basir ("Ahmad Riza") and Zailini binti Zainal Abidin ("Zailini"). Ahmad Riza and his wife, Zailini are deemed interested by virtue of their interest in SRSB pursuant to Section 8 of the Act.
- (3) Puan Sri Datin Hamidah binti Abdul Rahman is the mother of Roshayati, Rozilawati, Rozana and Ahmad Riza. Deemed interested by virtue of her shareholding of preference shares in BHR which carry veto rights in all the decisions in BHR.
- (4) Rozilawati's indirect shareholdings in the Company are held under M&A Nominees (Tempatan) Sdn. Bhd. (461,000 ordinary shares) and CGS-CIMB Nominees (Tempatan) Sdn Bhd. (200,000 ordinary shares).
- (5) Deemed interested by virtue that:
- (i) Puan Sri Datin Hamidah binti Abdul Rahman is the mother of Roshayati, Rozilawati, Rozana and Ahmad Riza and her shareholding of preference shares in BHR which carry veto rights in all the decisions in BHR.
- (ii) Roshayati, Rozilawati and Rozana are sisters and their shareholdings in BHR of more than 20%. Roshayati and Rozana are major shareholders of KFima
- (iii) Ahmad Riza is the son of Puan Sri Datin Hamidah binti Abdul Rahman and brother of Roshayati, Rozilawati and Rozana and:
- (a) His indirect shareholdings in the Company which are held through M&A Nominees (Tempatan) Sdn Bhd of 360,000 (or 0.13%) and SRSB pursuant to Section 8 of the Act. SRSB holds 11,509,200 (or 4.09%) and 8,706,000 (or 3.09%) direct and indirect interests, respectively in KFima.
- (b) His wife, Zailini's shareholding in SRSB pursuant to Section 8 of the Act and her indirect shareholding in KFima.
- (6) Zailini is deemed interested by virtue of her shareholding in SRSB pursuant to Section 8 of the Act; and wife of Ahmad Riza.
- (7) Dato' Roslan bin Hamir's indirect shareholding in the Company is held under Maybank Nominees (Tempatan) Sdn Bhd.

7. PUBLIC SHAREHOLDING SPREAD

As at 11 August 2020, the public shareholding spread of the Company was 39.38%. The public shareholding spread is expected to reduce to 32.64% assuming the Proposed Share Buy-Back is implemented in full and all the KFima Shares so purchased are cancelled.

The Board is mindful of the requirement that any purchase of KFima Shares by the Company must not result in a public shareholding spread of less than 25% of its total listed shares.

8. IMPLICATIONS ON THE CODE

As it is not intended for the Proposed Share Buy-Back to trigger the obligation to undertake a mandatory offer under the Code by any of the Company's substantial shareholders and/or persons acting in concert with them, the Board will ensure that such number of Shares are purchased, retained as treasury shares, cancelled and/or distributed pursuant to the Proposed Share Buy-Back would not result in the triggering of any mandatory offer obligation on the part of the Company's substantial shareholders and/or persons acting in concert with them. In this connection, the Board is mindful of

the requirements when making any purchase of KFima Shares pursuant to the Proposed Share Buy-Back.

9. PURCHASE OF KFIMA SHARES IN THE PREVIOUS 12 MONTH

During the financial year ended 31 March 2020, the Company purchased 1,170,600 of KFima shares, all of which are retained as treasury shares.

Further details on the KFima Shares purchased by the Company are set out in Note 26 to the Financial Statements contained in the Annual Report 2020.

10. SHARE PRICES

The monthly highest and lowest prices of the Shares traded on Bursa Securities for the preceding twelve (12) months are as follows:

	High (RM)	Low (RM)
<u>2019</u>		
August	1.76	1.70
September	1.74	1.60
October	1.63	1.56
November	1.68	1.60
December	1.69	1.60
<u>2020</u>		
January	1.69	1.62
February	1.60	1.52
March	1.54	0.99
April	1.25	1.13
May	1.51	1.20
June	1.60	1.42
July	1.65	1.54

(Source: Investing.com)

The last transacted price of KFima Shares as at 11 August 2020 was RM1.62 per Share.

11. APPROVALS REQUIRED

The Proposed Renewal of Share Buy-Back Authority is conditional upon the approval of the shareholders of KFima at the forthcoming 48th Virtual AGM.

12. INTEREST OF THE DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the Directors, major shareholders and/or persons connected to the Directors has any interest, direct or indirect, in the Proposed Renewal of Share Buy-Back Authority or resale of the treasury shares, if any.

