

**KEY WEST GLOBAL TELECOMMUNICATIONS BERHAD (“KEYWEST” OR THE “COMPANY”)**

**HEADS OF AGREEMENT - PROPOSED ACQUISITION BY KEYWEST OF 75% ULTIMATE EQUITY INTEREST IN PT FORMASI SUMATERA ENERGI (“PTFSE”) VIA THE ACQUISITION OF CONVERTIBLE BONDS ISSUED BY MANJUNG NIAGA SDN BHD (“MANJUNG NIAGA”) FROM MARYLAND INTERNATIONAL OFFSHORE LTD (“MARYLAND” OR THE “VENDOR”) FOR A PURCHASE CONSIDERATION OF USD52.5 MILLION (EQUIVALENT TO APPROXIMATELY RM161.15 MILLION) (“PROPOSED ACQUISITION”)**

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*For the purpose of this announcement, an exchange rate of USD1.00 : RM3.0695 being the middle rate as at 27 March 2012, as published by Bank Negara Malaysia, has been assumed for the purpose of converting USD-denominated values to Ringgit-denominated values and vice versa, throughout this announcement, unless otherwise stated.*

**1. INTRODUCTION**

On behalf of the Board of Directors of Keywest ("**Board**"), Kenanga Investment Bank Berhad ("**KIBB**"), wishes to announce that the Company had, on 28 March 2012, entered into heads of agreement ("**HOA**") with the Vendor, in relation to the sale and purchase of convertible bonds issued by Manjung Niaga from the Vendor for a purchase consideration of USD52.5 million (equivalent to approximately RM161.15 million) ("**Purchase Consideration**") to be satisfied by cash of USD28 million (equivalent to approximately RM85.95 million) ("**Cash Consideration**") and balance sum to be satisfied via issuance of new Keywest Shares at an issue price of RM0.12 per Share ("**Consideration Shares**") or such other mode and manner of payment as may be mutually agreed between the parties to be determined upon signing of the definitive sale and purchase agreement ("**Definitive Agreement**").

Upon completion of the Proposed Acquisition and the subsequent conversion of the abovementioned convertible bonds, Keywest will own 75% ultimate equity interest in PTFSE.

Due to the quantum of the Purchase Consideration, the Proposed Acquisition will result in a significant change of business direction of Keywest and will result in the emergence of new substantial shareholder in the Company.

Further details of the Proposed Acquisition will be announced upon the execution of the Definitive Agreement between the Company and the Vendor (collectively referred to as "**Parties**").

**2. DETAILS OF THE PROPOSED ACQUISITION**

**2.1 Information on PTFSE, Manjung Niaga and the Vendor**

PTFSE a limited liability company incorporated in the Republic of Indonesia. It is principally involved in the upstream oil and gas sector. PTFSE has, on 25 April 2007, entered into an operations cooperation agreement with PT Pertamina EP to reactivate and optimize the production of petroleum resources in the Tanjung Tiga Timur field in South Sumatera, Indonesia.

As at the date of this announcement, PT Mandira Hana Persada ("**PTMHP**") and Fleming Indra ("**FI**") hold 90% and 10% equity interest, respectively in PTFSE.

Manjung Niaga was incorporated in Malaysia under the Companies Act, 1965, on 6 March 2012 as a private limited company. The issued and paid-up share capital of Manjung Niaga is RM2 comprising two (2) ordinary shares of RM1 each. As at the date of this announcement, Montana Trading Overseas Inc ("**Montana**") holds 100% equity interest in Manjung Niaga.

Pursuant to a share subscription arrangement to be undertaken between Manjung Niaga, PTMHP, FI and PTFSE ("**PTFSE Capitalisation Arrangement**"),

- (a) Manjung Niaga, with the consent of Montana, will issue a series of convertible bonds in Manjung Niaga, which when converted will result in the Vendor and/or holder of the said convertible bonds to own approximately 99% equity interest in Manjung Niaga (the "**Convertible Bonds**"); and
- (b) Manjung Niaga will own 95% equity interest in PTFSE by way of capital injection.

The Vendor or Maryland was incorporated on 1 March 2012 as a limited liability company incorporated in the British Virgin Islands.

## **2.2 Salient Terms of the HOA**

The salient terms of the HOA include, amongst others, the following:-

### **2.2.1 Terms of the Proposed Acquisition**

Pursuant to the terms of the HOA, Keywest will acquire such number of Convertible Bonds from the Vendor, which when converted will result in Keywest owning approximately 78.9474% equity interest in Manjung Niaga (the "**Sale Convertible Bonds**").

### **2.2.2 Purchase Consideration**

Pursuant to the terms of the HOA, the Purchase Consideration for the Proposed Acquisition shall be USD52.5 million (equivalent to approximately RM161.15 million), subject to further adjustments to be mutually agreed between the Parties, based on the outcome of Keywest due diligence review on Manjung Niaga and PTFSE, the initial reserve evaluation report on the oil concession of PTFSE and the opinion on the fairness of the purchase consideration. The Purchase Consideration shall be payable by Keywest to the Vendor in the following manner:-

- (a) USD28 million (equivalent to approximately RM85.95 million) in cash and the balance sum of the Purchase Consideration to be satisfied via the issuance of new Keywest Shares at an issue price of RM0.12 per Share; or
- (b) such other mode and manner of payment as may be mutually agreed between the Parties to be determined prior to the signing of the definitive sale and purchase agreement.

