

Company Name : **MBM RESOURCES BERHAD (“MBMR” or “the Company”)**

Stock Name : **MBMR**

Type of Announcement : **TRANSACTION**

Subject : **SHARE SALE AGREEMENTS (“AGREEMENTS”) ENTERED INTO BETWEEN ORIENTAL EXTRUSIONS SDN BHD (“OESB” OR “PURCHASER”), A WHOLLY-OWNED SUBSIDIARY OF MBMR, AND: (I) CENTRAL MOTOR WHEEL CO., LTD (“CMW”); AND (II) TOYOTA TSUSHO CORPORATION OF JAPAN (“TTC”), (“COLLECTIVELY “THE VENDORS”), IN RESPECT OF THE PURCHASE OF THE SHARES HELD BY CMW AND TTC IN ORIENTAL METAL INDUSTRIES SDN BHD (“OMI”), A 78%-OWNED SUBSIDIARY OF OESB (AS DISCLOSED IN SECTION 1 BELOW) (“PROPOSED ACQUISITION”); AND AGREEMENT TO TERMINATE THE JOINT VENTURE (“JV”) AGREEMENT DATED 21 NOVEMBER 2005, ENTERED INTO BETWEEN OESB, CMW AND TTC (“TERMINATION JV AGREEMENT”)**

1. INTRODUCTION

Pursuant to Paragraph 10.05 of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa”), the Board of Directors of MBMR wishes to announce that its wholly owned subsidiary, OESB (Company No. 36865-A), has on 12 February 2018 entered into the Agreements with CMW and TTC to purchase the remaining shares in OMI held by CMW and TTC (“Transactions”). The details of the Transactions are as follows:

Vendors	No. of Ordinary Shares held in OMI (“OS”) (“Sale Shares”)	% of Shareholdings	Purchase Consideration (RM)
CMW (“Transaction 1”)	1,995,000	19.0	1,508,220.00
TTC (“Transaction 2”)	315,000	3.0	238,140.00
		Total	1,746,360.00

OESB, CMW and TTC has also on 12 February 2018 entered into an Agreement to Terminate the JV Agreement dated 21 November 2005 (“Termination Agreement”) entered into between OESB, CMW and TTC. The Termination Agreement is conditional upon the completion of the Proposed Acquisition.

2. INFORMATION ON THE PARTIES

2.1 CMW

CMW was incorporated in Japan as a public listed company with its business address at 1-7, Murata Ozaki-Cho, Anjo 446-004 Japan. CMW operates as a subsidiary of Toyota Motor Corporation (“TMC”).

CMW manufactures and distributes automotive wheels and manufactures LPG (Liquefied Petroleum Gas) containers for automotive assemblies.

2.2 TTC

TTC was incorporated in Japan as a public listed company with its business address at 9-8, Meieki 4-chome, Nakamura-ku, Nagoya 450-8575, Japan. TTC is a 27.1%-owned associate company of TMC and holds 18.1% of the equity interest in CMW.

TTC is the trading arm for TMC and has diverse operations globally, spanning industrial, commercial and consumer sectors.

2.3 OMI

OMI was incorporated in Malaysia as a private limited company with its business address at Jalan Utas 15/7, Seksyen 15, 40200 Shah Alam, Selangor, Malaysia.

OMI manufacture steel wheels and alloy wheels for passenger cars and light commercial vehicles and also provides tyre assembly service for automotive manufacturers and assemblers in Malaysia.

The Directors of OMI are as follows:-

1. Nor Hadi Bin Daud;
2. Ahmad Zaki Bin Abd Rahim;
3. Poh Chee Kwan; and
4. Takahiko Amano (Alternate Director: Ichihiro Sadamoto).

The shareholders of OMI and their respective shareholdings prior to the Proposed Acquisition were as follows:-

Name of Shareholders	No. of OS held	% of Shareholdings
OESB	8,190,000	78.0
CMW	1,995,000	19.0
TTC	315,000	3.0
Total	10,500,000	100.0

Subsequent to the Proposed Acquisition, OMI will become a 100% wholly-owned subsidiary of OESB.

3. INFORMATION OF JOINT VENTURE AGREEMENT (“JV AGREEMENT”)

On 21 November 2005, OESB entered into a JV Agreement with CMW and TTC to regulate their respective rights and obligations as shareholders of OMI upon the terms and conditions as stated therein.

The roles of the parties under the JV Agreement were as follows:-

- (a) OESB shall provide OMI with every necessary assistance so that OMI is enabled to secure the power and water supplies, and all other utilities, as well as local personnel suited for the execution of business and all other facilities which may be useful for the operation of OMI.
- (b) CMW shall with the cooperation of TTC, provide technical assistance to OMI and exert their best efforts to upgrade the quality, workmanship and finish of the products to be manufactured by OMI.

- (c) TTC shall act as coordinators on matters arising from the relationship between the Malaysian party and the Japanese parties.
- (d) OESB agreed to exert its best efforts to negotiate with the Malaysian Government to procure the necessary protective measures in relation to the import of similar disk wheels for automobiles, for the operation of the OMI.

