NAIM HOLDINGS BERHAD ("NAIM" OR "THE COMPANY")
PROPOSED DISPOSAL OF TWO (2) PARCELS OF LAND HELD UNDER LOTS 789 & 2861 BLOCK 20 KEMENA LAND DISTRICT, BINTULU SARAWAK ("PROPOSED DISPOSAL")

1. INTRODUCTION

The Board of Directors of Naim ("Board") wishes to announce that the Company's wholly-owned subsidiary, Petrochemical Hub Sdn. Bhd. [Registration No.: 200001014100 (516706-K)] ("PHSB" or "the Vendor") had on 17 July 2020 entered into a sale and purchase agreement ("SPA") with Sarawak Economic Development Corporation, a state-owned statutory body established under the Perbadanan Pembangunan Ekonomi Sarawak Ordinance (Sarawak Cap. 35) ("the Purchaser") for the proposed disposal of two (2) parcels of vacant land measuring a total area of approximately 405.6 hectares held under Lots 789 & 2861 Block 20 Kemena Land District, Bintulu, Sarawak ("Subject Lands") for a total cash consideration of RM340,000,000 ("Disposal Consideration").

2. DETAILS OF THE PROPOSED DISPOSAL

2.1 Information on the Subject Lands

The Subject Lands located at Kidurong Industrial area situated off Jalan Sabekas at Tanjong Kidurong Bintulu Sarawak, comprise two adjoining parcels of land sandwiched between Bintulu Onshore Receiving Facility (owned by PTT Exploration and Production Public Co Ltd), South China Sea, along the road leading to Kem PLKN Similajau and The Petronas Gas Pipeline.

Other information on the Subject Lands is summarised as follows:-

Registered Proprietor:	Petrochemical Hub Sdn. Bhd.	
Land Details		
Lot No.	Lot 789	Lot 2861
Block No.	Block 20	Block 20
Category of land Use	Mixed Development	Mixed Development
Existing status of property	Vacant land	Vacant land
Land area	180.3 hectares	225.3 hectares
Tenure	99 years (Expiring in November 2112)	
Encumbrances	Free from any encumbrances	

2.1 Information on the Purchaser

(i) Incorporation and business activity

Sarawak Economic Development Corporation ("SEDC") is a state-owned statutory body established under the Perbadanan Pembangunan Ekonomi Sarawak Ordinance (Sarawak Cap. 35) with the general aim of promoting the commercial, industrial and socio-economic development of Sarawak. The Purchaser has been entrusted to spearhead the development and construction of the state's first mega methanol plant in Kidurong, Bintulu and also intends to develop an industrial hub adjacent to the methanol plant to cater for the growing manufacturing activities based on methanol and its derivatives.

(ii) Share capital and substantial shareholder

The Purchaser is a state-owned statutory body established under the Perbadanan Pembangunan Ekonomi Sarawak Ordinance (Sarawak Cap. 35).

(iii) Directors

The directors of the Purchaser as set out below:-

Director
YBhg. Tan Sri Datuk Amar (Dr.) Haji Abdul Aziz bin Dato Haji Husain (Chairman)
YB Datuk Amar Jaul Samion
YBhg. Datu Dr. Haji Wan Lizozman bin Wan Omar
YBhg. Encik Boniface anak Edwin Manung
Yang Arif Datuk Talat Mahmood bin Abdul Rashid
YBhg. Dr. Philip Raja
YBhg. Assoc. Prof. Dr. Muhammad Abdullah Bin Haji Zaidel
YBhg. Datu Laura Lee Ngien Hion
YBhg. Datu Sr. Zaidi bin Haji Mahdi

2.2 Basis and Justification of arriving at the Disposal Consideration

The Disposal Consideration was arrived at on an as is where is basis and on a willing-buyer willing-seller basis.

The Disposal Consideration of RM340,000,000 represents a discount of RM60,000,000 or approximately 15% over the market value of RM400,000,000 based on the independent valuer, CH Williams Talhar Wong & Yeo's report prepared for sale purposes dated 19 November 2018.

