

Proposed acquisition of 100% equity interest in PT Bintang Pesona Jagat ("BPJ")

TIEN WAH PRESS HOLDINGS BERHAD

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| Type | Reply to Query |
| Reply to Bursa Malaysia's Query Letter - Reference ID | IQL-07112016-00001 |
| Subject | Proposed acquisition of 100% equity interest in PT Bintang Pesona Jagat ("BPJ") |
| Description | <p>TIEN WAH PRESS HOLDINGS BERHAD ("TWPH" OR "THE COMPANY")</p> <p>- PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN PT BINTANG PESONA JAGAT (BPJ) BY MAX EASE INTERNATIONAL LIMITED AND MAX VIEW HOLDINGS LIMITED</p> |
| Query Letter Contents | <p>We refer to your Company's announcement dated 3 November 2016 in respect of the aforesaid matter.</p> <p>In this connection, kindly furnish Bursa Securities with the following additional information for public release:-</p> <ol style="list-style-type: none"> 1) To quantify the net profits and net assets of BPJ based on the latest audited financial statement. 2) Name of the directors and commissioner of BPJ. 3) Justifications for the purchase consideration. 4) To quantify TIENWAH's portion of the purchase consideration. 5) To breakdown and quantify the sources of funding for TIENWAH's portion of the purchase consideration. 6) Salient features (or the indicative features) of the Manufacturing and Supply of Packaging Materials Agreement including the termination clauses. 7) To state the prospects of BPJ. 8) To elaborate on the risk factors associated with the investment in BPJ. <p>Please furnish Bursa Securities with your reply within one (1) market day from the date hereof.</p> <p>Yours faithfully,</p> <p>SUZALINA HARUN Senior Vice President, Issuers Listing Division, Regulation</p> <p>/WCY</p> <p>c.c. : Market Surveillance Dept, Securities Commission Malaysia (via fax).</p> |

(Unless otherwise stated, all definitions and terms used in this announcement shall have the same meaning as defined in the announcement dated 3 November 2016 in relation to the Proposed Acquisition.)

The Board of Directors of the Company would like to respond to queries raised by Bursa Malaysia Berhad ("Bursa") in relation to the Proposed Acquisition announcement released on 3 November 2016.

Please refer to the attached file for details of the announcement.

This announcement is dated 8 November 2016.

Please refer attachment below.

Attachments

[TWPH - Project Bentoel \(Response to Queries\).pdf](#)
244.9 kB

Announcement Info

| | |
|------------------|--------------------------------|
| Company Name | TIEN WAH PRESS HOLDINGS BERHAD |
| Stock Name | TIENWAH |
| Date Announced | 08 Nov 2016 |
| Category | General Announcement for PLC |
| Reference Number | GA1-08112016-00071 |

Response to queries raised by Bursa Malaysia Berhad in relation to the Proposed Acquisition Announcement on 3 November 2016

TIEN WAH PRESS HOLDINGS BERHAD (“TWPH” OR “THE COMPANY”)

PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN PT BINTANG PESONA JAGAT (“BPJ”) BY MAX EASE INTERNATIONAL LIMITED AND MAX VIEW HOLDINGS LIMITED

(Unless otherwise stated, all definitions and terms used in this announcement shall have the same meaning as defined in the announcement dated 3 November 2016 in relation to the Proposed Acquisition.)

The Board of Directors of the Company would like to respond to queries raised by Bursa Malaysia Berhad (“Bursa”) in relation to the Proposed Acquisition announcement released on 3 November 2016.

Bursa requested that the Company to furnish further details on the following matters:

1. The net profits and net assets of BPJ based on latest audited financial statement

The net profits and net assets of BPJ based on the latest audited financial statement for the financial year ended 31 December 2015 are as follows:

| | IDR 'billion | RM 'million |
|---|---------------------|--------------------|
| Net (loss) for the year ended 31 December 2015 | (3.676) | (1.182) |
| Net (liability) as at 31 December 2015 | (17.366) | (5.584) |
| | | |
| Note: | | |
| Foreign Currency Translation rate used IDR3,110:RM1 | | |

The audited accounts of BPJ as at 31 December 2015 are not considered to be representative of the assets and businesses to be acquired in the Proposed Acquisition. These assets and businesses are expected to be injected into BPJ during the financial year 2016

The unaudited management accounts of BPJ’s net asset position approximates IDR101.559 billion (equivalent to approximately RM32.656 million) following the injection of BPJ’s parent company’s printing assets and business, including the increase in capitalization of shareholders’ equity of IDR114.271 billion (equivalent to RM36.743 million).

