

## DESTINI BERHAD

### - Proposed Acquisition of 70% Equity Interest in Halaman Optima Sdn. Bhd.

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#### 1. INTRODUCTION

The Board of Directors of Destini Berhad (“Destini” or “the Company”) wishes to announce that Destini Prima Sdn. Bhd. (“DPSB” or “Purchaser”), a wholly-owned subsidiary of the Company, had on 16 February 2017 entered into a Share Sale Agreement (“SSA”) with Dato’ Harrison Bin Hassan (“HH”) and Dato’ Roslee Bin Muhamad Robot (“RMR”) (collectively as “Sellers”) for the proposed acquisition by DPSB of 70% equity interest in Halaman Optima Sdn. Bhd. (“HOSB”) comprising 700,000 ordinary shares in HOSB (“HOSB Shares”) (“Sale Shares”) for a purchase consideration of RM5,500,000.00 only (“Purchase Price”) to be satisfied entirely via cash (“Proposed Acquisition”).

Upon completion of the Proposed Acquisition, HOSB will become a subsidiary company of DPSB.

Further details on the Proposed Acquisition are set out in the ensuing sections.

#### 2. DETAILS OF THE PROPOSED ACQUISITION

##### 2.1 Information on HOSB

HOSB, a private company limited by shares incorporated in and existing under the laws of Malaysia.

As at the 16 February 2017, the issued and fully paid-up share capital of HOSB is RM1,000,000.00 divided into 1,000,000 ordinary shares.

HOSB is carrying on the business as manufacturers, importers and exporters of, suppliers, dealers in goods and repairers of safety and security products and defence equipment.

The shareholder and directors of HOSB as well as their respective shareholdings in HOSB as at 16 February 2017 are set out below:-

Directors and Shareholders	No. of HOSB Shares	%
Dato’ Harrison Bin Hassan	510,000	51
Dato’ Roslee Bin Muhamad Robot	490,000	49

##### 2.2 Basis and justifications of arriving at the Purchase Price

The Purchase Price was arrived at on a willing-buyer willing-seller basis after taking into consideration of the RM321.9 million supply contract with the Ministry of Defence, Malaysia and future earnings of HOSB.

### **2.3 Source of funding**

The Proposed Acquisition will be funded by internally generated funds.

## **3. SALIENT TERMS OF THE SSA**

The salient terms of the SSA are, inter alia, as follows:

### **3.1 Seller's general obligations**

The Sellers hereby undertakes to ensure that as from the date hereof and pending Completion, HOSB shall:

- (a) not commence or carry on any type of business not being ancillary or incidental to or extension of the scope of operation or type of the existing business of HOSB, or otherwise alter the nature of its existing business;
- (b) not change its capital structure;
- (c) continue to conduct its present business according to its present practice and in the ordinary course of business;
- (d) not sell, transfer, lease, let or encumber or dispose of or otherwise howsoever deal or part with possession of any of its assets or undertakings or any part or parts thereof other than in the ordinary course of business;
- (e) not create or issue or agree to create or issue any share or loan capital or give or agree to give any option or right or interest in respect of any share or loan capital;
- (f) not cause licence, permit or statutory approval to it to be revoked, withdrawn or suspended unless such revocation, withdrawal or suspension is to facilitate the issuance of any licence, permit or statutory approval to it;
- (g) not alter the Memorandum and Articles of Association in any respect except in compliance with requirements of law or as may be necessary to give effect to the terms of this agreement; and
- (h) not increase the remuneration paid to its directors and employees.
- (i) not appoint any new directors;
- (j) not transfer of any of HOSB's personnel to any other company managed and/or controlled by either of the Sellers, or to any of the Related Companies, except with the prior written consent of the Purchaser;
- (k) unless essential for its future operations, not recruit any additional personnel; and
- (l) ensure that all assets of HOSB are operated and maintained at all times in accordance with the requirements of HOSB's customers.