13. DIRECTORS' RECOMMENDATION

The Board, after having considered and deliberated on the Proposed Renewal of Share Buy-Back Authority is of the view that the Proposed Renewal of Share Buy-Back Authority is in the best interest of the Company and shareholders. Accordingly, the Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Renewal of Share Buy-Back Authority to be tabled at the Company's forthcoming 48th Virtual AGM.

14. ANNUAL GENERAL MEETING

The 48th Virtual AGM, the notice of which is set out in the Company's Annual Report 2020, will be conducted fully virtual at the Broadcast Venue, Training Room, Kumpulan Fima Berhad, Suite 4.1, Level 4, Block C, Plaza Damansara, No. 45, Jalan Medan Setia 1, Bukit Damansara, 50490 Kuala Lumpur on Tuesday, 29 September 2020 at 3.00 p.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing the resolution to give effect to the Proposed Renewal of Shareholders' Mandate.

You are entitled to participate and vote at the 48th Virtual AGM via RPEV facilities or appoint proxy(ies) to participate in your place. In such event, you are required to complete, sign and return the Proxy Form in accordance with the instructions printed thereon as soon as possible so as to reach our Share Registrar's office at Boardroom Share Registrars Sdn Bhd, 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for holding the 48th Virtual AGM. Alternatively, the shareholders may deposit the Proxy Form by electronic means through Share Registrar's website, Boardroom Smart Investor Portal. Kindly follow the link at www.boardroomlimited.my to login and deposit your Proxy Form electronically, also 48 hours before the meeting.

15. FURTHER INFORMATION

Shareholders are advised to refer to the attached Appendix I for further information.

Yours faithfully,
for and on behalf of the Board of
KUMPULAN FIMA BERHAD

DATO' IDRIS BIN KECHOT
Chairman

FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

This Circular/Statement has been seen and approved by the Board who collectively and individually accept full responsibility for the accuracy of the information given and confirm that after having taken due care and making all reasonable inquiries, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

2. MATERIAL CONTRACT

KFima and its subsidiaries have not entered into any material contract outside the ordinary course of business, during the two (2) years preceding the date of this Circular.

3. MATERIAL LITIGATION, CLAIM OR ARBITRATION

Save as disclosed below, KFima and its subsidiaries are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant and the Board does not have any knowledge of any proceedings pending or threatened against the KFima Group or of any facts likely to give rise to any proceedings which might materially affect the financial position or business of the KFima Group except for the following:

- (i) *PT. Nunukan Jaya Lestari ("Plaintiff")*
-vs-
Menteri Agraria dan Tata Ruang/Kepala Badan Pertanahan Nasional Republik Indonesia ("Defendant")

On 21 October 2016, PT. Nunukan Jaya Lestari ("PTNJL"), a subsidiary of the Company's subsidiary, Fima Corporation Berhad ("FimaCorp"), has instituted legal proceedings to challenge the order issued by the Menteri Agraria dan Tata Ruang/Kepala Badan Pertanahan Nasional ("Defendant") ("Ministerial Order") to revoke PTNJL's land title Hak Guna Usaha No.01/Nunukan Barat ("HGU") with immediate effect.

The Ministerial Order was on the basis that the HGU was improperly issued due to administrative irregularities performed by certain officers of the Badan Pertanahan Nasional Provinsi Kalimantan Timur at the time of the issuance of the HGU in 2003, resulting in parts of the area within the HGU to overlap with forestry areas. PTNJL's planted area affected by the Ministerial Order measures 3,691.9 hectares.

On 21 October 2016, PTNJL filed an application in the State Administrative Court in Jakarta, Indonesia seeking an order to annul the Ministerial Order. Simultaneously, in the said application, PTNJL has also sought an order from State Administrative Court to postpone the enforcement of the Ministerial Order pending full and final determination of the matter by the Indonesian courts.

On 13 June 2017, State Administrative Court delivered an oral judgment and dismissed the application filed by PTNJL to annul the Ministerial Order.

Subsequently, PTNJL has filed its statement of appeal on 21 June 2017 and an appeal on 24 July 2017 to the Pengadilan Tinggi Tata Usaha Negara Jakarta to appeal against the decision of the State Administrative Court.

The Pengadilan Tinggi Tata Usaha Negara Jakarta vide its written decision dated 11 December 2017 (which was received by PTNJL's solicitors on 2 January 2018 and subsequently forwarded to PTNJL on 3 January 2018):

- i. has partly allowed PTNJL's appeal against the State Administrative Court's decision, with costs;

- ii. has declared that the Ministerial Order revoking PTNJJ's HGU to be void, save for the areas overlapping with forestry areas/third party interests measuring 5,138 hectares; and
- iii. has ordered the Defendant to revoke the Ministerial Order save for the areas overlapping with forestry areas/third party interests measuring 5,138 hectares.