3. DETAILS OF THE AGREEMENTS

3.1 Salient Terms of The Agreements

- (1) Conditions Precedent (“CP”)
 - (a) The Agreements are inter-conditional and subject to OMI obtaining the approval or non-objection from the Ministry of Trade and Industry (“MITI”) for the Proposed Acquisition.
 - (b) If any such approval is obtained subject to any conditions or variations, such conditions or variations are acceptable to OESB, CMW and TTC (“Parties” or “Party”) and, if they are required to be fulfilled before the day full payment of the Purchase Consideration is made by the Purchaser to CMW and TTC (“Completion”), are fulfilled or waived before Completion.
 - (c) The Purchaser shall within ten (10) business days from the date of the Agreements make the necessary application to MITI for its approval.
 - (d) The Purchaser shall within three (3) business days from its receipt of a copy of the MITI’s approval notify the Vendors as to whether the conditions (if any) affecting itself imposed by MITI in such approval are acceptable to it failing which such Party shall be deemed to have accepted such conditions.

The Agreements will become unconditional on the date on which all CP has been fulfilled in accordance with the terms of the Agreements (“Unconditional Date”).

- (2) The Purchase Consideration will be satisfied via cash in the following manner:-
 - (a) 10% of the Purchase Consideration as deposit upon execution of the Agreements.
 - (b) The remaining 90% of the Purchase Consideration each shall be paid to CMW and TTC on a date to be agreed between the Parties but not later than thirty (30 days) after the Unconditional Date.
- (3) Basis of arriving at and justification for the Purchase Consideration of the Proposed Acquisition

The Purchase Consideration of RM0.756 per OS was arrived from the value according to the net asset per share of OMI’s Audited Financial Statements for the financial year ended 31 December 2016.

- (4) Other Conditions

Upon completion of the Agreements, the Parties’ JV Agreement shall be terminated pursuant to the JV Termination Agreement.

4. RATIONALE OF THE PROPOSED ACQUISITION

The Proposed Acquisition would facilitate the decision-making and open up the opportunity and flexibility by OESB in choosing and initiating new working relationships with other parties.

5. SOURCE OF FUNDS

The Purchase Consideration will be satisfied from MBMR's internal funds.

6. ESTIMATED TIME FRAME FOR COMPLETION

Barring unforeseen circumstances, the Proposed Acquisition is expected to be completed no later than 12 March 2018.

7. RISK FACTOR

The Board is not aware of any risk factor arising from the Proposed Acquisition and Termination Agreement.

8. FINANCIAL EFFECTS ON THE PROPOSED ACQUISITION

The Proposed Acquisition is not expected to have any material financial impact in the financial year ending 31 December 2017 nor will it have any effect on the share capital and substantial shareholders' shareholdings of MBMR. It is also not expected to have any material effect on the net assets per share, earnings per share and gearing of MBMR for this financial year ending 31 December 2017.

9. LIABILITIES TO BE ASSUMED

There are no liabilities, including contingent liabilities and guarantees, to be assumed by MBMR and its subsidiaries ("Group") with respect to the Agreements.

10. PERCENTAGE RATIOS

The percentage ratio applicable for the Proposed Acquisition calculated based on the audited financial statements of MBMR on consolidated basis for the financial year ended 31 December 2016 are as follows:-

Transactions	Purchase Consideration (RM)	Percentage ratio
Transaction 1	1,508,220.00	0.0939
Transaction 1	238,140.00	0.0148
	Total	0.1087

11. DIRECTORS AND MAJOR SHAREHOLDER'S INTEREST

Save as disclosed below, none of the Directors and Major Shareholders of MBMR or persons connected to them has any interest, direct or indirect, in the Proposed Acquisition:

- (i) CMW and TTC have direct interests in the Proposed Acquisition because:
 - (a) both of them are the Vendors of the Sale Shares;
 - (b) CMW holds 19% of the equity interest in OMI. Hence, it is a major shareholder of OMI;
 - (c) TTC holds 3% and 18.1% of the equity interests in OMI and CMW respectively; and

- (d) CMW and TTC are the subsidiary and associate company of TMC respectively.
- (ii) Nevertheless, the Proposed Acquisition is not regarded as a related party transaction (“RPT”) as it is an exempted RPT under Paragraph 10.08(11)(o) of the MMLR.

12. AUDIT COMMITTEE’S STATEMENT

The Audit Committee, after having considered the Proposed Acquisition (including Section 11 above), including rationale and all other relevant factors, is of the opinion that the Proposed Acquisition, is:

- (i) in the best interest of the Company;
- (ii) fair, reasonable, and on normal commercial terms; and
- (iii) not detrimental to the interest of the minority shareholders of the Company.

13. STATEMENT BY THE DIRECTORS

The Board of MBMR, having considered the rationale and all other relevant factors of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interest of the Group.

14. APPROVALS REQUIRED

Save for obtaining the consent from MITI, the Proposed Acquisition is not subject to the approval of the shareholders or the Company.

15. INSPECTION OF DOCUMENTS

The Agreements are made available for inspection at the Registered Office of MBMR at Unit 30.01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No., 8, Jalan Kerinchi, 59200 Kuala Lumpur during office 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 12 February 2018.