### **3.2 Time for payment**

- (a) 10% of the Purchase Price shall be paid by the Purchaser to the Seller within 15 days from the date of fulfilment of all the Conditions Precedent for Payment;
- (b) 90% of the Purchase Price shall be paid by the Purchaser to the Seller on the completion in full of the Condition Precedent, on the Completion Date.

### **3.3 Obligations of Sellers on Completion**

- (a) On Completion, the Sellers shall deliver or make available or cause to be delivered or made available to the Purchaser the following:
  - (1) such non-competition and non-solicitation agreements from those key employees of HOSB as identified by the Purchaser;
  - (2) a certificate in form and substance satisfactory to the Purchaser of the Sellers and HOSB as to the amount of all outstanding debt on the Completion Date (Completion Date Outstanding Debt Certificate);
  - (3) all statutory and other books (including but not limited to registers) and the common seal of HOSB and all other Completion Items.;
  - (4) all other documents, certificates, or agreements required to be delivered by Sellers and/or HOSB in respect of the transfer of the Sale Shares and the Transaction contemplated under this agreement on or before Completion.

### **3.4 Right to terminate**

- (a) If the foregoing provisions of Clause 3.3 are not fully complied with by the Sellers on the Completion Date the Purchaser shall be entitled (in addition to and without prejudice to all other rights or remedies available to the Purchaser including the right to claim for damages or specific performance) by written notice to the Sellers served on such date:
  - (i) to fix a new date for Completion, in which case the foregoing provisions of Clause 3.4 shall apply to Completion as so deferred but provided such deferral may only occur once; or
  - (ii) to effect Completion so far as practicable having regard to the defaults which have occurred; or
  - (iii) to elect to terminate the SSA without liability on the part of the Purchaser.
- (b) If the Purchaser elects not to proceed with the transaction and terminate the SSA as a result of non-fulfilment of any conditions precedent, the Purchaser shall be entitled to obtain a refund of all moneys paid or advanced by the Purchaser.

- (c) In the event the Sellers fail to refund all moneys paid or advanced by the Purchaser, the Purchaser shall have the right to date and register the transfer of the Sale Shares in the name of the Purchaser and still obtain the right to request for a refund of all moneys paid or advanced by the Purchaser; or sell the Sale Shares to a third party nominated by the Purchaser and obtain the right to recoup the remaining balance from the Sellers. In this respect, the Sellers shall jointly and severally guarantee the refund of all moneys paid by or on behalf of the Purchaser and shall jointly and severally indemnify the Purchaser for all damages, losses, statutory filings, payables, liabilities or contingent liabilities incurred.

#### **4. RATIONALE FOR THE PROPOSED ACQUISITION**

Destini is currently involved in provision of maintenance, repair and overhaul ("MRO") services for aircrafts and safety equipment to Ministry of Defence Malaysia and commercial airlines through its various subsidiaries in Malaysia.

HOSB is carrying on the business as manufacturers, importers and exporters of, suppliers, dealers in goods and repairers of safety and security products and defence equipment. HOSB was recently awarded a contract from the Government of Malaysia for the supply of 6 multipurpose, armed reconnaissance helicopters Model MD530G intended for use by the Malaysian Army with a contract value of RM321.9 million.

The Proposed acquisition is deemed to be a strategic expansion plan that will widen the Group's capabilities and extend its scope of services to a wider range of aircrafts. This acquisition is also deemed as a strategic move that will enable Destini to expand its foothold to cater to other Government agencies.

In addition, DPSB was also granted the licence to be the exclusive MRO service provider for MD Helicopters in Malaysia, which will provide recurring income for the Group in the years to come.

#### **5. PROSPECTS OF HOSB**

As a subsidiary of DPSB, HOSB is expected to expand the business of the supply of equipment relating to defence, security and enforcement for both government and private sectors.

#### **6. RISK FACTORS IN RELATION TO THE PROPOSED ACQUISITION**

##### **6.1 Political and Economic Risks**

HOSB's financial and business prospects and the industry which it operates in, will depend to some degree on the developments in the economy, political and regulatory front in Malaysia. Amongst the economic, political and regulatory factors are changes in inflation rates, interest rates, war, terrorism activities, riots, expropriations, changes in political leadership and unfavourable changes in the governments' policies in the aviation industry.