2.4 Mode of Settlement for the Disposal Consideration

The Disposal Consideration shall be satisfied in cash. The manner in which the Disposal Consideration will be settled is as follows:-

(i) The sum of **RINGGIT MALAYSIA THIRTY FOUR MILLION ONLY (RM34,000,000)** being deposit and part payment of the Disposal Consideration shall be paid to the Vendor upon execution of the SPA. The Vendor shall simultaneously procure and provide to the Purchaser a Corporate Guarantee of equivalent sum from the Company to guarantee the refund or repayment of the deposit and part payment until the completion of the Proposed Disposal; and

(ii) within fourteen (14) days of written notification from the Vendor to the Purchaser of the issuance of Form L by the relevant Land Registry for the transfer of the said Land to the Purchaser, the balance of the Purchase Price in the sum of **RINGGIT MALAYSIA THREE HUNDRED AND SIX MILLION (RM306,000,000.00) ONLY** shall be paid to the Vendor by the Purchaser.

2.5 Liabilities to be assumed

Upon the signing of the SPA, the Company shall issue a corporate guarantee to the Purchaser to guarantee the refund or repayment of the deposit and part payment of the Disposal Consideration in the sum of RINGGIT MALAYSIA THIRTY FOUR MILLION ONLY (RM34,000,000.00) until the completion of the Proposed Disposal.

Save for the corporate guarantee mentioned above, there are no other liabilities to be assumed by both the Purchaser and Vendor/Company in relation to the Proposed Disposal.

2.6 Original cost and date of investment in the Subject Lands

The Subject Lands were acquired on 18 November 2013 at a total purchase cost of RM186.83 million, as follows:

(a) Lot 789 at RM83.11 million, and
(b) Lot 2861 at RM103.72 million.

2.7 Expected gain arising from the Proposed Disposal

Assuming the Proposed Disposal had been executed and completed as at 31 December 2019, the Proposed Disposal is expected to generate a pro forma gain of approximately RM115.81 million, as set out below:

	RM'000
Disposal Consideration	340,000
Less: Carrying amount of the Subject Lands as at Financial Year Ended ("FYE") 31 December 2019	(175,192)
Less: Estimated expenses for the Proposed Disposal (including associated tax)	(49,000)
Net pro forma gain	115,808

The pro forma gain as set out above is derived based on internal estimation by reference to the latest available audited financial statements FYE 31 December 2019 and relevant applicable accounting standards and regulations and law, and has not been reviewed by the external auditors.

3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED DISPOSAL

(i) The total Disposal Consideration of RM340.0 million is fair and reasonable in view of limited market for such a sizeable land, taking into consideration of the location and market value of the Subject Lands.

Even at about 15% discount from the Market Value of the Subject Lands, with an estimated disposal gain of RM115.81 million, it still represents a reasonable net return of 7% per annum to the Group's investment in the Subject Lands;

(ii) While there were other potential purchasers that were interested to acquire part of the Subject Lands, the disposal of the Subject Lands to SEDC, a State agency, would enable the State to spearhead the development of petrochemical hub in the region and consequently, would spur and enhance the State's economy as well as create job opportunities to the people.

*"The proposed Sarawak Petrochemical Hub, when fully operational, is expected to create 74,000 new jobs, which could potentially contribute an additional RM16 billion to RM20 billion per annum to the state's gross domestic product (GDP), Chief Minister Datuk Patinggi Abang Johari Openg said today."**
*(*source : https://www.malaymail.com/news/malaysia/2020/07/02/cm-proposed-sarawak-petrochemical -hub-expected-to-create-74000-jobs dated 2nd July 2020)*

(iii) With the current challenging and soft sentiment in Malaysia's property market, coupled with inherent risk of property overhang, it would not be easy for PHSB to dispose of the land to any other single buyer. This is especially so where potential buyers like China investors, which have been acquiring land globally, are now tightening their spending due to China's economic slowdown;

(iv) The Group did explore alternative option of developing the Subject Lands too. Although the alternative option may make better return, the offer from the Purchaser would enable the Group to unlock the immediate value of its investment over the Subject Lands;

(v) The Proposed Disposal could also provide working capital for the existing and future operations of the Group particularly in its plan to develop some 2,500 affordable and intelligent homes in the next 5 years as part of our new 25 years' big dream of providing 1 million houses to communities; and at the same time, to par down some of the Group's borrowings, thereby improving the Group's financial position;

(vi) Part of the proceeds from the Proposed Disposal will enable the Company to make a dividend payment as a reward to the shareholders.