The Proposed Acquisition of BPJ also comes with a 6 years’ exclusive supply agreement with each of PT. Bentoel Prima, PT. Perusahaan Dagang Dan Industri Tresno, PT. Bentoel Internasional Investama Tbk and PT. Perusahaan Dagang Suburaman (collectively “**BAT Group in Indonesia**”) which will commence from 1 January 2017 until 31 December 2022 when it shall expire.

2. The name of BPJ’s Directors and Commissioner

The name of Directors (Board Members) and Commissioner of BPJ are as follows:

| Position | Names |
|-----------------|----------------------------|
| Commissioner | Prijunatmoko Sutrisno |
| | |
| Directors | Aloysius Radja Singal BBPS |
| | Sylvia Dwiyan Gunawan |
| | Hemowo |

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3. Justifications for the Purchase Consideration

The justification for the purchase consideration was arrived at on a willing-buyer willing-seller basis after taking into consideration of the following key matters:

- Commercial value of the 6 years' exclusive supply agreement to PTBINI;
- Impact on the future profitability of TWPH Group;
- Net assets and printing business injected into BPJ for the Proposed Acquisition;
- Possible synergistic cost savings from the possible change of TWPH Group's operational footprint to reduce cost and improve proximity to key customer's production plant; and
- Long term strategic value consideration to impede new competitors' entry into the Asia market and existing competitors' growth potential.

4. Quantify TWPH's portion of the Purchase Consideration

| | Total | MEIL | |
|------------------------|--------------|---------------------------|---------------------------|
| | | TWPH Share 51% | NTIH Share 49% |
| Purchase Consideration | | | |
| IDR 'billion | 304.000 | 155.040 | 155.040 |
| RM 'million | 97.749 | 49.852 | 49.852 |

MEIL is a 51%-owned subsidiary of TWPH. The remaining 49% is owned by NTIH, listed on the Main Board of the Singapore Stock Exchange, which is the ultimate shareholding company of TWPH.

5. Breakdown and quantify the sources of funding for TWPH's portion of the Purchase Consideration

The breakdown and sources of funding for TWPH proportionate share for the Proposed Acquisition vide MEIL is set out as follows:

| | MEIL | |
|-------------------------------|----------------------------------|-------------------------------|
| | TWPH Direct Share 51% | |
| Purchase Consideration | IDR 'billion 155.040 | RM 'million 49.852 |
| Deposit 20% | | |
| Proceeds from Rights Issue | | 9.000 |
| Internally Generated Funds # | | 0.970 |
| | 31.008 | 9.970 |
| Balance 80% | | |
| Internally Generated Funds # | | |
| Bank Borrowings # | | 1.450 |
| | 124.032 | 38.432 |
| | 124.032 | 39.882 |

Note

Foreign currency exchange ("FOREX") rate used:

IDR3,110:RM1

USD1:RM3.1865

- approximate based on FOREX Conversion

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6. The salient features (or the indicative features) of the Manufacturing and Supply of Packaging Materials Agreement (“MSPMA”) including termination clauses

- a. Commencement Date: 1 January 2017;
- b. BPJ will be appointed as the exclusive supplier to supply the print supplies of the BAT Group in Indonesia (“**Supplier**”).
- c. The Supplier’s appointment is exclusive but does not guarantee any level of business for the Supplier;
- d. MSPMA shall commence on the Commencement Date and (unless terminated earlier in accordance with the MSPMA) shall continue for a fixed period of six (6) years until 31 December 2022 when it shall expire;
- e. Save for the goods to be supplied by the Supplier under the MSPMA (“**Goods**”) which have been accepted by British American Tobacco (“**BAT**”), if any Goods supplied do not meet the requirements of the MSPMA, whether at time of delivery or subsequently, BAT may recover damages from the Supplier for all losses, claims, damages, liabilities, fines, interest, penalties, costs, charges, expenses, demands and legal and other professional costs (calculated on a full indemnity basis) excluding any special, exemplary, punitive or consequential loss or damage (including without limitation loss of profit, loss of opportunity and loss of goodwill) (collectively referred to as “**Liabilities**”) and additional expenditure which it incurs as a consequence, provided that BAT provides proof of such damages and additional expenditure incurred;
- f. Save for Goods which have been accepted by BAT, if any Goods supplied do not meet the requirements of the MSPMA, whether at time of delivery or subsequently, BAT may recover damages from the Supplier for Liabilities and additional expenditure which it incurs as a consequence, provided that BAT provides proof of such damages and additional expenditure incurred;
- g. PTBINI and its affiliates (or collectively BAT Group in Indonesia) agree that the Supplier shall maintain pricing as agreed;
- h. BAT shall pay each valid invoice within sixty (60) days of invoice date;
- i. Save for clauses i(i) and i(v) below, BAT may terminate the MSPMA with immediate effect on giving notice to the Supplier if the Supplier:
 - (i) commits a material breach of the MSPMA which is incapable of remedy;
 - (ii) is in persistent breach of any of its obligations under BAT’s purchase order for Goods (“**Orders**”) for the purpose of the MSPMA a persistent breach shall mean there are errors as regards 3 or more Orders in any 12-month period including in relation to the identity of the Goods, the volume supplied, their quality, the timeliness of the delivery, the delivery location or any other matter;
 - (iii) commits a material breach of the MSPMA which is capable of remedy but fails to remedy that breach within 30 days of being notified of the breach;
 - (iv) is in breach of any of clauses relating to “Intellectual Property Rights (“**IPR**”)”, “Confidentiality”, “Data Protection”, “Data Security”, “Anti Corruption” and “Economic Sanction”;
 - (v) has a liquidator (both provisional and following a winding up), receiver (including a fixed charge receiver), administrative receiver, administrator, nominee, supervisor or