Destini Group will continue to adopt effective measures such as prudent management and efficient operating procedures to mitigate these factors. However, there can be no assurance that adverse economic, political and regulatory changes will not materially affect Destini Group's business.

## **6.2 Foreign Exchange Exposure**

The main contract agreement between HOSB and the Government is denominated in Malaysian Ringgit whereas the agreement with the supplier is in US Dollars. As Destini consolidates the financial results of HOSB, being the subsidiary companies of Destini, any fluctuation of the abovementioned currencies against the RM may impact profits and the financial position of Destini Group when translating into RM terms.

HOSB is also exposed to foreign exchange fluctuations in the event of mismatches between the amounts and timing of receipts and payments in foreign currencies. To the extent there are any such mismatches, a significant adverse fluctuation in the applicable foreign currency against the domestic currency in which HOSB transacts arising from such timing differences may result in HOSB incurring a foreign exchange loss.

There can be no assurance that fluctuations in foreign exchange rates will not have material and adverse effects on HOSB's financial performance. Nevertheless, Destini will assess the need to utilise financial instruments to hedge its foreign exchange exposure to mitigate the foreign exchange risk.

## **6.3 Industry Risks**

The performances of HOSB are subject to risks inherent in its industry. These may include, amongst others, entry of new players, shortage of skilled workforce, increase in cost of labour, cost of operations including supply and cost of raw materials, changes in government policies affecting the industry, changes in general economic, business, credit and interest rate condition and introduction of new technology and new products.

Whilst Destini Group seeks to mitigate these risks through its continued initiative in research and development for new products, employment of highly skilled technical personnel and skilled factory workers, implementing prudent business strategies and carrying out continuous review of its operations, there is no assurance that any change to the above factors, which are beyond the Group's control, will not materially affect its business.

## **6.4 Non-Completion Risks**

The SSA contains various terms and conditions governing the Proposed Acquisition. In the event such terms and conditions are breached, the Proposed Acquisition will not be completed.

As such, to mitigate these risks, the Board will take reasonable steps to ensure that every effort is made to obtain all the necessary approvals for the Proposed

Acquisition, if required, and ensure compliance with the terms and conditions of the SSA in relation to the Company's obligations.

**7. EFFECTS OF THE PROPOSED ACQUISITION**

The Proposed Acquisition will not have any effect on the share capital and substantial shareholders' shareholdings of the Company as the Proposed Acquisition will be fully satisfied in cash.

In addition, the Proposed Acquisition is not expected to have a material effect on the earnings per share, net assets and gearing of the Group for the financial year ending 31 December 2017. Barring any unforeseen circumstances, the Proposed Acquisition is expected to have positive contribution to the Group's earnings and net assets in the future.

**8. LIABILITIES TO BE ASSUMED**

Destini Group will not be assuming any additional liabilities, including contingent liabilities and guarantees arising from the Proposed Acquisition.

**9. APPROVALS REQUIRED**

The Proposed Acquisition is not subject to the approval of the shareholders of the Company or other relevant authorities.

**10. HIGHEST PERCENTAGE RATIO**

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 1.57%.

**11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/ OR PERSONS CONNECTED**

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

**12. DIRECTORS' STATEMENT**

The Board, having considered all aspects of the Proposed Acquisition, including the outlook and prospects of HOSB, rationale for the Proposed Acquisition and the risk factors as set out in Sections 4, 5 and 6 of this announcement, respectively, is of the opinion that the Proposed Acquisition is in the best interest of the Company.

**13. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposed Acquisition is expected to be completed by the first quarter of 2017.

**14. DOCUMENTS FOR INSPECTION**

A copy of the SSA will be made available for inspection at the Registered Office of Destini at No. 10, Jalan Jurunilai U1/20, Hicom Glenmarie Industries Park, 40150 Shah Alam, 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.

**This announcement is dated 16 February 2017.**