### **2.2.3 Conditions Precedent**

The completion of the Proposed Acquisition is conditional upon the following conditions precedent as set out below:-

- (a) the completion of the PTFSE Capitalisation Arrangement resulting in Manjung Niaga being the registered and beneficial owner of 95% equity interest in PTFSE;
- (b) due diligence review of Manjung Niaga and PTFSE to the satisfaction of Keywest;
- (c) the relevant approvals from the authorities, regulatory bodies and/or shareholders for the issuance of the Convertible Bonds in the Manjung Niaga to Maryland;
- (d) the relevant approvals from the authorities, regulatory bodies and/or shareholders for the issuance of new Keywest Shares as part payment of the Purchase Consideration being obtained;
- (e) the relevant approvals from the Indonesia Investment Coordinating Board and PT Pertamina EP in respect of the PTFSE Capitalisation Arrangement being obtained; and
- (f) any other relevant approvals from the authorities and regulatory bodies in Malaysia and/or Indonesia for the completion of the PTFSE Capitalisation Arrangement and the Proposed Acquisition.

The Parties has also agreed that the Vendor shall ensure, or procure Manjung Niaga, PTMHP, FI and PTFSE to ensure that upon completion of the PTFSE Capitalisation Arrangement, Manjung Niaga will own 95% equity interests in PTFSE and upon completion of the Proposed Acquisition and the conversion of the Convertible Bonds, Keywest will own 75% ultimate equity interest in PTFSE.

### **2.2.4 Other Terms of the HOA**

- (a) The Vendor shall procure or cause PTFSE to procure all relevant approvals from the authorities pertaining to the PTFSE Capitalisation Arrangement being obtained as expeditiously as possible.
- (b) The Vendor shall procure or cause Manjung Niaga to procure all relevant approvals from the authorities pertaining to the issuance of series of Convertible Bonds being obtained as expeditiously as possible.
- (c) The Vendor shall further ensure that the Sale Convertible Bonds to Keywest, upon conversion would result in Keywest owning 75% ultimate equity interest in PTFSE.
- (d) The Vendor shall provide all relevant documentation, pursuant to the HOA to Keywest's appointed advisers to conduct a due diligence review on Manjung Niaga and PTFSE within a month from the date of the signing of the HOA, unless the Parties mutually agree in writing to extend the same.
- (e) Upon release of the initial reserve evaluation report on the oil concession of PTFSE and the issuance of an opinion on the fairness of the Purchase Consideration, which shall fall within 3 months from the date of signing of the

HOA, and provided that the Purchase Consideration and all terms and conditions are agreed upon between the parties, the Vendor and Keywest shall execute the Definitive Agreement, including but not limited to a sale and purchase agreement, to set out their respective duties and obligations in detail including the terms in the HOA.

- (f) In the event, the Definitive Agreements are not executed within the time period stated in Paragraph (e) above, and the Parties have not mutually agreed in writing to extend the same, the HOA shall lapse and deem terminated and the Parties shall have no claims against each other.
- (g) The HOA shall be governed by and construed in accordance with the law of Malaysia and the Parties agree to be subject to the non-exclusive jurisdiction of the Courts in Malaysia.

### **2.2.5 Approval Required**

The Proposed Acquisition is conditional upon obtaining:-

- (a) the approval of Bursa Malaysia Securities Berhad for the issuance of Consideration Shares to satisfy the Purchase Consideration being received by Keywest;
- (b) the waiver from the Securities Commission being received by the Vendor and its parties acting in concert from the obligation to extend a mandatory general offer to the shareholders of Keywest for all the remaining Keywest shares not already owned by the Vendor following the completion of the Proposed Acquisition, if required;
- (c) the approval of the shareholders of Keywest being received by Keywest; and
- (d) such other approvals from authorities and third parties as may be required and advised by the advisers of the Parties, if any.

## **3. BASIS OF DETERMINING THE PURCHASE CONSIDERATION**

The Purchase Consideration of USD52.5 million (equivalent to approximately RM161.15 million) for the Proposed Acquisition was arrived at on a willing-buyer willing-seller basis after taking into account the future earnings potential of PTFSE. The Purchase Consideration will only be determined after taking into consideration the outcome of the due diligence review on Manjung Niaga and PTFSE, the initial reserve evaluation report on the oil concession of PTFSE and the opinion on the fairness of the purchase consideration to be issued.

## **4. RATIONALE**

Keywest had on 27 May 2012 announced the disposal of its telecommunication division and its intention to venture into the oil and gas sector through the joint venture agreement entered into on 25 March 2011 with PT SA PETROLEUM to carry out the extraction of petroleum and the possibility of venturing further into the oil and gas sector should future opportunity arises.

As such, the Proposed Acquisition is in line with Keywest's earlier announced direction to diversify its business into the oil and gas industry and barring unforeseen circumstances, the Proposed Acquisition is expected to contribute positively to Keywest in the future.

**5. FINANCIAL RESOURCES FOR THE PROPOSED ACQUISITION**

Keywest may undertake a debt and/or equity fundraising exercise which may include a proposed rights issue to part fund the Cash Consideration for the Proposed Acquisition. The quantum of such equity fundraising will only be determined upon the finalisation of the Purchase Consideration for the Proposed Acquisition. In the event a proposed rights issue is undertaken, the proposed rights issue price would not be more than the issue price of the Consideration Shares of RM0.12 per Share for the Proposed Acquisition.

**6. FINANCIAL EFFECTS**

Barring unforeseen circumstances, the Proposed Acquisition is expected to contribute positively to the future earnings of Keywest for financial year ending 31 January 2013.

Further details of the financial effects arising from the Proposed Acquisition will be announced upon the execution of the Definitive Agreement.

**7. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND/OR PERSONS CONNECTED**

None of the directors and/ or substantial shareholders and/ or persons connected to the directors and/ or substantial shareholders have any interest, whether direct or indirect, in the Proposed Acquisition.

**8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copy of the HOA is available for inspection at the registered office of Keywest at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur during normal business hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 28 March 2012.