4. UTILISATION OF PROCEEDS

The net proceeds from the Proposed Disposal are expected to be utilised by the Company and/or its subsidiaries ("Naim Group") for the repayment of some bank borrowings, dividend payment* as well as for working capital. Details (including the respective quantums) of such utilisations have yet to be determined at this juncture. The net proceeds are expected to be fully utilised within eighteen (18) months from the completion of the Proposed Disposal.

Note:
* *subject to consents being obtained from financial institutions as well as fulfilment of solvency test requirement as set out under the Companies Act 2016.*

5. RISK FACTOR

5.1 Non-completion of the Proposed Disposal

The completion of the Proposed Disposal is subject to the fulfillment of the terms and conditions of the SPA. In the event of default by either party, the counter party has the right to terminate the Proposed Disposal, if the remedies were not made good within the specified timeline as per the provision of the SPA.

Nevertheless, PHSB will endeavour to take all reasonable steps to ensure the fulfilment of its obligations under the SPA for the purpose of completing the Proposed Disposal.

6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The effects of the Proposed Disposal are as set out below.

6.1 Issued Share Capital

The Proposed Disposal will not have any effect on the issued share capital of the Company as the Proposed Disposal does not involve any issuance of new ordinary shares in the Company.

6.2 Net assets ("NA") and gearing

Based on the latest available audited consolidated financial statements of Naim Group as at 31 December 2019, the pro forma effects of the Proposed Disposal on the NA of Naim Group are as follows:

	Audited as at 31 December 2019 ***(RM'000)***	**After Proposed Disposal** ***(RM'000)***
Share capital	454,802	454,802
Retained earnings	918,379	1,034,187[(i)]
Treasury shares	(34,748)	(34,748)
Other reserves	10,110	10,110
NA	1,348,543	1,464,351
No. of Naim Shares in issue	513,799	513,799
NA per Share	2.62	2.85

Note:-

(i) After incorporating net estimated pro-forma gain of RM115.81 million arising from the Proposed Disposal and this does not take into account any proposed dividend payments (subject to consents being obtained from financial institutions as well as fulfilment of solvency test requirement as set out under the Companies Act 2016) to be made from the proceeds of Disposal Consideration.

6.3 Substantial shareholders' shareholdings

The Proposal Disposal will not have any effect on the substantial shareholders' shareholdings in the Company as the Proposed Disposal does not involve any issuance of new ordinary shares in Naim.

6.4 Earnings per share

As the Proposed Disposal is expected to be completed in the 3rd Quarter of 2020 with a net estimated pro-forma gain of RM115.81 million, the Proposed Disposal is expected to contribute positively to the earnings of Naim Group FYE 31 December 2020.

For illustration purpose, assuming that the Proposed Disposal had been completed on 31 December 2019, the pro forma effects of the Proposed Disposal on the earnings of Naim Group FYE 31 December 2019 are set out below:

	Audited FYE 31 December 2019	**After the Proposed Disposal**
Net profit attributable to owners of the Company (RM'000)	56,626	172,434
Weighted average number of shares in issue * ('000)	483,397	483,397
Basic Earnings per Share (Sen)	11.71	35.67

Notes:

* *computed based on the share capital of 500,743,000 (total paid up share capital of 513,799,000 shares less treasury shares of 13,056,000), adjusted for rights issue exercise effect.*

6.5 Convertible Securities

Naim does not have any outstanding convertible securities.

7. APPROVALS REQUIRED

The Proposed Disposal does not require the approval of the shareholders of Naim or any other authorities.

8. HIGHEST APPLICABLE PERCENTAGE RATIO

The highest percentage ratio applicable for the Proposed Disposal pursuant to paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 24.85% based on the Group's latest available audited financial statements FYE 31 December 2019.

9. ESTIMATED TIMEFRAME FOR COMPLETION OF THE PROPOSED DISPOSAL

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposed Disposal is expected to be completed by the 3rd Quarter of 2020.

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

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

11. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposed Disposal, including the rationale and justification for the Proposed Disposal, is of the opinion that the Proposed Disposal is in the best interests of the Naim Group.

Dated this 17th day of July, 2020