Pursuant to Pengadilan Tinggi Tata Usaha Negara Jakarta's decision dated 11 December 2017, PTNJJ has filed its statement of appeal on 10 January 2018 and appeal on 23 January 2018 to the Mahkamah Agung Republik Indonesia in respect of the decision of the Pengadilan Tinggi Tata Usaha Negara Jakarta.

Mahkamah Agung, vide its written decision dated 21 August 2018, has allowed PTNJJ's appeal and ruled that the Ministerial Order revoking PTNJJ's HGU be annulled. The Mahkamah Agung also ordered the Defendant, to simultaneously:

- i. issue an order cancelling PTNJJ's HGU rights over the areas overlapping with third party interests measuring 3,500 hectares; and
- ii. issue a new HGU certificate in favour of PTNJJ for an area measuring 16,474.130 hectares, (which is 19,974.130 hectares less the 3,500 hectares referred to in paragraph (i) above).

On 20 February 2019, the Company announced that the Defendant has filed an application for judicial review together with its judicial review memorandum at the Mahkamah Agung on 8 February 2019. The Defendant is seeking to set aside the Mahkamah Agung's written decision dated 21 August 2018 on grounds that the court had among others misapplied the law to the relevant facts in arriving at the decision.

PTNJJ had on 18 March 2019 filed a counter-memorandum at the Mahkamah Agung in response to the judicial review application and memorandum filed by the Defendant.

Mahkamah Agung vide its written decision which was received by PTNJJ's solicitors on 27 November 2019 has allowed the judicial review application filed by the Defendant against PTNJJ.

(ii) *Pengadilan Negeri Jakarta Selatan, Indonesia*

PT. Nunukan Jaya Lestari ("Plaintiff")

-VS-

Menteri Agraria dan Tata Ruang/Kepala Badan Pertanahan Nasional Republik Indonesia ("Defendant")

and

PT. Adindo Hutani Lestari ("Defendant II")

On 28 November 2019, PT. Nunukan Jaya Lestari ("PTNJJ"), a subsidiary of the Company's subsidiary, Fima Corporation Berhad, has instituted a civil suit in the Pengadilan Negeri Jakarta Selatan against Menteri Agraria dan Tata Ruang/Kepala Badan Pertanahan Nasional Republik Indonesia ("BPN") and PT Adindo Hutani Lestari ("AHL") (collectively, "Defendants"). The President Republik Indonesia and Menteri Lingkungan Hidup dan Kehutanan Republik Indonesia ("Menteri Kehutanan") have been named as co-defendants in the said suit.

PTNJJ is seeking legal recognition of its rights over land title Hak Guna Usaha No. 01/Nunukan Barat ("HGU"); an injunction to (i) order BPN and Menteri Kehutanan to issue permit, recommendation, or approval for PTNJJ to undertake its plantation activities, (ii) bar AHL from preventing PTNJJ from undertaking its plantation activities within the HGU areas which overlap with AHL's operating permits/interests; and to restrain Menteri Kehutanan from issuing any new licences permits or approvals to any parties on or within the HGU. PTNJJ is also seeking an order from the court to stay the enforcement of the Ministerial Order dated 25 July 2016 pending full and final determination of the matter by the Indonesian courts.

During the case management on 10 April 2020, the court has directed parties to mediate the pending disputes and has fixed the mediation on 6 May 2020.

However, the mediation held on 6 May 2020 between PTNJL, the Defendants and co-defendants has failed. Accordingly, the matter will now proceed to court for determination.

(iii) Supreme Court in Jakarta, Indonesia

PT. Nunukan Jaya Lestari (“Appellant”)

-vs-

Menteri Agraria dan Tata Ruang/Kepala Badan Pertanahan Nasional Republik Indonesia (“Respondent I”)

and

PT. Adindo Hutani Lestari (“Respondent II”)

On 23 January 2020, PT. Nunukan Jaya Lestari (“PTNJL”), a subsidiary of the Company’s subsidiary, Fima Corporation Berhad, has on the same day filed an application at the Jakarta State Administrative Court (or Pengadilan Tata Usaha Negara Jakarta) for judicial review of the Mahkamah Agung which ruled in favour of Menteri Agraria dan Tata Ruang/Kepala Badan Pertanahan Nasional (“Decision”). The application is made on grounds that (among other things) the Decision contradicts some aspects of other established cases and that new material evidence (*novum*) that was not previously available has been discovered.