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- other similar officer appointed in respect of itself or any of its assets under the law of any jurisdiction or notice is given of the intention to make any such appointment;
- (vi) in the reasonable opinion of BAT is unable to pay its debts as they fall due or, in the reasonable opinion of BAT, the aggregate value of all its assets is less than that of all its liabilities (including its contingent and prospective liabilities); or
- (vii) suspends or ceases to carry on (or threatens to suspend or cease to carry on) all or a material part of its business.

The Supplier will be entitled to a 30-day cure period for certain clauses as stipulated in the MSPMA. For the avoidance of doubt, BAT's right to terminate the MSPMA under this clause will only be valid if the Supplier fails to remedy the occurrence of any of certain clauses in the MSPMA within 30 days of being notified of such occurrence.

j. BAT may also terminate the MSPMA:

- (i) If the performance of all or a material part of the Supplier's obligations under the MSPMA is delayed or prevented by a Force Majeure Event for a continuous period of forty-five (45) days or sixty (60) days in aggregate over any three (3) consecutive month period, BAT may terminate the MSPMA by giving thirty (30) days' written notice to the Supplier.
- (ii) If BAT or any of its affiliates is prevented from receiving, using or reselling any Goods in whole or part by an injunction, court order granted or agreed in respect of any claim or allegation that BAT or any of its affiliates infringes a third party's IPR that arises out of, or in connection with, the Goods or the Deliverables (including their receipt, use, supply or offer of supply) ("**IPR Claim**"), provided that such IPR Claim is a result of the Supplier not manufacturing the Goods in accordance with the specifications provided by BAT or any of its affiliates.
- (iii) If BAT and its affiliates do not agree a practical solution within ten (10) business days of receipt of notification or within ten (10) business days of BAT becoming aware of the Supplier being subject to any Economic Sanctions, BAT may terminate the MSPMA immediately by notice. Economic Sanctions means any sanctions administered by HM Treasury, US Department of Treasury and any similar sanctions imposed by the European Union, the United Nations and any other equivalent body (governmental or otherwise) and any applicable law or regulation.

7. The prospects of BPJ

The prospects of BPJ are considered to be strategic for the continued growth and stability of TWPH Group. Its strategic location and proximity to our key customer and one of its largest packing plants would prove to be invaluable to service the key customer as well as position the TWPH Group to tender competitively for future business beyond the 6 years' exclusive supply agreement.

Indonesia generally has a lower operating cost base as compared to most of the TWPH Group operating footprints and will be strategic for the consideration for relocation of production volume from our existing footprints. In addition, this will improve our chances of extending our current 3 years' Supply Agreement with our key customers when it expires in October 2019.

BPJ is also strategically position to potentially secure new tobacco customers within and outside Indonesia.

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8. Elaborate on the risk factors associated with the investment in BPJ

- a. Termination of the 6 years' exclusive supply agreement due to breach by BPJ
- b. Indicative supply volumes by PTBINI and its affiliates does not materialize and falls short of expectation, due to unforeseen end market conditions
- c. FOREX fluctuations in the Indonesian Rupiah and the currency of the loan to be secured
- d. BPJ is situated within the close proximity of an active volcano, which may disrupt production and loss of investment on a worst case scenario
- e. Political stability of Indonesia