(iv) In the High Court of Malaya at Kuala Lumpur
Suit No: WA-22NCvC-486-07/2018

Percetakan Keselamatan Nasional Sdn Bhd (“Plaintiff”)

-vs-

Datasonic Technologies Sdn Bhd (“Defendant”)

On 30 July 2018, Percetakan Keselamatan Nasional Sdn Bhd (“PKN”), a wholly-owned subsidiary of the Company’s subsidiary, Fima Corporation Berhad (“FimaCorp”), has on the same day, commenced a High Court action against Datasonic Technologies Sdn Bhd (“DTSB”).

The claim is for a sum of RM24,975,000 (excluding interest and cost), being the amount due and owing by DTSB to PKN for 1.5 million Malaysian passport booklets which were supplied by PKN to DTSB.

At the request of DTSB during the case management on 3 October 2018, PKN agreed to attempt mediation with the aim of arriving at an amicable resolution. The mediation took place on 17 October 2018 and 19 October 2018. However, the parties could not reach a resolution.

On 19 April 2019, FimaCorp announced that the settlement negotiation between the parties have failed. Accordingly, the High Court Judge has fixed the matter for case management on 13 May 2019 (for compliance with pre-trial directions) and trial on 12 July 2019, 9 August 2019, 8 January 2020 and 9 January 2020.

During the case management on 31 May 2019, the High Court Judge has directed the parties to appear before her on 12 July 2019 as a final attempt to explore settlement as requested by DTSB.

However, the settlement negotiation and mediation between the parties have failed. The trial dates have been fixed for 9 and 10 November 2020. The next case management has been fixed on 9 October 2020.

- (v) *In the High Court of Malaya at Kuala Lumpur*
Suit No: S-22-728-2001

Construction Industry Development Board ("Plaintiff")

-vs-

Fima Corporation Berhad ("Defendant")

Following the termination of the Tenancy Agreement by Malaysia Airports Holdings Berhad ("MAHB") on 11 May 2000, Fima Corporation Berhad ("FimaCorp") as the Principal Tenant issued a termination notice dated 15 May 2000 to all its respective sub-tenants at Airtel Complex.

Pursuant to the above, on 28 September 2001, FimaCorp was served a Writ of Summons dated 9 August 2001 from a tenant ("Plaintiff") claiming for a compensation sum of approximately RM2.12 million being the renovation costs and general damages. The Board of FimaCorp had sought the advice of the solicitors and was of the opinion that there should be no compensation payable to the Plaintiff as the demised premises was acquired by a relevant authority, MAHB, which was provided in the Tenancy Agreement between FimaCorp and the Plaintiff.

On 24 June 2002, the Plaintiff filed its amended Writ of Summons and Statement of Claims, naming MAHB as the second defendant and on 14 January 2003, served the same to FimaCorp. On 20 January 2003, FimaCorp's solicitors filed an amended Statement of Defence and on 22 April 2003, the second defendant obtained an Order in Terms from the Courts to strike out the Plaintiff's claim.

The Plaintiff served its Application for Summons in Chambers on FimaCorp on 15 December 2003. Subsequently, FimaCorp replied to the Plaintiff on 16 December 2003 expressly stipulating that the Rules of the High Court requires the Plaintiff to file a Notice of Pre-Trial Case Management seeking the directions of the Judge as to the further conduct of the matter.

On 11 November 2008, the Court had disposed off this matter summarily in favour of the Plaintiff and on 4 March 2009, FimaCorp had filed its Record of Appeal to the Court of Appeal.

On 27 September 2011, the Court of Appeal had allowed FimaCorp's appeal against the decision handed down by the High Court. However, the Court of Appeal had directed that the matter be remitted back to the High Court for full trial.

During the case management held on 30 June 2020, the High Court has directed that the matter be struck out by virtue of Order 34 Rule 6 of Rules of Court 2012 with no claims as to costs and with no liberty to file afresh.

4. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of KFima at Suite 4.1, Level 4, Block C, Plaza Damansara, No. 45, Jalan Medan Setia 1, Bukit Damansara, 50490 Kuala Lumpur, following the date of this Circular/Statement from Mondays to Fridays (except public holidays) during business hours up to and including the date of the 48th Virtual AGM:

- (i) the Constitution of KFima;
- (ii) the Audited Financial Statements of the KFima Group for the past two (2) financial years ended 31 March 2019 and 2020;
- (iii) the unaudited financial results for the period ended 30 June 2020; and
- (iv) the relevant cause papers in respect of the material litigation referred to in paragraph 3 above.